

## **Investment Policy**

### **1. Objectives**

While exercising the power to invest, consideration needs to be given to preservation of capital, liquidity, and the return of investment.

(a) Preservation of capital is the principal objective of the investment portfolio. Investments are to be performed in a manner that seeks to ensure security and safeguarding the investment portfolio. This includes managing credit and interest rate risk within identified threshold and parameters.

(b) The investment portfolio will ensure there is sufficient liquidity to meet all reasonably anticipated cash flow requirements, as and when they fall due, without incurring significant costs due to the unanticipated sale of an investment.

(c) The investment is expected to achieve a predetermined market average rate of return that takes into account the Company's risk tolerance. Any additional return target set by Company will also consider the risk limitation and prudent investment principles.

### **2. Legislative Requirements**

All investments are to comply with the following:

- The Company's Act, 1956;
- The Income Tax Act, 1962;
- The National Housing Bank Act

### **3. Delegation of Authority to Invest**

The authority is to be delegated to the Managing Director to make investment decisions and sign investment lodgements and withdrawals. The M.D. may in turn delegate the day-to-day management of the company's investments.

### **4. Prudent Person Standard**

Investment will be managed with the care, diligence and skill that a prudent person will exercise. Officers are to manage the investment portfolios to safeguard the portfolios in accordance with the spirit of this Investment Policy, and not for speculative purposes.

## Approved Investments

Without approvals from Company, investments are limited to:

- State/Central Government Bonds;
- Interest bearing deposits;
- Equity Shares of Indian Companies
- Investment in Mutual Funds
- Bonds/ Debentures of reputed Public Sector Undertaking

## 5. Prohibited Investments

This investment policy prohibits any investment carried out for speculative purposes including:

- Derivative based instruments;
- Principal only investments or securities that provide potentially nil or negative cash flow; and
- Stand alone securities issued that have underlying futures, options, forwards contracts and swaps of any kind.

This policy also prohibits the use of leveraging (borrowing to invest) of an Investment.

## 6. Reporting and Review

A monthly report will be provided to Company in support of the monthly statement of activity. The report will detail the investment portfolio in terms of performance, percentage exposure of total portfolio, maturity date and changes in market value.

This Investment Policy will be reviewed at least **once a year** or as required in the event of legislative changes.

Documentary evidence must be held for each investment and details thereof maintained in an investment Register.

Certificates must be obtained from the financial institutions confirming the amounts of investments held on the Company's behalf as at **March 31 each year** and reconciled to the Investment Register.

## 7. Classification of Investments

Investment should be classified as long term and current investment. Current investments are in the nature of current assets, although the common practice may be to include them in investments.

Investment other than current investment is classified as long term investment even though they may be readily realisable.

## **8. Valuation:**

**Long term investment** should be valued in accordance with the Accounting Standard-13 issued by ICAI. As per AS – 13, cost of investment should include all acquisition charges such as brokerage, fees and duties.

**Unquoted equity shares** in the nature of current investments shall be valued at cost or breakup value, whichever is lower.

**Unquoted preference shares** in the nature of current investments shall be valued at cost or face value or the net asset value whichever is less.

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.

There shall be no inter-class transfer on ad-hoc basis;

The inter-class transfer, if warranted, shall be effected only at the beginning of each half year, on April 1 or October 1, with the approval of the board;

The investment shall be transferred scrip wise, from current to long-term or vice-versa, at book value or market value, whichever is lower ; and

The depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be ignored;

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

Quoted current investment shall, for the purpose of valuation, be grouped into the following categories, viz.,

Equity Shares,

Preference Shares

Debentures & Bonds

Government securities including treasury bills,

Units of Mutual fund, and

Others.

## **9. Investment in Land or Building**

The company shall not invest in land or buildings, except for its own use, an amount exceeding twenty per cent of its capital fund,

Provided that such investment over and above ten percent of its owned fund shall be made only in residential units.

## **10. Engagement of Brokers**

Transactions should not be put through the brokers' accounts. The brokerage on the deal payable to the broker, if any (if the deal was put through with the help of a broker), should

be clearly indicated on the notes/memorandum put up to the top management seeking approval for putting through the transaction and separate account of brokerage paid, broker-wise, should be maintained.

If a deal is put through with the help of a broker, the role of the broker should be restricted to that of bringing the two parties to the deal together.

Clear-cut criteria should be laid down for empanelment of brokers, including verification of their creditworthiness, market reputation, etc. A record of broker-wise details of deals put through and brokerage paid, should be maintained.

Housing finance companies may undertake securities transactions through stock brokers only on National Stock Exchange/Bombay Stock Exchange/ Over the Counter Exchange of India.

### **11. Restriction on Investments:**

The Company shall not –

Lend to - any single borrower exceeding **fifteen** percent of its owned fund; and

any single group of borrowers exceeding **twenty-five** percent of its owned fund

Invest in – the shares of another company exceeding **fifteen** percent of its owned fund;

the shares of a single group of companies exceeding **twenty-five** percent of its owned funds

Land and Invest (loans/investments together) exceeding – **twenty-five** percent of its owned fund to a single party; **forty** percent of its owned fund to a single group of parties.

### **12. Income Recognition from Investment**

Income from **dividend** on shares of corporate bodies and units of mutual funds shall be taken in to account on cash basis:

Provided that the income from dividend on shares of corporate bodies may be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and the housing finance company's right to receive payment is established.

Income from **bonds and debentures** of corporate bodies and from Government securities/bonds may be taken into account on accrual basis.

Provided that the interest rate on these instruments is predetermined and interest is serviced regularly.

Income on **securities** of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by the Central Government or a State Government may be taken into account on accrual basis.

### **13. Disclosure**

Following information should be disclosed in the Financial Statement as per AS – 13:

Accounting Policies for determination of carrying amount of Investment.

Classification of Investment.

Following amounts included in Profit and Loss Statement for:

Interest, dividend and rentals on investment.

Profits and losses on disposal of investment

Restrictions on rights of ownership and remittance of income and proceeds of disposal

Aggregate amount of quoted and unquoted investment and total market value of quoted investment. Other disclosures as specially required by relevant statute governing the enterprise.

The Company should also comply with the Disclosure requirement of **Schedule VI** of the Companies Act, 1956.

Certified to be True

Mahesh Pujara

CMD & Managing Director