
	Policy on Loans and Advances to Directors, Senior Officers, Relatives of Directors (1.0)	Document Classification - Internal
		Document Category – Policy
		Vertical – Directors/ KMPs/SMPs & Relatives


Policy #	HFCL Policy on Loans and Advances to Directors, Senior Officers and Relatives of Directors (1.0)	Details of Policy being replaced	
		Policy #	
Version #	1.0	Version #	
Date	Feb 2024	Date	
Document Owner	Compliance & Secretarial	Document Owner	

Document Sign-off

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Approved By	Board of Directors	

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**POLICY ON LOANS AND ADVANCES TO DIRECTORS,
SENIOR OFFICERS, RELATIVES OF DIRECTORS**

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1. Introduction

The policy for loans and advances to Directors and Senior Officers has been framed as per the relevant provisions of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 RBI/DoR/2023-24/106 DoR.FIN.REC.No.45/03.10.119/2023-24 dated November 10, 2023 as amended from time to time, related to regulatory restrictions on sanctioning of loans and advances.

2. Definitions

For the purpose of this policy, definition of various terms used is as under:

- a) “Control”, means 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;
- b) “relative” 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 in such manner as may be prescribed by regulation;
- c) “major shareholder” shall mean a person holding 10 % or more of the paid-up share capital or five crore rupees in paid-up shares, whichever is lower;
- d) “Senior Officer” means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads

3. Loans and advances to Directors


The Company shall obtain sanction approval from board of directors/committee of directors while granting loans and advances aggregating Rupees Five crores and above to:

- 1) their directors (including the Chairman/ Managing Director) or relatives of directors.
- 2) any firm in which any of their directors or their relatives is interested as a partner, manager, employee or guarantor.
- 3) any company in which any of their directors, or their relatives is interested as a major shareholder, director, manager, employee or guarantor.

Explanation:

1) a director or her relatives shall be deemed to be interested in a company, being the subsidiary or holding company, if she is a major shareholder or is in control of the respective holding or subsidiary company.

2) the director who is directly or indirectly concerned or interested in any proposal should disclose the nature of his/her interest to the Board when any such proposal is discussed. He/She should recuse himself/herself from the meeting unless his/her presence is required by the other directors for the purpose of eliciting information and the director so required to be present shall not vote on any such proposal.

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Credit facilities of an amount less than Rupees five crore to these borrowers may be sanctioned by the appropriate authority in the Company under powers vested in such authority, but the matter should be reported to the Board on quarterly basis.

4. Loans and Advances to Senior Officers of Company:

Loans and advances sanctioned to Senior officers of the Company shall be reported to board on quarterly basis.

No senior officer or any Committee comprising, inter alia, a senior officer as member, shall, while exercising powers of sanction of any credit facility, sanction any credit facility to a relative of that senior officer. Such a facility shall be sanctioned by the next higher sanctioning authority under the delegation of powers.

5. Other Provisions:

- 1) The Company shall obtain a declaration from the borrower giving details of the relationship of the borrower to their directors/ senior officers for loans and advances aggregating Rupees five crore and above.
- 2) The Company shall recall the loan if it comes to their knowledge that the borrower has given a false declaration.
- 3) The Company shall disclose in their Annual Financial Statement, aggregate amount of such sanctioned loans and advances in the format as prescribed in the regulations.
- 4) The term 'loans and advances' will not include loans or advances against - a) Government securities b) Life insurance policies c) Fixed deposits d) Stocks and shares e) Housing loans, car advances, etc. granted to an employee of the Company under any scheme applicable, generally to employees if the Company interest/lien is appropriately marked with legal enforceability.

6. Amendments to Policy

The Policy shall be approved by the Board of Directors of the Company.