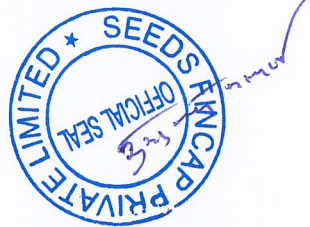


INVESTMENT POLICY

SEEDS FINCAP PRIVATE LIMITED



APPROVED IN THE BOARD MEETING HELD ON 30TH APRIL 2024

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## **1. Investment Policy**

### **1.1. Introduction & Objective**

The policy aims to lay down guidelines and procedures involved in investment operations. Entire operations of SEEDS for investments will be governed by this policy. The policy includes authorized instruments, counterparties, and the limits for each of the investment categories.

The Objective of this policy is to provide guidelines for investing the surplus funds of the company in various investment instruments for meeting the organizational objectives and create a well-diversified portfolio.

The broad objectives intended to be achieved by the policy are:

- To comply with RBI Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007 and also read with the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023”.as amended up to date and any other directions issued by RBI, time to time.
- Provide guidance on the nature of investments that shall be undertaken.
- Define limits for each category of investment instruments.
- Define the Delegation of Authority matrix for approval of investment decisions.
- Define the roles and responsibilities for investment activities.
- Define reporting and monitoring procedures to be followed for investments.
- Define the procedure of accounting and valuation of investments.
- Procedures to be followed in case of any deviation from the guidelines specified in the policy.

### **1.2. Target Audience**

The members of the Board, Finance Department, Accounts Department, Compliance departments and Asset Liability Committee (ALCO) shall be the primary audience for this document. This document shall not be circulated beyond mentioned individuals.

### **1.3. Applicability & Validity of the Policy**

The policy will become applicable from such date as approved by the Board of Directors. The policy needs to be updated periodically at least on an annual basis. Any change in policy by way of additions and amendments due to changes in laws, regulations, accounting standards shall be implemented immediately with a report to the Board of Directors subsequently.

### **1.4. Regulatory & Professional body Reference**

RBI vide its Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007 read with the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023” and also had instructed NBFC-ND to adopt guidelines on income recognition and income from investments. Accounting Standards and Guidance Notes issued by the Institute of Chartered Accountants of India (referred to in these Directions as “ICAI”) shall be followed in so far as they are not inconsistent with any of these Directions.

### 1.5. Governance Framework Role of Finance Department

Finance department personnel shall ensure compliance of all the treasury and internal policies and procedures laid down by the organization, the regulator, and other governing bodies.

The department is responsible for:

- Conducting pre-purchase analysis of the securities identified for buying in respect of coupon, price, rating, size, security, issuer details etc.
- Negotiating with counter parties and conclude the deal.
- Generating the deal slip.
- Undertaking/executing the approved transactions.
- Adherence to various applicable guidelines/internal approved limits etc.
- Proper documentation of transactions, maintenance of necessary records and various other related information.
- Periodical reconciliations e.g., the cost of investment as available in the Investment Portfolio Management is tallied with GL balances, the sales proceeds are tallied with net sales amount receivable before appropriation of sale/generation of voucher is allowed.
- Monitoring interest accruals and redemption of investments.

The Director/CFO/Head Finance & Accounts shall be responsible for supervision of treasury activities related to investment of surplus funds.

### 1.6. Investment Limits & Approval Matrix

The overall investment limits of the company shall be approved by the board of directors.

(a) The investment categories and limits are summarized below.

S. No.	Products Category	Criteria	Limits
1	Fixed (Term) Deposit/ CD with Banks (FDs and term deposit with maturity not exceeding 1 year	PSU Banks Private sector banks (List of Preferred Banks as Annexed in Annexure 1)	<b>Total Limit:</b> 100% of surplus funds.
2	Securities /Treasury Bills/ Other Instruments	Central Government State Governments Indian Financial Institutions Government of India wholly owned Corporations with a rating of A+/AA/AAA by CARE/ICRA/CRISIL or equivalent rating.  For Commercial paper with a rating of Crisil or Care A2 or above.	Up to INR 5 Crore per instrument. However, for instruments with Indian Financial Institution the limit will be as under: - 1. Not more than 25% of surplus funds or Rs 7.5 cr. whichever is lower. 2. The Duration of Investment can be a maximum of 2 years. 3. The minimum risk rating of at least AA for 80% of the exposure of the Instruments. 4. Fund exposure should be

			limited to 10% of the total investment in a single company & 12% in Group companies. 5. For Commercial Papers, the overall limit INR 10 crores.
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**Note:**

- The investment limits for categories of products may be revised on a need basis by the Board of Directors.

Central Government Securities including T Bills and State Government Securities: -

Initially investments will be restricted to Central Government Securities and T Bills. Investments in State Government Securities will be avoided as they are comparatively less liquid and the price of the State Government securities of various state governments with same coupon and maturity vary in the market. Any investment in State Government Securities shall be pre-approved by the Board.

**b) Approval Matrix**

Category	Approving Authority
Investment	Director/CFO/Head Finance & Accounts
Disinvestment	Director/CFO/Head Finance & Accounts

The approval matrix may be reviewed/ revised by the Board on a need basis. These limits are based on cost of purchase and not on a face value basis.

**1.7. Compliance with Regulatory Guidelines**

The policy complies with the RBI *Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007*” and **Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023** as amended up to date and any other directions issued by RBI, time to time.

The concentration limits as stipulated by RBI shall be applicable to the investment exposure of SEEDS. The concentration norms for single entity and single group of entities exposure shall be as follows:

- For investing in shares of a single company, it should not exceed 15% of owned funds.
- For investing in single group of companies, it should not exceed 25% of the net owned funds.

The ceiling for investment in shares of another company, shall not be applicable if such investment is made in equity capital of Insurance Company up to the extent specifically permitted in writing by the Reserve of Bank of India.

**1.8. Accounting and Valuation of Investments**

Classification, accounting of investment (purchase/sale) and investment income will be as per the accounting policy of the company and applicable RBI guidelines. Accounting Standards and Guidance Notes issued by the Institute of Chartered Accountants of India (referred to in these Directions as

“ICAI”) shall be followed insofar as they are not inconsistent with any of these Directions.

**(a) Criteria for classification**

**i) Long Term Investment**

Any investment which is made for the period of 1 year or above, is to be classified as Long-Term Investment.

**ii) Short Term Investment**

Any investment made in Liquid Funds or for a period less than 1 year is to be classified as a Short-Term Investment.

**(b) Accounting for investments**

The following RBI guidelines need to be adhered to for accounting of investments:

- Investments in securities shall be classified into current and long term, at the time of making each investment.

The following guidelines will be followed for inter-class transfers:

- There shall be no inter-class transfer on an ad-hoc basis.
- The inter-class transfer, if warranted, shall be affected only at the beginning of each half year, on April 1 or October 1, with the approval of the Board.
- The investments shall be transferred scrip-wise, from current to long-term or vice-versa, at book value or market value, whichever is lower.
- 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 another scrip, at the time of such inter-class transfer, even in respect of the scrips of the same category.

**(c) Accounting for investment income**

The following RBI guidelines need to be adhered to for accounting of investment income:

- Income from Interest on Fixed Deposits shall be considered on an accrual basis.

**(d) Accounting for profit/ loss on sale of investment**

Profit/ Loss on sale of investment shall be strictly computed with respect to cost of investment based on weighted average approach.

**1.9. Reporting and Monitoring**

The investments made by SEEDS shall be monitored by the Board, as spelled out in the policy. The performance of various investments will be reported to the Board on a regular basis.

Reporting shall be done to Board as follows:

- Investment reporting statement shall be prepared by the Finance Department and reported to the Board on a yearly basis.
- Summary statements containing investments in shares of single company and group of companies which shall include cost of investments, total holding as a percentage of the

owned funds of SEEDS to ensure compliance with prudential investment limits of RBI.

### 1.10. Deviations

As far as possible, the guidelines specified under this policy should be followed. If deviations or exceptions are dictated by circumstances, they need to be approved in advance by the Board.

### 1.11. Glossary

S. No	Term	Definition
1	<b>Current Investment</b>	“ <b>Current investment</b> ” means an investment which is by its nature readily realizable and is intended to be held for not more than one year from the date on which such investment is made.
2	<b>Long term investment</b>	“ <b>Long term investment</b> ” means an investment other than a current investment.

### 1.1. Abbreviations

Abbreviations	Details
<b>CFO</b>	Chief Financial Officer
<b>GL</b>	General Ledger
<b>PSU</b>	Public Sector Undertakings
<b>RBI</b>	Reserve Bank of India



**Annexure 1 : List of Preferred Banks (includes but not limited to)**

Sr. No.	Preferred Banks
1.	AU Small Finance Bank
2.	ICICI Bank
3.	HDFC Bank
4.	Axis Bank
5.	Shivalik Small Finance Bank
6.	Jana Small Finance Bank
7.	Utkarsh Small Finance Bank
8.	Ujjivan Small Finance Bank
9.	IDFC First Bank Limited
10.	Yes Bank Limited
11.	Bandhan Bank
12.	All PSU banks
13.	DCB Bank
14.	RBL Bank

