



IBL FINANCE LIMITED

Investment Policy

Version 1.0

2023

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1. Purpose

- 1.1. The purpose of this Policy is to frame the broad guidelines for making appropriate investment decisions as well as to inculcate operational efficiency while making investments by the Company.
- 1.2. Broadly, the Policy is based on the required financial discipline, transparency, applicable Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI); Master Directions and various guidelines prescribed by the Reserve Bank of India (RBI) from time to time.
- 1.3. The Company may undertake investments in various capital market instruments as well as other investment opportunities.
- 1.4. The purpose of this Policy is to ensure that the appropriate procedures are followed by the Company while making investment decisions.

2. Definitions

Unless otherwise defined or apparent from context, the following terms shall have the meaning as assigned herein below, and cognate expressions shall be construed accordingly:

Board/ BoD	Shall mean Board of Directors of the Company
Company	Shall mean IBL Finance Limited
Management	Shall consist of Senior Personnel of the Company (as decided by the Board) who is responsible for managing the investments of the Company and carry out the responsibilities fixed under this Policy
Master Directions	Shall mean Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 and the Scale Based Regulatory (SBR) Framework issued by the RBI, as amended from time to time
Policy	Shall mean this Investment Policy formulated by the Company

3. Objectives

3.1. Safety

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

3.2.1. **Credit risk:** The Company will minimize credit risk, the risk of loss due to the failure of the security issuer or banker, by:

- a. Investing in high quality securities;
- b. Actively monitoring investments;
- c. Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the Company will do business;

- d. Diversifying the portfolio so that potential losses on individual securities will be minimized.

3.2.2. **Interest rate risk:** The Company shall minimize the risk of changes in market value of securities in the portfolio which occur due to changes in general interest rates. For this purpose, the Company shall:

- a. Structure the investment portfolio in such a manner that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity;
- b. Invest operating funds primarily in shorter- term securities and limit the effective duration of the portfolio.

3.3. Liquidity

Another important objective is to ensure that the investment portfolio remains sufficiently liquid to meet all operating requirements that are reasonably anticipated.

The said objective shall be accomplished by structuring the portfolio so that securities mature concurrent with liquidity needs to meet anticipated demands. Negotiable securities may be sold prior to their maturity to provide liquid funds as needed for working capital or cash flow.

3.4. Yield

The Company shall manage its investments 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:

- 3.4.1. Pre-mature sale of security with declining credit, to minimize loss of principal;
- 3.4.2. In case the liquidity needs of the portfolio require that the security be sold;
- 3.4.3. Management is of the opinion that selling of securities prior to maturity is in the interest of the Company.

4. Approval of Investment Transactions

The Company shall make only those investments as approved by one of the following as per the pre-defined approval limits:

- 1. Board, or
- 2. Management

5. Standards of care

5.1. Delegation of Authority

Authority to manage the investment program is granted to the Management, or any person responsible for handling the financial matters of the Company who shall act in accordance with the established written procedures and internal controls for the operation of the investment program consistent with this Policy.

The Management is authorised to:

- to determine the investible surplus on a day-to-day basis and invest the same in appropriate avenues provided under para [8.1](#) of the Policy;
- to approve the early redemption and withdrawals depending on the market conditions and liquidity demands of the operations of the Company.

5.2. Checks & Balances

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

Persons designated in writing to act as 'Investment Officers' or such other person as approved by the Management or the Board as the case may be authorized to transact investment business on behalf of the Company.

5.3. Prudence

Investments shall be made with judgement 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.

The Company 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 the Company.

5.4. 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 to the

Management. 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 the Company.

6. Classification

- 6.1. The Company shall classify its investments into two broad categories, namely, current and non-current/ long – term investments.
- 6.2. All investments which by their nature, shall be readily realizable and would be intended to be held for not more than one year from the date on which such investments are made shall be classified as ‘current investments’ by the Company. The current investments shall have the highest level of liquidity.
- 6.3. All investments other than current investments shall be constituted as ‘non-current/ long – term investments’ by the Company.
- 6.4. Investments in securities shall be classified into current and long term, at the time of making each investment thereof.
- 6.5. Quoted investment shall be classified under following categories:
 - (a) equity shares,
 - (b) preference shares,
 - (c) debentures and bonds,
 - (d) Government securities including treasury bills,
 - (e) units of mutual fund, and
 - (f) others

7. Inter-Class Transfer of Investment

- 7.1. The Company shall not make any inter-class transfer on *ad hoc* basis. If the inter-class transfer is warranted then it shall be effected only at the beginning of each half year, i.e. on April 1 or October 1, with the approval of the Board;
- 7.2. The investments shall be transferred scrip-wise, from current investments to long-term investments or vice -versa, at book value or market value, whichever is lower;
- 7.3. The depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be ignored;

7.4. The depreciation in one scrip shall not be set off against appreciation in another scrip, at the time of such inter-class transfer, even in respect of the scrips of the same category.

8. Investment Transaction

8.1 Eligible Investment

The following list represents an indicative list of range of investments that the Company shall consider for the investment of funds:

Debentures: The Company may invest in Debentures issued by any company including group companies in accordance with this Policy.

Shares (Stocks): The Company may invest in Share Capital of any company including group companies in compliance with the provisions of the Companies Act, 2013. Such shares can be either equity shares or preference shares.

Commercial Paper: The Company may invest in commercial papers with an original maturity of one year or less.

Central Government Securities including Treasury Bills and State Government Securities: The Company may invest in securities issued by the local government, banks and the RBI. All investments shall be made in dematerialised form only. The decision as to which securities to invest in, shall be dependent upon the maturity and coupon rate of the security.

Units of Mutual Funds: The Company may invest in Mutual Fund schemes based upon past performance of the scheme, timing, and expense ratio of the fund and the NAV of the fund.

Call Accounts and Certificates of Deposit (CDs): The Company 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.

Fixed Deposits with Banks: The Company may also consider investing in Fixed Deposits, based on its liquidity and other business requirements. The Company shall be authorised to invest only in Scheduled Commercial Banks including Public Sector Banks, Private Sector Banks and Small Finance Banks etc. The tenure of such bank deposits shall be restricted to one year or in the bucket of higher interest rate and shall be made in cancellable deposits only.

Further, the Board may choose any other such mode of investment, as and when desired and deemed appropriate.

8.2 Authority for making Long Term Investment

Any Non-current/ long-term investments, should be done with the permission of the Board and if such power is delegated by the Board then subsequently be ratified by the Board.

9. Accounting and Depreciation

- 9.1. The income recognition, asset classification and provisioning norms issued by the RBI shall be followed by the Company. The investments shall be classified in strict conformity with the said norms and Indian Accounting Standards issued by the ICAI.
- 9.2. In case of any inconsistency between RBI norms and Indian Accounting Standards, the Company shall comply with Indian Accounting Standards.
- 9.3. The investments shall be assigned the risk weights as prescribed by the RBI, from time to time.
- 9.4. "Provision for depreciation in investments" shall be distinctly indicated under separate heads of account in the balance sheet of the Company, which shall be debited to the profit and loss account each year. Such provision shall not be appropriated from general provisions and loss reserves, if any of the Company.
- 9.5. The Management or any person responsible for handling the financial matters of the Company shall be responsible for:
 - 9.5.1. recording all investment transactions and for securing all documents relating to such transactions;
 - 9.5.2. ensuring credit in dematerialised account are received in reasonable time and filed;
 - 9.5.3. ensuring that all certificates for other investments are received in reasonable time, are accurately recorded and securely filed away; and
 - 9.5.4. monthly interest accruals and quarterly market value adjustments.

10. Performance Review and Reporting

The investment officials or the Management, if any, will periodically review any investments that have been made by the Company, monitor portfolio-wise and scheme-wise holdings vis-à-vis the set limits, monitor the portfolio's performance by way of tracking the respective yields as against an appropriate benchmark and ensure that

such investments are in accordance with this Policy. The deviations, if any, will be put up for consideration in the next meeting of the Board.

11. Compliance with Investment Policy

All the investments shall be made in compliance with the Policy and should be as per the applicable provisions of the Companies Act, 2013 read with rules made thereunder, the Master Directions, notifications and circulars issued by the RBI from time to time and other rules, regulation, directions as may be applicable for this purpose and is in effect at the time the investment is made.

Changes to the Policy will not apply to investments made prior to such changes. However, the Board will take necessary actions as appropriate on divestments to be made due to changes in regulatory requirements.

12. Exceptions Management

Taking any decisions in case of unforeseen exigencies which might lead to a breach of this Policy would require necessary approval of any one of the Directors which then shall be reported to the Board as the case may be for its ratification and it shall also be reported in the immediate succeeding Board Meeting. However, any such investment shall be in compliance with the applicable laws of India, including but not limited to the regulations issued by RBI.

13. Policy review

The Board shall periodically review the Policy at such interval as it may deem necessary. Significant deviations vis-a-vis the Policy shall be reported by the Management to the Board at the immediate next Board meeting.

14. Change Control Record

Version No.	Change Request by	Memorandum of Change	Approval date
1.0	-	Adoption of policy by the Board of Directors of the Company	21.06.2023