



**POLICY FOR DETERMINATION OF MATERIALITY
OF
PARAS DEFENCE AND SPACE TECHNOLOGIES LIMITED**

Document Control

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POLICY FOR DETERMINATION OF MATERIALITY

1. Background

Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**Listing Regulations**"), requires Paras Defence and Space Technologies Limited ("**Company**") to frame a policy for determination of materiality for disclosure of events or information to BSE Limited and National Stock Exchange of India Limited ("**Stock Exchanges**"), based on the criteria specified in the Listing Regulations ("**Policy**"). The events/information that would be disclosed would be as presently prescribed by Securities and Exchange Board of India vide circular CIR/CFD/CMD/4/2015 dated September 9, 2015 and as would be amended from time to time.

2. Scope of the Policy

The Policy will be applicable to all the events which fall under the criteria as disclosed under the section relating to the "Disclosure of events or information to Stock Exchanges". This Policy shall be read along with the Company's Policy on Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information ("**Code of Fair Disclosure**") framed in adherence to the principles for fair disclosure as outlined in the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended.

3. Key Managerial Personnel Authorized to Determine Materiality

The Chief Financial Officer or failing him the Company Secretary will be the authorized key managerial personnel to determine the materiality of an event or information and for the purpose of advising on the disclosure to the Stock Exchanges through the Chief Investor Relations Officer designated under the Code of Fair Disclosure. The contact details of the authorized personnel shall also be disclosed to the Stock Exchanges as well as on the website of the Company.

4. Disclosures of Events or Information to Stock Exchanges

The events or information which will be necessary to be disclosed to the Stock Exchanges are divided into three categories as specified in the Listing Regulations:

- a. Events whose disclosure is mandatory and which would need to be disclosed without any application of the test/guidelines for materiality.

The below events will be disclosed as soon as reasonably possible and not later than twenty four hours from the occurrence of event or information except for events stated in item (iv) below which shall be disclosed within thirty minutes of the conclusion of the meeting of the board of directors of the Company ("**Board**"). In case the disclosure is made after twenty four hours of occurrence of the event or information, the rationale for the delay will be provided along with such disclosures.

- i. 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 Company (if any) or any other restructuring.

Acquisition would mean:

- acquiring control, whether directly or indirectly; or,
 - acquiring or agreeing to acquire shares or voting rights in, a company, whether directly or indirectly, such that -
 - 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;
 - there has been a change in holding from the last disclosure and such change exceeds two per cent of the total shareholding or voting rights in the said company.
- ii. 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.
- iii. Revision in rating(s).
- iv. Outcome of meetings of the Board: The Company shall disclose to the Stock Exchanges, within 30 minutes of the closure of the meeting, held to consider or decide the following:
- 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;
 - any cancellation of dividend with reasons thereof;
 - the decision on buyback of securities;
 - the decision with respect to fund raising proposed to be undertaken;
 - increase in capital by issue of bonus shares through capitalization including the date on which such bonus shares would be credited/dispatched;
 - 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;
 - short particulars of any other alterations of capital, including calls;
 - financial results; and
 - decision on voluntary delisting by the Company from Stock exchanges.
- v. 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.
- vi. Fraud/ defaults by promoter or key managerial personnel (managing directors, chief

executive officer, chief financial officer, company secretary, etc.) of the Company or by the Company or arrest of key managerial personnel.

- vii. Change in directors, key managerial personnel, auditor and compliance officer.
- In case of resignation of the auditor, detailed reasons for resignation of the auditor, as given by the said auditor, shall be disclosed to the Stock Exchanges, as soon as possible but not later than twenty four hours of receipt of such reasons from the auditor.
 - In case of resignation of an independent director, the following details shall be disclosed to the Stock Exchanges by the Company, within seven days from the date of resignation:
 - Detailed reasons for the resignation of independent directors as given by the said director; and
 - Confirmation from the said independent director that there is no other material reasons other than those provided.
- viii. Appointment or discontinuation of share transfer agent.
- ix. Corporate debt restructuring.
- x. One time settlement with a bank.
- xi. Reference to the Board for Industrial and Financial Reconstruction and winding-up petition filed by any party/creditors.
- xii. 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.
- xiii. Proceedings of annual and extraordinary general meetings of the Company.
- xiv. Amendments to memorandum and articles of association of Company, in brief.
- xv. Schedule of analyst or institutional investor meets and presentations on financial results made by the Company to analysts or institutional investors.
- xvi. Following events in relation to the corporate insolvency resolution process (“**CIRP**”) of the Company as a corporate debtor under the Insolvency and Bankruptcy Code, 2016, (“**Insolvency Code**”) if applicable:
- Filing of application by the Company for initiation of CIRP, also specifying the amount of default;
 - Filing of application by financial creditors for initiation of CIRP against the Company, also specifying the amount of default;
 - Admission of application by the National Company Law Tribunal (“**NCLT**”), along with amount of default or rejection or withdrawal, as applicable;

- Public announcement made pursuant to order passed by the NCLT under Section 13 of the Insolvency Code;
- List of creditors as required to be displayed by the corporate debtor under regulation 13(2)(c) of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 (“**IBBI Regulations**”);
- Appointment/ replacement of the Resolution Professional;
- Prior or post-facto intimation of the meetings of the Committee of Creditors;
- 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 Regulations;
- Number of resolution plans received by the Resolution Professional;
- Filing of resolution plan with the NCLT;
- Approval of resolution plan by the NCLT or rejection, if applicable;
- Salient features, not involving commercial secrets, of the resolution plan approved by the NCLT, in such form as may be specified; and
- Any other material information not involving commercial secrets.

b. Events which may be disclosed to the Stock Exchanges based on the test of materiality

The events as mentioned below will be disclosed based on the application of the test of materiality and key principles for determination of materiality as outlined hereunder:

- i. the omission of an event or information, which is likely to result in discontinuity or alteration of event or information already available publicly; or
- ii. 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
- iii. in a case where the criteria specified in (i) and (ii) is not applicable, any event/information which in the opinion of the Board, is considered material and needs disclosure.

The key managerial personnel authorized under this Policy will determine on the disclosure of events or information to the Stock Exchanges based on the application of the test of materiality as mentioned above. In addition to this, the key managerial personnel while determining the materiality will do so on a case to case basis depending on specific facts/circumstances relating to the information/event and apply such other qualitative/quantitative criteria if required and as may be deemed appropriate to the event.

Description of events:

Sr. No.	Events / Information	Threshold Criteria
1.	Commencement or any postponement in the date of commencement of commercial operations of any unit/division	No threshold limit
2.	(i) Change in the general character or nature of business brought about by arrangements for strategic, technical, manufacturing, or marketing tie-up, adoption of new line(s) of business; or (ii) Closure of operations of any unit/division – (entirety or piecemeal)	Impact exceeding 30% of the income of the Company as per the last audited consolidated financial statements for each transaction
3.	Capacity addition or product launch	The Company shall inform all opening of offices/branches/stores or launch of new general products
4.	Awarding, bagging/receiving, amendment or termination of awarded/bagged orders/contracts, not in the normal course of business	Award or contract amount not exceeding 5% of the income of the Company as per the last audited consolidated financial statements for each transaction
5.	Agreements (viz. loan agreement(s) (as a borrower) or any other agreement(s) which are binding and not in the normal course of business and revision(s) or amendment(s) or termination(s) thereof)	Borrowings for a minimum period of [5] years for an amount exceeding [5]% of the income of the Company as per the last audited consolidated financial statements for each transaction All other agreements which are entered into not in the normal course of business having a value exceeding [5]% of the income as per the last audited consolidated financial statements for each transaction
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, lock-outs etc.	Disruption of operations due to natural calamity/force majeure, with estimated impact exceeding 5% of the income of the Company as per the last audited consolidated financial statements for each transaction. In case of strikes or lock-outs etc., complete closure of any branch for a continuous period of at least 15 days.

Sr. No.	Events / Information	Threshold Criteria
7.	Effect(s) arising out of change in the regulatory framework applicable to the Company	Impact of which exceeds 5% of the income of the Company as per the latest audited consolidated financial statements. Where the impact is 5% or less, the compliance officer will decide the matter in consultation with the key managerial personnel
8.	Litigation(s)/dispute(s)/regulatory action(s) with impact	<p>Outcome of any single litigation/dispute determined by courts of law [(not below the High Court)] or individual matters with similar case of action (which shall be aggregated) and regulatory action having an impact of not less than 1% of the income of the Company as per the last audited consolidated financial statements.</p> <p>No threshold limits on all regulatory actions, criminal, environmental matters and matters resulting from the breach of securities laws. However, the above materiality parameters will also apply to the directors, promoter and key managerial personnel of the Company, except where the litigation is of a purely personal nature and unlikely to affect the involved director's, promoter's or key managerial personnel's ability to discharge its responsibilities towards the Company.</p> <p>For non-quantifiable matters, the compliance officer shall determine materiality on a case to case basis.</p>
9.	Frauds/defaults by directors (other than key managerial personnel) or employees of the Company.	Amounts exceeding 5% of the income of the Company as per the last audited consolidated financial statements.
10.	Options to purchase securities, including any Employees Stock Option Plan/ Employees Stock Purchase Scheme	[5]% of the issued and outstanding share capital of the Company, or which would (along with existing shareholding) result in the person granted the options holding more than [5]% of the issued and outstanding share capital of the Company
11.	Giving of guarantees or indemnity or	Amount exceeding 5% of the income of

Sr. No.	Events / Information	Threshold Criteria
	becoming a surety for any third party	the Company as per the last audited consolidated financial statements.
12.	Granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals	Granting, withdrawing, surrender, cancellation or suspension of the following license or regulatory approvals the impact of which would exceed 5% of the income of the Company as per the last audited consolidated financial statements.

c. Any other event/information that is likely to affect business

Such events may include but not be limited to the following:

- i. Any other information/event which is in the nature of major development that is likely to affect business of the Company such as change in accounting policy that may have a significant impact on the accounts of the Company, emergence of new technologies, etc.; and
- ii. Any other information exclusively known to the Company which may be necessary to be disseminated to enable the holders of the securities of the Company to apprise its position and to avoid the establishment of a false market in such securities.

However, without prejudice to para (a), (b) and (c), the Company shall make disclosure of any event/information which may have a material effect on the Company, as specified by the Board from time to time. Further, the Company shall, with respect to disclosures referred to in this Policy, make disclosures updating material developments on a regular basis, till such time the event is resolved/closed, with relevant explanations. The Company may also, on its own initiative, confirm or deny any reported event or information to the Stock Exchanges.

The Company shall provide specific and adequate reply to all queries raised by the Stock Exchanges with respect to any event or information.

5. Guidance on when an Event/Information is Deemed to be occurred

The events/information shall be said to have occurred upon approval of Board in certain events, for example further issue of capital by rights issuance and in certain events/information after receipt of approval of both, the Board and shareholders of the Company. Certain events which are price sensitive in nature like declaration of dividends etc. will be deemed to have occurred and disclosed on approval of the Board pending shareholder's approval.

Events such as natural calamities or disruption can be said to have occurred when the Company becomes aware of the event/information.

6. Disclosures on Website

The Company shall disclose on its website all such events or information which has been disseminated to the Stock Exchanges under this Policy and such disclosures shall be hosted on the website of the Company for a minimum period of five years and thereafter as per the Archival Policy of the Company.

7. Amendments to the Policy

The key management personnel authorized under this Policy will review the Policy from the perspective of the Listing Regulations and determine the events/information for disclosure as may be amended by the Securities and Exchange Board of India from time to time. All such amendments will be informed to the board and the approval of the Board will be sought to align the policy in line with the Listing Regulations.

Date: 07th March, 2020