BHARAT DYNAMICS LIMITED

CORPORATE POLICY ON MATERIALITY FOR DISCLOSURE OF EVENTS TO THE STOCK EXCHANGES

1. Preamble

1.1. This policy has been framed pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "**SEBI Listing Regulations**") for determination of materiality of events or information for disclosure (the "**Policy**").

1.2. This Policy shall be known as Corporate Policy on Materiality for Disclosure of events to the stock exchanges where the equity shares of Bharat Dynamics Limited (hereinafter referred to as the "**Company**" or "**BDL**") are proposed to get listed ("**Stock Exchanges**").

2. Objective

2.1. This Policy shall be applicable to all material events which will have to be reported to Stock Exchanges.

2.2. The objectives of the Policy are as follows:

(i) To ensure that the Company complies with the disclosure obligations to which it is subject to as laid down by the Listing Regulations, various securities laws and other applicable legislations;

(ii) To ensure that the information disclosed by the Company is timely and transparent;

(iii) To ensure the corporate documents and public statements are accurate and do not contain any mis-representation.

(iv) To provide a framework that supports and fosters confidence in the quality and integrity of information released by the Company;

(v) To ensure uniformity in Company's approach to disclose, raise awareness and reduce the risk of selective disclosure;

(vi) To lay down the aspects for determining the materiality of the events / information and the time frame within which the information should be disclosed.

2.3. The objective of this Policy is to lay down the criteria for determination of materiality of events and information that need to be disclosed to the Stock Exchanges.

2.4. The Policy shall come into effect from the date of listing of the equity shares of BDL with on the Stock Exchanges.

3. Definitions

3.1. **"Act"** shall mean the Companies Act, 2013 and the rules framed there under, including any modifications, clarifications, circulars or re-enactment thereof.

3.2. "**Board of Directors**" or "**Board**" means the board of directors of the Company, as constituted from time to time.

3.3. "**CMD**" means the Chairman and Managing Director of the Company.

3.4. "**Compliance Officer**" means the Company Secretary of the Company authorized by the Board for the purpose of determining materiality of an event or information and for the purpose of making disclosures to Stock Exchange.

3.5. "**Director**" refers to the director on the Board of the Company.

3.6. **"Key Managerial Personnel"** means a key managerial personnel as defined in sub-section (51) of section 2 of the Companies Act, 2013.

3.7. **"Listing Agreement"** shall mean an agreement that is to be entered into between recognized stock exchanges, on which the equity shares of the Company are listed and the Company pursuant to the SEBI Listing Regulations.

3.8. **"Material Event"** or **"Material Information"** shall mean such event or information as set out in this Policy or as may be determined in terms of the SEBI Listing Regulations. In this Policy, the words, "material" and "materiality" shall be construed accordingly.

3.9. **"SEBI"** means the Securities and Exchange Board of India.

3.10. **"Stock Exchanges"** means the National Stock Exchange of India Limited and BSE Limited.

Any other term not defined herein shall have the same meaning as defined in the Act, the SEBI Listing Regulations or any other applicable law or regulation to the extent applicable to the Company.

4. Classification of material events / information

4.1. **Deemed Material Event / Information**

4.2. The following events are deemed to be material events and shall be necessarily disclosed to the Stock Exchanges without applying any test of materiality.

(a) 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 BDL or any other restructuring;

Explanation – For the purpose of this sub para the word acquisition shall mean:

(i) Acquiring control, whether directly or indirectly; or

(ii) Acquiring or agreeing to acquire shares or voting rights, in BDL, whether, directly or indirectly, such that-

(a) BDL holds shares or voting rights aggregating to five per cent or more of the shares or voting rights in the said company; or

(b) There has been a change in holding from the last disclosure made under sub clause (a) of clause (ii) of the Explanation to this sub para and such change exceeds two per cent of the total shareholding or voting rights in the said company.

(b) 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.;

(c) Revision in credit rating(s);

(d) Outcome of meetings of the Board of Directors: BDL shall disclose to the Stock Exchanges, within thirty minutes of the closure of the meeting, held to consider the following:

(i) 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;

(ii) Any cancellation of dividend with reasons thereof;

(iii) The decision on buyback of securities;

(iv) The decision with respect to fund raising proposed to be undertaken;

(v) Increase in capital by issue of bonus shares through capitalization including the date on which such bonus shares shall be credited / dispatched;

(vi) 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;

(vii) Short particulars of any other alterations of capital, including calls;

(viii) Decision on voluntary delisting by BDL from Stock Exchanges; and

(ix) Financial results.

(e) Agreements (viz. shareholder agreement(s), joint venture agreement(s), family settlement agreement(s) (to the extent that it impacts management and control of BDL), agreement(s) / treaty(ies) / contract(s) with media companies which are binding on the Company and not in its normal course of business, revision(s) or amendment(s) and termination(s) thereof;

(f) Fraud / defaults by Key Managerial Personnel or by Company or arrest of Key Managerial Personnel;

(g) Change in Directors, Key Managerial Personnel, statutory auditor and/or Compliance Officer;

(h) Appointment or discontinuation of share transfer agent;

(i) Corporate debt restructuring;

(j) One time settlement with a bank;

(k) Reference to Board for Industrial and Financial Reconstruction and winding-up petition filed by any party / creditors;

(l) 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 BDL;

(m) Proceedings of annual and extraordinary general meetings of BDL;

(n) Amendments to memorandum and articles of association of BDL, in brief;

(o) Schedule of analyst or institutional investor meet and presentations on financial results made by BDL to analysts or institutional investors; and

(p) Such events as maybe specified in SEBI circular number CIR/CFD/CMD/4/2015 dated September 9, 2015 or as any other circulars, notifications, rules or regulations specified by SEBI.

4.3. **Events which shall be disclosed upon application of the guidelines for materiality**

The following event(s) / information shall be disclosed to the Stock Exchanges upon application of the guidelines for materiality of BDL:

(a) Commencement or any postponement in the date of commencement of commercial production or commercial operations of any unit / division;

(b) Change in the general character or nature of business brought about by arrangements for strategic, technical, manufacturing, or marketing tie-up, adoption of new lines of business or closure of operations of any unit / division (in entirety or piecemeal);

(c) Capacity addition or product launch;

(d) Awarding, bagging / receiving, amendment or termination of awarded / bagged orders / contracts not in the normal course of business;

(e) Agreements (viz. loan agreement(s) (as a borrower) or any other agreement(s) which are binding and not in normal course of business) and revision(s) or amendment(s) or termination(s) thereof;

(f) Disruption of operations of any one or more units or division of BDL due to natural calamity (earthquake, flood, fire etc.), force majeure or events such as strikes lockouts etc.;

(g) Effect(s) arising out of change in the regulatory framework applicable to BDL;

(h) Litigation(s) or dispute(s) or regulatory action(s) with impact;

(i) Fraud / defaults by Directors (other than Key Managerial Personnel) or employees of BDL proved after due process of law Conduct Discipline & Appeal Rules 1994 have been followed and the Competent Authority has issued necessary orders. Defaults by Directors, provided it has been proved that the same have occurred due to negligence of the concerned Director;

(j) Implementation of any employees stock option scheme after BDL has received the approval of the Government in this regard and the Board has approved the methodology;

(k) Giving of guarantees or indemnity or becoming a surety for any third party;

(l) Granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals;

(m) Any other information / event viz. major development that is likely to affect business, e.g. emergence of new technologies, expiry of patents, any change of accounting policy that may have a significant impact on the accounts, etc. and brief details thereof and any other information which is exclusively known to BDL and which may be necessary to enable the holders of securities of BDL to appraise its position and to avoid the establishment of a false market in such securities; and

(n) Such events as maybe specified in SEBI circular number CIR/CFD/CMD/4/2015 dated September 9, 2015 or as any other circulars, notifications, rules or regulations specified by SEBI.

a. (a) The Company may be confronted with the question as to when an event / information can be said to have occurred.

(b) In certain instances, the answer to above question would depend upon the stage of discussion, negotiation or approval and in other instances where there is no such discussion, negotiation or approval required viz. in case of natural calamities, disruptions etc, the answer to the above question would depend upon the timing when the listed entity became aware of the event / information.

In the former, the events / information can be said to have occurred upon receipt of approval of Board of Directors e.g. further issue of capital by rights issuance and in certain events / information after receipt of approval of both i.e. Board of Directors and shareholders.

However, considering the price sensitivity involved, for certain events e.g. decision on declaration of dividends etc., disclosure shall be made on receipt of approval of the event by the Board of Directors, pending shareholder's approval.

In the latter, the events / information can be said to have occurred when a listed entity becomes aware of the events / information, or as soon as, an officer of the entity has, or ought to have reasonably come into possession of the information in the course of the performance of his duties.

The term “officer” shall have the same meaning as defined under the Act and shall also include the promoter of the listed entity.

4.4. **Determination of Materiality**

Materiality has to be determined on a case to case basis depending on specific facts and circumstances relating to the information/ event. In order to determine whether a particular event or information is material in nature, the following 'quantitative' or 'qualitative' criteria(s) shall be applied.

4.5. **Quantitative criteria**

Materiality shall become applicable to an event or information where the value involved or the impact exceeds 5% of the total revenue or 10% of the Net worth, whichever is less, on the basis of last audited financial statements of BDL / audited consolidated financial statements of BDL, as applicable.

4.6. **Quantitative criteria**

Materiality shall become applicable to an event or information:

(a) if the omission of which is likely to result in a discontinuity or alteration of event or information already available publicly; or

(b) if the omission is likely to result in significant market reaction if the said omission came to light at a later date; or

(c) if in the opinion of the Board of Directors of BDL, the event or information is considered material; or

(d) any other event / information which is treated as unpublished price sensitive information.

4.7. **Materiality of information to be disclosed in Public Issue offer documents**

(a) For the purposes of determining the litigation(s) to be disclosed in the public issue offer document, materiality threshold will be an impact of 5% of PAT as per the audited financial statements of the Company.

(b) All criminal proceedings, tax matters (consolidated numbers for direct and indirect tax) and actions taken by statutory and regulatory authorities would be disclosed in the Offer Document irrespective of the amount involved.

(c) Any other litigations which can have a material adverse effect on the financial position of the Company would also be disclosed.

4.8. In circumstances where 'quantitative' test may not be applicable, 'qualitative' test may be applied to determine materiality.

4.9. The authority for determining the materiality of an event or information for the purpose of this clause shall be the Compliance Officer in consultation with the Director (Finance) and CMD.

5. <u>Disclosure Obligations</u>

5.1. All the Key Managerial Personnel of BDL shall be under an obligation to disclose material event and / or price sensitive information relating to items covered under para 4 above, to the Compliance officer.

5.2. The materiality of events outlined in this Policy is indicative in nature. The authorized officers of the Company shall exercise their own judgement while assessing and determining the materiality of events associated with the Company.

5.3. Upon receipt of information mentioned at para no. 4, Compliance Officer shall consult Director (Finance) and CMD before making disclosure of the material events and / or price sensitive information to the Stock Exchanges.

5.4. The Compliance Officer shall disclose all material events and / or information as soon as reasonably possible and not later than 24 hours from the occurrence of events or information in the following manner:

(a) Inform the stock exchange on which the securities of the Companies are listed; and

(b) Upload on the website of the Company.

5.5. In case the disclosure is made after 24 hours of occurrence of event or information, the explanation for delay shall also be provided along with the disclosure.

5.6. Provided further that disclosure with respect to events specified in sub-clause (d) of Clause 4.1.1 shall be made within 30 minutes of the conclusion of the board meeting.

5.7. Where any disclosure has been made under this Policy, further updates on regular basis, if any, with relevant explanations shall be made subject to same being approved by the Director (Finance) and CMD, Bharat Dynamics Limited.

5.8. All the disclosures made under this Policy shall be uploaded on website of BDL under the 'Investor' section. The same shall be available in the archives for a period of five years from the date of disclosure. Thereafter, the hosting of the same shall be decided as per the policy on preservation and archiving of documents in BDL.

5.9. Events or information with respect to subsidiaries, if any, which are material for BDL and as approved by the Director (Finance) and CMD, shall also be uploaded on BDL's website.

5.10. BDL shall provide specific and adequate reply to all queries raised by Stock Exchanges with respect to any events or information.

5.11. BDL may on its initiative also confirm or deny any reported events or information to Stock exchange(s).

5.12. In case where an event occurs or an information is available with BDL, which has not been indicated in Para A or B of Part A of Schedule III of the SEBI Listing Regulations, but in the opinion of Compliance Officer has a material effect on BDL, it shall make adequate disclosures to the Stock Exchanges.

6. Policy Review

6.1. This Policy shall be subject to review of the Board of Directors. CMD, Director (Finance) and Company Secretary who will be severally authorized to amend it suitably as may be deemed necessary in accordance with any regulatory requirements / amendments.

6.2. The CMD is empowered to amend this Policy, owing to any changes / amendment in the Act and SEBI Listing Regulations, from time to time. Subsequently, the said changes/ amendments, if any, are required to be taken on record by the Board in their next meeting.

7. Dissemination of Policy

7.1. This Policy shall be hosted on the website of the Company and address of such web link thereto shall be provided in the Annual Report of the Company. This Policy shall also be hosted on Company's intranet

8. Implementation

8.1. The Policy shall be effective from the date of listing of the shares on recognized Stock Exchanges, unless specified otherwise. The policy shall be made available on the website of the Company.