



## POLICY ON RELATED PARTY TRANSACTIONS

### 1 PEAMBLE:

The Board of Directors (the “Board”) of Krishna Defence and Allied Industries Limited (the “Company”) has adopted Policy on Related Party in in compliance with the requirements of Section 188 of the Companies Act, 2013 read with Clause 49 of the then Listing Agreement.

In view of the notification of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**hereinafter “Listing Regulations”**) in place of Listing Agreement and certain changes notified in the relevant Rules of Companies Act, this Policy has been reviewed by the Audit Committee.

This reviewed Policy has been adopted by the Board of Directors of the Company. Going forward, the Audit Committee will review and amend the Policy, as and when required, subject to adoption by the Board.

### 2 OBJECTIVE:

This Policy is intended to ensure due and timely identification, approval, disclosure and reporting of transactions between the Company and any of its Related Parties in compliance with the applicable laws and regulations as may be amended from time to time.

The provisions of this Policy are designed to govern the approval process and disclosure requirements to ensure transparency in the conduct of Related Party Transactions in the best interest of the Company and its shareholders and to comply with the statutory provisions in this regard.

### 3 APPLICABILITY:

This Policy applies to the transactions between the Company and its Related Parties. Transactions covered under this policy include any contract or arrangement with a Related Party with respect to transactions defined hereunder as “Related Party Transaction”. This Policy on Related Party Transaction shall be governed by Section 188 of the Companies Act, 2013 read with Rules made thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations.

### 4 DEFINITIONS:

“**Arm’s length transactions**” means a transaction between two related parties that is conducted as if they were unrelated so that there is no conflict of interest.





**“Audit Committee or Committee”** means Committee of Board of Directors of the Company constituted under provisions of Listing Regulations and Companies Act, 2013.

**“Board”** means the Board the Company, as constituted from time to time.

**“Key Managerial Personnel”** means Key Managerial Personnel as defined under the Companies Act, 2013.

**“Material Related Party Transaction”** means a Related Party Transaction which individually or taken together with previous transactions during the financial year, exceeds one thousand crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of the Company or such limits as may be prescribed either in the Companies Act, 2013 or the Listing Regulations, whichever is stricter, from time to time.

**“Related Party”** shall have the meaning as defined in Section 2(76) of the Act and Regulation 2(1)(zb) of the SEBI Listing Regulations.

**“Related Party Transaction”** have the meaning as defined under Section 188 of the Companies Act, 2013, read with Regulation 2(1)(zc) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended and shall mean a transfer of resources, services or obligations between:

- a) the Company or any of its subsidiaries on one hand and a related party of Company or any of its subsidiaries on the other hand;
- b) the Company or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the Company or any of its subsidiaries with effect from April 1, 2023

regardless of whether a price is charged and a transaction with a related party shall be construed to include a single transaction or a group of transactions in a contract, including but not limited to the following –

- a. Sale, purchase or supply of any goods or materials;
- b. Selling or otherwise disposing of, or buying property of any kind;
- c. Leasing of property of any kind;
- d. Availing or rendering of any services;
- e. Appointment of any agent for the purchase or sale of goods, materials, services or property;
- f. Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company;
- g. Underwriting the subscription of any securities or derivatives thereof, of the Company;





- h. Financing (including loans and equity contributions in cash or kind);
- i. Providing or obtaining guarantees and collaterals; and
- j. Deputation of employees.

(The above is an indicative list and not an exhaustive one).

“**Relative**” with reference to a director or a Key Managerial Personnel mean persons defined under Section 2(77) of the Companies Act, 2013 read with amendments issued from time to time.

“**Transaction**” with a related party shall be construed to include a single transaction or a group of transactions.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 or any other applicable law or regulation.

## 5 MATERIALITY THRESHOLDS:

Regulation 23 of the SEBI Listing Regulations requires a company to provide materiality thresholds for transactions beyond which approval of the shareholders through resolution will be required and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not. However, for transactions entered between the company and its 100% subsidiary whose accounts are consolidated with the company, the related parties are entitled to vote on such transactions. The Company has fixed its materiality threshold as follows:

- Payment to a Related Party with respect to brand usage or royalty – 5% of the annual consolidated turnover of the Company as per its last audited financial statements.
- Other transactions with a Related Party – lower of Rs. 1,000 crore or 10% of the consolidated annual turnover of the Company as per its last audited consolidated financial statements

## 6 MANNER OF DEALING WITH RELATED PARTY TRANSACTION

### 6.1 Identification of Related Parties

Every promoter, director and key managerial personnel (KMP) of the Company and its subsidiaries/ Joint venture shall,

- a) at the time of appointment; b.
- b) periodically – as required by the Company or applicable law
- c) whenever there is any change in the information already submitted,





provide requisite information about his / her Relatives and all firms, companies, body corporates, or other association of individuals, in which such promoter, director or KMP is interested, whether directly or indirectly, to the Company or the subsidiary/ Joint venture (as the case may be)

## 6.2 Identification of Related Party Transactions

The Company has formulated guidelines for identification of related party transactions in accordance with Section 188 read with Section 177 of the Act and Regulation 2(1)(zc) of the SEBI Listing Regulations. The Company has also formulated guidelines for determining whether the transaction is in the ordinary course of business and at arm's length basis and for this purpose, the Company will seek external expert opinion, if necessary.

## 7 PROCEDURE FOR APPROVAL OF RELATED PARTY TRANSACTION

### 7.1 Approval of Audit Committee

- i. All the transactions which are identified as Related Party Transactions and subsequent modifications thereof, shall be approved by the Audit Committee in the manner specified under the Listing Regulations. The Audit Committee shall consider all relevant factors while deliberating the Related Party Transactions for its approval.
- ii. Any member of the Audit Committee who has a potential interest in any Related Party Transaction shall recuse himself and abstain from discussion and voting on the approval of the Related Party transaction. A Related Party Transaction which is (i) not in the ordinary course of business, or(ii) not at arm's length basis, would require approval of the Board or of shareholders, as detailed in subsequent paragraphs.
- iii. The Audit Committee may grant omnibus approval for Related Party Transactions which are repetitive in nature and subject to such criteria / conditions as mentioned under the Act and the Listing Regulations and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company.
- iv. The Audit Committee shall review, on a quarterly basis, the details of Related Party Transactions and Material modifications thereof, entered into by the Company pursuant to the omnibus approval. Certain procedural aspects concerning review of a Related Party Transaction may be modified or waived by the Committee, at its discretion.
- v. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.
- vi. A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Audit Committee, will be placed before the Audit Committee for consideration, and ratification, if appropriate.





- vii. The Audit Committee shall also pre-approve Related Party Transactions, where the Company is not a party, but the Company's subsidiary is a party, if the value of such transaction crosses the thresholds as prescribed under the Listing Regulations

## 7.2 Approval of the Board of Directors

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being (i) not in the ordinary course of business, or (ii) not at an arm's length basis, the Board will inter alia consider factors such as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction and any other information the Board may deem important/relevant for taking decision on a proposed transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

## 7.3 Approval of the Shareholders

- i. If a Related Party Transaction is (i) a material transaction as per Regulation 23 of the Listing Regulations, or (ii) not in the ordinary course of business, or not at arm's length basis and exceeds certain thresholds prescribed under the Act, then such Related Party Transaction and any subsequent Material modification thereto, shall require shareholders' approval by a resolution. In such case, any member of the Company who is a Related Party, irrespective of being related to the said transaction or not, shall not vote on resolution passed for approving such Related Party Transaction.
- ii. The provisions of Regulation 23(2), (3) and (4) of the Listing Regulations shall not be applicable in case of transactions entered into between a holding company and its wholly owned subsidiary and between two wholly-owned subsidiaries, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.
- iii. In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the Company would seek post facto approval from the Audit Committee, the Board and/or shareholders as required under applicable laws/ regulations.

## 8 REPORTING OF RELATED PARTY TRANSACTIONS

- 8.1 Every contract or arrangement, which is required to be approved by the Board or the shareholders under this Policy, shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.





- 8.2 The details of all transactions with Related Parties shall be submitted, in the prescribed format to the stock exchanges, and requisite disclosures shall be made in other public documents/certificates as legally required, in the manner and as per the timelines set out in the Listing Regulations and the same shall be published on the Company's website.

## 9 POINTS TO BE CONSIDERED BY THE AUDIT COMMITTEE IN APPROVING THE PROPOSED TRANSACTIONS

While considering any transaction, the Committee shall take into account all relevant facts and circumstances including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters.

Prior to the approval, the Committee shall, *inter-alia*, consider the following factors to the extent relevant to the transaction:

- a. Whether the terms of the Related Party Transaction are in the ordinary course of the Company's business and are on an arm's length basis;
- b. The business reasons for the Company to enter into the Related Party Transaction and the nature of alternative transactions, if any;
- c. Whether the Related Party Transaction includes any potential reputational risks that may arise as a result of or in connection with the proposed Transaction; and
- d. Whether the Related Party Transaction would affect the independence or present a material conflict of interest for any Director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the Director, Key Managerial Personnel or other Related Party, the direct or indirect nature of the Director's interest, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors, the Committee deems relevant.

While considering the arm's length nature of the transaction, the Committee shall take into account the facts and circumstances as were applicable at the time of entering into the transaction with the Related Party.

## 10 RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED:

The members of the Audit Committee, who are independent directors, may ratify the related party transactions within 3 months from the date of the transaction or in the immediate next meeting of the audit committee, whichever is earlier. Ratification is subject to certain conditions as specified in the Listing Regulations.

The failure to seek ratification of the audit committee shall render related party transactions voidable at the option of the audit committee and if the transaction is with a related party to any director or is authorized by any director, the director(s) concerned shall indemnify the Company against any losses incurred.





## 11 SCOPE LIMITATION:

In the event of any conflict between the provisions of this Policy and of the Listing Regulations / Companies Act, 2013 or any other statutory enactments, rules, the provisions of such SEBI Regulations / Companies Act, 2013 or statutory enactments, rules shall prevail over this Policy.

## 12 DISCLOSURES

- 12.1 The Company shall disclose, in the Board's report, transactions prescribed in Section 188(1) of the Act with related parties, which are not in ordinary course of business or not at arm's length basis along with the justification for entering into such transaction.
- 12.2 The Company shall place all the information as specified by the SEBI from time to time for review of the Audit Committee while seeking prior approval of the RPTs.
- 12.3 The Company shall provide all the information as specified by the SEBI from time to time in the explanatory statement to the notice being sent to shareholders seeking their approval for proposed RPTs.
- 12.4 The Company shall provide disclosure of the Related Party Transactions to stock exchanges where the Company's securities are listed, in the format as specified by the SEBI/stock exchanges from time to time and within statutory timelines. The Company shall simultaneously upload the disclosure at its website.

## 13 DISSEMINATION OF POLICY:

Either this Policy or the important provisions of this policy shall be disseminated to all functional and operational employees and other concerned persons of the Company and shall be hosted on the intra-net and website of the Company and web link thereto shall be provided in the Annual Report of the Company.

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### Note:

- 1) Approved in the Board Meeting held on 26.11.2021.
- 2) Reviewed & Modified in Board Meeting held on 25.03.2025

