KARBONSTEEL ENGINEERING LIMITED

Policy on Materiality of Related Party Transactions

POLICY ON MATERIALITY OF RELATED PARTY TRANSACTIONS

BACKGROUND

This Policy is framed pursuant to the provisions of Section 188 and other applicable provisions of the Companies Act, 2013 ("Act") and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), as amended from time to time.

SEBI has issued a circular on 13th October, 2025, revising the minimum information requirements for approval of Related Party Transactions ("RPTs") to facilitate ease of doing business while preserving governance standard, and accordingly this Policy has been updated to align with the amended regulatory framework.

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

"Audit Committee" means "the Committee" constituted by the Board of the Company under provisions of SEBI Listing Regulations and the Companies Act, 2013, as amended from time to time.

"Materiality of Related Party Transactions" means a transaction with a Related Party which is considered material in accordance with Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, as amended from time to time, and which exceeds the materiality threshold specified below, either individually or taken together with previous transactions during a financial year, based on the last audited financial statements of the company.

Consolidated Turnover of Listed Entity	Threshold
(I) Up to Rs. 20,000 Crore	Exceeds 10% of the annual consolidated turnover of the Company
(II) More than Rs. 20,000 Crore to upto Rs. 40,000 Crore	Exceeds Rs. 2,000 Crore + 5% of the annual consolidated turnover of the Company above Rs. 20,000 Crore
(III) More than Rs. 40,000 Crore	Exceeds Rs. 3,000 Crore + 2.5% of the annual Consolidated turnover of the Company above Rs. 40,000 Crore Subject to overall cap of Rs. 5,000 crore

Or such threshold as may be notified by SEBI.

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

"Related Party" will have the same meaning as defined under Section 2(76) of the Act and Regulation 2(1)(zb) of SEBI (Listing Obligations and Disclosure Requirements) or under the applicable Accounting Standards, as may be amended from time to time.

"Relative" in relation to the related party shall have the same meaning as defined in Section 2(77) of the Companies Act, 2013 read with Rule 4 of The Companies (Specification of definition details) Rules, 2014.

"Arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

"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.

"Related Party Transaction" means transaction involving transfer of resources, services or obligations regardless of whether a price is charged.

The RPT shall include transactions 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.

Explanation: A "transaction" with a Related Party shall be construed to include single transaction or a group of transactions 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.

IDENTIFICATION OF RELATED PARTIES

The company has devised a proper mechanism for the identification and updating the list of related parties. Each director and Key Managerial Personnel is responsible for providing relevant disclosures to the Board or Audit Committee relating to the concern or interest in any company/ companies or bodies corporate, firms or the other association of individuals which shall include shareholding. Such notice shall be provided to the company at the time of appointment and also at the time of first board meeting in every financial year and whenever there is any change in the disclosures already made.

MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS

Review and approval of Audit Committee:

In terms of Regulation 23 of Listing Regulation, prior approval of the Audit Committee is required for entering into transactions with related parties. Any member of the Committee who is in any way concerned or interested in any Related Party Transaction shall abstain from discussion and voting on any such resolution. Further on regular basis the transactions entered by the Company with the related parties which are in the ordinary course of business and on Arm's Length basis shall be placed before the committee on quarterly basis for its ratification.

However, the Audit committee may grant omnibus approval in case of frequent/ regular/ repetitive transactions with related parties which are in the normal/ ordinary course of business of the Company. While granting such approval the Audit Committee shall satisfy itself regarding the need for the omnibus approval and that same is in the interest of the Company.

The omnibus approval shall specify the following:

a. Name of the related party
b. Nature of the transaction
c. Period of the transaction
d. Maximum amount of the transactions that can be entered into
e. Indicative base price / current contracted price and formula for variation in price, if any
f. Such other conditions as the Audit Committee may deem fit.

Such transactions will be deemed to be pre-approved and may not require any further approval of the Audit Committee for each specific transaction unless the price, value or material terms of the contract or arrangement have been varied/ amended. Any proposed variations/ amendments to these factors shall require prior approval of the Committee.

Further, where the need of the related party transactions cannot be foreseen and all prescribed details are not available, Committee may grant omnibus approval subject to the limits as envisaged in the Listing Regulation, from time to time. Further, the Committee shall review on half yearly basis and assess such transactions including the limits to ensure that they are in compliance with this Policy. The omnibus approval shall be valid for a period of one year and fresh approval shall be obtained after the expiry of one year.

Prior approval of the Audit Committee shall also be required for Related Party Transactions of the subsidiary of the Company, where the Company is not a party to the transaction, if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds Rs. 1 crore and exceeds the lower of: (i) 10% of the annual standalone turnover of the subsidiary as per the last audited financial statements; or (ii) the threshold for material related party transactions of the Company as specified under Schedule XII of Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

Approval by the Board:

The Related Party transactions as specified under Section 188(1) of the Companies Act, 2013, 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.

Disclosure and Reporting of Related Party Transactions:

The Company shall submit to the Stock Exchange disclosures of Related Party Transactions on a half-yearly basis in the format specified by SEBI within the prescribed timelines.

A. Exemption Thresholds (per SEBI Circular dated 13 October 2025)

For purposes of minimum information requirements under SEBI LODR Regulations:

1. Transactions not exceeding Rs. 1 crore (individually or aggregated during a financial year with past/cumulative RPTs, including ratified transactions) are exempt from minimum information requirements for placement before the Audit Committee and Shareholders.

2. Transactions exceeding Rs.1 crore but not exceeding the lower of:
   • 1% of annual consolidated turnover of the listed entity; or
   • Rs.10 crore
   shall be subject to minimum information requirements prescribed in Annexure-13A for Audit Committee and Shareholder approvals.

3. Transactions above the above slab (i.e., > Rs. 10 crore or > 1% of annual consolidated turnover, whichever is lower) shall require full disclosures as required under the Act, SEBI LODR and applicable disclosure standards.

Material Modification of Material Related Party Transactions:

Any material modification to a Material Related Party Transaction shall require prior approval of the shareholders in accordance with Regulation 23 of the Listing Regulations.

For the purpose of this Policy, "Material Modification" means any modification which results in variation of 10% or more in the value of the originally approved transaction or such other threshold as may be prescribed under applicable law.

Exemption:

The following transactions shall be exempt from the requirement of approval under Regulation 23 of the Listing Regulations, to the extent permitted under law:

(i) 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;
(ii) Transactions entered into between two wholly owned subsidiaries of the Company;
(iii) Payment of remuneration to Directors and Key Managerial Personnel in accordance with the provisions of the Companies Act, 2013;
(iv) Any other transactions exempted under applicable statutory provisions.

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.

The Committee or the Board or the Shareholders shall consider all relevant facts and circumstances in respect of any such transaction(s) and shall evaluate all options available to the Company, including but not limited to ratification, revision, or termination of such transaction, and the Company shall take such action as the Committee / Board deems appropriate under the circumstances.

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.

DISSEMINATION OF THE POLICY

The policy shall be hosted on the website of the Company i.e. www.karbonsteel.com

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Effective Date:

Date of Approval by Board of Directors: February 01, 2025

Date of Modification by the Board of Directors: May 30, 2026