



MATERIALITY POLICY



FUJIYAMA POWER SYSTEMS LIMITED

MATERIALITY POLICY

This materiality policy (“**Policy**”) has been formulated to define the respective materiality thresholds in respect of Fujiyama Power Systems Limited (the “**Company**”), pursuant to the disclosure requirements under Schedule VI of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (as amended from time to time) (“**SEBI ICDR Regulations**”), in respect of the following:

- A. Identification of material companies to be disclosed as group companies;
- B. Identification of ‘material’ outstanding litigation involving the Relevant Parties (*defined below*); and
- C. Identification of ‘material’ creditors.

APPLICABILITY

The board of directors of the Company (“**Board**”) at their meeting held on December 23, 2024, discussed and approved the Policy. This Policy shall be effective from the date of its approval by the Board.

For the purpose of this Policy, (i) “**Offer Documents**” shall mean the draft red herring prospectus, the red herring prospectus and the prospectus (each along with any addenda or corrigenda, 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, National Capital Territory of Delhi and Haryana at New Delhi, the stock exchanges where the equity shares of the Company are proposed to be listed and any other government / regulatory authorities, as applicable; and (ii) [“**Restated Financial Information**” shall mean the restated financial information of the Company as disclosed in the Offer Documents.

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

A. Identification of material companies to be disclosed as group companies

Requirement:

As per the requirements of the SEBI ICDR Regulations, group companies include (i) such companies (other than the subsidiaries, if any, and the promoter(s)) with which there were related party transactions, during the period for which financial information is disclosed in the Offer Document(s), as covered under the applicable accounting standards; and (ii) other companies as considered ‘material’ by the Board.

With respect to point (ii), companies (other than the companies covered under (i) above) which are identified based on the policy of materiality specified below, shall be disclosed in the Offer Documents.

Policy on materiality:

In addition to the companies covered in (i) above, for the purpose of disclosure in the Offer Documents, the following shall be considered material and shall be disclosed as a ‘Group Company’ (a) if such company is a member of the promoter group as defined under Regulation 2(1)(pp) of the SEBI ICDR Regulations; and (b) with which there were transactions during the last complete financial year and the stub period, if any included in the Restated Financial Information of the Company included in the Offer Documents, which individually or in the aggregate, exceed 5% of the total revenue from operations of the Company for such period.

Certain information about Group Companies identified based on the above approach shall be disclosed in the Offer Documents in accordance with SEBI ICDR Regulations.

B. Identification of ‘material’ outstanding litigation

Requirement:

As per the requirements of the SEBI ICDR Regulations, the Company must disclose the following outstanding litigation involving the Company, its directors and/or promoters (collectively “**Relevant Parties**”):

- (i) all criminal proceedings (including matters at FIR stage where no/some cognizance has been taken by any court);
- (ii) all actions by regulatory authorities and statutory authorities (including notices);
- (iii) disciplinary action including penalty imposed by SEBI or stock exchanges against the promoter(s) in the last five financial years preceding the relevant Offer Document including outstanding actions;
- (iv) claims related to direct and indirect taxes, in a consolidated manner, giving the number of cases and total amount involved.; and
- (v) other outstanding litigations (including civil ,arbitration and tax proceedings), which are determined to be material as per policy of materiality defined by the Board.

Further, as per the requirements of SEBI ICDR Regulations, the Company shall also disclose such outstanding litigation involving the group companies which has a material impact on the Company.

Pre-litigation notices received by any of the Relevant Parties from third parties (excluding those notices issued by statutory / regulatory / governmental / tax / judicial authorities or notices threatening criminal action or FIRs) shall, in any event, not be considered as litigation and accordingly not be disclosed in the Offer Documents until such time that Relevant Parties, as applicable, are impleaded as defendants or parties in litigation or arbitration proceedings before any judicial or arbitral forum

Policy on materiality:

For the purpose of (v), any other outstanding litigation involving the Relevant Parties would be considered 'material' for the purpose of disclosure in the Offer Documents, if:

- (a) the monetary amount of claim/dispute, to the extent quantifiable, involved in any such outstanding litigation is equivalent to or in excess of ₹ 16.37 million which is lower of [(i) 2% of total revenue, as per the latest Fiscal included in the Restated Financial Information of the Company; or (ii) 2% of net worth, as per the latest Fiscal included in the Restated Financial Information of the Company, except in case the arithmetic value of the net worth is negative; or (iii) 5% of average of absolute value of profit or loss after tax, as per the Restated Financial Information of the Company for the last three Fiscals; or
- (b) any outstanding litigation, where the monetary impact is not quantifiable or does not exceed the threshold mentioned in point (a) above, but an adverse outcome of which would materially and adversely affect the business, prospects, operations, performance, financial position, cash flows or reputation of the Company in the opinion of the Board or where a decision in one case is likely to affect the decision in similar cases even though the monetary impact in the individual cases does not exceed the threshold mentioned in point (a) above.

Any pending litigation involving the group companies, as identified in accordance with provisions of SEBI ICDR Regulations would be considered to have a 'material impact' on the Company for the purpose of disclosure in the Offer Documents, if an adverse outcome from such pending litigation would materially and adversely affect the business, prospects, operations, performance, financial position, cash flows or reputation of the Company.

C. Identification of material creditors

Requirement:

As per the requirements of the SEBI ICDR Regulations, the Company shall make relevant disclosures in the Offer Documents and on the website of the Company for outstanding dues to creditors as follows:

- (i) based on the policy on materiality defined by the Board, details of the 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 (“**MSME**”) and other creditors, separately giving details of number of creditors and amount involved; and
- (iii) complete details about outstanding over-dues to material creditors along with the name and amount involved for each such material creditor shall be disclosed on the website of the Company with a web link thereto in the Offer Documents.

For outstanding dues to MSME and other creditors, the disclosure will be based on information available with the Company regarding the status of the creditors as MSME as defined under Section 2 read with Section 7 of the Micro, Small and Medium Enterprises Development Act, 2006, as amended, as has been relied upon by the statutory auditors in preparing their audit report.

Policy on materiality:

For identification of a material creditor, a creditor of the Company shall be considered to be material for the purpose of disclosure in the Offer Documents and the website of the Company, if amounts due to such creditor is equivalent to or in excess of 5% of the trade payables of the Company as at the end of the most recent financial period covered in the Restated Financial Information included in the Offer Documents.

GENERAL

It is clarified that the Policy is solely for the purpose of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Offer Documents, and should not be applied towards any other purpose, including for disclosure of material information by listed entities pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

The Policy shall be without prejudice to any disclosure requirements, which may be prescribed under the Companies Act, 2013 and the rules thereunder or by SEBI and/ or such other regulatory, judicial, quasi-judicial, governmental, administrative or statutory authority with respect to listed companies or disclosure requirements as may be prescribed by SEBI through its observations on the Offer Documents, or additional disclosures that may arise on account of any investor or other complaints.

This Policy shall be subject to review/changes as may be deemed necessary and in accordance with regulatory amendments from time to time.