

***POLICY FOR DETERMINATION OF MATERIALITY***

*Approved by the Board of Directors at its meeting held on July 29, 2023*

## **Background**

Five-Star Business Finance Limited (“**Company**”) is committed to being open and transparent with all stakeholders and believes in disseminating information in a fair and timely manner.

Pursuant to Regulation 30 read along with Part A and Part B of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“**LODR Regulations**”) the Board of Directors (“**Board**”) has adopted this Policy for determination of materiality (“**Policy**”) so that such events / information can be promptly disclosed to the stock exchanges, as per the regulations.

This Policy is effective from the date of listing of securities of the Company.

## **Definitions**

In this Policy, unless the context requires otherwise:

“**Board**” shall mean the Board of Directors of the Company;

“**Chief Financial Officer**” shall mean the person heading, responsible and for discharging the finance function of the Company as disclosed by it to the recognized stock exchange(s) in its filing under the LODR Regulations;

“**Companies Act**” shall mean the Companies Act, 2013, as amended;

“**Key Managerial Personnel**”/“**KMP**” means personnel as defined under Section 2(51) the Companies Act, 2013;

“**Promoter**” shall have the meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time (“**ICDR Regulations**”);

“**Promoter Group**” shall have the meaning assigned to it under the ICDR Regulations;

“**Subsidiary**” means a subsidiary as defined under sub-section (87) of section 2 of the Companies Act.

All other words and expressions used but not defined in this Policy, but defined in the SEBI Act, 1992, SEBI (Listing Obligations & Disclosure Requirements), Regulations 2015, Companies Act, 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.

## **Objectives of the Policy**

The objectives of this Policy are as follows:

- a) To ensure that the Company complies with the disclosure obligations of a listed company laid down by the LODR Regulations, various securities laws and any other applicable laws (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; and
- f) To ensure uniformity in the Company’s approach to disclosures, raise awareness and reduce the risk of selective disclosures.

## Type of Information

The events or information which will be necessary to be disclosed to the Stock Exchanges are divided into three categories as specified in Part A of Schedule III of the SEBI LODR Regulations.

- a) Certain information would be *per se* material information as per the LODR Regulations. The details of these *per se* disclosures are attached in **Annexure 1** to this Policy.
- b) Besides *per se* material information, an event/information, would be deemed as material information as per the following criteria specified in the LODR Regulations:
  - Whether the omission of an event or information which is likely to result in a discontinuity or alteration of an event or information already available publicly; or
  - Whether the omission of an event or information is likely to result in significant market reaction if the said omission came to light at a later date; or
  - Whether omission of an event or information, whose value or the expected impact in terms of value, exceeds lower of the following:
    - a) two percent of turnover, as per the last audited consolidated financial statements of the listed entity;
    - b) two percent of net worth, as per the last audited consolidated financial statements of the listed entity, except in case the arithmetic value of the net worth is negative
    - c) five percent of the average of absolute value of profit or loss after tax, as per the last three audited consolidated financial statements of the listed entity

The details of disclosures to be made based on application of materiality is provided in **Annexure 2**.

- c) In some cases, to ascertain materiality, thresholds as prescribed in this Policy, cannot be applied, the KMPs, in such cases, shall frame their opinion on a case to case basis, based on specific facts and circumstances relating to the information/event and while doing so, it may consider, among other factors, any of the following factors:
  - Whether there would be any direct or indirect impact on the reputation of the Company;
  - Whether non-disclosure can lead to creation of false market in the securities of the Company;
  - Whether there would be a significant impact on the operations or performance of the Company;

In case where the criteria specified above is not applicable, an event or information may be treated as being material if in the opinion of the Board, the event or information is considered material:

For the purpose of determining the materiality in terms of this Policy, the relevant employees, as defined herein, may identify any potential material event or information and reporting the same to the Authorized Persons, in terms of sub-regulation (5) of Regulation 30, for determining the materiality of the said event or information and for making the necessary disclosures to the stock exchange(s). **For the purpose of this Policy, Relevant Employees shall mean such employee as identified by Managing Director of the Company.**

The Company to that extent shall make qualified disclosure to the stock exchanges.

## Person(s) Responsible for Disclosure

The Key Managerial Personnel consisting of the Managing Director, the Whole-time Director, the Chief Executive Officer, Chief Financial Officer and the Company Secretary of the Company, shall jointly and severally be the authority to determine the materiality of any information, classify it as a material information, decide the appropriate time (*based on occurrence/happening or not happening of events/receipt of information etc.*) at which disclosure is to be filed with the stock exchanges and details that may be filed in the best interest of present and potential investors.

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 in a timely manner and other matters related thereto.

“**Authorized Person(s)**” shall include Managing Director, Chief Financial Officer, Chief Financial Officer, and Company Secretary 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 LODR 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.

#### **Obligations of Internal Stakeholders/Relevant employees and Authorized Person for disclosure**

- a) Any event or information, including the information forming part of Annexure 1 and Annexure 2 to the Policy shall be forthwith informed to the Authorized Person(s) upon occurrence, with adequate supporting data/information, to facilitate a prompt and appropriate disclosure to the stock exchanges.
- b) The Authorized Person will then ascertain the materiality of such event(s) or information based on the above guidelines.
- c) On completion of the assessment, the Authorized Person shall, if required, make appropriate disclosure(s) to the stock exchanges no later than timelines and in the manner provided under provisions of SEBI LODR Regulations and any circulars issued by SEBI in this regard.

#### **Response to Stock Exchange**

The Company shall provide a specific and adequate reply to all queries raised by stock exchange(s) with respect to any events or information. Provided that the stock exchange(s) shall disseminate information and clarification as soon as reasonably practicable.

#### **Response to information in the Mainstream Media**

The Company shall, to the extent required under the provisions of LODR Regulations, confirm, deny or clarify any reported event or information in the Mainstream Media which is not general in nature and which indicates that rumours of an impending specific material event or information in terms of the provisions of this regulation are circulating amongst the investing public, as soon as reasonably possible and not later than twenty-four hours from the reporting of the event or information.

If the Company confirms any reported event or information, then it shall also provide the current stage of such event or information.

For the purpose of this clause, Mainstream media shall have the same meaning assigned to it under SEBI (Listing Obligations & Disclosure Requirements), Regulations 2015.

#### **Agreements to which the Company is not a party**

All the shareholders, promoters, promoter group entities, related parties, directors, key managerial personnel and employees of the Company or of its holding, subsidiary and associate company, who are parties to the agreements specified in clause 5A of para A of part A of schedule III to these regulations, shall inform the Company about the agreement to which the Company is not a party, within two working days of entering into such agreements or signing an agreement to enter into such agreements, for the purpose of making requisite disclosure in terms of LODR Regulations.

**Policy Review**

The Authorized Persons may review the Policy from time to time. Material changes to the Policy will need the approval of the Board. Should there be any inconsistency between the terms of the Policy and the LODR Regulations, the provisions of the LODR Regulations shall prevail.

Any amendments to the LODR Regulations shall mutatis mutandis be deemed to have been incorporated in this Policy.

**Website**

As per the provisions of the LODR Regulations, the Policy shall be disclosed on the website of the Company. Further, the Company shall disclose on its website all such events or information which has been disclosed to stock exchange(s) under the LODR Regulations and such disclosures shall be made available on the website of the Company for a period of five years and thereafter as per the documentation retention and archival policy of the Company.

Questions or clarifications about the Policy or disclosures made by the Company should be referred to the Company Secretary, who is in charge of administering, enforcing and updating this Policy.

In any circumstance where the terms of this policy differs from any existing or newly enacted law, rule, regulation or standard governing the Company, the law, rule, regulation or standard will take precedence over these policies and procedures until such time as this policy is changed to conform to the law, rule, regulation or standard.

**Annexure – I**  
**List of events which shall be considered as Material without application of materiality**  
**[Regulation 30]**

- 1) Acquisition(s) (including agreement to acquire), Scheme of Arrangement (amalgamation, merger, demerger or restructuring), sale or disposal of any unit(s), division(s), whole or substantially the whole of the undertaking(s) or subsidiary of the listed entity, sale of stake in associate company of the listed entity or any other restructuring.

Explanation (1) - For the purpose of this sub-paragraph, the word 'acquisition' shall mean

- (i) acquiring control, whether directly or indirectly; or
- (ii) acquiring or agreement to acquire shares or voting rights in a company, whether existing or to be incorporated, whether directly or indirectly, such that:
  - a. the Company holds shares or voting rights aggregating to five per cent 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 the Explanation to this sub-paragraph and such change exceeds two per cent of the total shareholding or voting rights in the said company; or
  - c. the cost of acquisition or the price at which the shares are acquired exceeds the threshold specified in sub-clause (c) of clause (i) of sub regulation (4) of regulation 30.

Explanation (2) - For the purpose of this sub-paragraph, “sale or disposal of subsidiary” and “sale of stake in associate company” shall include:

- (i) an agreement to sell or sale of shares or voting rights in a company such that the company ceases to be a wholly owned subsidiary, a subsidiary or an associate company of the Company; or
- (ii) an agreement to sell or sale of shares or voting rights in a subsidiary or associate company such that the amount of the sale exceeds the threshold specified in sub-clause (c) of clause (i) of sub-regulation (4) of regulation 30.

Explanation (3) - For the purpose of this sub-paragraph, “undertaking” and “substantially the whole of the undertaking” shall have the same meaning as given under section 180 of the Companies Act, 2013.

- 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) New Rating(s) or Revision in Rating(s).
- 4) Outcome of Meetings of the board of directors: The Company shall disclose to the Exchange(s), within 30 minutes of the closure of the meeting, held to consider the following:
- a) 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;
  - b) any cancellation of dividend with reasons thereof;
  - c) the decision on buyback of securities;
  - d) the decision with respect to fund raising proposed to be undertaken
  - e) increase in capital by issue of bonus shares through capitalization including the date on which such bonus shares shall be credited/dispatched;
  - f) 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;
  - g) short particulars of any other alterations of capital, including calls;
  - h) financial results;
  - i) decision on voluntary delisting by the Company from stock exchange(s):

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.

In case of agreements entered into by the shareholders, promoters, promoter group entities, related parties, directors, key managerial personnel, employees of the Company or of its holding, subsidiary or associate company, among themselves or with the Company or with a third party, solely or jointly, which, either directly or indirectly or potentially or whose purpose and effect is to, impact the management or control of the Company or impose any restriction or create any liability upon the Company, shall be disclosed to the Stock Exchanges, including disclosure of any rescission, amendment or alteration of such agreements thereto, whether or not the Company is a party to such agreements:

Provided that such agreements entered into by a Company in the normal course of business shall not be required to be disclosed unless they, either directly or indirectly or potentially or whose purpose and effect is to, impact the management or control of the Company or they are required to be disclosed in terms of any other provisions of these regulations.

Explanation: For the purpose of this clause, the term “directly or indirectly” includes agreements creating obligation on the parties to such agreements to ensure that Company shall or shall not act in a particular manner.

- 6) Fraud or defaults by a Company, its promoter, director, key managerial personnel, senior management or subsidiary or arrest of key managerial personnel, senior management, promoter or director of the Company, whether occurred within India or abroad

For the purpose of this sub-paragraph:

- (i) ‘Fraud’ shall include fraud as defined under Regulation 2(1)(c) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.
- (ii) ‘Default’ shall mean non-payment of the interest or principal amount in full on the date when the debt has become due and payable.

Explanation 1- In case of revolving facilities like cash credit, an entity would be considered to be in ‘default’ if the outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than thirty days

Explanation 2- Default by a promoter, director, key managerial personnel, senior management, subsidiary shall mean default which has or may have an impact on the Company.

- 7) Change in directors, key managerial personnel (Managing Director, Chief Executive Officer, Chief Financial Officer, Company Secretary etc.), senior management, Auditor and Compliance Officer.
- a. 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 twenty-four hours of receipt of such reasons from the auditor.
- b. In case of resignation of independent director of the Company, including reasons for resignation and within seven days from the date of resignation, the following disclosures shall be made to the stock exchanges by the Company:

1. The letter of resignation along with detailed reasons for the resignation as given by the said director.
  2. Names of listed entities in which the resigning director holds directorships, indicating the category of directorship and membership of board committees, if any.
  3. The independent director shall, along with the detailed reasons, also provide a confirmation that there is no other material reasons other than those provided.
  4. The confirmation as provided by the independent director above shall also be disclosed by the Company to the stock exchanges along with the disclosures as specified in sub-clause (i) and (ii) above.
- c. In case of resignation of key managerial personnel, senior management, Compliance Officer or director other than an independent director; the letter of resignation along with detailed reasons for the resignation as given by the key managerial personnel, senior management, Compliance Officer or director shall be disclosed to the stock exchanges by the Company within seven days from the date that such resignation comes into effect.
- d. In case the Managing Director or Chief Executive Officer of the Company was indisposed or unavailable to fulfil the requirements of the role in a regular manner for more than forty five days in any rolling period of ninety days, the same along with the reasons for such indisposition or unavailability, shall be disclosed to the stock exchange(s).
- 8) Appointment or discontinuation of share transfer agent.
- 9) 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
- 10) One time settlement with a bank.
- 11) winding-up petition filed by any party / creditors.
- 12) 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.
- 13) Proceedings of Annual and extraordinary general meetings of the Company.
- 14) Amendments to memorandum and articles of association of Company, in brief.
- 15) a) Schedule of analysts or institutional investors meet at least two working days in advance (excluding the date of the intimation and the date of the 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

b) 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:



- (i) 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 twenty-four hours from the conclusion of such calls, whichever is earlier
  - (ii) the transcripts of such calls shall be made available on the website within five working days of the conclusion of such calls
- 16) The following events in relation to the corporate insolvency resolution process (CIRP) of a listed corporate debtor under the Insolvency Code:
- a) Filing of application by the corporate applicant for initiation of CIRP, also specifying the amount of default;
  - b) Filing of application by financial creditors for initiation of CIRP against the corporate debtor, also specifying the amount of default
  - c) Admission of application by the Tribunal, along with amount of default or rejection or withdrawal, as applicable
  - d) Public announcement made pursuant to order passed by the Tribunal under section 13 of Insolvency Code
  - e) List of creditors as required to be displayed by the corporate debtor under regulation 13(2)(c) of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016
  - f) Appointment/ Replacement of the Resolution Professional
  - g) Prior or post-facto intimation of the meetings of Committee of Creditors
  - h) Brief particulars of invitation of resolution plans under section 25(2)(h) of Insolvency Code in the Form specified under regulation 36A(5) of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016;
  - i) Number of resolution plans received by Resolution Professional
  - j) Filing of resolution plan with the Tribunal;
  - k) Approval of resolution plan by the Tribunal or rejection, if applicable;
  - l) Specific features and details of the resolution plan as approved by the Adjudicating Authority under the Insolvency Code, not involving commercial secrets, including details such as:
    - a. Pre and Post net-worth of the company;
    - b. Details of assets of the company post CIRP;
    - c. Details of securities continuing to be imposed on the companies' assets;
    - d. Other material liabilities imposed on the company;
    - e. Detailed pre and post shareholding pattern assuming 100% conversion of convertible securities;
    - f. Additional liability on the incoming investors due to the transaction, source of such funding etc
    - g. Impact on the investor – revised P/E, RONW ratios etc.;
    - h. Names of the new promoters, key managerial personnel, if any and their past experience in the business or employment. In case where promoters are companies, history of such company and names of natural persons in control;
    - i. Brief description of business strategy;
  - m) Any other material information not involving commercial secrets;
  - n) Proposed steps to be taken by the incoming investor/acquirer for achieving the MPS;
  - o) Quarterly disclosure of the status of achieving the MPS;
  - p) The details as to the delisting plans, if any approved in the resolution plan
- 17) Initiation of Forensic audit: In case of initiation of forensic audit, (by whatever name called), the following disclosures shall be made to the stock exchanges by listed entities.:
- 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 Company along with comments of the management, if any.

- 18) Announcement or communication through social media intermediaries or mainstream media by directors, promoters, key managerial personnel or senior management of a Company, in relation to any event or information which is material for the Company in terms of regulation 30 of these regulations and is not already made available in the public domain by the Company.

Explanation – “social media intermediaries” shall have the same meaning as defined under the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021.

- 19) Action(s) initiated or orders passed by any regulatory, statutory, enforcement authority or judicial body against the Company or its directors, key managerial personnel, senior management, promoter or subsidiary, in relation to the Company, in respect of the following:

- a) search or seizure
- b) re-opening of accounts under section 130 of the Companies Act, 2013
- c) investigation under the provisions of Chapter XIV of the Companies Act, 2013; along with the following details pertaining to the actions(s) initiated, taken or orders passed
  - (i) name of the authority;
  - (ii) nature and details of the action(s) taken, initiated or order(s) passed
  - (iii) date of receipt of direction or order, including any ad-interim or interim orders, or any other communication from the authority
  - (iv) details of the violation(s)/contravention(s) committed or alleged to be committed;
  - (v) impact on financial, operation or other activities of the Company, quantifiable in monetary terms to the extent possible

- 20) Action(s) taken or orders passed by any regulatory, statutory, enforcement authority or judicial body against the Company or its directors, key managerial personnel, senior management, promoter or subsidiary, in relation to the Company, in respect of the following:

- (a) suspension;
- (b) imposition of fine or penalty
- (c) settlement of proceedings;
- (d) debarment
- (e) disqualification
- (f) closure of operations
- (g) sanctions imposed
- (h) warning or caution
- (i) any other similar action(s) by whatever name called along with the following details pertaining to the actions(s) initiated, taken or orders passed:
  - (i) name of the authority;
  - (ii) nature and details of the action(s) taken, initiated or order(s) passed;
  - (iii) date of receipt of direction or order, including any ad-interim or interim orders, or any other communication from the authority;
  - (iv) details of the violation(s)/contravention(s) committed or alleged to be committed;
  - (v) impact on financial, operation or other activities of the Company, quantifiable in monetary terms to the extent possible.

- 21) Voluntary revision of financial statements or the report of the board of directors of the Company under section 131 of the Companies Act, 2013

**ANNEXURE 2**  
**Events or Information that are to be disclosed based on Materiality Guidelines**  
**[Regulation 30]**

1. Commencement or any postponement in the date of commencement of commercial production or commercial operations of any unit/division.
2. Any of the following events pertaining to the Company
  - a. arrangements for strategic, technical, manufacturing, or marketing tieup; or
  - b. adoption of new line(s) of business; or
  - c. closure of operation of any unit, division or subsidiary (in entirety or in 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) or any other agreement(s) which are binding and not in normal course of business) and revision(s) or amendment(s) or 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. Pendency of any litigation(s) or dispute(s) or the outcome thereof which may have an impact on the Company
9. Frauds or defaults by employees of the Company which has or may have an impact on the Company
10. Options to purchase securities including any ESOP/ESPS Scheme
11. Giving of guarantees or indemnity or becoming a surety, by whatever named called, for any third party
12. Granting, withdrawal , surrender , cancellation or suspension of key licenses or regulatory approvals
13. Delay or default in the payment of fines, penalties, dues, etc. to any regulatory, statutory, enforcement or judicial authority

Any other information/event viz. major development that is likely to affect business, e.g. emergence of new technologies, expiry of patents, any change of accounting policy that may have a significant impact on the accounts, etc. and brief details thereof and any other information which is exclusively known to the Company which may be necessary to enable the holders of securities of the Company to appraise its position and to avoid the establishment of a false market in such securities.

Without prejudice to the generality of above, the Company may make disclosures of event/information as specified by the Board from time to time.