



POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS:

PREFACE

Krishna Defence and Allied Industries Limited has always been committed to good corporate governance practices, including in matters relating to Related Party Transactions. An endeavor is consistently made to have only arms' length transactions with Related Parties.

In terms of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) ("Listing Regulations") every listed entity shall formulate a Policy on materiality of Related Party Transactions and dealing with the related party transactions. So considering the requirements, the Company has enacted a Policy on Materiality of Related Party Transactions and dealing with the Related Party Transactions ("Policy") in line with Listing Regulations and Companies Act, 2013.

All Related Party Transactions (RPT), as that term is defined in this policy, shall be subject to review in accordance with the procedures set forth below. The Board has determined that the Audit Committee (the "Committee") is best suited to review all Related Party Transactions.

OBJECTIVE

This policy has been framed to deal with various related party transactions which includes but not limited to material Related Party Transactions or Transaction which are not in the ordinary course of business or on an Arm's Length basis. This policy aims to ensure proper approval, disclosure and reporting of transactions as applicable, between the Company and any of its related parties in the best interest of the Company and its stakeholders. This policy deals with identification of the Related Parties, materiality threshold for related party transactions and the manner of dealing with the transactions with Related Parties by the Company keeping in view the provisions of the Act and Listing Regulations

DEFINITIONS

"Materiality of Related Party Transactions" means a transaction with a related party if the transaction/ transactions to be entered into individually or taken together with previous transactions during a financial year, *exceeds one thousand crore or ten percent of the annual consolidated turnover as per the last audited financial statements of the Company, whichever is lower.*

Provided a transaction involving payments made to a related party with respect to brand usage or royalty shall be considered material if the transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds five percent of the annual consolidated turnover as per the last audited financial statements of the Company.

"Material Modifications" mean any modification of the existing related party transactions which amounts to;





- a) either change/modification in the aggregate value of transaction for an amount exceeding 20% of the aggregate value; or
- b) any change in any terms and condition of the transactions resulting the change in its price or consideration of the individual transaction for an amount exceeding 20% of the aggregate value, where the said terms and conditions were disclosed at the time of taking approval; or/ and
- c) Extension in duration of Related Party Transaction contract beyond a period of 12 months.
- d) Such other criteria as the Audit committee may determine from time to time

Note: In case modification is due to Statutory/Regulatory/Government directive/Policy/Government determined gas price, the same shall not be considered for the purpose of aforesaid limit of 20%.

“**Related party**” is a person or entity that is related to the company and includes the following:

- (i) related party defined under Section 2(76) of the Companies Act, 2013;
- (ii) related party under the applicable accounting standards, as may be amended from time to time
- (iii) following shall be deemed to be a related party:
 - (a) any person or entity forming a part of the promoter or promoter group of the listed entity;
 - (b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; or
 - (ii) of ten per cent or more, with effect from April 1, 2023

in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year.

“**Related Party Transaction**” means

- for the purpose of the Act, specific transactions mentioned in clause (a) to (g) of subsection 1 of Section 188;
- for the purpose of Listing Regulations, transfer of resources, services or obligations between a listed entity Related Party, regardless of whether price is charged and a transaction with the related party shall be construed to include a single transaction or a





group of transaction in a Contract.

Any other term not specifically defined hereinabove shall have the same meaning as defined under the Act, SEBI (Listing Obligations and Disclosure Requirement) Regulations, the Listing Agreement, Securities Contracts (Regulation) Act, 1956 or any other applicable law or regulation.

PROCEDURE FOR THE APPROVAL OF RELATED PARTY TRANSACTIONS:

APPROVAL OF AUDIT COMMITTEE

1. All Related Party Transactions and subsequent Modification(s) shall be subject to the prior approval of the Audit Committee of the Company whether at a meeting or by resolution by circulation or any other manner as provided by the Act or Rules made thereunder.
2. Only those Members of the Audit Committee, who are Independent Directors, shall approve Related Party Transactions.
3. A Related Party Transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover of the Company, as per the last audited financial statements of the Company.
4. With effect from 1st April, 2023, a Related Party Transaction to which the subsidiary of the Company is a party but the Company is not a party, shall require prior approval of the Audit Committee of the Company if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.
5. Prior approval of the Audit Committee of the Company shall not be required for a Related Party Transaction to which the Listed Subsidiary is a party but the Company is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of SEBI (LODR) Regulation, 2015 are applicable to such Listed Subsidiary.

For Related Party Transactions of unlisted subsidiaries of a Listed Subsidiary of the Company as referred above, the prior approval of the Audit Committee of the Listed Subsidiary shall suffice.

GRANTING OF OMNIBUS APPROVAL FOR THE PROPOSED RELATED PARTY TRANSACTION

The Audit Committee may grant omnibus approval for the proposed Related Party Transaction subject to the following conditions:

1. The Audit Committee shall satisfy itself the need for such omnibus approval and that such





approval is in the interest of the Company;

2. Such omnibus approval shall specify the following: -
 - Name(s) of the Related Party;
 - Nature of the transaction;
 - Period of transaction;
 - Maximum amount of transaction that can be entered into;
 - The indicative base price / current contracted price and the formula for variation in the price, if any, and;
 - Such other conditions as the Audit Committee may deem fit.
3. In cases where the need for Related Party Transaction cannot be foreseen and details as required above are not available, the Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
4. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year. However, the Committee shall review, on a quarterly basis, the details of Related Party Transactions entered into by the Company pursuant to each of the omnibus approval given.
5. These provisions shall not apply to a transaction, other than a transaction referred to in section 188, between a holding Company and its wholly owned subsidiary Company.
6. A member of the Committee who has an interest in any Related Party Transaction will not remain present at the meeting when such Related Party Transaction is considered.
7. The Board would approve such Related Party Transactions as are required to be approved under the Act and/or Listing Regulations and/or transactions referred to it by the Audit Committee.
8. Where any director is interested in any Related Party Transaction, such director will not remain present at the meeting when such Related Party Transaction is considered.

APPROVAL BY THE BOARD:

The Related Party transactions as specified under Section (1) of the Section 188 of Act, which are not in the ordinary course of business and on an Arm's Length basis, shall require approval of the Board. Further If the Committee is of the view that certain Related Party Transaction(s) should be brought before the Board or if the Board in any case elects to review any such matter or it is specifically provided under any other provision of the Act to be passed by the Board, then the Board shall consider and approve such Related Party Transactions.





Where any Director is interested in any Contract or Arrangement with a related party, such Director shall not be present at the meeting during the discussions on the subject matter of the resolution relating to such contract or arrangement.

APPROVAL OF SHAREHOLDERS:

- a) All Material Related Party Transactions shall require approval of the shareholders through a resolution and the Related Parties shall abstain from voting on such resolution (for the purpose of Listing Regulations).
- b) All the related party transaction(s) to be entered into in terms clauses (a) to (e) of subsection 1 of Section 188 the value/ consideration of which is in excess of their respective limits specified under Rule 15(3) of the Companies (Meetings of Board and its Powers) Rule, 2014 other than Transactions specified in the Para (a) above and the transactions which are in ordinary course of business and on Arm's Length basis shall require approval of the shareholders. No member of the Company shall vote on any resolution involving a transaction if such member is a related party.

RELATED PARTY TRANSACTIONS NOT PREVIOUSLY APPROVED:

If at any instance, the Company becomes aware of a Related Party Transaction that has not been approved or ratified, the transaction shall be placed as promptly as practicable before the Committee or Board or the Shareholders as may be required in accordance with this Policy for review and ratification/approval.

In case any transaction involving any amount not exceeding one crore rupees is entered into by a Director or Officer of the Company without obtaining the approval of the Audit Committee and it is not ratified by the Audit Committee within three months from the date of the transaction, such transaction shall be voidable at the option of the Audit Committee and if the transaction is with the Related Party to any Director or is authorized by any other Director, the Director concerned shall indemnify the Company against any loss incurred by it.

DISCLOSURE AND REPORTING OF RELATED PARTY TRANSACTIONS

The Company shall make appropriate disclosures/ reporting with respect to related party transactions, as per the applicable provisions of the Act and Listing Regulations. The Company shall also maintain relevant register(s) for recording particulars of all such transactions, contracts or arrangements with the related parties as per the relevant provisions of the Act.

AMENDMENT

Any change in the Policy shall be approved by the Board of the Company. The Board shall have the right to withdraw and/ or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding.

In case any provisions of the Policy are contrary to or inconsistent with the provisions of the Companies Act, 2013, rules framed thereunder and Listing Regulations ("Statutory Provisions"), the provisions of





Statutory Provisions shall prevail.

REVIEW

The Audit Committee periodically shall review this Policy once in every three years and may recommend amendments to this Policy from time to time as it deems appropriate.

DISSEMINATION OF THE POLICY

The policy shall be hosted on the website of the Company.

Note:

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

