

“POLICY FOR REVIEWING AND APPROVING RELATED PARTY TRANSACTION”

Introduction:

With the Companies Act, 2013, has come into effect from 12th 2014 (185 Sections), certain policy matters of the Company are required to be implemented for the effective compliances of the various Sections of the Act, especially on Related Party Transactions, vigil mechanism, Corporate Social Responsibility, etc.

Ujaas Energy Limited recognizes that Related Party Transactions (as defined below) can present potential or actual conflicts of interest and may raise questions about whether such transactions are consistent with the Company’s and its stockholders’ best interests. Therefore, this policy regarding the review and approval of Related Party Transactions has been adopted by the Company’s Board of Directors in order to set forth the procedures under which certain transactions must be reviewed and approved or ratified.

Definitions:

For the purposes of this policy, the following definitions apply:

A. “Relatives of Directors and Key Managerial Personnel”.

- Members of same Hindu Undivided Family.
- Spouse.
- Father (“Father” includes step-father).
- Mother (“Mother” includes the step-mother).
- Son (“Son” includes the step-son).
- Son’s wife.
- Daughter.
- Daughter’s husband.
- Brother (“Brother” includes the step-brother).
- Sister (“Sister” includes the step-sister).

B. “Related Party” with reference to UJAAS: means

- A director of the Company or his relative
- A KMP of the Company or his relative
- Any firm in which any such director or relative is a partner
- Any private company of which any such director or manager is a director or member
- Any body corporate at a general meeting of which not less than 25 %. Of the total voting power may be exercised or controlled by any such director, or by two or more such directors, together.

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- ❖ Any body corporate, the Board of directors, managing director or manager, whereof is accustomed to act in accordance with the directions or instructions of the Board, or of any director or directors, of the lending company.
- ❖ A Public Company in which Director or Manager is a Director and holds along with his relatives, more than 2% of its paid-up share capital
- ❖ Any company which is
 - Holding, subsidiary or an associate company of such company.
 - Subsidiary of a holding company to which it is also a subsidiary.
- ❖ A Director or KMP of holding company or his relatives with reference to a company shall be deemed to be a related party

C. “Related Party Transaction”: means any contract or arrangement with a related party such as:

- Sale / purchase of goods,
- Availing or rendering of services,
- Buying / selling / leasing of property and
- Appointment of agent for purchase or sale of goods, materials, services or property
- Appointment to any office or place of profit in the company, its subsidiary company or associate Company
- Remuneration for underwriting the subscription of any securities or derivatives thereof of the

company.

In which Ujaas Energy Limited, is or is proposed to be a participant and in which a Related Party has, had or

may have a direct or indirect material interest.

Procedures:

- ❖ Prior to the entry into any potential Related Party Transaction, such transaction will be reported to Ujaas’s Chief Financial Officer (CFO). Any potential Related Party Transaction that is brought to Ujaas’s CFO’s attention is analyzed by Board members, in consultation with management and with outside consultants, as appropriate; to determine whether a) the transaction or relationship does, in fact, constitute a Related Party Transaction, requiring compliance with this policy; b) the proposed / existing transaction / contract is in the ordinary course of business; and c) at arms length

- ❖ Once identified by Board members & CFO, all the proposed / existing Related Party Transactions shall be reported promptly to the Audit Committee by Board of Directors, or in the event that the Board of Directors has an interest in the Related Party Transaction, the transaction shall be reported to the Audit Committee by CFO or CS of a company and vice versa for the audit committee approval.
- ❖ The Audit Committee shall be provided with the material facts of all new, existing or proposed Related Party Transactions. The Audit Committee will determine whether to refer the Related Party Transaction to the Board of Directors for consideration or; or whether to refer such transactions for prior approval by.

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Shareholders in general meeting, as the case may be.

- ❖ Upon determination, the Audit Committee will refer all Related Party Transactions requiring approval pursuant to this policy to the Board of Directors or Shareholders, as the case may be. All new Related Party Transactions (including the terms of the transaction and the business purpose of the transaction) must be either approved or disapproved by the Board of Directors; any pre-existing Related Party Transactions, if not previously reviewed, must be either ratified or rescinded or deliberated further for prior approval of shareholders, by those shareholders who are not concerned or interested or who can not be treated as a related party.

In assessing a Related Party Transaction, the Board of Directors shall consider such factors as it deems appropriate, like:

- Business reasons for Ujaas Energy Ltd. to enter into the Related Party Transaction;
- The commercial reasonableness of the terms of the Related Party Transaction;
- The materiality of the Related Party Transaction to Ujaas Energy Ltd;
- Whether the terms of the Related Party Transaction are fair to Ujaas Energy Ltd and on the same basis as would apply if the transaction did not involve a Related Party;
- The extent of the Related Party's interest in the Related Party Transaction;
- If applicable, the impact of the Related Party Transaction on a non-employee director's Independence.

Steps for Approval:

- ❖ A Related Party Transaction entered in its ordinary course of business and which is on arm's length basis shall be approved:

By Audit Committee of the Board approval is required as per Section 177.

As per the third proviso to sub-section (1) of section 188, any transactions entered in the ordinary course of business and on arm's length basis are exempted from the purview of this Section. Hence approval will not be needed either from Board or from shareholders

for transactions which are in the ordinary course of business and on arm's length basis. Only Audit Committee approval is required as per Section 177.

- ❖ Related Party Transaction, in case of company having paid up share capital not less than Ten Crores OR Transaction referred under sub-section (1) of 188 of Companies Act,2013

exceeding the threshold limit may be approved :

By Prior approval of shareholders by Special resolution at general meeting.
As per sub- rule (3) of Rule 15 of the Companies (Meetings of Board and its Powers) Rules, 2014, prior approval by way of Special Resolution from the members of the Company is required for a company having a paid-up share capital of Rs.10 Crores or more.

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The requirement of Special Resolution when the limits specified for each related party transaction is exceeded is independent from the limit of paid-up share capital Rs.10 Crores or more.

From the above it is clear that any related party transaction proposed to be entered by Ujaas Energy Limited, which is not in the ordinary course of business or even if it is in the ordinary course of business but not in arms length, proposed to be entered by UJAAS, irrespective of whether the threshold limit for specific transaction is crossing or not, requires prior approval by way of Special Resolution.

- ❖ No Interested director who is a Related Party shall be present in the evaluation or approval of any Related Party Transaction for which he or she is a Related Party, except that the director shall provide declaration concerning the Related Party Transaction to the Board of Directors and should not participate in voting or in the Board of Directors' discussions. (Interested Director means as defined in Section 2 (49) read with 174 with sub-section (2) of Section 184 viz. holds more than 2% either alone or in association with other Directors in the other body corporate or promoter, manager, CEO of that body)
- ❖ In case of wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.
- ❖ If a Related Party Transaction will be ongoing, the Board of Directors may, after obtaining the approval of the Audit Committee, in its discretion, establish guidelines for Ujaas Energy Ltd's management to follow in its ongoing dealings with the Related Party. Thereafter, the Board of Directors shall periodically review and assess ongoing relationships with the Related Party to see that they are in compliance with the Board of Directors' guidelines.
- ❖ Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a special resolution in the general meeting under sub-section (1) of 188 of Companies Act, 2013 and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such

contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

TRANSACTIONS REQUIRING PRIOR APPROVAL OF THE MEMBERS OF THE COMPANY :

Considering the Company's paid up share capital is more than Rs.10 Crore , all related party transactions, need prior approval of Audit Committee and the members, other than those meet with the concept of ordinary course of business and at arms length (need only Audit Committee's approval).

Further, the following types of transactions will be deemed to be requiring the approval of the shareholders of the Company. The transaction value will be taken on blanket approval basis by the Board of Directors and shall be valid for one financial year:

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- Sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding 25% of the annual turnover (Amount) as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188 of Companies Act 2013.
- Selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding 10% of net worth (Amount) as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188, Companies Act 2013.
- Leasing of property of any kind exceeding 10% of the net worth or exceeding 10% of turnover (Amount) as mentioned in clause (c) of sub-section (1) of section 188, Companies Act 2013.
- Availing or rendering of any services directly or through appointment of agents exceeding 10% of the net worth (Amount) as mentioned in clause (d) and clause (e) of sub-section (1) of section 188, Companies Act 2013.
- Appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding 2.5 lakh rupees as mentioned in clause (f) of sub-section (1) of section 188 ,Companies Act 2013 or
- Remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding 1% of the net worth (Amount) as mentioned in clause (g) of subsection of section 188, Companies Act 2013.

(1) The threshold amounts referred above are on the basis of Turnover or Net Worth shall be on the basis of the Audited Financial Statements for the year ending 31st March 2014.

Disclosure:

- ❖ The agenda of the Board meeting at which the resolution is proposed to be moved shall disclose
 - The name of the related party and nature of relationship.

- The nature, duration of the contract and particulars of the contract or arrangement;
 - The material terms of the contract or arrangement including the value, if any.
 - Any advance paid or received for the contract or arrangement, if any.
 - The manner of determining the pricing and other commercial terms both included as part of contract and not considered as part of the contract.
 - Whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors.
 - Any other information relevant or important for the Board to take a decision on the proposed transaction.
- ❖ The explanatory statement to be annexed as per Section 102 to the notice of a general meeting convened pursuant to section 101 of Companies Act , 2013 shall contain the following particulars namely:-

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- Name of the related party.
 - Name of the director or key managerial personnel who is related, if any.
 - Nature of relationship;
 - Nature, material terms, monetary value and particulars of the contract or arrangement.
 - Any other information relevant or important for the members to take a decision on the proposed resolution.
- ❖ Every contracts and arrangements with Related Party entered into, irrespective of whether they are exempted from ratification or not, pursuant to the section 188 of Companies Act, 2013 shall be referred in the Board's Report to the shareholders along with the justification for entering into such contracts or arrangements.