



B D SECURITY LIMITED

**POLICY ON MATERIALITY AS ADOPTED BY THE BOARD OF DIRECTORS OF
THE COMPANY**

1. INTRODUCTION:

This materiality policy ("**the Policy**") has been formulated for the identification of group companies, outstanding litigation and outstanding dues to creditors in respect of B D SECURITY LIMITED ("**the Company**"), pursuant to the disclosure requirements under Schedule VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("**SEBI ICDR Regulations**"), which requires the policy of materiality to be disclosed in the Draft Offer Document and Offer Document.

This Policy shall be effective from the date of approval of the Policy by the board of directors of the Company ("**Board**"). In this Policy, the terms "Draft Offer Document" and "Offer Document" shall have the meaning assigned to it under SEBI ICDR Regulations.

2. APPLICABILITY AND OBJECTIVE:

This policy shall be called as the "Policy on Identification of Group Companies, Material Creditors and Material Litigations" ("Policy").

The Company has adopted this Policy for identification and determination of: (i) material creditors; (ii) material litigations and (iii) Group Companies pursuant to the provisions of SEBI ICDR Regulations, details of which shall be disclosed in the Offer Documents to be filed by the Company in connection with the proposed initial public offering of its equity shares with the SME Platform of the National Stock Exchange of India Limited i.e. NSE EMERGE, Securities and Exchange Board of India, Registrar of Companies, Mumbai ("RoC").

3. INTERPRETATION

In this Policy, unless the context otherwise requires:

1. words denoting the singular shall include the plural and vice versa.
2. references to the words "include" or "including" shall be construed without limitation.

4. POLICY PERTAINING TO THE IDENTIFICATION OF GROUP COMPANIES, MATERIAL CREDITORS AND MATERIAL LITIGATIONS:

The policy with respect to the identification of the Group Companies of our Company, Material Creditors and Material Litigation shall be as follows:

A. LITIGATIONS

Requirement:

The Company shall disclose all the litigations involving the Company or its directors or its promoters or its group companies or its subsidiaries, whichever is applicable, relating to:

- i. All criminal proceedings;
- ii. All actions by statutory/ regulatory authorities;
- iii. Disciplinary action including penalty imposed by SEBI or stock exchanges against the promoters in the last five financial years including outstanding action;
- iv. Claims related to direct and indirect taxes, in a consolidated manner, giving the number of cases and total amount;
- v. All other pending material litigations – As per the policy of materiality defined by the Company.

Policy on Material Litigation:

Any other pending litigation involving the Company or its directors or its promoters or its subsidiaries, whichever is applicable and required to be disclosed under law, would be considered “**material**” for the purpose of disclosure in the Draft Offer Document and Offer Document if:

- a. The aggregate amount involved in such individual litigation exceeds 10% of profit after tax of the Company, as per the last audited financial statements

OR

- b. where the decision in one litigation is likely to affect the decision in similar litigations, even though the amount involved in such single litigation individually may not exceed 10% of the profit after tax of the Company as per the last audited financial statements, if similar litigations put together collectively exceed 10% of the profit after tax of the Company

OR

- c. litigations whose outcome could have a material impact on the business, operations, prospects or reputations of the Company and the Board or any of its committees shall have the power and authority to determine the suitable materiality thresholds for the subsequent financial years on the aforesaid basis or any other basis as may be determined by the Board or any of its committees.

It is clarified that the above policy on materiality shall be without prejudice to any disclosure requirements, which may be prescribed by SEBI and / or such other governmental authority with respect to listed companies and that the above policy on materiality is solely from the perspective of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Draft Offer Document and Offer Document and should not be applied towards any other purpose.

Furthermore, the above policy on materiality shall be without prejudice to the disclosure requirements prescribed under the Companies Act, 2013 and the rules thereunder with respect to disclosure of litigation, notices, disputes and other proceedings in the Draft Offer Document and Offer Document.

B. GROUP COMPANIES

Requirement:

As per the requirements of the SEBI ICDR Regulations, for the purpose of identification of Group Companies, our Company has considered those companies as our Group companies with which there were related party transactions as per the Restated Financial Statements of our Company in any of the last three financial years and stub period (if any) and other Companies as considered material by our Board.

Further, pursuant to the resolution passed by the Board at its Meeting held on 20th July, 2023 for the purpose of disclosure in relation to the Group Companies, a company shall be considered as a material group company and disclosed as the same if such company fulfils the conditions as mentioned below.:-

Policy on Material Group Companies:

The following companies shall be considered to be material Group Company(ies) under the Draft Offer Document and Offer Document if:

1. Such company (ies) in which, the investment in the form of equity or loan by the Company exceeds 10% of the net worth of the Company for the last audited financial year;
2. Where the Company has entered into one or more transactions with such company (ies) in the last audited financial year, cumulatively exceeding 10% of the total revenue of the Company for the last audited financial year;
3. Any other company/ entities that the Board may decide to consider material.

For the avoidance of doubt, it is clarified that the above policy on materiality shall be without prejudice to any disclosure requirements, which may be prescribed by SEBI and/ or such other applicable authority with respect to listed companies and that the above policy on materiality is solely from the perspective of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Draft Offer Document and Offer Document and should not be applied towards any other purpose.

C. OUTSTANDING DUES TO CREDITORS

Requirement:

As per the requirements of SEBI ICDR Regulations, the Company shall make relevant disclosures in the Draft Offer Document and Offer Document for outstanding dues to creditors:

- (i) Based on the policy on materiality of the Board of the Company, details of creditors which include the consolidated number of creditors and the aggregate amount involved;
- (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;

- (iii) Complete details about outstanding over dues to material creditors as per (i) and (ii) above alongwith the name and amount involved for each such material creditor shall disclosed, on the website of the Company with a web link thereto.

Policy on Materiality with respect to outstanding dues to creditors:

The Company shall disclose the details of outstanding dues to creditors (excluding banks and financial institutions from whom the Company has availed of financial facilities) if the amount due to small-scale undertakings and other creditors exceeds 5% of the trade payables of the Company as per the last audited financial statements of the Company.

It is clarified that the above policy on materiality of creditors shall be without prejudice to any disclosure requirements, which may be prescribed by SEBI and/ or such other applicable authority with respect to listed companies and the above policy on materiality is solely from the perspective of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Draft Offer Document and Offer Document and the website of the Company and should not be applied towards any other purpose.

5. AMENDMENT

The Board (including its duly constituted committees wherever permissible) shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with a new provision or replace this Policy entirely with a new Policy. This Policy shall automatically stand amended to reflect any changes to the SEBI Regulations, to the extent the same is the subject matter of this Policy.

6. DISSEMINATION OF THE POLICY

The policy shall be hosted on the website of the Company i.e <https://www.bdsecurity.co.in>.

Note:

This Policy shall come into effect from 28th NOVEMBER, 2023.
