



The Sandur Manganese & Iron Ores Limited

POLICY ON RELATED PARTY TRANSACTION

1.0 PREAMBLE

- 1.1 The Sandur Manganese & Iron Ores Limited (the “Company” or “SMIORE”) recognises that related party transactions can present potential or actual conflict of interest. Engaging in such transactions may raise concerns at the potential effect of the relationship on the financial position and further poses a question as to whether such transactions were undertaken in the best interest of the Company and its stakeholders.
- 1.2 The Company first formulated the Related Party Transaction Policy as per the requirement of Clause 49 of the Listing Agreement (as amended by SEBI Circulars dated 17 April 2014 and 15 September 2014). The said Policy was further amended to incorporate the changes in provisions governing related party transactions as stipulated in the Securities and Exchange Board India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [SEBI (LO & DR) Regulations, 2015].
- 1.3 The present Policy on Related Party Transactions has been revised to incorporate the change in applicable accounting standard from the existing Accounting Standard - 18 to Indian Accounting Standard (Ind AS) - 24.
- 1.4 The Policy provides guidelines for identification of related parties and dealing with related party transactions, including the approvals and disclosures required, as prescribed under the Companies Act, 2013, and the SEBI (LO & DR) Regulations, 2015. The Policy includes materiality thresholds for related party transactions.

2.0 APPLICABILITY

- 2.1 This amended Policy shall be effective from 13 September 2017 for regulating transactions between the Company and its Related Parties based on the applicable laws and regulations.

3.0 DEFINITIONS*

*(*Refer Appendix for elaborate definitions under respective legislations)*

- 3.1 **“Associate Company” or “Associate”** means an associate company as defined under Section 2(6) of the Companies Act, 2013 or under the applicable accounting standards.
- 3.2 **“Audit Committee” or “Committee”** means Committee of Board of Directors of the Company constituted under provisions of SEBI (LO & DR) Regulations, 2015, and Companies Act, 2013.
- 3.3 **“Board” or “Board of Directors”** of the Company means the collective body of the directors of the company.
- 3.4 **“Close members of the family of a person”** are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity including:
 - a) that person’s children, spouse or domestic partner, brother, sister, father & mother;
 - b) children of that person’s spouse or domestic partner; and
 - c) dependants of that person or that person’s spouse or domestic partner



- 3.5 **“Control”** shall mean control as defined under Section 2(27) of the Companies Act, 2013 or SEBI (LO & DR) Regulations, 2015 or Applicable Accounting Standards
- 3.6 **“Holding Company** shall mean a Holding Company as defined under Section 2(46) of the Companies Act, 2013.
- 3.7 **“Key Managerial Personnel”** shall mean key managerial personnel as defined under Section 2(51) the Companies Act, 2013 or under applicable accounting standards.
- 3.8 **“Related Party”** means a related party as defined under Section 2(76) of the Companies Act, 2013 or under applicable accounting standards.
- 3.9 **“Related Party Transaction (RPT)”** means transactions with a related party as may be defined under Companies Act, 2013 or SEBI (LO&DR) Regulations, 2015 or applicable accounting standards.
- 3.10 **“Relative”** with reference to any person, means anyone who is related to another in the following manner:
- a) they are members of a Hindu Undivided Family;
 - b) Husband/wife
 - c) Father (includes step-father)
 - d) Mother (includes the step-mother)
 - e) Son (includes the step-son)
 - f) Son’s wife
 - g) Daughter
 - h) Daughter’s husband
 - i) Brother (includes the step-brother)
 - j) Sister (includes the step-sister)
- 3.11 **“Significant Transaction or Arrangements** means any Individual Transaction or arrangement that exceeds or is likely to exceed 10% of the total revenues or total expenses or total assets or total liabilities, as the case may be, for the immediately preceding financial year
- 3.12 **“Subsidiary Company” or “Subsidiary”** means a subsidiary company as defined under Section 2(87) of the Companies Act, 2013.
- 3.13 Words and expressions used in this Policy shall have the same meanings respectively assigned to them in the Companies Act, 2013, SEBI (LO&DR) Regulations, 2015 and applicable Accounting Standards.

4.0 IDENTIFICATION OF RELATED PARTIES AND POTENTIAL RPTs

4.1 Disclosure by Directors under Section 184 of the Companies Act, 2013:

- a) Declarations shall be procured from each Director in relation to his/ her interest(s) in other company / companies, firm(s), body corporate(s), association of individuals in accordance with Section 184 of the Companies Act, 2013.
- b) Each Director shall be responsible for providing notice to the Board, disclosing his/her concern or interest along with the shareholding, at the first meeting of the Board every



financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change.

- c) In addition, any concern/interest in a contract or arrangement or proposed contract/arrangement entered or proposed to be entered into, shall be disclosed at the meeting of the Board in which the contract or arrangement is discussed and such Director shall not participate in such meeting.
- d) Any Director who is not so concerned or interested at the time of entering into such contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he/she becomes so concerned or interested.
- e) Further, the aforesaid declaration shall be obtained from newly appointed Directors within thirty days from the date of appointment.

4.2 Disclosure by Directors and KMPs of list of relatives/close members of family:

- a) Declarations shall be obtained from each Director and KMPs enlisting the names of the relatives/close members of family at the beginning of each financial year.
- b) Further, the aforesaid declaration shall be obtained from newly appointed Directors and KMPs within thirty days from the date of appointment.

4.3 Additional Disclosures

- a) Any additional information may further be sought as the Audit Committee /Board may warrant/request.

4.4 Corporate Level Assessment:

- a) The Company Secretary in consultation with the Chief Financial Officer shall review the structure of the Company to identify holding, subsidiary, associates, fellow subsidiaries, group companies, joint ventures in accordance with Section 2(76)(viii) of the Companies Act, 2013.

4.5 Database of Related Parties:

- a) The Company Secretary and Chief Financial Officer shall be responsible for preparing a list of Related Parties and devising a mechanism to maintain a consolidated listing of related parties applicable to the Company based on the disclosures received from Directors and KMPs and review of corporate structure.
- b) The Database will act as a single source of identifying related parties of the Company. Accordingly, the duo shall also devise a way to enable all Departments connected with purchase/ sale to access the same.
- c) The concerned officials of the Department shall responsibly carry out a check against the database before entering into any transaction with a person/entity.

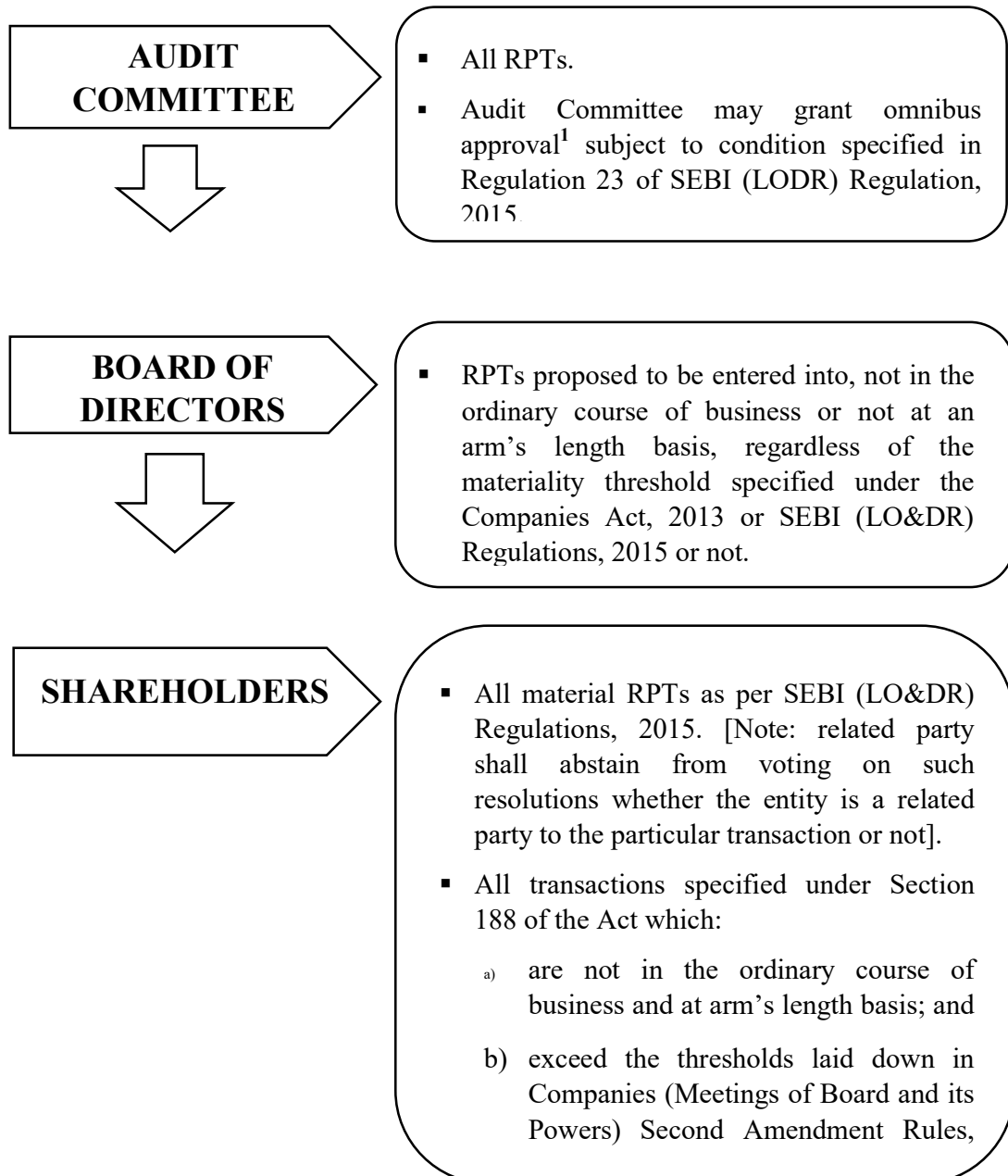
4.6 Reporting:

- a) In case a transaction is proposed to be entered into with a person/entity identified as a related party, the same shall be brought to the attention of the Company Secretary, before execution of the same.



- b) Each of our Directors, Key Managerial Personnel are instructed to voluntarily inform the Company Secretary by giving a written notice about any potential RPTs which may arise.
- c) Any such potential RPTs that are brought to the attention of the Company Secretary shall be analysed in consultation with Chief Financial officer to determine whether the transaction does, in fact, constitute a RPT requiring compliance with the procedures provided herein.

5.0 APPROVAL PROCESS FOR RPTs:



¹Refer Sl. No. 8 at Appendix for details pertaining to Omnibus Approval

²Refer – Approval Matrix on next page



RPT APPROVAL MATRIX

Statutory Provision	Transaction	Approval of		
		Audit Committee	Board	Shareholders
Section 188(1) of Companies Act, 2013	(a)* sale, purchase or supply of any goods or material, directly or through appointment of agent, amounting to			
	≥ 10% of turnover	✓	✓	✓
	≥ ₹100 crore	✓	✓	✓
	< 10% of turnover or ₹100 crore	✓	✓	X
	(b)* selling or otherwise disposing of or buying property of any kind, directly or through appointment of agent, amounting to			
	≥ 10% of Networth	✓	✓	✓
	≥ ₹100 Crore	✓	✓	✓
	< 10% of Networth or ₹100 crore	✓	✓	X
	(c)* leasing of property of any kind amounting to			
	≥ 10% of Turnover/Networth	✓	✓	✓
	≥ ₹100 crore	✓	✓	✓
	< 10% of Networth/Turnover or ₹100 crore	✓	✓	X
	(d)* availing or rendering of any services, directly or through appointment of agent, amounting to			
	≥ 10% of turnover	✓	✓	✓
	≥ ₹50 crore	✓	✓	✓
	< 10% of the turnover or ₹50 crore	✓	✓	X
	(e)* appointment of any agent for purchase or sale of goods, materials, services or property	✓	✓	X
	(f)* 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 of			
> ₹2.50 lakh	✓	✓	✓	
≤ to ₹2.50 lakh	✓	✓	X	
(g)* underwriting the subscription of any securities/derivatives thereof, of the company with a remuneration of				
> 1% of networth	✓	✓	✓	
≤ 1% of networth	✓	✓	X	
SEBI (LODR) Regulation	transfer of resources, services or obligations between a listed entity and a related party, regardless of whether a price is charged, amounting to			
	> 10% of annual consolidate turnover	✓	✓	✓
	≤ 10% of annual consolidated turnover	✓	✓**	X

* No approval of Board or shareholders is required for transaction referred in (a) to (g) above, if those are entered in the ordinary course of business and at arm's length price.

** Board Approval is required only if the transaction falls under the purview of Section 188 of the Companies Act, 2013.

Notes:

1. Turnover/Net worth shall be computed on the basis of the audited financial statement of the preceding financial year.
2. Approval under SEBI (LO&DR) Regulations need not be taken for the RPTs entered between the Holding



Company and its Wholly Owned Subsidiary whose accounts are consolidated with the Holding Company.

6.0 MANAGEMENT'S RESPONSIBILITY

- 6.1 Management shall furnish requisite information, as may be stipulated under the provisions of Companies Act, 2013, SEBI (LO & DR) Regulations, 2015 and applicable Accounting Standards, to the Audit Committee and the Board of Directors, enabling them to duly accord approval for RPTs.
- 6.2 The management shall mandatorily place before the Audit Committee statement of significant transactions with related party for review.
- 6.3 The management shall provide the Audit Committee the details of related party transactions entered into by the company pursuant to each of the omnibus approval given for being reviewed on a quarterly basis.

7.0 EXEMPTIONS

- 7.1 In case of transactions entered into between the Company and its wholly owned subsidiary whose accounts are consolidated with the Company and placed before its shareholders at the general meeting for approval, the Company shall be exempted from the following requirements:
 - a) Prior approval of the Audit Committee
 - b) Omnibus approval by the Audit Committee
 - c) Approval of the shareholders for contracts or arrangements, in the case of the Company having paid up share capital of not less than such amount, or transactions not exceeding such sums, as stipulated in Section 188 of the Companies Act, 2013 or in case of material related party transaction as per SEBI (LO&DR) Regulations, 2015.

8.0 RPTs NOT APPROVED UNDER THIS POLICY

- 8.1 In the event the Company becomes aware of a transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. On review, the Committee shall consider and evaluate all options available to the Company including ratification, revision or termination of the Related Party transaction or take any such action as it deems appropriate.
- 8.2 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 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.
- 8.3 It shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement, in contravention of the provisions of this Section 188 of the Companies Act, 2013, for recovery of any loss sustained by it as a



result of such contract or arrangement.

9.0 DISCLOSURES

- 9.1 The Company shall make necessary disclosures in the Annual Report including Financial Statements, Report of the Board of Directors or annexures thereto, Explanatory Statement annexed to the Notice as stipulated in the Companies act, 2013, SEBI (LO&DR) Regulations, 2015 and applicable accounting standards. *(Refer Sl. No. 8 at Appendix for detailed information)*

10.0 AMENDMENTS

- 10.1 In the event of any conflict between the provisions of this Policy and of the Companies Act, 2013 or SEBI (LO& DR) Regulations, 2015, Applicable Accounting Standards or any other statutory enactments, rules, the provisions of such Act or Regulations or statutory enactments, rules shall prevail over this Policy. Any subsequent amendment / modification in the applicable laws in this regard shall automatically apply to this Policy.
- 10.2 The Audit Committee shall periodically review the Policy and may recommend suitable amendments, from time to time subject to applicable rules and regulations in this regard, for approval of the Board.



1 Associate Company

Section 2(6) of CA, 2013:

“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, “significant influence” means control of at least twenty per cent. of total share capital, or of business decisions under an agreement;

Ind AS 28:

An associate is an entity over which the investor has significant influence.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

2 “Subsidiary Company”

Section 2(87) of the CA, 2013:

“subsidiary company” or “subsidiary”, in relation to any other company (that is to say the holding company), means a company in which the holding company:

- (i) controls the composition of the Board of Directors; or
- (ii) exercises or controls more than one-half of the total share capital either at its own or together with one or more of its subsidiary companies:

Explanation - For the purposes of this clause:

- (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (b) the composition of a company’s Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- (c) the expression “company” includes body-corporate;

3 Holding Company

Section 2(46) of the CA, 2013:

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

4 “Control”

Regulation 2(1)(e) of SEBI (SAST) Regulations:

“control” includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:

Provided that a director or officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such position;



Section 2(27) of the CA, 2013:

“control” shall include the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner;

Ind AS 110:

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, an investor controls an investee if and only if the investor has all the following:

- a) power over the investee
- b) exposure, or rights, to variable returns from its involvement with the investee; and
- c) the ability to use its power over the investee to affect the amount of the investor’s returns.

5 “Key Managerial Personnel”

Section 2(51) of CA, 2013:

“Key Managerial Personnel”, in relation to a company, means -

- a) the Chief Executive Officer or the Managing Director or the Manager;
- b) the Company Secretary;
- c) the Whole-Time Director;
- d) the Chief Financial Officer; and
- e) such other officers as may be prescribed;

Ind AS 24:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

6 “Related Party”

Section 2(76) of CA, 2013:

“Related Party”, with reference to a company, means -

- a) a director or his relative;
- b) a director (other than an independent director) or key managerial personnel of the holding company or his relative
- c) key managerial personnel or his relative;
- d) firm, in which a director, manager or his relative is a partner;
- e) private company in which a director or manager or his relative is a member or director;
- f) public company in which a director and manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- g) a 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;

- h) any person on whose advice, directions or instructions a director or manager is accustomed to act:

Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity;

- i) any company which is -
1. a holding, subsidiary or an associate company of such company; or
 2. a subsidiary of a holding company to which it is also a subsidiary;

Ind AS 24:

A *related party* is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the ‘reporting entity’).

- (a) A person or a close member of that person’s family is related to a reporting entity if that person:
- (i) has control or joint control of the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- (b) An entity is related to a reporting entity if any of the following conditions applies:
- i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

7 “Related Party Transaction”

Section 188(1) of the CA, 2013:

- 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

Ind AS 24:

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Regulation 2(zc) of SEBI (LO&DR) Regulations, 2015:

“related party transaction” means a transfer of resources, services or obligations between a listed entity and a related party, 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.

8 Omnibus Approval

As per CA, 2013

All related party transactions shall require approval of the Audit Committee and the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to the following conditions, namely:

1. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:-
 - a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
 - b) the maximum value per transaction which can be allowed;
 - c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
 - d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
 - e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
2. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
 - a) repetitiveness of the transactions (in past or in future);
 - b) justification for the need of omnibus approval.
3. The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.
4. The omnibus approval shall contain or indicate the following: -
 - a) name of the related parties;
 - b) nature and duration of the transaction;
 - c) maximum amount of transaction that can be entered into;



- d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
- e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

5. Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
6. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
7. Any other conditions as the Audit Committee may deem fit.

As per SEBI (LO & DR) Regulations, 2015

The Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the Company, subject to compliance of the following conditions as specified in Regulation 23 of the SEBI (LO & DR) Regulations, 2015

The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the Policy and such approval shall be applicable in respect of repetitive transactions

The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company.

The omnibus approval shall provide details of

- a) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into
- b) the indicative base price / current contracted price and the formula for variation in the price if any and
- c) such other conditions as the Audit Committee may deem fit.

In case of related party transactions which cannot be foreseen and where the above details are not available, Audit Committee may grant omnibus approval provided the value does not exceed Rs.1 crore per transaction.

Such omnibus approval shall be valid for 1 year.

9 Disclosures

As per CA, 2013

The Report of the Board shall disclose related party transactions entered into pursuant to Section 188 of the Companies Act, 2013 giving details of contracts or arrangements or transactions not at arm's length and details of material contracts or arrangements or transactions at arm's length basis with related parties in Form AOC-2.

The Agenda of the Board meeting at which the resolution proposing to enter into contract or arrangement with a related party is moved shall disclose:

- a) Name of the related party and nature of relationship
- b) The nature, duration of the contract and particulars of the contract or arrangement



- c) The material terms of the contract or arrangement including the value if any
- d) Any advance paid or received for the contract or arrangement, if any
- e) The manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract
- f) 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
- g) Any other information relevant or important for the Board to take a decision on the proposed transaction.

The explanatory statement to be annexed to the notice of a general meeting convened pursuant to section 101 shall contain the following particulars, namely:-

- a) name of the related party;
- b) name of the director or key managerial personnel who is related, if any;
- c) nature of relationship;
- d) nature, material terms, monetary value and particulars of the contract or arrangement;
- e) any other information relevant or important for the members to take a decision on the proposed resolution

As per SEBI (LO & DR) Regulations, 2015

The Company shall formulate a policy on materiality of Related Party Transactions and also on dealing with Related Party Transactions and shall disclose the policy on dealing with Related Party Transactions on its website and Annual Report.

Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance

As per applicable accounting standards

In accordance with paragraph 18 of Ind AS 24, If an entity has had related party transactions during the periods covered by the financial statements, it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements. At a minimum, disclosures shall include:

- a) the amount of the transactions;
- b) the amount of outstanding balances, including commitments, and;
- c) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
- d) details of any guarantees given or received;
- e) provisions for doubtful debts related to the amount of outstanding balances; and
- f) the expense recognised during the period in respect of bad or doubtful debts due from related parties.
- g) Relationships between a parent and its subsidiaries shall be irrespective of whether there have been transactions between them. An entity shall disclose the name of its



parents and, if different, the ultimate controlling party.

The above-mentioned disclosures required by paragraph 18 of Ind AS-24 shall be made separately for each of the following categories:

- a) the parent;
- b) entities with joint control of, or significant influence over, the entity;
- c) subsidiaries;
- d) associates;
- e) joint ventures in which the entity is a joint venturer;
- f) key management personnel of the entity or its parent; and
- g) other related parties