Policy
For
Determining Materiality for Disclosure

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Policy for Determining Materiality for Disclosures

Legal Framework

As per Regulation 30 (4)(ii) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, *"The listed entity shall frame a policy for determination of materiality, based on criteria specified in this sub-regulation, duly approved by its board of directors, which shall be disclosed on its website"*

Effective Date

This Policy as approved by the board of directors of the Company is applicable from 1st December, 2015.

(1) Definitions

In this Policy, unless the context requires otherwise:—
a. "Board of Directors" shall mean the Board of Directors of Bits Limited.

b. "Key Managerial Personnel" shall have the same meaning as assigned to them under section 2(51) of the Companies Act, 2013

c. "Officer" shall have the same meaning as assigned to them under section 2(59) of the Companies Act, 2013

d. "Promoter" and "Promoter Group" shall have the same meaning as assigned to them respectively in clauses (za) and (zb) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.

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 there under 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.

(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.

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) Determining Materiality

Events/Information should be regarded as material if it has a significant effect on the market price of the security or would affect the decision to buy, sell or hold a security. Even negative events/information may be considered material.

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/information is material in nature, company considers the 'quantitative' or 'qualitative criteria(s) mentioned below:

1. Quantitative criteria to determine materiality shall become applicable to an event / information:

a) where the value involved or the impact exceeds 5% of the gross turnover or revenue or total income; or exceeds 20% of the net worth (lower threshold shall be taken as a trigger);

☐ the above threshold shall be determined on the basis of audited financial statements of last audited financial year.

→ 2. Qualitative criteria to determine materiality shall become applicable to an event / information:
→
a) the omission of which is likely to :

→ ☐ result in a discontinuity of information already available publicly; or
→ ☐ result in significant market reaction if the said omission came to light at a later date;

b) if in the opinion of the Board of Directors of listed entity, the event / information is considered material

c) In circumstances where 'quantitative' test may not be applicable, 'qualitative, test may be applied to determine materiality.

d) If a particular information or event in question satisfies any of the 'qualitative' or 'quantitative' criteria, the listed entity shall be under an obligation to disclose the same to the stock exchanges

(4) Disclosure of Events/Information

a) Events specified in Para A of Part A of Schedule III of SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 are deemed to be material events and the Company shall make disclosure to of such events or information as soon as reasonably possible and not later than twenty-four (24) hours from the occurrence of such event or information in the following manner:

i. Inform the stock exchanges in which the securities of the Company are listed;

ii. Upload on the corporate website of the Company.

Provided that in case the disclosure is made after twenty-four (24) hours of occurrence of such event or information, the Company shall, along with such disclosure(s) provide an explanation for delay.

Provided further that disclosure with respect to events specified in sub-para 4 of Para A of Part A of Schedule III shall be made within thirty minutes of the conclusion of the board meeting (Attached as Annexure 1)

b) The Company shall make disclosure of events as specified in Part B of Part A of Schedule III based on application of guidelines for determining Materiality as per clause 3 of this Policy. (Attached as Annexure 2)

c) The Company shall make disclosures updating Material developments on a regular basis, till such time the event is resolved/closed, with relevant explanations.

d) The Company shall disclose all events or information with respect to its Material Subsidiaries, if any.

e) The Company shall provide specific and adequate reply to all queries raised by stock exchange(s) with respect to any events or information and on its own initiative. Further it shall confirm or deny any event or information to stock exchange(s) reported in the media.

f) In case where an event occurs or information is available with the Company, which has not been indicated in Part A or B of Part A of Schedule III, but which may have material effect on it, the Company will make adequate disclosures in regard thereof.

All the above disclosures would be hosted on the website of the Company for a minimum period of five years and thereafter archived as per Company's policy for Preservation and Archival of Documents.

(5) Authorized Person

A) The Managing Director, or any Whole-time Director, Chief Financial Officer and the Company Secretary ("Authorised KMPs") of the Company are jointly and/or severally authorized by the Board to decide whether any event or information is material and for the purposes of making disclosures to the stock exchanges and on the website of the Company.

B) The Compliance Officer or any officer of the Company authorised by any of the Authorised KMPs in addition to such KMPs may sign the disclosures to be sent to the Stock Exchanges and upload on the website for the purposes of fulfilling the obligations under the Regulations.

(6) Review

The Board of Directors / Authorized Person may review, amend or modify this Policy in whole or in part, at any time.

Should there be any inconsistency between the terms of the Policy and the Listing Regulations, the provisions of the Listing Regulations shall prevail.

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

(7) Dissemination of the Policy

Copy of this policy as approved by board of directors of the company shall be posted on the website of the company.

Annexure 1

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 subsidiary of the listed entity or any other restructuring.

Explanation. - For the purpose of this sub-para, the word '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 listed entity holds shares or voting rights aggregating to five per cent or more of the shares or voting g 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-para and such change exceeds two per cent 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: The listed entity 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 listed entity from stock exchange(s).

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 listed entity), 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 listed entity 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. Appointment or discontinuation of share transfer agent.

9. Corporate debt restructuring.

10.One time settlement with a bank.

11.Reference to BIFR and 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 listed entity.

13.Proceedings of Annual and extraordinary general meetings of the listed entity.

14.Amendments to memorandum and articles of association of listed entity, in brief.

15.Schedule of Analyst or institutional investor meet and presentations on financial results made by the listed entity to analysts or institutional investors;

Annexure 2

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 lines 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) and revision(s) or amendment(s) or termination(s) thereof.

6. Disruption of operations of any one or more units or division of the listed entity 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 listed entity

8. Litigation(s) / dispute(s) / regulatory action(s) with impact.

9. Fraud/defaults etc. by directors (other than key managerial personnel) or employees of listed entity.

10.Options to purchase securities including any ESOP/ESPS Scheme.

11.Giving of guarantees or indemnity or becoming a surety for any third party.

12.Granting, withdrawal , surrender , cancellation or suspension of key licenses or regulatory approvals.
C. 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 listed entity which may be necessary to enable the holders of securities of the listed entity to appraise its position and to avoid the establishment of a false market in such securities.

D. Without prejudice to the generality of para (A), (B) and (C) above, the listed entity may make disclosures of event/information as specified by the Board from time to time.