



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 clause 49(V)(D) of the Listing Agreement as amended and effective from October 1, 2014.

All the words and expressions used in this Policy, unless defined hereafter, shall have meaning respectively assigned to them under the Listing Agreement 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. Definitions

i. Material Subsidiary

A subsidiary shall be considered as material if –

- a. the investment of Power Finance Corporation Limited (PFC) in the subsidiary exceeds 20% of PFC's consolidated net worth as per the audited financial statement(s) of the previous financial year.

or,

- b. the subsidiary has generated 20% or more of the total consolidated income of PFC as per the audited financial statement(s) of the previous financial year.

Such material Subsidiary may or may not be registered under the Indian Companies Act and may or may not be listed on stock exchanges in India.

ii. Significant Transaction or Arrangement

A transaction or arrangement shall be construed as a Significant Transaction or Arrangement if it 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 subsidiary as per its audited financial statement(s) of the previous financial 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.

And 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.

- ii. At least one independent director on the Board of Directors of PFC shall be a director on the Board of Directors of a material non-listed Indian subsidiary company. For the purpose of this clause the term "material non-listed Indian subsidiary" shall mean an unlisted subsidiary, incorporated in India, whose turnover or net worth exceeds 20% of the consolidated turnover or net worth respectively, of PFC and its subsidiaries in the immediately preceding financial 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 material subsidiary which is not listed on any stock exchange in India, shall periodically bring to the attention of the Board of Directors of PFC, a statement of all significant transactions and arrangements entered into by such subsidiary company.

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. Policy Review:

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.

This policy may 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 submitted for approval of the Board of Directors.

