

# **SINGHI CAPITAL FINANCE PRIVATE LIMITED (SCFPL)**

## **COPROPRATE INVESTMENT POLICY**

### **1. Scope**

This policy applies to the investment of all operating funds of SINGHI CAPITAL FINANCE PRIVATE LIMITED. It does not cover the Employee's Benefit Funds created under the requirements of various statutes and laws in force in India and applicable to the company.

Singhi Capital Finance Private Limited, hereinafter referred to as the "SCFPL", obtains its funding primarily through the subscription of Share Capital, Loans, other Debt Instruments.

It does not accept public deposits. Its concentration of credit/investment decisions are based in terms of para 6 and para 18 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 which reads as under:

(1) On and from April 1, 2007 no systemically important non-deposit taking non-banking financial company shall,

(i) lend to

(a) any single borrower exceeding fifteen percent of its owned fund; and

(b) any single group of borrowers exceeding twenty five percent of its owned fund;

(ii) invest in

(a) the shares of another company exceeding fifteen percent of its owned fund; and

(b) the shares of a single group of companies exceeding twenty five percent of its owned fund;

(iii) lend an invest (loans/investments taken together) exceeding

(a) twenty five percent of its owned fund to a single party; and

(b) forty percent of its owned fund to a single group of parties.

Provided that the ceiling on the investment in shares of another company shall not be applicable to a systemically important non-deposit taking non-banking financial company in respect of investment in the equity capital of an insurance company upto the extent specifically permitted, in writing, by the Reserve Bank of India.

Provided further that any systemically important non-deposit taking non-banking financial company, classified as Asset Finance Company by the Reserve Bank of India, may in exceptional circumstances, exceed the above ceiling on credit / investment concentration to a single party or a single group of parties by 5 percent of its owned fund, with the approval of its Board.

Provided further that any systemically important non-deposit taking non-banking financial company not accessing public funds, either directly or indirectly, may make an application to the Bank for modifications in the prescribed ceilings.

Explanation: "Public funds" for the purpose of the proviso shall include funds raised either directly or indirectly through public deposits, Commercial Papers, debentures, inter-corporate deposits and bank finance.

All remaining funds will be invested in a variety of ways to maximize investment earnings.

The investment portfolio will be managed by the Director (Finance), who will strive to invest with the judgment and care that prudent individuals would exercise in the execution of their own affairs, to maintain the safety of principal, maintain liquidity to meet cash flow needs and to provide competitive investment returns for SCFPL.

From time to time investments will be managed through external programs, facilities and professionals. To constitute compliance these must be managed in a manner consistent with this policy.

## **2. Investment Objectives**

### **2.1. Safety**

Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The idea of safety is to mitigate credit risk, interest rate risk.

#### **2.1.1. Credit Risk**

SCFPL will minimize credit risk, the risk of loss due to the failure of the security issuer or banker, by:

1. Pre qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which SCFPL will do business.
2. Diversifying the portfolio so that potential losses on individual securities will be minimized.

#### **2.1.2. Interest Rate Risk**

SCFPL will minimize the risk that it will carry because of market value of securities in the portfolio will fall due to changes in general interest rates, by:

1. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
2. Investing operating funds primarily in shorter- term securities.

## **2.2. Liquidity**

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.

Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets. Negotiable securities may be sold prior to their maturity to provide liquid funds as needed for cash flow purposes.

## **2.3. Yield**

The investment portfolio shall be managed with the objective of attaining a competitive rate of return given the constraints of the aforementioned safety and liquidity objectives. To ensure long-term objectives are met, securities shall not be sold prior to maturity with the following exceptions:

1. A security with declining credit may be sold early to minimize loss of principal.
2. Liquidity needs of the portfolio require that the security be sold.
3. Standards of Care

## **3.1. Prudence**

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived.

SCFPL recognizes that no investment is totally free from risk and that occasional measured losses are inevitable in a diversified portfolio and will be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of SCFPL.

Investment Officials acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion to the Board of Directors and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

## **3.2. Ethics & Conflicts of Interest**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

Employees and investment officials shall disclose any material interests in financial institutions in which they conduct business. They shall further disclose any personal

financial/investment positions that could be related to the performance of the investment portfolio.

Employees and officials shall refrain from undertaking personal investment transactions with the same individual or company with which business is conducted on behalf of SCFPL.

### **3.3. Delegation of Authority**

Authority to manage the investment program is granted to the Director (Finance), who shall act in accordance with the established written procedures and internal controls for the operation of the investment program consistent with this investment policy.

No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Director (Finance). The Director (Finance) shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

### **3.4. Checks & Balances**

The following guidelines have been established to enhance the integrity and transparency of SCFPL's internal procedures for investing SCFPL's funds and accounting for those investments.

The Director (Finance), the Direct Accounts Officer and other persons designated in writing to act as Investment Officers will be authorized to transact investment business on behalf of SCFPL. All trade confirmations will be sent directly to the Accountant where transaction details will be compared and verified against internal records.

The Accountant shall review all investment transactions subsequent to execution by the Director (Finance) or other person designated as investment officer. All journal entries will be signed by a senior officer not conducting the transaction and entered into the general ledger by one of SCFPL's posting officers. The Director (Finance) and other officers authorized to transact investment business on behalf of SCFPL are expressly prohibited from posting transactions regarding investments into SCFPL's general ledger.

## **4. Investment Transactions**

### **4.1. Internal Controls**

The Director (Finance) is responsible for establishing and maintaining an internal control structure that will be reviewed annually with SCFPL's internal auditor.

The internal control structure shall be designed to ensure that the assets of MAS are protected from loss, theft or misuse and to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived.

## **4.2. Authorized Financial Dealers and Institutions**

SCFPL will ensure that all financial dealers/Institutions being dealt with are registered with respective agencies like Securities Exchange Board of India (SEBI) or Reserve Bank of India (RBI) and funds floated by such dealers/institutions only will be approved for the purpose of investment.

Any investment in institution/entity which is not approved by either SEBI or RBI will not qualify for investment unless prior approval for the same is taken from Board of Directors of the company.

## **4.3. Eligible Investment**

The following list represents the current range of investments that SCFPL will consider and which shall be authorized for the investment of funds.

### Call Accounts and Certificates of Deposit (CDs).

SCFPL may invest funds held with correspondent banks to meet short-term liquidity needs in call accounts and CDs. The maturity of these CDs will vary to coincide with expected cash demands. Except with Board approval, holding in any one bank/entity shall not exceed 10% of investment portfolio.

### Commercial Paper.

SCFPL may invest in commercial paper issued by corporations with an original maturity of 180 days or less, which at the time of purchase, have received the highest rating issued by any accredited rating agency. Eligible regional commercial paper shall not exceed 5% of the investment portfolio.

### Treasury Bills (T-Bills).

SCFPL may invest in T-Bills issued by the local government, banks and Reserve Bank of India. Except with Board approval, treasury bills holding in any government issue shall not exceed 5% of the investment portfolio.

### Bonds (Sovereign and Corporate).

SCFPL may invest in Bonds issued by the local government and by banks and Reserve Bank of India, as well as in corporate bonds. Except with Board approval, bond holding in any government issue shall not exceed 5% of the investment portfolio, and the total bond holding in any corporation shall not exceed 5% of the investment portfolio.

### Shares (Stocks).

SCFPL may invest in public and private equity securities. Except with Board approval, equity holding in a single entity or a group of related entities shall not exceed 5% of the investment portfolio. Further investments in subsidiaries will not fall within this parameter.

#### **4.4. Investment Restrictions and Prohibited Transactions**

To provide for the safety and liquidity of SCFPL's funds, the investment portfolio will be subject to the following restriction:

1. Borrowing for investment purposes ("Leverage") is prohibited.
2. Investment in any instrument, which is commonly considered a "derivative" investment (e.g. options, futures, swaps, caps, floors, and collars), is prohibited.
3. Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited.
4. No more than 5% of the total market value of the portfolio may be invested in commercial paper of any one issuer.

#### Criteria for Classification

At the time of making the Investment, the investment so made by the Company is to be classified mainly into two criteria:

#### Long Term Investment

Any investment, which is made for the period of 1 year or above, is to be classified as Long Term Investment.

#### Short Term Investment

Any Investment made in Liquid funds or for the period lesser than 1 year, is to be classified as Short Term Investment.

#### Inter Class Transfers

The transfer of Investments from Long Term to Short Term shall not be made on ad-hoc basis but are to be made at the beginning of each Half year only i.e. on 1st April and 1st October, with approval of the Board.

Such inter class transfer are to be made at Book value or Market value, whichever is lower after providing effect of Depreciation and appreciation, if any, is to be ignored.

#### 6. Authority for making Long Term Investment

Any Long Term investment, except in the Subsidiary Company, should be done with the permission of Board of Directors.

#### 7. Grouping of Investment

The investments made by the Company are to be classified into following categories:

Equity Shares  
Preference Shares  
Debentures and Bonds

Government Securities  
Units of Mutual Fund

## **8. Valuation of Investment**

### **a. Short Term Investment**

Category of Investment  
Quoted Security  
Valuation  
Unquoted Security

#### Preference Shares

Cost, whichever is lower. Cost or Face value, whichever is Lower.

#### Government Security

At Carrying Cost.

#### Units of Mutual Funds

At Net Asset Value declared by Mutual Fund in respect of each particular scheme.

#### Debentures and Bonds

Shall be treated as Term Loans or other type of credit facilities depending upon the tenure of the debentures.

### **b. Long Term Investment**

All the Long Term Investments are to be valued in accordance with Accounting Standards issued by Institute of Chartered Accountants of India (ICAI).

## **9. Investment Parameters**

### **9.1. Portfolio Diversification**

The investments portfolio shall be diversified to minimize the risk of loss resulting from over concentration of assets in specific class, currency, Country, or economic sector. Diversification strategies shall be periodically reviewed.

#### The current policy guidelines are as follows:

Asset Allocation SCFPL shall adopt a flexible weightings approach (strategic asset allocation) involving the periodic adjustments of the weights for each category based either on the market analysis or on technical analysis (i.e., market timing).

A new allocation therefore may be constructed to capture greater returns in a changing market.

The initial allocation table is as follows:

## **9.2. Maturity Limitations**

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as in SCFPL deposits or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

## **9.3. Portfolio Management**

Following the primary objective of preservation of capital, investments shall be actively managed to take advantage of market opportunities. In so doing, negotiable securities may be sold prior to their maturity to provide liquid funds as needed for cash flow purposes, to enhance portfolio returns, or to restructure maturities to increase yield and/or reduce risk.

Assets may be sold at a loss only if it is felt that the sale of the security is in the best long-term interest of SCFPL.

## **10. Performance Review & Reporting**

The Director (Finance) will periodically establish a benchmark yield for SCFPL's investments, and will set targets for portfolio growth and diversification. Investments held at the end of each quarter will be disclosed in quarterly balance sheets being put up for board's consideration.

## **11. Record Keeping and Safekeeping**

The accountant shall be responsible for recording all investment transactions and for securing all documents relative to such transactions.

The Accountant will ensure credit in demat are received in reasonable time and filed.

The Accountant will further ensure that all certificates for other investments are received in reasonable time, are accurately recorded and securely filed away. Also, the monthly interest accruals and quarterly market value adjustments will be the Accountant's responsibility.

## **12. Policy Consideration**

### **12.1 Exception**

Any investment currently held that does not meet the guidelines of this policy shall be exempt from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.



### 12.2 Revision

The Director (Finance) shall review the policy annually and shall recommend all necessary changes to the Board for consideration and adoption.

### 12.3 Adoption

This policy and any changes made during the annual reviews shall be adopted by resolution of the Board of Directors.