India Home Loan Ltd.

Treasury and Investment Policy

Introduction

The treasury function within the IHLL is responsible for the management of the following risks which are addressed in this policy:

- liquidity and funding (borrowing)
- interest rate
- counterparty credit risk

IHLL considers the implementation of a policy on treasury management ('the Policy') necessary to ensure that:

- management considers all aspects of the IHLLs financial risks
- the staff responsible for the management of treasury understand IHLL's objectives and 'risk appetite' in managing treasury as well as the limits of their authority, and
- that treasury management activities are undertaken in a controlled manner.

List of Abbreviation: -

- IHLL – India Home Loan Limited
- The Board – Board of Directors
- ALCO – Assets Liability Committee
- MD – Managing Director
- CFO- Chief Financial Officer
- ALM – Assets Liability Management

Philosophy

This policy has been prepared based on the following philosophies:

- IHLL faces a wide range of financial risks. This policy outlines those risks which are to be managed by Treasury and how they are to be managed.
- Cash & Bank Balances are Corporate assets and to be used for maximum value across IHLL and managed by Treasury.
- Speculative transactions are not permitted.

The IHLL's treasury function will centrally manage financial risks for IHLL. The operating activities of treasury will include the following:

- development and recommendations to the Board of Treasury Policy and strategies
- negotiating funding from financial institutions and the capital markets and ensuring there is sufficient liquidity for day to day requirements as well as unexpected business disruptions
- central management of the company's liquidity including surplus cash and short-term facilities

- central management of interest rate risk associated with borrowing and investment of surplus funds
- management of credit and operational risks arising from treasury activities
- management of bank relationships, the credit process and investor (debt) relationships

OVERVIEW OF TREASURY MANAGEMENT OBJECTIVES

IHLLs treasury are to be managed centrally to ensure alignment of treasury management with corporate objectives; optimise access to debt capital and to ensure that treasury operates within a controlled environment.

Funding and Financial & Liquidity Risk Management Review

On an annual basis the treasury will provide the board with a "Business Projections and Plans" analysing the results of the previous year's financial risk management approach as well as providing analysis of forthcoming funding requirements and a suggested approach to financial risk management going forward. The plan may also include discussion on the capital structure of IHLL. The plan may be provided to the Board at the same time as the treasury policy is reviewed by the Board so that policy adjustments can be made, if necessary, to enable the strategy or as required.

Treasury Operating Objectives

The objectives relating to the management of financial risks are as follows.

Liquidity and Funding

- Ensure that at all times, IHLL has access to sufficient liquid resources to, meet its financial obligations as they fall due, including taxes and dividends and provide funds for capital expenditure and investment opportunities as they arise.
- Ensure that IHLL has sufficient excess liquidity to ensure IHLL can meet its non-discretionary financial obligations in the event of unexpected business disruption.
- Ensure compliance with borrowing facilities covenants and undertakings.

Interest Rate

- Ensure compliance with interest cover covenants, wherever applicable, under the IHLLs borrowing facilities.
- Manage the net interest rate exposure to ensure that IHLL can meet its profit targets and protect IHLL's solvency.
- Minimise the impact of adverse interest rate movements

Counterparty Credit Exposure

- Ensure that investment transactions are undertaken with approved creditworthy counterparties and in accordance with approved limits

Treasury Operational Risks

- Ensure that the treasury function is operating in a controlled manner.

ORGANISATIONAL TREASURY RESPONSIBILITIES

Responsibility Structure

The following components of IHLL's organisational structure have varying degrees of responsibility and input into the IHLLs financial risk management.

Management Structure

- The Board
- Managing Director
- ALCO
- Chief Financial Officer
- Treasury Manager

The responsibility of each party are set out below.

The Board

- Annual review and approval of the Treasury Policy
- Annual review and approval of IHLLs Funding and Risk Management strategy detailed in "Business Projections & Plan" provided to the Board by Treasury Team
- Authorisation of new financial accommodation and arrangements
- Approval of new financial instruments recommended by Treasury Team
- Delegation of the authority to undertake treasury management activities (within the constraints of this Policy) to the Managing Director, the Chief Financial Officer and the Treasury Manager
- Quarterly review of financial risk management activities
- Review any of policy breaches

The Managing Director

- Review of Treasury Policy and the "Business Projections & Plans" prior to it being forwarded to the Board
- Oversight of Treasury activities and overall treasury managements activities
- Review of policy breaches and supervision of rectification
- Delegation of authority to the Chief Financial Officer and the Treasury Manager

The ALCO

The ALCO is to comprise the following members.

- Managing Director
- Executive Director
- Chief Financial Officer

The specific responsibilities of the ALCO in respect of treasury management activities are as follows.

- Recommend to the Board the establishment of, and amendments to, the Treasury Policy
- Review/recommend to the Board the annual Funding and Risk Management strategy paper
- Approve risk management strategies, as recommended by the Treasury Manager, within the constraints of the Policy

- Review and recommend to the Board for approval, new financial instrument types and techniques for managing financial exposures
- Identify, quantify, integrate, monitor, manage and control the different types of risks associated with Company. The Committee is responsible for assisting the Board of Directors in Balance Sheet planning, putting in place a progressive risk management system, developing a risk-return perspective including the strategic management of interest and liquidity risk and such other functions/responsibilities as may be decided by the Board from time to time.

The Chief Financial Officer

- Implement all financial accommodation and capital management objectives approved by the Board.
- Negotiate borrowing, transactions in accordance with the Policy
- Recommend to the MD and Board, risk management strategies reviewed by the ALCO
- Delegate appropriate authority for borrowing, investment, and other treasury activities to the Treasury Manager
- Recommend to the MD and Board Treasury performance benchmarks
- Ensure that the Board is informed, through regular reporting of the impact of financial exposures, on the risks and profitability of the IHLL
- Report any material policy breaches to the MD and then to the Board

Treasury Manager

The Treasury Manager is responsible for supervising all treasury activities, which encompasses the daily management of the IHLLs borrowing, investment activities within the authority as delegated by the Board, the MD and Chief Financial Officer including the following.

- Periodic review of the Treasury Policy (at least annually) and recommendations for its amendment
- Preparation of an annual "Business Projections and Plans" for the ALCO and the Board
- Implementing approved financial and liquidity risk management strategies outlined by the board/ALCO, if any
- In conjunction with the CFO negotiating financial accommodation
- Undertaking / supervising the implementation of investment and treasury management
- activities
- Preparing monthly reports for the Board including compliance with treasury policy
- Ensuring that accurate records in respect to the treasury management activities are maintained

Code of Professional Conduct

Treasury team must comply with the following requirements.

- Ensure that in performing their professional duties they are, at all times, in compliance with the relevant IHLL policy, legal and regulatory requirements
- Avoid conflicts of interest and perform their professional duties with due care and diligence
- Protect confidential or commercially sensitive information which must not be disclosed unless there is a legal or professional duty to do so
- Maintain proper records in accordance with the standards established by the IHLL
- Comply with the risk management limits established by the Board at all times

LIQUIDITY RISK

Recognition of Liquidity Risk

Liquidity risk management is associated with ensuring that there are sufficient funds available to meet IHLL's financial commitments in a timely manner. It is also associated with planning for unforeseen events which may curtail cash flows and cause pressure on liquidity. The possible causes of a liquidity crisis include:

- unplanned reduction in revenue
- business disruption
- unplanned capital expenditure and
- reduction in profitability

Measurement of Liquidity Risk

Liquidity risk is to be measured by comparing projected net debt levels for the next twelve months against total committed facilities. Projected net debt levels will take into the following into account.

- existing debt
- operating cash flows including interest payments
- operating capital expenditure items that are needed to maintain existing fixed assets in an operable condition
- committed project / investment capital expenditure, which the IHLL is contractually committed
- dividend payments; and tax payments
- dividend receipts, asset sales

Projected cumulative cash flows will be on a rolling twelve-month basis at monthly intervals. When added to the opening net debt levels this will provide the projected net debt level.

Projected net debt levels projected over time can be compared to the level of committed facilities and liquid assets (which provides an indicator of immediate and reliable liquidity) which will indicate the IHLLs liquidity position going forward. When presented graphically this will provide a 'liquidity profile'.

For longer-term liquidity management, projections will show expected net debt levels on at least a rolling 12-month basis at monthly intervals and will include monthly cash flow forecasts from IHLL's operating divisions.

Borrowings

The IHLLs borrowing requirements and borrowing strategy, will be reviewed annually and set out in line with "Business Projections and Plan". The funding strategy detailed in the plan sheet will be developed in consistent with the following parameters.

- **Determine the debt maturity profile. For example, provide information on how much debt will mature over 1, 3 and 5 years. What is the maximum level of debt that is permitted to mature in next 12 months?**

- **Concentration of Debt Maturities - Debt maturities will be spread out to limit risk on debt rollover. Any new facilities negotiated will be contracted with an adequate spread of maturities, taking into account the need for a relatively long duration in IHLL's debt profile.**

- **From whom debt can be borrowed; debt raising needs to be diversified in terms of counterparties, types, maturity and geography and limits**

- **Interest rate at which the borrowings to be taken**

Reporting of Liquidity Risk

The Treasury Manager is to report to the Board on a quarterly basis the liquidity position of the company along with updated ALM sheet.

INTEREST RATE RISK

Interest rate risk is the risk of a reduction in earnings and / or increase in interest cost as a consequence of adverse movements in interest rates. This includes opportunity losses that may arise if the IHLL was to fix interest rates in a falling interest rate environment.

The majority of IHLL'z interest rate risk arises from borrowings however, other sources of interest rate risk include interest bearing investments.

The primary objectives of interest rate risk management are to ensure:

- that debt servicing costs, from movements in interest rates, are minimised and
- that an interest cover ratios included in borrowing covenants are complied with.

Investment Policy

1. The company invests in Fixed Deposits as per borrowings terms and conditions required in borrowing covenants
2. Interest income on Fixed Deposits and maturity proceeds are accounted for in books as per applicable IND AS rules
3. The company invests in liquid cash funds or overnight funds in case of surplus funds availability for short or very short duration. Accounting of gains and losses on such investments are getting recorded as per applicable IND AS rules.