



**POWER FINANCE CORPORATION LIMITED**

**POLICY ON RELATED PARTY TRANSACTIONS**

The Companies Act, 2013 and the revised Clause 49 of Equity Listing Agreement (“Listing Agreement”) have laid down extensive requirements to be fulfilled in case of Related Party Transactions. Additionally, the revised Listing Agreement specifies that the Company is required to formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions. Therefore, the Company has adopted this Related Party Transaction Policy dealing with the identification, review and approval of Related Party Transactions.

**APPLICABILITY**

This Policy shall be applicable to Related Party Transactions between PFC and its Related Parties.

**SCOPE AND PURPOSE**

The Policy has been framed to comply with the applicable provisions of Companies Act, 2013 and of the Listing Agreement entered into by the Company with the Stock Exchanges. Any subsequent amendment/modification in the applicable provisions of Companies Act, 2013 or the rules made thereunder or in the Listing Agreement in this regard shall be deemed to be automatically incorporated in this Policy.

**DEFINITIONS**

- a) “**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.
- b) “**Audit Committee**” or “**Committee**” means “**Audit Committee**” of the Board of Directors of the Company.
- c) “**Board of Directors**” or “**Board**” means the collective body of the Directors of the Company.
- d) “**Company**” means Power Finance Corporation Limited
- e) “**Material Related Party Transactions**”: a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the latest available consolidated annual audited financial statements of the company.
- f) “**Government Company**” means a govt company as defined under the Companies Act, 2013.
- g) “**Policy**” means Related Party Transactions Policy of the Company.

h) "Related Party" means a person or an entity:

- A. which is a related party under Section 2 (76) of the Companies Act, 2013; or
- B. which is a related party under the applicable accounting standards

A. As per Section 2 (76) of the Companies Act 2013 and rules made thereunder, Related Party, with reference to a company, has been defined as-

- (i) A director or his relative;
- (ii) A key managerial personnel or his relative;
- (iii) A firm, in which a director, manager or his relative is a partner;
- (iv) A private company in which a director or manager or his relative is a member or director;
- (v) A public company in which a director or manager is a director and holds along with his relatives, more than two percent of its paid-up share capital;
- (vi) 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;
- (vii) 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;

(viii) any company which is-

- (a) a holding, subsidiary or an associate company of such company; or
- (b) a subsidiary of a holding company to which it is also a subsidiary;

(ix) such other person as may be prescribed.

B. Related Parties under the applicable Accounting Standards (AS) are as follows:

Parties are considered to be related if at any time during the reporting period one party has the ability to control the other party or exercise significant influence over the other party in making financial and/or operating decisions.

AS 18 further describes related party relationships as follows:

- (a) enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the reporting enterprise (this includes holding companies, subsidiaries and fellow subsidiaries);
- (b) associates and joint ventures of the reporting enterprise and the investing party or venturer in respect of which the reporting enterprise is an associate or a joint venture;
- (c) individuals owning, directly or indirectly, an interest in the voting power of the reporting enterprise that gives them control or significant influence over the enterprise, and relatives of any such individual;
- (d) key management personnel and relatives of such personnel; and

- (e) enterprises over which any person described in (c) or (d) is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the reporting enterprise and enterprises that have a member of key management in common with the reporting enterprise.

Note: i. For further details reference may be made to AS-18 'Related Party Disclosures'  
ii. Any subsequent modification/announcement/accounting standard/ interpretation issued in this regard shall be deemed to be automatically incorporated and may be referred.

- i) "Related Party Transactions": It is a transfer of resources, services or obligations between a company and a related party, regardless, of whether a price is charged and inter alia include all contracts or arrangements with a Related Party with respect to:

- 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.

- i) "Relatives", with reference to any person, means anyone who is related to another, if-

- (i) they are members of a Hindu Undivided Family;
- (ii) they are husband and wife; or
- (iii) one person is related to the other person as:
  - (a) Father (including step- father)
  - (b) Mother (including step- mother)
  - (c) Son (including step- son)
  - (d) Son's wife
  - (e) Daughter
  - (f) Daughter's husband
  - (g) Brother (including step- brother)
  - (h) Sister (including step- sister)

- k) "Transaction": A transaction with a related party shall be construed to include single transaction or a group of transactions in a contract.

All the words and expressions used in this Policy, unless defined herein, shall have meaning respectively assigned to them under the Companies Act, 2013 and the Rules, Notifications and Circulars made / issued thereunder, Listing Agreement and applicable Accounting Standard(s) as amended, from time to time.

## REVIEW AND APPROVAL OF RELATED PARTY TRANSACTIONS

### Audit Committee

All Related Party Transactions (including any subsequent modification) shall need to have prior approval of the Audit Committee.



The Audit Committee may, after satisfying itself the need for omnibus approval and that such approval is in the interest of the company, grant omnibus approval for Related Party Transactions which are repetitive in nature, in ordinary course of business and on arm's length basis.

The omnibus approval shall be valid for a period not exceeding one year from the date of approval and shall require fresh approval after the expiry of said one year.

The approval shall specify the following:

- a) Name(s) of the related party.
- b) Nature of transaction.
- c) Period of transaction.
- d) Maximum amount of transaction that can be entered into
- e) The indicative base price/current contracted price and the formula for variation in the price, if any.
- f) Any other condition as the Audit Committee may deem fit

Provided that where the need for the Related Party Transactions cannot be foreseen and complete details as at a) to e) above are not available, the Audit Committee may grant omnibus approval for such transaction subject to their value not exceeding ₹1 crore per transaction.

The 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.

#### Board of Directors

- (a) All Related Party Transactions except Related Party Transactions in the ordinary course of business and at arm's length basis shall be submitted for the approval of the Board of Directors at a duly convened meeting along with recommendations of Audit Committee.
- (b) Related Party Transactions, requiring the approval of the shareholders, shall be submitted for consideration of the Board at a duly convened meeting.

#### Shareholders

All Material Related Party Transactions and Related Party Transactions beyond the following limits prescribed under rule 15(3) of the Companies (Meetings of Board & its Powers) Rules, 2014, shall be submitted together with recommendations of the Board, to PFC shareholders for prior approval by means of a special resolution:

(a)	sale, purchase or supply of any goods or materials, directly or through appointment of agent;	Exceeding 10% of the turnover of the company or ₹100 crore whichever is lower
(b)	selling or otherwise disposing of, or buying, property of any kind, directly or through appointment of agent;	Exceeding 10% of the net worth of the company or ₹100 crore whichever is lower
(c)	leasing of property of any kind;	Exceeding 10% of the net worth of the company or 10% of the turnover of the company or ₹100 crore whichever is lower
(d)	availing or rendering of any services, directly or through appointment of agent;	Exceeding 10% of the turnover of the company or ₹50 crore whichever is lower
(The limits shall apply for transaction or transactions to be entered into individually or taken together with the previous transactions during a FY)		
(e)	such related party's appointment to any office or place of profit in the company, its subsidiary	Monthly remuneration exceeding ₹2.5 lakh

	company or associate company	
(f)	underwriting the subscription of any securities or derivatives thereof, of the company	Exceeding 1% of the net worth of the company

(The turnover or net worth shall be computed on the basis of the latest available annual audited financial statements of the company)

All entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

**DISCLOSURES**

The concerned units shall on a quarterly basis, prepare a summary of all related party transactions entered into during the quarter and submit the same, along with the copy of requisite approvals obtained, to Company Secretary within 7 days from the close of each quarter.

All disclosures pertaining to Related Party Transactions required under the Companies Act and Listing Agreement shall be made accordingly.

**LIMITATION**

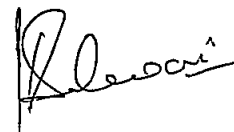
In the event of any conflict between the provisions of this Policy and of the Listing Agreement/ Companies Act, 2013 or any other statutory enactments, rules, then, the provisions of the Companies Act, 2013 and Rules made thereunder/ Listing Agreement or other statutory enactments, rules, as the case may be shall prevail over this Policy and shall be adhered to accordingly by all concerned.

**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.

\*\*\*\*\*



2