



NEXA DEFENCE (I) LIMITED

MATERIALITY POLICY

CIN: U41002MH2025PLC442318

Registered Office: Plot No. 118, Sector 1(S), CIDCO, Industrial Area, New Panvel East, Raigad - 410206,
Maharashtra, India.



1. INTRODUCTION

This policy (“**Policy**”) has been formulated to define the respective materiality policies of Nexa Defence (I) Limited (“**Company**”), pursuant to the disclosure requirements under Schedule VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (as amended from time to time) (“**SEBI ICDR Regulations**”), in respect of the following:

- A. Identification of material companies to be disclosed as Group Companies in the Offer Documents (*as defined hereinafter*);
- B. Identification of material subsidiaries to be disclosed as Subsidiaries in the Offer Documents (*as defined hereinafter*);
- C. Identification of ‘material’ outstanding litigation (in addition to all criminal proceedings, tax proceedings and actions by statutory/ regulatory authorities) involving the Company, its Promoters, Subsidiaries, and Directors (collectively, the “**Relevant Parties**”); and
- D. Identification of ‘material’ creditors and outstanding dues therein.

2. APPLICABILITY

The board of directors of the Company (“**Board**”) at their meeting held on September 08, 2026 discussed and approved this Policy. This Policy shall be effective from the date of approval of Policy by the Board.

In this Policy the term “**Offer Documents**” shall mean the draft red herring prospectus (“**DRHP**”), the red herring prospectus (“**RHP**”) and the prospectus, and any addendum or corrigendum thereto to be filed and/ or submitted by the Company in connection with the proposed initial public offering of its equity shares with the Securities and Exchange Board of India, the Registrar of Companies, Mumbai (the “**RoC**”) and/or the Emerge Platform of National Stock Exchange of India Limited, as applicable (“**Stock Exchanges**”).

The term “**Restated Financial Information**” shall mean the restated financial information of the Company, as disclosed in the relevant Offer Documents, together with the summary statement of significant accounting policies, and other explanatory information thereon derived from the relevant audited financial statements, prepared in accordance with the Indian Accounting Standards notified under Section 133 of the Companies Act, 2013 (read with the Companies (Indian Accounting Standards) Rules, 2015, as amended) and restated in accordance with the SEBI ICDR Regulations and the Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India, as amended from time to time.

All other capitalised terms not specifically defined in this Policy shall have the same meanings ascribed to such terms in the Offer Documents.

A. Identification of material companies to be disclosed as group companies

Requirement:

As per Regulation 2(1)(t) of the SEBI ICDR Regulations define “Group Companies” as “*such companies (other than promoter(s) and subsidiary(ies)) with which there were related party transactions, during the period for which financial information is disclosed in the Offer Documents, as covered under the applicable accounting standards, and also other companies as considered material by the board of the issuer*”.

Therefore, as per the requirements of the SEBI ICDR Regulations, group companies shall include:

- (i) Companies (other than the subsidiaries) with which there were related party transactions, during the period for which financial information is disclosed in the Offer Document(s) (the “**Relevant Period**”), as covered under Indian Accounting Standard (Ind AS) 24 (collectively, “**Accounting Standards**”); and
- (ii) Companies as considered material by the Board under the Policy on Materiality (as defined below)



Policy on Materiality:

With respect to point (ii), for the purpose of disclosure in the Offer Documents, a company shall be considered material and shall be disclosed as a 'Group Company' in the Offer Documents, if such company (other than the subsidiaries) (a) is a member of the promoter group of the Company (as defined in the Regulation 2 (1) (pp) of the SEBI ICDR Regulations); and (b) with which there were transactions in the most recent financial year and stub period, if any, (in respect of which Restated Financial Information is included in the Issue Document), ("Test Period") which individually or in the aggregate, exceed 10% of the total consolidated restated revenue from operations of the Company for the Test Period, and shall also be classified as group companies.]

B. Identification of material subsidiaries to be disclosed as subsidiaries

Regulation 16(1)(c) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

Identification of 'Material' subsidiary:

A subsidiary shall be considered material if, its income or net worth exceeds 10 % of the consolidated income or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

For the purpose of this requirement, notwithstanding anything to the contrary contained in this Policy, the term "material subsidiary" shall mean a subsidiary, whose turnover or net worth exceeds 10% (ten per cent) of the consolidated turnover or net worth respectively, of the Company and its subsidiaries in the immediately preceding accounting year.

C. Identification of 'material' litigation

Requirement:

As per the requirements of SEBI ICDR Regulations, the Company shall disclose the following:

- (i) All outstanding criminal proceedings (including matters which are at FIR stage even if no cognizance has been taken by any court) involving the Relevant Parties;
- (ii) All outstanding actions by regulatory authorities and statutory authorities including all penalties and show cause notices issued by such authorities involving the Relevant Parties;
- (iii) Claims related to direct and indirect taxes involving the Relevant Parties (disclosed in a consolidated manner giving the total number of claims and total amounts involved) provided that if the amount involved in any such claims exceeds the materiality threshold, such matter(s) shall be disclosed on an individual basis;
- (iv) Disciplinary action including penalty imposed by SEBI or stock exchanges against the Promoters in the last five financial years preceding the relevant Offer Documents including any outstanding action; and
- (v) other pending litigation/arbitration proceedings as determined to be material by our Board as per the Materiality Policy for Relevant Parties.

Further, as per the requirements of SEBI ICDR Regulations, the Company shall also disclose such outstanding litigation involving the group companies which has a material impact (as determined by the Board) on the Company and (ii) outstanding criminal litigation proceedings and actions by statutory or regulatory authorities involving the key managerial personnel and senior management personnel (together, the "Personnels") of the Company.

Policy on materiality:

For the point (v) above, any pending civil litigation involving the Relevant Parties would be considered 'material' for the purpose of disclosure in the Offer Documents, if:



- i. *the aggregate monetary claim/ dispute amount/ liability made by or against the Relevant Party, in any such pending litigation/ arbitration proceeding, to the extent quantifiable, exceeds the lower of the following:*
 - (a) *2% of turnover, as per the Restated combined Financial Information of Nexa Mumbai and Nexa Defence (I) Limited for Fiscal 2026, or*
 - (b) *2% of net worth, based on the Restated Financial as of March 31, 2026, or*
 - (c) *5% of the average of absolute value of profit or loss after tax, as per the Restated Financial Information for the last three Fiscals i.e. Fiscal 2026, Fiscal 2025 and Fiscal 2024.*
- ii. Further, any outstanding civil litigation/ arbitration proceedings involving the Relevant Parties wherein the monetary liability is not quantifiable, or does not exceed the threshold, shall be considered 'material' and shall be disclosed in the Offer Documents, if the outcome of such litigation could have a material adverse effect on the business, operations, performance, prospects, financial position or reputation of the Company.

Further, any indirect or direct tax litigation which involves a claim amount greater than the materiality thresholds as defined above, will also be disclosed individually.

For the purpose of clause (b) & (c) above, it is clarified that the net worth or average of absolute value of profit or loss after tax is to be calculated by disregarding the 'sign' (positive or negative) that denotes such value.

It is clarified that: (a) First information reports (FIRs) (whether cognizance has been taken or not) initiated against the Relevant Parties and Personnels shall also be disclosed in the Offer Documents; and (b) pre-litigation notices received by the Relevant Parties from third parties (excluding governmental, statutory or regulatory authorities or notices threatening criminal action) shall, in any event, not be considered as litigation until such time that Relevant Parties are impleaded as defendants in proceedings initiated before any court, tribunal or governmental authority, or is notified by any governmental, statutory or regulatory authority of any such proceeding that may be commenced.

Group Companies:

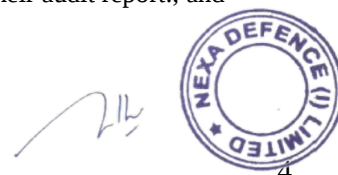
In relation to legal proceedings involving the group companies, a certificate will be obtained in relation to any pending litigation involving the group companies, the outcome of which could have a material impact on the Company or the Issue. Further, the board of the Company would pass a resolution taking on record such certificate provided by the group companies.

D. Identification of 'material' creditors and outstanding dues therein

Requirement:

1. As per the requirements of the SEBI ICDR Regulations, the Company shall make relevant disclosures in the Offer Documents and on the website of the Company for outstanding dues to creditors as follows:
 - (i) Based on the policy on materiality defined by the Board, details of the creditors which include the consolidated number of creditors and the aggregate amount involved, will be disclosed in the Offer Documents;
 - (ii) Consolidated information on outstanding dues to micro, small and medium enterprises ("MSME") and other creditors, separately giving details of number of cases and amount involved will be disclosed in the Offer Documents.

For outstanding dues to MSME and other creditors, the disclosure will be based on information available with the Company regarding the status of the creditors as MSME as defined under Section 2 read with Section 8 of the Micro, Small and Medium Enterprises Development Act, 2006, as amended, as has been relied upon by the statutory auditors in preparing their audit report.; and



- (iii) Complete details about outstanding dues to material creditors along with the name and amount involved for each such material creditor shall be disclosed on the website of the Company with a web link thereto in the Offer Documents.

Policy on materiality:

For identification of material creditors (except banks and financial institutions from whom the Company has availed financing facilities), in terms of point (1) above, a creditor of the Company shall be considered to be material for the purpose of disclosure in the Offer Documents, if amounts due to such creditor is equivalent to or in excess of 5% of restated trade payables of the Company as of the end of the most recent financial period covered in the Restated Financial Information included in the Offer Documents.

Further, for outstanding dues to any party which is a MSME, the disclosure will be based on information available with the Company regarding the status of the creditor as defined under Section 2 read with Section 8 of Micro, Small and Medium Enterprises Development Act, 2006, as amended read with the rules and notifications thereunder.

GENERAL

It is clarified that the Policy is solely for the purpose of disclosure requirements prescribed under the SEBI ICDR Regulations with respect to the Offer Documents, and should not be applied towards any other purpose, including for disclosure of material information by listed entities pursuant to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

The Policy shall be without prejudice to any disclosure requirements, which may be prescribed under the Companies Act, 2013 and the rules thereunder with respect to disclosure of litigation, notices, disputes and other proceedings in the offer documents or by SEBI and such other regulatory, judicial, quasi-judicial, governmental, administrative or statutory authority with respect to listed companies or disclosure requirements as may be prescribed by SEBI or by the Stock Exchanges, including through their observations on the Offer Documents, or disclosures that may arise from any investor or other complaints.

This policy shall be subject to review/changes as may be deemed necessary by Board/IPO committee and in accordance with regulatory amendments from time to time.

