



**MAHANAGAR
GAS**

POLICY ON RELATED PARTY TRANSACTIONS

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| 1.0 | 16.02.2015 | Amendments pursuant to applicability of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2021 | Company Secretary | Board of Directors |
| 2.0 | 29.06.2022 | Modifications pursuant to amendments in SEBI (LODR) Regulations, 2015 dated 09.11.2021 | Company Secretary & Compliance Officer | Board of Directors |

This document is approved by Board of Directors vide its resolution dated June 29, 2022.

This document supersedes all the previous versions of Policy/ communication on this subject.

POLICY ON RELATED PARTY TRANSACTIONS

1. INTRODUCTION

Mahanagar Gas Limited (hereinafter referred to as “Mahanagar Gas” or “MGL” or “The Company” believes in best corporate governance practice with respect to dealing with the Related Party Transactions of the Company with inherent characteristics of conflict of interest. In order to protect the interests of stakeholders of the Company and in compliance with the provisions of the Companies Act, 2013 and Regulations 23 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), MGL has adopted this policy on Related Party Transactions (hereinafter referred to as “Policy”) , and shall be effective from the date on which the Policy and its amendments are approved by the Board of Directors of the Company from time to time.

2. SCOPE AND OBJECTIVE

The policy envisages the procedure governing Related Party Transactions required to be followed by company to ensure compliance with the provisions of Companies Act, 2013 and Listing Regulations.

The Policy is framed to set out the manner of dealing with Related Party Transactions and material modifications thereof for ensuring due and proper compliance with the applicable statutory provisions and to fortify that proper procedure is followed for approval / ratification and reporting of transactions between the Company and its Related Parties.

3. APPLICABILITY AND GOVERNING LAWS

This policy shall be applicable to all the transactions entered by the Company with its related parties from time to time. This Policy is prepared for ensuring compliance with the provisions of Section 188 of the Companies Act, 2013 (“Act”) read with Companies (Meetings of Board and its Powers) Rules, 2014 and Regulation 23 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and such other regulatory provisions, as may be applicable.

4. DEFINITIONS AND INTERPRETATIONS

“**Act**” means the Companies Act, 2013 and rules made there under and as amended from time to time.

“**Arm’s Length Transaction**” Arm’s Length Transaction means a transaction between two related parties that is conducted as if they were unrelated.

“**Associate Company**”, in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation — For the purposes of this clause,

- (i) the expression “significant influence” means control of at least twenty per cent. of total voting power, or control of or participation in business decisions under an agreement;

(ii) the expression “joint venture” means a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement;

“**Audit Committee**” means a committee of the Board of Directors of the Company constituted under Section 177 of the Act and Regulation 18 of the Listing Regulations.

“**Board**” in relation to a company, means the collective body of the Directors of the company.

“**Company**” or “**MGL**” shall be construed as reference to Mahanagar Gas Limited

“**Holding Company**” in relation to one or more other companies, means a company of which such companies are subsidiary companies;

Explanation. –For the purposes of this clause, the expression “company” includes anybody corporate.

“**Key Managerial Personnel:** —Key Managerial Personnel as defined in Section 2(51) of the Companies Act, 2013, in relation to the Company, means –

- (i) Chief Executive Officer (CEO) or the Managing Director (MD) or the Manager
- (ii) Whole Time Director (WTD)
- (iii) Chief Financial Officer (CFO)
- (iv) Company Secretary (CS) and
- (v) Such other officer as may be prescribed.

“**Related Party**”

a. As per Section 2(76) of Companies Act, 2013

Related Party means, with reference to a company;

- A director or his relative
- Key Managerial Personnel or his/ her relative
- A firm, in which a director, manager or his relative is a partner
- A private company in which a director or manager or his relative is a member or director
- A public company in which a director or manager is a director and holds along with his relatives, more than 2% of its paid-up share capital
- Any body corporate whose board of directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager, except such advice is given in a professional capacity
- Any person on whose advice, directions or instructions a director or manager is accustomed to act, except such advice is given in a professional capacity
- A director, other than an independent director, or Key Managerial Personnel of the Holding Company or his relative with reference to a company, shall be deemed to be a Related Party
- Any company which is:
 - (i) A Holding Company, Subsidiary Company or an Associate company of such company or;
 - (ii) A Subsidiary Company of a Holding Company to which it is also a Subsidiary Company

(iii) an investing company or the venturer of the company

Explanation — For the purpose of this clause, “the investing company or the venturer of a company” means a body corporate whose investment in the company would result in the company becoming an associate company of the body corporate.

b. As per Regulation 2(1)(zb) of Listing Regulations.

“Related Party” means a related party as defined under sub-section (76) of section 2 of the Companies Act, 2013 or under the applicable accounting standards.

“Provided that:

- a) any person or entity forming a part of the promoter or promoter group of the listed entity; or
- b) any person or any entity, holding equity shares:
 - (i) of twenty per cent or more; and
 - (ii) (*with effect from April 01, 2023*) of ten per cent or more;

in the listed entity either directly or on a beneficial interest basis as provided under Section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party:”

Example:

- Mr. A (public shareholder), acquires 20% of shares of a company on 20th December, 2022 and the same is sold by him after 2 days that is on 22nd December, 2022, In this case Mr. A considered to be a related party for the FY 2023-2024.
- Mr. A (public shareholder), acquires 10% of shares of a company on 20th December, 2023 and the same is sold by him after 2 days that is on 22nd December, 2023, In this case Mr. A considered to be a related party for the FY 2024-2025.

“Relatives”

“Relative”, with reference to any person, means any person who is related to another, if –

- (i) they are members of a Hindu undivided family;
- (ii) they are husband and wife; or
- (iii) Father (including step-father)
- (iv) Mother (including step-mother)
- (v) Son (including step-son)
- (vi) Son’s wife
- (vii) Daughter
- (viii) Daughter’s husband
- (ix) Brother (including step-brother)
- (x) Sister (including step-sister)

“Related Party Transactions”

a. As per **Section 188 of Companies Act, 2013**, Any contract or arrangement with respect to the following shall be considered as a Related Party Transactions:

- (i) sale, purchase or supply of any goods or materials;
- (ii) selling or otherwise disposing of, or buying, property of any kind;
- (iii) leasing of property of any kind;
- (iv) availing or rendering of any services;
- (v) appointment of any agent for purchase or sale of goods, materials, services or property;
- (vi) such related party’s appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- (vii) underwriting the subscription of any securities or derivatives thereof of the Company.

Notwithstanding the foregoing, the following shall not be deemed Related Party Transactions:

- (i) Any transaction entered into between a Holding Company and its Wholly Owned Subsidiary whose accounts are consolidated with such Holding Company and placed before the shareholders at the general meeting for approval.
- (ii) Any transaction entered into between two government companies.
- (iii) Any other exception which is consistent with the Applicable Laws, including any rules or regulations made thereunder.

b. As per **Regulation 2(1)(zc) of Listing Regulations**, RPT means a transaction involving a transfer of resources, services or obligations between:

- (i) a listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or

Example: X Ltd. is a subsidiary company of MGL. Further, GAIL is a related party of MGL and Mr. A is related party of X Ltd. Any transaction between MGL and Mr. A or any transaction between X Ltd. and GAIL shall be considered as a Related Party Transaction.

- (ii) (*with effect from April 01, 2023*) a listed entity 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 listed entity or any of its subsidiaries;

Example: X Ltd. is a subsidiary company of MGL. Mr. A is related party of X Ltd./ MGL and Mr. P is an unrelated party to X Ltd./ MGL. Mr. A has taken loan from Mr. P. If X Ltd./ MGL repays the loan taken by Mr. A to Mr. P, the transaction of repayment of loan shall be considered as a Related Party Transaction.

regardless of whether a price is charged and a “transaction” with a related party shall be construed to include a single transaction or a group of transactions in a contract.

Provided that the following shall not be a related party transaction:

- a) the issue of specified securities on a preferential basis, subject to compliance of the requirements under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- b) the following corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding:
 - (i) payment of dividend;
 - (ii) subdivision or consolidation of securities;
 - (iii) issuance of securities by way of a rights issue or a bonus issue; and
 - (iv) buy back of securities.
- c) acceptance of fixed deposits by banks/Nonbanking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of related party transactions every six months to the stock exchange(s), in the format as specified by the Board.

“Material Related Party Transactions”

Pursuant to Reg. 23(1) of the Listing Regulations, a Related Party Transaction shall be considered Material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds Rupees 1000 crore or 10% of the annual consolidated turnover of the Company as per the last audited financial statements of listed entity, whichever is lower.

Notwithstanding the above, 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 listed entity as per the last audited financial statements of the listed entity.

“Subsidiary Company” shall have the same meaning as specified under Section 2(87) of the Companies Act, 2013.

“Wholly Owned Subsidiary” When a company holds 100% of shares of another company, the other company is called a Wholly Owned Subsidiary of the company who has made 100% investment in it.

5. DETERMINING “ORDINARY COURSE OF BUSINESS” AND “ARM’S LENGTH TRANSACTIONS”

5.1 Ordinary Course of Business:

“Ordinary course of business” means usual transactions/ activities/ practices undertaken by the Company to conduct its business operations.

5.2 Arm’s Length Transactions:

The expression “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.

Arm's length basis does not mean arm's length price as price is just one of the components of the terms of dealing with the other party and there are several other matters which are required to be considered.

Example: X Ltd. has charged Rs. 100 per unit of goods sold to all the parties, whether related or not. However, X Ltd. has allowed the credit period of 15 days to all unrelated parties and credit period of 6 months to all related parties. On the basis of the price charged by X Ltd., it may seem to be an arm's length transaction. However, considering the credit period granted by X Ltd. to both unrelated parties and related parties, it will not be considered as an arm's length transaction.

The transaction as a whole and the entire bundle of the terms and conditions needs to be considered for determining whether the transaction is on an arm's length basis.

In case of ambiguity, the Audit Committee shall determine whether or not a particular transaction entered or to be entered into by the Company is in ordinary course of business of the Company and/or on arm's length basis.

6. DETERMINING MATERIAL MODIFICATIONS

Material Modifications means any variation(s) on cumulative basis in terms or value of original approved contract / transaction(s) by Rs. 1 Crore or 25% of overall contract value, whichever is higher. Accordingly, a variance threshold of Rs. 1 Crore or 25% of the original approved contract/ transaction(s) value shall be applicable to all the Related Party Transactions approved by the Audit Committee/ Board of Directors or Shareholders (for material related party transactions). Any related party transaction whose aggregate amount exceeds its approved value, including threshold for material modification, by Audit Committee/ Board of Directors or Shareholders, as the case may be, shall require fresh approval.

Provided that change in the value of RPT on account of following shall not be considered as Material Modification:

- Change in the quantity or rate of the existing RPT due to the reasons beyond the control of the Related Parties for instance variation due to volatility in international crude/gas/product prices or external factors resulting in fluctuating patterns of demand and supply levels for gaseous products.
- Change due to revision / imposition of statutory levies like taxes, duties, etc.

Example: The Audit Committee of X Ltd. had accorded its approval for entering into a related party transaction with A Ltd. for an aggregate amount of Rs. 2000 Crore for a financial year. However, the actual transaction was made for Rs. 2200 Crore during the financial year, (excluding the factors beyond the control of the related parties and/ or changes in the taxation). Here, the exceeding amount of Rs. 200 Crore shall be considered within the limit of Audit Committee approval since, the aggregate approved amount shall be construed as Rs. 2500 Crore i.e. approved amount of Rs. 2000 Crore *plus* 25% of Rs. 2000 Crore.

7. IDENTIFICATION OF RELATED PARTY TRANSACTIONS

- (i) Each Director / KMP shall, on an Annual basis, submit list of related parties including relatives and entities in which they directly/ indirectly concerned or interested. Further, the directors and KMP shall promptly intimate to the Company any changes in the information already submitted by them.
- (ii) The Company Secretary and Compliance Officer, in consultation with other departments or officials, if required, shall identify and maintain the list of related parties to the Company.
- (iii) Each Director / Key Managerial Personnel shall provide written notice to the Company Secretary & Compliance Officer of any potential Related Party Transaction involving him/her or his/her relatives.
- (iv) Contract or arrangement entered into by the Company without disclosure or with participation by a Director / Key Managerial Personnel who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the Company.

8. MECHANISM FOR APPROVAL OF RELATED PARTY TRANSACTIONS

(i) Approval of Audit Committee:

- All related party transactions shall require prior approval of Audit Committee. Only the Independent Directors, who are members of the Audit Committee, shall approve the related party transactions.
- Further, prior approval of Audit Committee shall be required for any value exceeding the materiality threshold of 25% of total approved transaction.
- Audit Committee may grant omnibus approval for related party transactions proposed to be entered into the Company subject to following conditions:
 - a) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with this Policy and such approval shall be applicable in respect of transactions which are repetitive (whether in past or future) in nature.
 - b) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the Company;
 - c) Such omnibus approval shall specify:
 - the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into,
 - the indicative base price/ current contracted price and the formula for variation in the price if any and
 - such other conditions as the Audit Committee may deem fit;

- d) Provided that where the need for Related Party Transaction cannot be foreseen and above mentioned details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs. 1 crore per transaction.
- e) Audit Committee shall review, at least on a quarterly basis, the details of RPTs entered into by the Company pursuant to each of the omnibus approval given.
- f) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

(ii) Approval of Board of Directors:

- Following related party transactions, if not in ordinary course of business and/or on arms' length basis, shall not be entered into without prior approval of Board of Directors:
 - a) sale, purchase or supply of any goods or materials;
 - b) selling or otherwise disposing of, or buying, property of any kind;
 - c) leasing of property of any kind;
 - d) availing or rendering of any services;
 - e) appointment of any agent for purchase or sale of goods, materials, services or property;
 - f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
 - g) underwriting the subscription of any securities or derivatives thereof, of the company.

(iii) Approval of Shareholders:

- All the material related party transactions whose aggregate value of transactions exceeds the following criteria shall require prior approval from the shareholders:

| Sr. No. | Description of Transaction | Threshold Limits |
|----------------|---|---|
| 1. | Sale, purchases or supply of any goods or materials, directly or through appointment of agent | 10% or more of the turnover of the Company |
| 2. | Selling or otherwise disposing of, or buying property of any kind, directly or through appointment of agent | 10% or more of the Networth of the Company |
| 3. | Leasing of property of any kind | 10% or more of the turnover of the Company |
| 4. | Availing or rendering of any services, directly or through appointment of agent | 10% or more of the turnover of the Company |
| 5. | For appointment to any office or place of profit in the Company | Monthly Remuneration Exceeding Rs. 2,50,000/- |
| 6. | Remuneration for underwriting the subscription of any securities or derivatives thereof, of the Company | Exceeding 1% of the Networth. |

- All the material related party transactions whose aggregate value exceeds the approved value, including the threshold for material modification, shall require prior approval from the shareholders.

(iv) No related party shall vote to approve a related party transaction, whether the entity is a related party to the particular transaction or not.

9. RATIFICATION OF RELATED PARTY TRANSACTIONS

Where any related party transaction is entered into by the Company or Director or any other employee, without approval of the Board or Shareholders, as the case may be, and if it is not ratified by the Board or Shareholders, as the case may be, at a meeting within three months from the date on which such transaction was entered into, such transaction shall be voidable at the option of the Board or the shareholders, as the case may be, and if the contract or arrangement is with a related party to any director, or is authorized by any other director, the Directors concerned shall indemnify the company against any loss incurred by it.

10. DISCLOSURES AND REVIEWS

This Policy on Related Party Transactions shall be disseminated on the website of the Company.

11. AMENDMENT

This Policy shall stand amended in terms of the Companies Act, 2013, the rules made there under including the Companies (Meetings of Board and its Powers) Rules, 2014 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time. In the event of any conflict between this Policy and the Applicable Law, the Applicable Law shall prevail. The Board or the Audit Committee, as authorised by the Board, may review and amend this Policy from time to time. Any amendment to this Policy will be in writing.

12. IMPLEMENTATION

The Policy shall be effective from the date of approval by the Board of Directors, unless specified otherwise.

MECHANISM FOR APPROVAL OF RELATED PARTY TRANSACTIONS

| Nature of Transaction | Audit Committee Approval | Board of Directors Approval | Shareholders' Approval |
|---|---------------------------------|---|--|
| Ordinary Course of Business and at arm's length | Prior approval | - | Yes, if material related party transaction. |
| Not in Ordinary Course of Business and/or at arm's length | Prior approval | Prior Approval. If Transaction initiated without obtaining prior approval ↓ Board may ratify the transactions within three months from the date of such transaction. | Yes, if material related party transaction. If Transaction initiated without obtaining prior approval ↓ Shareholders may ratify the transactions within three months from the date of such transaction. |