



SARDA ENERGY & MINERALS LIMITED

Regd. Off: 73-A, Central Avenue, Nagpur (MH.) 440018
Ph: +91-712-2722407; Fax: +91-712-2722107 Email: cs@seml.co.in
URL: www.seml.co.in CIN: L27100MH1973PLC016617

POLICY ON RELATED PARTY TRANSACTION AND MATERIALITY OF RELATED PARTY TRANSACTIONS

I. Preamble:

The Board of Directors of the Company has adopted the following policy and procedure with regards to dealing with Related Party Transactions and policy on materiality of Related Party Transactions. The Audit Committee will review the same from time to time and propose amendment(s) required in the policy to the Board of Directors.

II. Objective:

1. This policy on related party transactions and materiality of Related Party Transactions is formulated in terms of Clause 49 VII and VIII of the listing agreement (to be effective from 1st October, 2014) which provides that the Company shall formulate a policy on “materiality of related party transactions” and also on dealing with related party transactions.
2. This Policy also aims to comply with the provisions of the Companies Act 2013 and Rules framed there under and Clause 49 of the Listing Agreement with the Stock Exchanges.

III. Definitions:

“Act” means the Companies Act, 2013 including any amendment or modification thereof.

“Audit Committee” means the Committee of the Board formed under section 177 of the Act and Clause 49(III) of the Listing Agreement.

“Related Party” For the purpose of this policy, an entity shall be considered as related party to the company if:

- i) such entity is a related party under Section 2(76) of the Companies Act, 2013; or
- ii) such entity is a related party under the applicable accounting standards; or
- iii) such entity is a related party under sub-clause VII- B of clause 49 of the Listing Agreement.

“Related-Party Transaction”

- i) Under the Companies Act, 2013 the related party transactions are governed by Section 188 of the Companies Act, 2013 which covers only following transactions of



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commercial nature:

- 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;
 - g) underwriting the subscription of any securities or derivatives thereof, of the company.
- ii) As per Clause 49 VII of the listing agreement, a related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.
- iii) Clause 49 VII B of the Listing Agreement requires all related party transactions to be executed with prior approval of the Audit Committee and all Material related party transactions to be executed with the prior approval of Audit Committee and approval of shareholder by special resolution where the related parties shall abstain from voting thereon.

“Material related party transaction”

Material Transactions will be determined as per the following rules:

Category of Transaction	Material Related-Party Transactions – u/s 188 of the Companies Act 2013	Material Related-Party Transactions – SEBI - clause 49 of the Listing Agreement
Sale, purchase or supply of any goods or materials, directly or through appointment of agent	Exceeding 10% of turnover or Rs. 100 crore, whichever is lower	10% of annual consolidated turnover of the company as per last audited financial statement
Selling or otherwise disposing of, or buying, property of any kind; directly or through appointment of agent	Exceeding 10% of net worth or Rs. 100 crore, whichever is lower	
Leasing of property of any kind;	Exceeding 10% of net worth or 10% of turnover or Rs. 100 crore, whichever is lower	



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Availing or rendering of any services, directly or through appointment of agent	Exceeding 10% of turnover or Rs 50 crore, whichever is lower	
Such Related Party's appointment to any office or place of profit in the company, its subsidiary company or associate company	At a monthly remuneration exceeding Rs 2.5 lakh	
Underwriting the subscription of any securities or derivatives thereof, of the company	Remuneration exceeding 1% of net worth	

IV. Approvals, Disclosures and related provisions:

No Related Party Transaction shall be entered in to by the Company without complying with the following:

1. The Company shall obtain prior approval of the Audit Committee. The Audit Committee shall review and approve all Related Party Transactions based on this Policy. A member of the Committee who (if) has a potential interest in any Related Party Transaction will not participate in the discussions in the meeting on such Related Party Transaction and shall not be counted in determining the presence of a quorum when such Transaction is considered.
2. The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions:
 - i) The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.
 - ii) The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in interest of the company;
 - iii) Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price/current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit;



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Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

- iv) Audit Committee shall review, at least on a quarterly basis, the details of Related Party Transactions entered into by the company pursuant to each of the omnibus approval given.
 - v) Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.
3. All the Related Party Transactions under section 188 of the Companies Act 2013, **except** the transactions entered into by the company in its ordinary course of business and which are on an arm's length basis, shall be approved by the Board of Directors of the Company.
4. The agenda item of the Board meeting shall disclose:
- i) the name of the related party and nature of relationship
 - ii) the nature, duration of the contract and particulars of the contract or arrangement
 - iii) the material terms of the contract or arrangement including the value, if any
 - iv) any advance paid or received for the contract or arrangement, if any
 - v) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract
 - vi) 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 and
 - vii) any other information relevant or important for the Board to take a decision on the proposed transaction
5. No Interested Director shall be present at the meeting during discussions on the subject matter of the resolution relating to related party transaction
6. All material transactions with related party as per Listing Agreement shall be approved by the shareholders of the Company through special resolution.
7. All existing material related party contracts or arrangements which are likely to continue beyond March 31, 2015 shall be placed for approval of the shareholders in



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the ensuing general meeting.

Provided that:

- a) No member of the company shall vote on such special resolution, if such member is a Related Party.
 - b) 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.
 - c) The explanatory statement to the notice of general meeting shall contain name of the related party, name of director or KMP who is related, if any, nature of relationship, nature, material terms, monetary value and particulars of the contract or arrangement and any other information relevant or important for the members to take a decision on proposed resolution.
8. Details of all material transactions with related party shall be disclosed quarterly along with the compliance report on corporate governance. This Policy will also be uploaded on the website of SEML.
9. Every contract or arrangement with Related Party entered in to by the Company shall be referred to in the Board's Report to the shareholders along with justification for entering in to such contract or arrangement.

V. Review & monitoring of Related Party Transactions:

The Audit Committee shall review and monitor a Related Party Transaction taking into account the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In connection with any review of a Related Party Transaction, the Committee has authority to modify or waive any procedural requirements of this Policy.

VI. Transactions not to be considered as Related Party Transactions

Notwithstanding the foregoing, the following Related Party Transactions shall not require approval of Audit Committee, Board or Shareholders:

- i) Any transaction that involves the providing of compensation to a director or Key Managerial Personnel in connection with his or her duties to the Company or any of its subsidiaries or associates, including the reimbursement of reasonable business and travel expenses incurred in the ordinary course of business.
- ii) Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receive the same benefits pro rata as the Related Party.



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VII. Related Party Transactions not approved under this Policy:

In the event the Company becomes aware of a Transaction with a Related Party that has not been approved under this Policy the matter shall be reviewed by the Audit Committee. The Audit Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification by it or recommend the Board for their ratification or seeking approval of Shareholders, revision or termination of the Related Party Transaction. 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 as it deems appropriate.

VIII. Policy Review:

This Policy is framed based on the provisions of the Companies Act, 2013, and rules made thereunder and the requirements of the proposed Clause 49 of the Listing Agreement with the stock exchanges. In case of any subsequent changes in the provisions of the Companies Act, 2013, or any other regulations which makes any of the provisions in the Policy inconsistent with the Act or regulations, the provisions of the Act or regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

This Policy shall be reviewed by the Audit Committee as and when any changes are to be incorporated in the Policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification on the Policy as recommended by the Committee would be presented for approval of the Board of Directors.

This Policy will be communicated to all Directors, KMPs, operational employees and other concerned persons of the Company.