INVESTMENT POLICY

(DEPLOYMENT OF SURPLUS FUNDS)

Version	1.1
Approved By	Board of Directors
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This Investment Policy ("**Policy**") is framed to guide Capital India Corp Private Limited ("**Company**"), on managing its surplus funds effectively. All investments made by the Company shall be in accordance with this Policy as approved by the Board. This Policy is being formulated in compliance with Master Directions-Core Investment Companies (Reserve Bank) Directions, 2016.

1. Objective

To optimize the return on idle funds or the short-term funds pending utilisation in normal course of business. Funds deployed for these categories will be classified as Treasury Investments and function as the liquidity reserve of the Company.

This document sets out the policy and approach with respect to Treasury Investments.

1.1. Key criteria that need to be looked at while deploying funds from a treasury perspective are:

- **Capital protection** – Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. This is the most important criteria as any loss in funds that are temporarily deployed is highly undesirable. The idea of safety is to mitigate credit risk, interest rate risk.
- **Liquidity** – The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. It should be possible to get access to the funds invested at short notice as the requirement for lending/equity infusion in group companies cannot be predicted.
- **Returns** – The investment portfolio shall be managed with the objective of attaining a competitive rate of return given the constraints of the capital protection and liquidity objectives. Funds lying idle pull down the overall profitability of the company.

Capital protection being a pre-requisite, there is a trade-off between liquidity and returns. Since liquidity is critical to enable timely availability of funds for lending/equity infusion, it should precede the returns criteria. Further, at times liquidity comes at a price (exit load or yield reduction), so returns should be the last deciding criteria.

1.2. Based on the principles mentioned in Clause 1.1 above, given below is the indicative list of eligible assets / instruments where the Company can deploy its temporarily surplus / idle funds, pending their usage in the main business of the Company:

Instruments	**Description**	**Limits**
Bank Fixed (Term) Deposits	• Fixed (Term) Deposits with Banks • Term Deposits or Certificates of Deposit not exceeding 6 months tenor	Maximum exposure per bank of • INR 100 crore for Scheduled Commercial Public sector Banks • INR 50 Crores for Scheduled Commercial Private Bank / Small Finance Bank / Foreign Bank.
Units of Debt Mutual Funds	• Liquid or Liquid Plus (Ultra Short term) or Overnight Schemes of SEBI registered Mutual Funds.	Maximum exposure per scheme of any AMC • INR 50 crore • Aggregate exposure to longer duration schemes not to

	• Selectively, in longer duration schemes where duration of the assets held by the scheme is not more than 12 months Eligible AMC basis Scheme fund size > For Liquid schemes > INR 10,000 crores > For Overnight schemes > INR 5,000 crores	exceed 25% of Treasury Investments at any point.
Short tenor assets like CPs / Short Term Loans / CDs / NCDs / ICDs / Bonds / PTCs	• Investments are restricted to assets / securities that are short term (not exceeding 1 year of residual maturity) or in securities that have good demand / liquidity in secondary markets. • Short tenor assets will normally be held to maturity. However interim sale may be undertaken, if required for re-balancing the treasury assets portfolio, to take advantage of market opportunities or to generate liquidity. • Securities or entities that carry a short term rating of A1 or higher from a recognized credit rating agency or Securities or entities that carry a long term rating of A or higher from a recognized credit rating agency	Maximum exposure per entity • Any limit for Central Government • INR 50 crore for public sector Banks, Private sector banks / and State Government • INR 25 crore for NBFC and Corporates

2. Constitution of Investment Committee

The Investment Committee shall comprise of the following members:

Sumit Kumar Narvar	Member
Deepak Vaswan	Member

3. Approval authority for Investment Decision

Investment decision at transaction level shall be made and approved in following manner:

Up to INR 50 crores	:	any one member from the Investment Committee
More than INR 50 crores	:	at a duly convened Meeting of Investment Committee

Investment Committee may further delegate its power as under for investment into short term products i.e. Fixed Deposits with banks and Liquid / Overnight (Debt) mutual fund units:

Up to INR 50 crores	:	Singly by any Director
More than INR 50 crores	:	by the Chairman / Managing Director

4. Classification of Investments

All Investments shall be classified as Long-Term Investments or Short-Term Investments at the time of making the investments primarily based on the objective of the investments, nature of expected returns, period of holding and the liquidity as follows:

Class of investment	Identification Criteria
Long Term Investment	Investment intended to be retained for a period over one year and with an object to gain from capital appreciation apart from regular periodic gain.
Short term/Current Investment	Investment intended to be retained for a period less than one year with an object to gain periodic returns like dividend, interest and from appreciation in its value. These investments are generally easy and quick to liquidate.

5. Accounting of Investment and change of classification of the Instruments

- The Investment instruments needs to be classified as 'Long-Term' or 'Short-Term/Current' at the time of making each investment. Once decided, the classification shall not be changed on 'ad-hoc' basis.
- In case of need to change the classification based on change in intention, the same shall be done with due analysis and after obtaining written approval from the management (as per investment matrix mentioned above) only.
- Such change in classification shall be affected only at the beginning of each half year of the financial year i.e. on 1st April and 1st October of each year.
- Change in classification shall be made script wise and not in bulk.
- The change in classification shall be made at the 'Book-value' or 'Market Value' whichever is lower.
- The depreciation in each script shall be fully provided for and gain, if any, shall be ignored.
- The depreciation on one script shall not be set-off against gain in other security even if the securities belong to same category.
- Quoted current investments shall, for the purposes of valuation, be grouped into the following categories, viz. (a) debentures and bonds, (b) Government securities including treasury bills, (c) units of mutual fund, and (d) others.
- Quoted current investments for each category shall be valued at cost or market value whichever is lower. For this purpose, the investments in each category shall be considered scrip-wise and the cost and market value

aggregated for all investments in each category. If the aggregate market value for the category is less than the aggregate cost for that category, the net depreciation shall be provided for or charged to the profit and loss account. If the aggregate market value for the category exceeds the aggregate cost for the category, the net appreciation shall be ignored. Depreciation in one category of investments shall not be set off against appreciation in another category.

- Investments in unquoted Government securities or Government guaranteed bonds shall be valued at carrying cost.
- Unquoted investments in the units of mutual funds in the nature of current investments shall be valued at the net asset value declared by the mutual fund in respect of each particular scheme.
- Commercial papers shall be valued at carrying cost.
- A long-term investment shall be valued in accordance with the Accounting Standard issued by Institute of Chartered Accountant of India (ICAI).
- Unquoted debentures shall be treated as term loans or other type of credit facilities depending upon the tenure of such debentures for the purpose of income recognition and asset classification.

6. Controls

The investments as made above would be subject to periodical reviews and reconciliations, any material un-reconciled item would be immediately brought to the attention of the Investment Committee.

7. Report to the Board

The Investment Committee of the Company shall submit its report on the investment portfolio of the Company (including Nil report) on quarterly basis to the Board of Directors.

8. Revision & Adoption

The Investment Committee shall review the policy annually and shall recommend all necessary changes to the Board of Directors for their consideration and adoption.