POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND DEALING WITH RELATED PARTY TRANSACTIONS

OF

PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED

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POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS AND ON DEALING WITH RELATED PARTY TRANSACTIONS

1. Introduction

In accordance with Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**"the SEBI Listing Regulations"**), Paras Defence and Space Technologies Limited **(**the **"Company")** has adopted a Policy namely "**Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions**" (the **"Policy**") to set out ;

(a) the basis of identifying related parties of the Company as well as related party transactions,
(b) the materiality thresholds for related party transactions and
(c) the manner of entering into transactions between the Company and its related parties based on the Act read with the SEBI Listing Regulations

2. Definitions

"Act" means Companies Act, 2013, rules framed thereunder and any amendments thereto.

"Audit Committee" shall mean the Audit Committee constituted by the Board from time to time, in accordance with the provisions of the Act and the SEBI Listing Regulations.

"Arm's Length Transaction" means a transaction between two Related Parties that is conducted as if they were unrelated, so that there is no question of conflict of interest.

"Board" means Board of Directors of the Company.

"Industry Standards" shall mean the Industry Standards on "Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions" as notified by SEBI vide its circular dated June 26, 2025, and subsequently as amended from time to time.

"Key Managerial Personnel" or "KMP" shall have the same meaning as defined under Regulation 2(1)(o) of the SEBI Listing Regulations read with Section 2(51) of the Act and includes any person so authorized and designated by the Board of Directors of the Company as KMP in compliance with the provisions of the Act and/ or the SEBI Listing Regulations.

"Material Related Party Transaction" 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 the thresholds specified in Schedule XII of the SEBI Listing Regulations which is provided below:

Consolidated Turnover of Listed Entity Threshold	Threshold
(I) Up to ₹20,000 Crore	10% of the annual consolidated turnover of the listed entity
(II) More than ₹20,000 Crore to upto ₹40,000 Crore	₹2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹20,000 Crore

(III) More than ₹40,000 Crore	₹3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5000 Crores, whichever is lower.

Note: Consolidated Turnover for the purpose of the abovementioned table shall be taken as audited consolidated turnover as on immediately preceding financial year.

In case of transaction involving payment to a Related Party for brand usage or royalty, it will be considered material, if the transaction(s) to be entered into individually or taken together with previous transactions during a financial year, exceed 5% percent of the annual consolidated turnover of the Company as per the last audited financial statements of the Company.

"Material Modification(s)" means and include any modification to an existing RPTs, in aggregate with a related party, having variance of 25% in value of the transaction already approved by the Audit Committee or Board or Shareholders, as the case may be, or such modification as may be decided by the Audit Committee.

"Ordinary course of business" means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities which the Company can undertake as per its Memorandum & Articles of Association. The Board and Audit Committee may lay down the principles for determining ordinary course of business in accordance with the statutory requirements and other industry practices and guidelines.

"Materiality Threshold" means limits for Related Party Transactions beyond which the Shareholders' approval will be required as specified in Act and rules thereof and amendments thereto.

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

"Related Party Transaction"

I. As per Regulation 2(1) (zc) of the Regulations:

A transfer of resources, services or obligations between:

(a) the Company or any of its subsidiaries on one hand and a related party of the Company or any of its subsidiaries on the other hand; or

(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:

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.

Following shall not be considered as RPTs in terms of SEBI Listing Regulations:

(a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(b) the following corporate actions which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
   payment of dividend;
   subdivision or consolidation of securities;
   issuance of securities by way of a rights issue or a bonus issue; and
   buy-back of securities.

(c) retail purchases from the Company or its subsidiary by its Directors or Key Managerial Personnel of the Company or its Subsidiary and relatives of such Directors or Key Managerial Personnel without establishing a business relationship and at the terms which are uniformly applicable/offered to all employees and directors. key managerial personnel and relatives of Directors or Key Managerial Personnel

II. As per Section 188 of the Act:

In case of specified Related Party Transaction(s) as mentioned in Section 188(1) of the Companies Act, 2013 prior approval of Board and/or Shareholders is required for entering into any contract or arrangement with a Related Party as per the following:

(a) Prior approval of the Board at its meeting is required for Related Party Transaction(s) which are not in ordinary course of business or not on arm's length basis.

(b) Prior approval of the Shareholders by a resolution is required for Related Party Transaction(s) which are not in ordinary course of business or not on arm's length basis and beyond threshold limits as prescribed in Section 188 of the Act.

Explanation(s):

Limits specified in Section 188 of the Act, shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

"**Relative**" shall have the meaning as defined in Section 2(77) of the Act and Regulation 2(1)(zd) of the SEBI Listing Regulations.

Any other term not defined herein shall have the same meaning as defined in the Act, the SEBI Listing Regulations, each as amended

3. Manner of dealing with Related Party Transactions and Materiality thresholds:

I. Identification of Related Parties

(a) The Company shall identify its related parties as per the definition provided in the Act and SEBI Listing Regulations.

(b) The Company shall obtain the list of related parties of its Subsidiary companies as per the definition provided in the Act and SEBI Listing Regulations.

(c) The Company shall regularly update, review, verify and confirm the Related Party List in accordance with the Act and SEBI Listing Regulations.

II. Identification of Related Party Transactions

As a policy, the Company will identify the RPTs as per the applicable laws, which require approval of the Audit Committee and/or Board of Directors and shareholders, as the case, may be.

Presently, the Company has identified the RPTs and subsequently categorized them into broad categories. Any other RPT identified during the periodic review not covered under any specific broad category shall be independently reviewed, approved and included for confirmation as a part of Related Party Policy mechanism.

The Company shall identify the related party transactions and put forth the same for approvals as required under applicable law.

III. Materiality Thresholds

Regulation 23 of the SEBI Listing Regulations requires a Company to provide materiality thresholds for transactions with its related party. In any event, if a Related Party Transaction ("RPT") exceeds the materiality threshold, prior approval of the shareholders of the Company will be required through an ordinary resolution.

Prior approval of shareholders is also required in case of any subsequent material modifications to these already approved Related Party Transactions.

For the purpose of this policy 'Material Modification' means and include any modification to an existing RPTs, in aggregate with a related party, having variance of 25% in value of the transaction already approved by the Audit Committee or Board or Shareholders, as the case may be, or such modification as may be decided by the Audit Committee.

For the purpose of the policy and pursuant to Regulation 23 of the SEBI Listing Regulations Materiality thresholds will be 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 exceeding thresholds mentioned in Schedule XII of the SEBI Listing Regulations. The thresholds are provided below:

Consolidated Turnover of Listed Entity Threshold	Threshold
(I) Up to ₹20,000 Crore	10% of the annual consolidated turnover of the listed entity
(II) More than ₹20,000 Crore to upto ₹40,000 Crore	₹2,000 Crore + 5% of the annual consolidated turnover of the listed entity above ₹20,000 Crore
(III) More than ₹40,000 Crore	₹3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above ₹40,000 Crore or ₹5000 Crores, whichever is lower.

4. Procedure for approval of Related Party Transactions

I. Approval of the Audit Committee:

i) Prior approval of the Audit Committee is required for:

(a) All RPTs, any modification to the transaction with Related Parties as per the provisions of the Act, and subsequent material modifications to the transaction with Related Parties as per the provisions of the SEBI Listing Regulations.

(b) RPTs of above ₹1 crore, where subsidiary is a party but the Company is not a party and the transaction amount exceeds the threshold of:

(ba) 10% of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary; or
(bb) the threshold for material related party transactions of the Company as specified in this Policy read with Schedule XII of the SEBI Listing Regulations.

(c) If such subsidiary does not have audited financial statements for a period of at least one-year, prior approval of the Audit Committee of the Company shall be obtained if the value of such transaction exceeds the lower of the following:

(ca) 10% of the aggregate value of paid-up share capital and securities premium account of the subsidiary; or
(cb) the threshold for material related party transactions of the Company as specified in this Policy read with Schedule XII of SEBI Listing Regulations

Provided that the aggregate value of paid-up share capital and securities premium account of the subsidiary shall be taken as on a date, not older than three months prior to the date of seeking approval of the Audit Committee.

ii) Prior approval of the Audit Committee shall not be required for:

(a) RPTs, where the listed subsidiary is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.

(b) RPTs of unlisted subsidiaries of the listed subsidiary of the Company, where the prior approval of the Audit Committee of the listed subsidiary is obtained.

(c) RPT or subsequent material modifications of RPT entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

(d) RPT entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

(e) Remuneration and sitting fees paid by the Company or its Subsidiary to its Director, Key Managerial Personnel or Senior Management, except who is part of Promoter or Promoter group, shall not require approval of the Audit Committee provided that the same is not material.in terms of the provisions of the SEBI Listing Regulations.

(f) transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an Company on one hand and the Central Government or any State Government or any combination thereof on the other hand.

iii) Members of the Audit Committee, who are Independent Directors, shall only approve RPTs.

iv) Omnibus Approval : The Company may obtain omnibus approval from the Audit Committee for RPTs where the Company is a party. Omnibus approval from the Audit Committee can also be granted in case the transactions are entered between subsidiaries and other related parties, where the Company is not a party to the transaction subject to compliance with the conditions stipulated under the Act read with the Rules framed thereunder and the SEBI Listing Regulations including the following:

(a) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;

(b) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for granting the omnibus approval in line with the Policy and such approval shall include the following:

(ba) Maximum value of the transaction, in aggregate, which can be allowed under the omnibus route in a year;
(bb) The maximum value per transaction which can be allowed;
(bc) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
(bd) transactions which cannot be subject to the omnibus approval by the Audit Committee.

(c) The omnibus approval shall provide details of (i) the name(s) of the related party and its relationship with the Company or its subsidiary, nature of transaction, period of transaction, maximum aggregated value of the particular type of transaction that can be entered into during the year; (ii) basis of arriving at the indicative base price / current contracted price and the formula for variation in the price if any, (iii) minimum information about the RPTs as per the provisions of the Industry Standards and (iv) such other conditions as the Audit Committee may deem fit.

(d) Where the need for RPT cannot be foreseen and the aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding ₹ 1 crore per transaction;

(e) The Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company or its subsidiary pursuant to each of the omnibus approvals given;

(f) Such omnibus approvals shall be valid for a period not exceeding one financial year and shall require fresh approvals after the expiry of such financial year.

(g) Omnibus approval granted by the shareholders for material related party transactions in an annual general meeting shall be valid till the date of the next annual general meeting held within the timelines prescribed under Section 96 of the Act or rules, notifications, or circulars issued thereunder from time to time. In case of omnibus approvals for material related party transactions, granted by the shareholders in general meetings other than annual general meeting, the validity of such omnibus approvals shall not exceed one year from

(h) Transaction of following nature will not be subject to the omnibus approval of the Audit Committee:

(ha) Transactions which are not at arm's length or not in the ordinary course of business;
(hb) Transactions which are not repetitive in nature;
(hc) Transactions exceeding materiality thresholds as laid down in the Policy
(hd) Transactions in respect of selling or disposing of the undertaking of the company
(he) Any other transaction as the Audit Committee may deem not fit for omnibus approval the date of such approval

v) The Audit Committee shall also review the status of long-term (more than one year) or recurring RPTs on an annual basis.

vii) In case of transactions, other than transactions referred to in Section 188 of the Act and where the Audit Committee does not approve any transaction, it shall make its recommendation to the Board.

II. Approval of the Board of Directors of the Company

(a) As per the provisions of Section 188 of the Act, all kinds of transactions specified under the said Section, which are not in the ordinary course of business or at arm's length basis, shall be placed before the Board for its approval.

(b) In addition to the above, the following kinds of transactions with related parties are also placed before the Board for its approval:

(ba) Transactions which may be in the ordinary course of business and at arm's length basis, but which, as per the Policy determined by the Board from time to time (i.e. value threshold and/or other parameters) require Board approval in addition to Audit Committee approval;
(bb) Transactions in respect of which the Audit Committee is unable to determine whether or not they are in the ordinary course of business and/or at arm's length basis and decides to refer the same to the Board for approval;
(bc) Transactions which are in the ordinary course of business and at arm's length basis, but which in Audit Committee's view requires Board approval.
(bd) Material RPTs and subsequent material modifications to such transactions, which are intended to be placed before the shareholders for approval.

(c) Where any Director is interested in any contract or arrangement with a related party, such director shall not participate during discussions and vote on the subject matter of the resolution related to such contract or arrangement.

III. Approval of the Shareholders of the Company

(a) All the Material RPTs, any modification to the transaction with Related Parties as per the provisions of the Act, and subsequent material modifications to the transaction with Related Parties as per the provisions of the SEBI LODR, shall be placed before the shareholders for approval.

(b) The requirement of shareholders' prior approval for Material Related Party Transactions shall not be applicable for the following cases;

(ba) transactions in respect of a resolution plan approved under Section 31 of the Insolvency and Bankruptcy Code (IBC) 2016, subject to the event being disclosed to recognized stock exchange within one day of the resolution plan being approved.

(bb) Related Party Transactions, where the listed subsidiary of the Company is a party, but the Company is not a party, and if Regulation 23 and Regulation 15(2) of SEBI Listing Regulations are applicable to such listed subsidiary.

(bc) Related Party Transactions of unlisted subsidiaries of the listed subsidiary of the Company, where the prior approval of the shareholders of the listed subsidiary is obtained.

(bd) Transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

(be) Transactions entered into between two wholly-owned subsidiaries of the Company, whose accounts are consolidated with the Company and placed before the shareholders at the general meeting for approval.

(c) In addition to the above, shareholders' prior approval shall be required for all kinds of transactions specified under Section 188 of the Act which are not in the ordinary course of business or are not at arm's length basis; and exceed the thresholds laid down in Rule 15(3) of the Companies (Meetings of Board and its Powers) Rules, 2014, as amended from time to time

5. Ratification of the Related Party Transaction

In the event the Company becomes aware of a transaction with a related party that has not been approved in accordance with this Policy, the same shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the RPTs, and shall evaluate all options available to the Company, including ratification, revision or termination of the related party transaction. The Audit Committee shall also examine the facts and circumstances pertaining to the failure of reporting such RPTs to the Audit Committee under this Policy and failure of the internal control systems and shall take any such action it deems appropriate.

Notwithstanding anything to the contrary in this Policy, the members of the Audit Committee, who are Independent Directors, may ratify related party transactions within three months from the date of the transaction or at the immediate next meeting of the Audit Committee, whichever is earlier, subject to the following conditions:

(a) the value of the ratified transaction(s) with a related party, whether entered into individually or taken together, during a financial year shall not exceed rupees one crore;

(b) the transaction is not material in terms of the provisions of Regulation 23(1) of SEBI Listing Regulations;

(c) rationale for inability to seek prior approval for the transaction shall be placed before the Audit Committee at the time of seeking ratification;

(d) the details of ratification shall be disclosed along with the disclosures of related party transactions in terms of the Regulation 23(9) of SEBI Listing Regulations;

(e) any other condition as specified by the Audit Committee

Provided that failure to seek ratification of the Audit Committee shall render the transaction voidable at the option of the Audit Committee and if the transaction is with a party related to any Director, Key Managerial Personnel and Promoters, or is authorised by any other Director, Key Managerial Personnel and Promoters, the concerned Director, Key Managerial Personnel and Promoters shall indemnify the Company against any loss incurred by it.

6. Disclosure and Reporting

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.

The Company shall place all the information, as specified in Industry Standards read with the provisions of SEBI Listing Regulations, Companies Act, 2013 as well as additional information specified by SEBI from time to time, for review of the Audit Committee while seeking prior approval of the RPTs.

The Company shall place all the information, as specified in Industry Standards read with the provisions of SEBI Listing Regulations, Companies Act, 2013 as well as additional information specified by SEBI from time to time, in the Statement to the notice being sent to shareholders seeking their approval for proposed RPTs as applicable.

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.

7. Review & Amendment

Related Party Transaction policy on materiality and its threshold limits shall be reviewed by the Audit Committee and the Board, at least once every three years and updated accordingly.

The Board shall have power to amend any of the provisions of the Policy, substitute any of the provisions with a new provision or replace the Policy entirely with a new Policy according to subsequent modification(s)/amendment(s) to the Act and SEBI Listing Regulations.

In the event of any conflict between the provisions of this RPT Policy and applicable laws, the provisions of such applicable laws shall prevail over this Policy.

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