

Policy
On
Related Party Transactions

1. Preamble

This Policy on Related Party Transactions is prepared and adopted to build a framework to regulate related party transaction under the provisions of the Companies Act, 2013 and relevant rules made there under, as amended from time to time of Central U.P. Gas Limited (“CUGL” or “Company”).

2. Purpose of the Policy

The purpose of this policy is to ensure that all transactions with the related parties are properly identified, reviewed and approved pursuant to the provisions of the Companies Act, 2013 and relevant rules made there under and amendment there for. This policy is applicable on the transactions which are between the Company and its related party.

3. Definitions

3.1. Act means Companies Act, 2013;

3.2. Board means the Board of directors of CUGL;

3.3. Committee means the Audit committee as defined under the Companies Act, 2013;

3.4. Company means Central U.P. Gas Limited ‘CUGL’;

3.5. Key Managerial Personnel or KMP means key managerial personnel as defined under the Companies Act, 2013 and includes:

- (i) Managing Director, or Chief Executive Officer or manager and in their absence, a whole-time director;
- (ii) Company Secretary; and
- (iii) Chief Financial Officer

3.6. 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 and/or such other criteria as may be decided by the Board/Audit Committee;

3.7. Ordinary Course of business will cover the transactions which are in normal routine and is permitted by Memorandum of Association of the Company and such transactions shall fall under the purview of the business objectives, operational activities and/or financial activities or such other criteria as may be decided by the Board/Audit Committee.

3.8. Related Party means related, if an entity falls under 2(76) of the Companies Act, 2013 and under rule 3 of the Companies (Specification of definitions details) Rules, 2014 and amendment thereof.

3.9. Relative means relative as defined as per Section 2(77) and the Companies (Specification of definition details) Rules, 2014.

4. The Policy

Following is the structure of dealing with transactions with related party with the Company:

- Identification of potential Related Party Transactions;
- Approval of Related Party Transactions; and
- Disclosure of Related Party Transactions.

4.1. Identification of potential Related Party Transactions;

A. Determination of Related Party Transaction

In terms with the Companies Act, 2013, the transactions which shall be considered as related party transaction, if entered into between the Company and its related party through any contract or arrangement with respect to, as prescribed in Section 188 of the Companies Act, 2013:

- Sale, Purchase or Supply of any goods or materials;
- Selling or otherwise disposing of, or buying property of any kind;
- Leasing of property of any kind;

- Availing or rendering of any services;
- Appointment of any agent for purchase or sale of goods, materials, services or property;
- Such related party's appointment to any office or place of profit in the Company, its subsidiary Company or associate Company; and
- Underwriting the subscription of any securities or derivatives thereof, of the Company.

B. Nature of Transaction

All the potential related party transactions shall be reviewed in detail by the Audit Committee. Audit Committee shall determine whether the said transaction is fair, in ordinary course of business and is an arm's length transaction. Lastly, the Committee shall take note whether the related party transaction would lead to an improper conflict of interest for any director or Key Managerial Personnel of the Company or any Related Party.

4.2. Approval of Related Party Transactions:

I. Matrix for approval of related party transactions

Nature of Transaction	Audit Committee	Board of Directors	Shareholders
Ordinary Course of Business and at arm's length	Yes	Exempted	Exempted
Not in Ordinary Course of Business and at arm's length	Yes	Yes	Yes, if beyond the limits as specified in Rule 15 of The Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014

II. Restriction on Voting rights of related parties

As per Companies Act, 2013, no member of the company shall vote on a special resolution to approve the contract or arrangement, if such a member is a related party in context to the contract or arrangement for which the said special resolution is being passed.

III. As per the Companies Act, 2013 if the Related party transactions under section 188 falls under the following limits prior approval of the shareholders by special resolution will be required

Limits as per Rule 15 of the Companies (Meetings of Board and its Powers) Second Amendment Rules, 2014

Sl. No.	Nature of related party transaction	Criteria
i	Sale, purchase and supply of any goods or materials, directly or through appointment of agent	exceeding 10% of the turnover of the company or Rs. 100 crores whichever is lower
ii	selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent	exceeding 10% of net worth of the company or Rs. 100 Crores, whichever is lower
iii	leasing of property of any kind	exceeding 10% of net worth of the company or 10% of the turnover of the company or Rs. 100 Crores, whichever is lower
iv	availing or rendering of any services, directly or through appointment of agent	exceeding 10% of the turnover of the company or Rs. 50 Crores, whichever is lower
v	Appointment of any office or place of profit in the company, its subsidiary company or associate company	Monthly remuneration exceeding Rs 2.5 lacs

vi	Remuneration for underwriting the subscription of any securities or derivative	Exceeding 1 % of net worth
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Explanation- It is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

4.3. Disclosure of Related Party Transactions

- i. Every related party transaction entered into shall be disclosed to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- ii. A register of Related Party Transactions shall be maintained as per the Companies Act, 2013 and placed before the Board and signed by all the directors present at the Meeting.

5. OTHER MISCELLANEOUS MATTERS

A. Ratification of Contracts or Arrangement

The Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its implementation, the matter shall be reviewed by the Audit Committee. In such circumstance, the Committee shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction as per the applicable provisions under Companies Act, 2013. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate.

In case where the Committee does not deem it fit to ratify a Related Party Transaction that has been commenced without approval, the Committee, may direct additional actions including, but not limited to, immediate discontinuation of the transaction, as appropriate.

B. Existing Contracts prior to Companies Act, 2013

As per the Ministry of Corporate Affairs has issued a General circular 30/2014 dated July 17, 2014, Contracts entered into by companies, after making necessary compliances under section 297 of the Companies Act, 195, which already came into effect before the commencement of Section 188 of the Companies Act, 2013 will not require fresh approval under the said section 188 till expiry of the original term of such contracts. Thus, if any modification in such contract is made on or after 1st April, 2014, the requirements under section 188 will have to be complied with.

6. REVIEW

The Board shall, as may be required, assess the adequacy of this Policy and make any necessary or desirable amendments to ensure it remains consistent with the Board's objectives, laws applicable and the best practices. Any amendment to this policy will be in writing.