

INVESTMENT POLICY



Loan in 3 days

INDIA FINSEC LIMITED



1. GOVERNING LAW

- Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023
- Indian Accounting Standard-18 (IND AS-18 Revenue Recognition)

2. PERMISSIBLE EXPOSURE

NBFC shall not have exposure (credit/investment taken together) exceeding

- (a) twenty-five percent of its Tier 1 capital to a single party; and
- (b) forty percent of its Tier 1 capital to a single group of parties,

Provided that an NBFC may exceed the exposure norm specified above, by 5 percent for any single party and by 10 percent for a single group of parties, if the additional exposure is on account of infrastructure loan and/or investment.

Provided that the ceiling on the investment in shares of another company shall not be applicable in respect of investment in the equity capital of an insurance company up to the extent specifically permitted, in writing, by the Reserve Bank.

Exposure norms shall not apply to :

- (i) investments of NBFC in shares of

- (a) its subsidiaries;
- (b) companies in the same group,

to the extent they have been reduced from Owned Funds for the calculation of NOF

and



(ii) the book value of debentures, bonds, outstanding loans and advances (including hire-purchase and lease finance) made to, and deposits with –

(a) subsidiaries of the NBFC; and

(b) companies in the same group,

to the extent they have been reduced from Owned Funds for the calculation of NOF.

(iii) The exposures listed below shall also be exempt from exposure norms:

(a) Exposure to the Government of India and State Governments which are eligible for zero percent risk weight under capital regulations applicable to HFCs;

(b) Exposure where the principal and interest are fully guaranteed by the Government of India

Currently, Company do not have any exposure in Credit Risk Transfer Instruments and overseas investments.

3. WHERE TO INVEST

- a. Investment in Subsidiary/Group Company: The Company may invest in subsidiaries within the statutory and regulatory guidelines, subject to approval from the Board of Directors. Board of Directors may also approve strategic investments in other group companies for furtherance of the business of India Finsec Limited within the statutory and regulatory limit.
- b. Exposure to Capital Market: The Company has decided to invest its surplus funds into fixed deposit with any scheduled commercial bank or in Mutual Funds subject to RBI Guidelines.
- c. Investment in Real Estate: The Company shall not invest in land or buildings, except for its own use.



4. ACCOUNTING OF INVESTMENTS:

All the investments shall be classified into current and long term investments as specified in the investment policy spelt out by the Board. Inter – class transfer shall be subject to the following conditions:

- a. There shall be no such transfer on ad-hoc basis.
- b. Such 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.
- c. Investments shall be transferred scrip- wise, from current to long-term or vice- versa, at book value or market value, whichever is lower.
- d. Depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be ignored.
- e. 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.

5. VALUATION OF INVESTMENTS

5.1 Quoted current investments:

Such investments shall, for the purposes of valuation, be grouped into the following categories

- a. Equity shares
- b. Preference shares
- c. Debentures and bonds.
- d. Government securities including treasury bills
- e. Units of mutual funds.
- f. 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.

5.2 Unquoted current investments:

- a. Unquoted equity shares: Such instruments shall be valued at cost or breakup value, whichever is lower. However, non-banking financial companies may substitute fair value for the breakup value of the shares, if considered necessary. Where the balance sheet of the investee company is not available for two years, such shares shall be valued at one Rupee only.
- b. Unquoted preference shares: Such investments shall be valued at cost or face value, whichever is lower.
- c. Investments in unquoted Government securities or government guaranteed bonds shall be valued at carrying cost.
- d. Unquoted investments in the units of mutual funds: Such investments shall be valued at the net asset value declared by the mutual fund in respect of each scheme.
- e. Commercial papers shall be valued at carrying cost.

5.3 Long term investments:

Such investments shall be valued in accordance with the Accounting Standard issued by 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. ACCOUNTING TREATMENT OF INVESTMENTS UNDER IND AS

Investments are categorized into either of the three buckets based on the nature of investments. Long term investments initially recognized at fair value plus directly attributable transaction cost will be measured at Amortised Cost. These investments include debt instruments, investments in subsidiaries etc.

Investment held as current, fair value will be determined through either of the following methods.

1. Fair Value through Profit and Loss (FVTPL).
2. Fair Value through Other Comprehensive Income (FVOCI)

Investments at fair value through FVTPL comprise:

- Investments held for trading.
- Investments specifically designated as fair value through profit and loss account.
- Debt instruments with contractual terms that do not represent solely payment of principal and interest.

Investments available for sale assets, other than unquoted equity will be fair valued following FVOCI. Gain or loss on valuation is kept in “other comprehensive income” in the shareholders’ equity. These gains/losses are brought into current profit/loss when the investment in question is sold.

7. INCOME RECOGNITION

- a. Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into 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 NBFC's right to receive payment is established.

- b. 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 pre-determined and interest is serviced regularly and is not in arrears.
- c. Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government may be taken into account on accrual basis.

8. AUTHORISED PERSON

Mr. Gopal Bansal, Managing Director of India Finsec Limited, being a Chartered Accountant having vast experience in the field of finance, taxation, portfolio management, finance product design, etc. with more than 20 years of experience, is authorized by the Board of the Directors of the company to hereby decide the investment of funds in compliance with the rules and regulations.

Further, any deviation in the purpose of investment, then the same need to be first approved by the majority of the Board of Directors of the Company.

9. CRITERIA FOR CLASSIFICATION OF INVESTMENT INTO LONG TERM/SHORT TERM:

- a. Any investment which is expected to be converted into cash within one year will be classified as short-term investment. These investments should be marketable and liquid.
- b. Any investment which is expected to be converted in to cash after one year will be classified as long-term investment.



10. GENERAL CONDITIONS

- a) Investment in non-financial service sectors shall not be permitted;
- b) Direct investment in activities prohibited under FEMA or in sectoral funds shall not be permitted;
- c) Investments shall be permitted only in those entities having their core activity regulated by a financial sector regulator in the host jurisdiction.

The Board Considered and Approved the Policy on 04.05.2024

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