



the Spirit of Innovation

DIVGI TORQTRANSFER SYSTEMS LIMITED

POLICY ON DETERMINATION OF MATERIALITY OF EVENTS

Document Control

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Document Record Sheet

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1. Introduction:

This policy has been framed pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**Listing Regulations**”) for determination of materiality of events or information for disclosure (the “**Policy**”).

This Policy shall be known as Policy on Determination of Materiality Events which shall be disclosed to BSE Limited (“**BSE**”) and National Stock Exchange of India Limited (“**NSE**”) where the equity shares of Divgi TorqTransfer Systems Limited (“**Company**”) are proposed to get listed (“**Stock Exchanges**”).

This Policy shall be applicable to all material events which will have to be reported to Stock Exchanges.

The objective of this Policy is to lay down the criteria for determination of materiality of events and information that need to be disclosed to the Stock Exchanges.

The Policy shall come into effect from the date of listing of the equity shares of the Company with on the Stock Exchanges.

The Listing Regulations requires Company to frame a policy for determination of materiality, based on criteria specified in the Listing Regulations, to be approved by Board of Directors of the Company and further to be disclosed on the website of the Company.

2. Objective of the Policy:

The objectives of this Policy are as follows:

- a. To ensure that the Company complies with the disclosure obligations to which it is subject as a publicly-traded company as laid down by the Listing Regulations, various Securities Laws and any other legislations (In India and Overseas).
- b. To ensure that the information disclosed by the Company is timely, transparent and continuous till the termination of the specific event or information.
- c. To ensure that to the best of the knowledge of the Management, the corporate documents and public statements are accurate and do not contain any misrepresentation.
- d. To protect the confidentiality of Material / Price sensitive information within the context of the Company’s disclosure obligations.
- e. To provide a framework that supports and fosters confidence in the quality and integrity of information released by the Company.
- f. To ensure uniformity in the Company’s approach to disclosures, raise awareness and reduce the risk of selective disclosures.

3. Type of Information:

The information covered by this Policy shall include “information related to the Company's business, operations, or performance which has a significant effect on securities investment decisions” (hereinafter referred to as “material information”) that the Company is required to disclose in a timely and appropriate manner by applying the guidelines for assessing materiality.

Events or information that is to be disclosed without any application of the guidelines for

materiality are specified in Category A in this Policy. Events or information that is to be disclosed based on materiality principle are specified in Category B in this Policy. Category C to this policy covers the information/ events with major developments.

4. Applicability:

This Policy shall be applicable to all the events relating to the Company as and when they fall under the criteria as mentioned in Clause 6 of this Policy.

This Policy shall be read together with the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information formulated and adopted by the Company to lay down the procedures and practical guidelines that would be followed by the Company for the consistent, transparent, regular and timely public disclosure and dissemination of Unpublished Price Sensitive information.

The purpose of this Policy is to determine materiality of events and information based on criteria specified under Regulation 30 of the Listing Regulations and to ensure that the Company shall make timely disclosures of events/information specified under the Listing Regulations to the Stock Exchanges.

5. Definitions:

- 5.1 **“Board of Directors”** means the Board of Directors of the Company.
- 5.2 **“Chief Financial Officer”** or **“head of finance”**, by whatever name called, shall mean the person heading and discharging the finance function of the Company as disclosed by it to the recognised stock exchange(s) in its filing under the Listing regulations;
- 5.3 **“Compliance Officer”** means the Company Secretary of the Company.
- 5.4 **“Key Managerial Personnel”** means key managerial personnel as defined in sub-section (51) of section 2 of the Companies Act, 2013.
- 5.5 **“Officer”** includes any Director, Manager or Key Managerial Personnel or any person in accordance with whose directions or instructions the Board of Directors or any one or more other Directors is or are accustomed to act and includes Promoter or the Company.
- 5.6 **“Promoter”** and **“Promoter group”** shall have the same meaning as assigned in clause (oo) and (pp) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. .
- 5.7 **“Stock Exchange(s)”** means a recognised stock exchange(s) as defined under clause (f) of section 2 of the Securities Contracts (Regulation) Act, 1956.
- 5.8 **“Subsidiary”** means a subsidiary as defined under sub-section (87) of Section 2 of the

Companies Act, 2013.

All other words and expressions used but not defined in this Policy, but defined in the SEBI Act, 1992, Companies Act, 2013, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996 and/or the rules and regulations made thereunder shall have the same meaning as respectively assigned to them in such Acts or rules or regulations or any statutory modification or re-enactment thereto, as the case may be

6. Disclosure of Events:

The events to be disclosed by the Company are broadly divided into three categories:

Category A: Covers the events that needs to be necessarily disclosed without applying any test of materiality.

Category B: Covers the events that needs be disclosed by the Company, if considered material.

Category C: Covers the information/ events with major developments.

CATEGORY A

Below are the details which the Company needs to disclose to the Stock Exchange(s), for the events that are deemed to be material as per Regulation 30:

1. Acquisition(s) (including agreement to acquire), Scheme of Arrangement (amalgamation/ merger/ demerger/ restructuring) or sale or disposal of any unit(s), division(s) or subsidiaries of the Company or any other restructuring;

“Acquisition” shall mean:

- (i) acquiring control, whether directly or indirectly; or
 - (ii) acquiring or agreeing to acquire shares or voting rights in, a company, whether directly or indirectly, such that -
 - (a) the Company holds shares or voting rights aggregating to 5% or more of the shares or voting rights in the said company, or
 - (b) there has been a change in holding from the last disclosure made under sub clause (a) of clause (ii) of this explanation and such change exceeds 2% of the total shareholding or voting rights in the said company;
2. Issuance or forfeiture of securities, split or consolidation of shares, buyback of securities, any restriction on transferability of securities or alteration in terms or structure of existing securities including forfeiture, reissue of forfeited securities, alteration of calls, redemption of securities, etc.;

3. Revision in Rating(s);
4. Outcome of meetings of the Board of Directors held to consider or decide the following:
 - i. dividends and/or cash bonuses recommended or declared or the decision to pass any dividend and the date on which dividend shall be paid/ dispatched;
 - ii. any cancellation of dividend with reasons thereof;
 - iii. the decision on buyback of securities;
 - iv. the decision with respect to fund raising proposed to be undertaken;
 - v. increase in capital by issue of bonus shares through capitalization including the date on which such bonus shares would be credited/dispached;
 - vi. reissue of forfeited shares or securities, or the issue of shares or securities held in reserve for future issue or the creation in any form or manner of new shares or securities or any other rights, privileges or benefits to subscribe to;
 - vii. short particulars of any other alterations of capital, including calls;
 - viii. financial results;
 - ix. decision on voluntary delisting by the Company from stock exchange(s);

These details of the events shall be disclosed to the Stock exchanges within 30 minutes of the closure of the meeting.

Provided that in case of board meetings being held for more than one day, the financial results shall be disclosed within thirty minutes of end of the meeting for the day on which it has been considered;

5. Agreements (viz. shareholder agreement(s), joint venture agreement(s), family settlement agreement(s) (to the extent that it impacts management and control of the Company), agreement(s)/ treaty(ies)/ contract(s) with media companies) which are binding and not in normal course of business, revision(s) or amendment(s) and termination(s) thereof;
6. Fraud/ Defaults by promoter or key managerial personnel or by the Company or arrest of key managerial personnel or promoter;
7. Change in Directors, Key Managerial Personnel (Managing Director, Chief Executive Officer, Chief Financial Officer, Company Secretary etc.), Auditor and Compliance Officer;
8. In case of resignation of the auditor of the Company, detailed reasons for resignation of auditor, as given by the said auditor, shall be disclosed by the Company to the Stock Exchanges as soon as possible but not later than 24 hours of receipt of such reasons from the auditor;

9. In case of resignation of an independent director of the Company, within 7 days from the date of resignation, the following disclosures shall be made to the Stock Exchanges by the Company:
 - (i) Detailed reasons for the resignation of independent directors as given by the said director shall be disclosed by the Company to the Stock Exchanges.
 - (ii) The independent director shall, along with the detailed reasons, also provide a confirmation that there is no other material reasons other than those provided.
 - (iii) The confirmation as provided by the independent director above shall also be disclosed by the Company to the Stock Exchanges along with the detailed reasons as specified in sub-clause (i) above;
10. Appointment or discontinuation of share transfer agent;
11. Resolution plan/ Restructuring in relation to loans/borrowings from banks/financial institutions including the following details:
 - (i) Decision to initiate resolution of loans/borrowings;
 - (ii) Signing of Inter-Creditors Agreement (ICA) by lenders;
 - (iii) Finalization of Resolution Plan;
 - (iv) Implementation of Resolution Plan;
 - (v) Salient features, not involving commercial secrets, of the resolution/restructuring plan as decided by lenders;
12. One time settlement with Bank;
13. Winding-up petition filed by any party / creditors;
14. Issuance of notices, call letters, resolutions and circulars sent to shareholders, debenture; holders or creditors or any class of them or advertised in the media by the Company;
15. Proceedings of annual and extraordinary general meetings of the Company;
16. Amendments to memorandum and articles of association of the Company, in brief;
17. Schedule of analyst or institutional investor meet and presentations on financial results made by the Company to analysts or institutional investors.
18. Schedule of analysts or institutional investors meet and presentations made by the Company to analysts or institutional investors.

Explanation: For the purpose of this clause 'meet' shall mean group meetings or group conference calls conducted physically or through digital means.

19. Audio or video recordings and transcripts of post earnings/quarterly calls, by whatever name called, conducted physically or through digital means, simultaneously with submission to the recognized stock exchange(s), in the following manner:
 - the presentation and the audio/video recordings shall be promptly made available on the website and in any case, before the next trading day or within 24 hours from the conclusion of such calls, whichever is earlier;
 - the transcripts of such calls shall be made available on the website within 5 working days of the conclusion of such calls;
 - The requirement for disclosure(s) of audio/video recordings and transcript shall be mandatory with effect from the date of listing of the equity shares on the recognised stock exchanges;
20. In case of corporate insolvency resolution process of the Company, disclosure of events as specified in Clause 16 Para-A of Part-A of Schedule III of the Listing Regulations;
21. In case of initiation of forensic audit, (by whatever name called), the following disclosures shall be made to the stock exchanges by the Company:
 - (a) The fact of initiation of forensic audit along-with name of entity initiating the audit and reasons for the same, if available;
 - (b) Final forensic audit report (other than for forensic audit initiated by regulatory / enforcement agencies) on receipt by the listed entity along with comments of the management, if any.

CATEGORY B

Below are the details which the Company needs to disclose for the events on which the Company may apply materiality on the basis of guidelines mentioned in clause 6 below:

1. Commencement or any postponement in the date of commencement of commercial production or commercial operations of any unit/ division;
2. Change in the general character or nature of business brought about by arrangements for strategic, technical, manufacturing, or marketing tie-up, adoption of new line(s) of business or closure of operations of any unit/division (entirety or piecemeal);
3. Capacity addition or product launch;
4. Awarding, bagging/ receiving, amendment or termination of awarded/bagged orders/ contracts, not in the normal course of business;

5. Agreements (viz. loan agreement(s) (as a borrower) or any other agreement(s) which are binding and not in normal course of business, revision(s) or amendment(s) and termination(s) thereof;
6. Disruption of operations of any one or more units or division of the Company due to natural calamity (earthquake, flood, fire etc.), force majeure or events such as strikes, lockouts etc.;
7. Effect(s) arising out of change in the regulatory framework applicable to the Company;
8. Litigation(s)/ dispute(s)/ regulatory action(s) with impact;
9. Frauds/ defaults by Directors (other than Key Managerial Personnel) or employees of the Company;
10. Options to purchase securities including ESOP/ ESPS Scheme;
11. Giving of guarantees or indemnity or becoming a surety for any third party not in the normal course of business;
12. Granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals.

CATEGORY C

The Company shall also disclose other information/ events with major developments likely to affect business of the Company, which shall, inter alia, include:

1. Change in Accounting Policy with significant impact on accounts, etc.;
2. Any information which may be necessary to enable the investors to appraise their positions and to avoid the establishment of false market in such securities;
3. Any market sensitive information or event determined as material by the Key Managerial Personnel or the Board of Directors of the Company.

7. Criteria for Determination of Materiality of Events:

Materiality has to be determined on a case-to-case basis depending on specific facts and circumstances relating to the information/ event. In order to determine whether a particular event or information is material in nature, the following 'quantitative' or 'qualitative' criteria(s) shall be applied.

Quantitative criteria

Materiality shall become applicable to an event or information where the value involved or the impact exceeds 10 % (Ten per cent) of the total revenue or 10 % % (Ten per cent) of the Net profits or 10 % % (Ten per cent) of the Net worth, whichever is less, on the basis of last audited financial statements of the Company.

Quantitative criteria Materiality shall become applicable to an event or information:

- (a) if the omission of which is likely to result in a discontinuity or alteration of event or information already available publicly; or
- (b) if the omission is likely to result in significant market reaction if the said omission came to light at a later date; or
- (c) if in the opinion of the Board of Directors of the Company, the event or information is considered material; or
- (d) any other event / information which is treated as unpublished price sensitive information.

8. Authorization for Making Disclosures:

The Chairman and Managing Director, Whole Time Director, Chief Financial Officer and Company Secretary of the Company are severally/ jointly authorized for the purpose of determining materiality of an event/ information and for the purpose of making disclosures to stock exchange(s) under this Policy, the contact details of whom are also available on the website of the Company.

The Authorized Person(s) shall have the following powers and responsibilities for determining the material events or information:

- a) To review and assess an event or information that may qualify as 'material' and may require disclosure, on the basis of facts and circumstances prevailing at a given point in time.
- b) To determine the appropriate time at which the disclosures are to be made to the stock exchanges based on an assessment of actual time of occurrence of an event or information.
- c) To disclose developments that are material in nature on a regular basis, till such time the event or information is resolved/closed, with relevant explanations.
- d) To consider such other events or information that may require disclosure to be made to

the stock exchanges which are not explicitly defined in the Listing Regulations and determine the materiality, appropriate time and contents of disclosure for such matters.

- e) To disclose all events or information with respect to the subsidiaries which are material for the Company.

9. Disclosure Obligations:

- i. All the Key Managerial Personnel of the Company shall be under an obligation to disclose material event and / or price sensitive information relating to items covered under paras (6) and (7) (5) above, to the Compliance officer.
- ii. The materiality of events outlined in this Policy is indicative in nature. The authorized officers of the Company shall exercise their own judgement while assessing and determining the materiality of events associated with the Company.
- iii. Upon receipt of information mentioned at para no. (6) And (7) Compliance Officer shall consult Managing Director or in his absence or non-availability the Whole Time Director before making disclosure of the material events and / or price sensitive information to the Stock Exchanges.
- iv. The Compliance Officer shall disclose all material events and / or information as soon as reasonably possible and not later than 24 hours from the occurrence of events or information in the following manner:
 - (a) Inform the stock exchange on which the securities of the Companies are listed; and
 - (b) Upload on the website of the Company. In case the disclosure is made after 24 hours of occurrence of event or information, the explanation for delay shall also be provided along with the disclosure.
- v. Where any disclosure has been made under this Policy, further updates on regular basis, if any, with relevant explanations shall be made subject to same being approved by the Managing Director or in his absence or non-availability, the Whole Time Director.
- vi. All the disclosures made under this Policy shall be uploaded on website of the Company under the 'Investor' section. The same shall be available in the archives for a period of 5 years from the date of disclosure. Thereafter, the hosting of the same shall be decided as per the policy on preservation and archiving of documents in the Company.

- vii. Events or information with respect to subsidiaries, which are material for the Company and as approved by the Chairman and Managing Director, shall also be uploaded on the Company's website.
- viii. The Company shall provide specific and adequate reply to all queries raised by Stock Exchanges with respect to any events or information.
- ix. The Company may on its initiative also confirm or deny any reported events or information to Stock exchange(s).
- x. In case where an event occurs or an information is available with the Company, which has not been indicated in Para A or B of Part A of Schedule III of the Listing Regulations, but in the opinion of Compliance Officer has a material effect on the Company, it shall make adequate disclosures to the Stock Exchanges.

10. Guidelines on Timing of an Event or Information:

The Company may be confronted with the question as to when an event/information can be said to have occurred.

In certain instances, the answer to above question would depend upon the stage of discussion, negotiation or approval and in other instances where there is no such discussion, negotiation or approval required viz. in case of natural calamities, disruptions etc., and the answer to the above question would depend upon the timing when the Company became aware of the event/information.

In the former, the events/information (based on the facts and circumstances), can probably be said to have occurred upon receipt of approval of Board of Directors.

However, considering the price sensitivity involved, for certain events e.g. decision on declaration of dividends etc., disclosure shall be made on receipt of approval of the event by the Board of Directors, pending Shareholder's approval.

In the latter, the events/information can be said to have occurred when the Company becomes aware of the events/information, or as soon as, an officer of the Company has, or ought to have reasonably come into possession of the information in the course of the performance of his duties.

Disclosure(s) as required under the Listing Regulations will be made within 30 minutes of the conclusion of the Board Meeting or within 24 hours from the time the event occurred or the officer(s) becomes aware of the event or information, as applicable.

11. Amendment to the Policy:

The Board of Directors shall alter, amend or modify the clauses of this Policy from time to time in line with any changes / amendment in the Act and Listing Regulations, from time to time.

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment/modification in the Listing Regulations, Act and/or applicable laws in this regard shall automatically apply to this Policy.

