



POWER FINANCE CORPORATION LIMITED

POLICY ON 'MATERIAL SUBSIDIARY'

1. Purpose and Scope

The Policy related to 'Material Subsidiary' companies has been framed in accordance with the requirements of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in the absence of its definition or explanation therein, as per the Companies Act, 2013/SEBI Act and the Rules, Notifications and Circulars made/issued thereunder, as amended, from time to time.

2. Definition

Material Subsidiary

A subsidiary shall be considered as material whose –

- a. income exceeds 10% of PFC's consolidated income as per the audited financial statement(s) of the previous accounting year.
- or,
- b. net worth exceeds 10% of PFC's consolidated net worth as per the audited financial statement(s) of the previous accounting year.

3. Governance Framework

- i. PFC shall not:
 - a. dispose of shares in its material subsidiary which would reduce its shareholding (either on its own or together with other subsidiaries) to less than 50% or
 - b. cease the exercise of control over the material subsidiary

without passing a special resolution in its General Meeting except in cases where such divestment is made under a scheme of arrangement duly approved by a Court/Tribunal or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

Further, PFC shall not

- c. sell, dispose and lease the assets amounting to more than 20% of the assets of the material subsidiary on an aggregate basis during a financial year

without obtaining prior approval of shareholders by way of special resolution unless the sale/disposal/lease is made under a scheme of arrangement duly approved by a Court/Tribunal, or under a resolution plan duly approved under section 31 of the Insolvency Code and such an event is disclosed to the recognized stock exchanges within one day of the resolution plan being approved.

- ii. At least one independent director on the Board of Directors of PFC shall be a director on the Board of Directors of an unlisted material subsidiary company, whether incorporated in India or not.

For the purpose of this clause, the term “material subsidiary” shall mean a subsidiary, whose income or net worth exceeds 20% of the consolidated income or net worth respectively, of PFC and its subsidiaries in the immediately preceding accounting year.

- iii. The Audit Committee of PFC shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company.
- iv. The minutes of the Board meetings of the unlisted subsidiary company shall be placed at the Board meeting of PFC.
- v. The management of the unlisted subsidiary shall periodically bring to the notice of the Board of Directors of PFC, a statement of all significant transactions and arrangements entered into by such subsidiary company.

For the purpose of this clause, the term “significant transaction or arrangement” shall mean 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, of the unlisted subsidiary for the immediately preceding accounting year.

4. Disclosures

This Policy shall be disclosed on the Company’s website and a web-link thereto shall be provided in the Annual Report.

5. Limitation

In case of any subsequent changes in any Statutory Act, Rules, Regulations etc. which makes any of the provisions in the policy inconsistent with them, then the provisions of the Statutory Act, Rules, Regulations etc. would prevail over the policy.

6. Policy Review

This policy may be reviewed 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 Board of Directors.
