

MATERIALITY POLICY

1. Introduction

- 1.1 This materiality policy ("**Policy**") has been formulated for the identification of group companies, material outstanding litigation involving the Company, its Subsidiaries, Directors, and Promoter and material creditors of FirstMeridian Business Services Limited ("**Company**"), pursuant to the disclosure requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("**SEBI ICDR Regulations**").
- 1.2 This Policy shall be effective from the date of approval of the Policy by the board of directors of the Company ("**Board**").
- 1.3 In this Policy, the term "**Offer Documents**" shall mean the draft red herring prospectus, the red herring prospectus and the prospectus, and any addendum or corrigendum thereto to be filed and/or submitted by the Company in connection with the proposed initial public offering of its equity shares with the Securities and Exchange Board of India ("**SEBI**"), the Registrar of Companies, Maharashtra at Mumbai and/or stock exchanges where the equity shares of the Company are proposed to be listed, as applicable.

All capitalised terms not specifically defined in this Policy shall have the same meanings ascribed to such terms in the Offer Documents.

2. Identification of Group Companies

2.1 Requirement

As per the SEBI ICDR Regulations, the term "Group Companies", is defined to include "*such companies (other than promoter(s) and subsidiary/subsidiaries) with which there were related party transactions, during the period for which financial information is disclosed, as covered under the applicable accounting standards, and also other companies as considered material by the board of the issuer*".

In light of this requirement, subject to paragraph 2.2, the following companies are to be treated as Group Companies of the Company:

- (i) companies (*other than promoter and subsidiaries*) with which the Company had related party transactions, during the period for which financial information is disclosed in the relevant Offer Document (the "**Relevant Period**"), as covered under the Indian Accounting Standard (Ind AS) 24; and
- (ii) companies considered to be material by the Board, in terms of the policy laid down in paragraph 2.2.

2.2 Policy on materiality

Based on the above-stated definition, for the purposes of paragraph 2.1(ii), a company (other than promoter, subsidiaries and those companies identified in 2.1(i) above) shall be considered 'material' and will be disclosed as a 'Group Company' in the Offer Documents, if a company is a member of the promoter group in terms of Regulation 2(1)(pp) of the SEBI ICDR Regulations, and has entered into one or more transactions with the Company in the most recent financial year and/or the relevant stub period, if any (in respect of which Restated Consolidated Financial Information are included in the Offer Documents) that individually or cumulatively in value exceed 10% of the total consolidated revenue of the Company, as per the Restated Consolidated Financial Information of the Company for the last completed full financial year. As per the Restated Consolidated Financial Information of the Company, the total consolidated revenue

from operations of the Company for the Fiscal Year 2022 was ₹ [28,621.23] million and 10% of such consolidated revenue was ₹[2,862.12] million for the Fiscal Year 2022.

3. Identification of 'Material' Litigation (excluding criminal proceedings, statutory/regulatory actions and taxation matters)

3.1 Requirement

As per the requirements of SEBI ICDR Regulations, the Company shall disclose the following classes of pending litigation involving the Company, its Subsidiaries, Directors and Promoter:

- (i) All criminal proceedings;
- (ii) All actions by statutory/ regulatory authorities;
- (iii) Taxation proceedings – Separate disclosures regarding claims related to direct and indirect taxes, in a consolidated manner giving details of number of cases and total amount; and
- (iv) Other pending litigation- as per the policy of materiality defined by the Board and disclosed in the Offer Documents.

Additionally, in terms of the SEBI ICDR Regulations, the Company is required to disclose: (a) any disciplinary action (including a penalty) imposed by SEBI or any of the stock exchanges against the Promoter in the five financial years preceding the date of the relevant Offer Document, including any outstanding action; and (b) any pending litigation involving the group company which has a material impact on the Company.

3.2 Policy on materiality

Other than litigations mentioned in paragraphs 3.1 (i), (ii) and (iii) above, any other pending litigation (including any arbitration proceedings) involving the Company, its Directors, the Subsidiaries and the Promoter, shall be considered "material" for the purpose of disclosure in the Offer Documents if:

- (i) the monetary claim involved, whether by or against the Company, its Directors, the Subsidiaries and the Promoter, in any such pending proceeding is individually in excess of 1% of the consolidated net worth of the Company, as per the latest period of Restated Consolidated Financial Information or 1% of the consolidated revenue of the Company as per the latest annual Restated Consolidated Financial Information, whichever is lower.

As per the Restated Consolidated Financial Information of the Company, the consolidated revenue from operations of the Company for the year ended March 31, 2022 was ₹ [28,621.23] million and consolidated net worth attributable to the owners of the Company as at September 30, 2022 was ₹ [4,454.45] million. Accordingly, 1% of the consolidated revenue from operations of the Company for the year ended March 31, 2022, was ₹ [286.21] million and 1% the consolidated net worth attributable to the owners of the Company as at September 30, 2022 was ₹ [44.54] million; or

- (ii) such pending litigation that is material from the perspective of Company's business, operations, financial results, prospects, or reputation, irrespective of the amount involved in such litigation.

Further, pre-litigation notices (other than those issued by governmental, statutory or regulatory authorities) received by the Company, its Directors, the Subsidiaries and the Promoter shall unless otherwise decided by the Board, not be considered as litigation until such time that any of the Company, its Directors, the Subsidiaries and the Promoter, as the case may be, is made a party to proceedings initiated before any court, tribunal or governmental authority, is notified by any governmental authority or any judicial forum.

4. Identification of 'Material' Creditors

4.1 Requirement

As per the requirements of SEBI ICDR Regulations, the Company shall make the following disclosures in the Offer Documents for outstanding dues to creditors:

- (i) based on the policy on materiality adopted by the Board, and as disclosed in the Offer Document, complete disclosure of Company's creditors which includes consolidated number of creditors and the aggregate amount involved; and
- (ii) consolidated information on outstanding dues to micro, small and medium enterprises, and other creditors, separately giving details of number of cases and amount involved.

4.2 Policy on materiality

For identification of material creditors, in terms of point (i) above, a creditor shall be considered to be material for the purpose of disclosure in the Offer Documents if amounts due to such creditor is equal to or exceeds 5% of the total outstanding dues (i.e., trade payables) of the Company as on the last date of the latest period covered in the Restated Consolidated Financial Information. As per the Restated Consolidated Financial Information of the Company, the trade payables (on a consolidated basis) of the Company as at and as of six months ended September 30, 2022, was ₹ [213.57] million and 5% of such trade payables was ₹ [10.68] million.

5. General

It is clarified that the Policy is solely from the perspective of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Offer Documents and should not be applied towards any other purpose.

This Policy shall be subject to review/changes as may be deemed necessary by the Board/IPO committee and in accordance with regulatory amendments from time to time. This policy shall be without prejudice to any additional disclosure requirement which may be prescribed by SEBI or the Stock Exchanges, including through any observations on the Offer Documents.
