

PEC LIMITED

Policy to be followed in Blacklisting of Associates

A. Background

PEC Limited, in the ordinary course of business, blacklisting associates/clients who are in default with PEC Limited in repayment/compliance of their contractual obligations despite being given several opportunities/other reasons etc. In some cases where PEC Limited has blacklisted the associates, few of them have gone to Court for quashing of such notices on various grounds. Considering the decisions passed in these cases, it is proposed to lay down the following policy/procedure to be followed by PEC while blacklisting the associates/clients.

B. Grounds for Blacklisting

PEC Limited may, at its discretion, in the following circumstances, reserve the right to blacklist the associate/client:-

- (i) In case of default in repayment of dues to PEC Limited for over a period of 90 days or more or breach of my terms or conditions of the agreement.*
- (ii) Any information submitted by the party/associate is found to be untrue/false.
- (iii) The Party/Associate is found to be involved in fraudulent/illegal activities/transactions.
- (iv) The Party/Associate has been blacklisted by other PSU/Government body.
- (v) Any other reason for which PEC Limited is of the opinion that Associate/Party be blacklisted.

The decision of PEC Limited in such cases shall be final and binding on Party/Associate.

*With respect to B(i) above, if the amount remains outstanding after the due date and the concerned division is of the opinion that it has exhausted all avenues of recovery through commercial options and payment is not being made/forthcoming by associate/client without any justifiable reason, then the concerned division will immediately issue notice atleast after every fortnight to the associate/client calling upon him/it to immediately clear the outstanding/defaulted amount and if the amount still remains outstanding for a period of over 90 days from the due/default date, Show Cause Notice for blacklisting has to be issued by the concerned division. The decision to proceed for blacklisting of the associate/client shall be of the concerned division. In case where default date has already exceeded 90 day at time of circulation of this policy or for any other reason, Show Cause Notice for blacklisting as per the prevailing policy has to be issued immediately on formation of the opinion by the concerned division that it has exhausted all avenues of recovery through commercial options and payment is not being made/forthcoming by associate/client without any justifiable reason.

A suitable clause MAY also be considered for being added in all the contracts being entered into by the parties which may read as follows:

"PEC Limited also reserves the right to blacklist the Associate/Party in case of default and for other reasons as per its prevailing blacklisting policy. The decision of PEC in this regard shall be binding and final."

However even in the absence of above blacklisting clause in the agreement/contract etc. as executed/agreed with the Associate/Party/etc., PEC Limited can exercise its right to blacklist the Associate/Party etc. as per the procedure as specified in the blacklisting policy as modified from time to time. The right to blacklist the Associate/Party/Entity/Person etc. is solely at the discretion and per procedure of PEC.

C. Procedure

1. Issuance of Show Cause Notice:- The concerned division to issue "SHOW CAUSE NOTICE AS TO WHY THE CLIENT/ASSOCIATE SHOULD NOT BE BLACKLISTED" within one week after expiry of 90 days from due date giving appropriate/justifiable grounds for issuance of such Show Cause Notice and the Associate/Client should be given atleast 15 days time to submit his/its representation to the said notice.

2. Constitution of "Committee for blacklisting of Associates: (First level Committee)":- If no response/representation is received by the respective Associate/Client within the stipulated time, a committee to be called as "Committee for consideration of Blacklisting of Associates" after considering the facts of the matter may decide to declare/allow blacklisting of the associates with reasons to be recorded in writing. The committee shall submit its report to the next level committee and after approval/consideration of the report, blacklist the associate. The First Level Committee shall be chaired by the concerned GM/CGM/ED and 2 other members who will be not below the rank of CMM/CFM. The competent authority for approving constitution of First Level Committee as stated above will be "Director-PEC Limited". The constitution of First Level Committee should be put up for approval by the concerned division not later than 1 week from the date of issuance of Show Cause Notice to the Associate/Client. The First Level Committee should submit its report preferably within one month from the date of constitution thereof and in case of delay, reasons should be recorded in writing.
3. Constitution of "Second Level Committee for Blacklisting of Associates":- If the Associate/Client submits a representation, the same is to be considered by First Level Committee and alongwith its observations; the matter will be referred to a higher Second Level Committee for consideration and decision. If the Associate/Client seeks a personal hearing in the matter, the same has to be provided before the Second Higher Level Committee. The Second Level Committee will be chaired by Director-PEC Limited and the concerned CGM/ED and one more CGM/GM shall be the constituent member of his Committee. The Competent Authority for approving constitution of Second Level Committee as stated aforesaid shall be CMD- PEC Limited. The constitution of Second Level Committee should be put up for approval by the concerned division not later than 1 week from the date of issuance of Show Cause Notice to the Associate/Client. The Second Level Committee should submit its report preferably with one month from the date of constitution thereof and in case of delay, reasons should be recorded in writing.
4. Steps to be taken after decision of Blacklisting by the Committee:- On decision/confirmation by Second Level Committee w.r.t. Blacklisting of an Associate/Client, the following steps be immediately taken:-

- (i) The concerned divisions to issue requisite communication intimating blacklisting order of the committee to the Associate/Client within 1 week from the decision/confirmation of the Second Level Committee with copy to all concerned in the Associate/Client which has been so blacklisted by PEC Limited.
 - (ii) All divisions shall place a quarterly report before the Board of PEC Limited With respect to the blacklisted Associate/Clients/Entities.
 - (iii) Requisite information to be forwarded/submitted to Ministry of Commerce & Industry, other PSU(s), Authorities etc., w.r.t. Blacklisted Entities, is to be issued/submitted by the concerned division after due cognizance of the report by the Board of PEC Limited.
 - (iv) Similarly, information to Ministry of Corporate Affairs/ROC etc. as applicable, is to be forwarded/submitted by Company Secretary Department, after due cognizance of the report by the Board of PEC Limited.
 - (v) The concerned division should take immediate steps for initiating legal and other proceedings for recovery of outstanding amount from the Blacklisted Associates.
5. Period of Blacklisting:- The blacklisting order shall be in effect for a period of three years and thereafter on case to case basis, it may be reviewed by the concerned divisions.
6. Lifting of Blacklisting Order:- The aforesaid concerned Authorities/Committees shall also have powers for lifting of blacklisting order so passed or restricting it to any term for the reasons to be recorded in writing. Any such request shall be put up by the concerned divisions before the committee with its own recommendations for consideration of the committees.
7. Power to Modify:- Any clause of the aforesaid policy may be subject to change as may be required in the interest of the matter with the due approval of the CMD PEC Limited with report to Board.

D. Blacklisting of any other Entity/Person by PEC Limited

PEC Limited at its sole discretion may blacklist any Entity/Person etc. The grounds for blacklisting and procedure for blacklisting as being followed/applicable in blacklisting of Associates/Clients shall also become applicable for blacklisting of any Entity/Person etc. by PEC Limited and the other provisions of this policy shall apply to the same with necessary modification as may be required, considering the subject matter and nature of transaction with the aforesaid entity/person, etc.

Date of Adoption of Blacklisting Policy by PEC: 28.07.2015##