

**POLICY ON
INVESTMENT
FOR
NEUZEN FINANCE PRIVATE LIMITED
(FORMERLY KNOWN AS UMANG TRADING PVT. LTD.)**

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INVESTMENT POLICY

1. INTRODUCTION:

Neuzen Finance Private Limited (hereafter called "The Company") offers a wide spectrum of financial assistance for trade and industry. The Company started its business in 1995 and got registered with the RBI as a Non Deposit taking Non-banking Financial Company (NBFC) in 2003. The Company is presently engaged in the activity of providing Business loans.

Pursuant to all RBI regulation, Non deposit taking NBFCs are required to frame an investment policy and implement the same. Hence it becomes imperative for the company to have a prudent investment policy to safeguard the Company's funds and at the same time maximize income. Pursuant to said directions, the Board hereby prescribes the broad guidelines for taking investment decisions by and to bring operational efficiency in the system.

This document lays down the policy of the Company and the guidelines to be adhered to while undertaking investment transactions for deployment of funds and advancing loans, placing short/ long term deposits with body corporate and Banks etc.

2. ABOUT THE POLICY:

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3. OBJECTIVE OF POLICIES:

The policy is framed with the following objectives: -

- a. Effectively manage and invest the funds in the permitted investments for the duration available.
- b. Effectively manage and invest the other surplus funds which may be available comparatively for a longer period.
- c. Effective management of interest rate risk by adopting certain maturity pattern, particularly when the funds are invested in Government Securities.
- d. Effective Internal Control on the operations/execution of investment transactions.
- e. Proper recording/accounting of the investment transactions.
- f. Effective reporting of the Investment transaction to the Management.

Surplus funds available for investment will be as far as possible deployed for the available duration in specific instruments or deployed in instruments which have high liquidity.

4. AUTHORIZATION:

The Asset Liability Committee of the Management (ALCO) shall be responsible for determining the number of surplus funds that can be invested in the forms detailed in this policy.

The following activities shall be responsibility of the Asset Liability Committee:

- a. Fixing criteria for classifying the investments into current and long term investments,
- b. Investment of funds as per the policy guidelines,
- c. Review of portfolio as and when required.

The Board of Directors shall be fully authorized to invest the surplus funds of the company in any form of investment it considers to be beneficial to the company within the framework approved by the Board of Directors.

The Board shall meet as may be necessary to review the investment portfolio of the Company and the return earned by the company on the same, and make investment decisions as is considered necessary. While making investment decisions, the following factors are to be taken into account. The Investments should provide for:

- a. Liquidity
- b. Interest rate risk management
- c. Additional profits

5. REGULATIONS AFFECTING INVESTMENTS:

5.1 Prudential exposure ceilings: As per regulations, NBFC-ND-SI shall not,

- a. lend/Invest in
 - (i) any single borrower/Company exceeding 25% of its Tier 1 Capital; and
 - (ii) any single group of borrowers/Company exceeding 40% of its Tier 1 Capital; and

However, these directions are not applicable to -

- a. Investments of applicable NBFCs in shares of
 - (i) Its subsidiaries;
 - (ii) Companies in the same group,

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

5.2 Valuation of Investments:

5.2.1 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. Security Receipts
- g. 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.

5.2.2 Unquoted Current Investment:

- 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 breakup value, whichever is lower.
- c. Unquoted preference shares: Such investments shall be valued at cost or face value, whichever is lower.
- d. Investments in unquoted Government securities or government guaranteed bonds shall be valued at carrying cost.
- e. 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.
- f. Commercial papers shall be valued at carrying cost.

5.2.3 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 Amortized 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.

- a. Fair Value through Profit and Loss (FVTPL).
- b. 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.

5.3 Risk weight for capital adequacy

Investments, including term deposits with banks will attract the following risk weights for computation of the capital adequacy.

SL. No	Description	Risk weight (%)
1	Term deposits with banks	0
2	Approved securities (except at 3 below)	0
3	Term deposits / certificate of deposits / bonds of public financial institutions	100
4	Shares of all companies and debentures / bonds / commercial papers of all companies and units of mutual funds.	100

6. INVESTIBLE SURPLUS:

Investible surplus is that amount which remains after all expenses and liabilities have been taken care of and therefore could be ploughed back into the business. Growth and business expansion is impossible without timely reinvestment and hence, any surplus should be dealt with appropriately.

7. Classification of Investments:

Investments in securities shall be classified into current and long term, at the time of making each investment. "Current Investment" means an investment which is by its nature readily realisable and is intended to be held for not more than one year from the date on which such investment is made.

8. Investment Restrictions and Prohibited Transactions:

To provide for the safety and liquidity of NFPL's funds, investment in any instrument, which is commonly considered a "derivative" investment (e.g. options, futures, swaps, caps, floors, and collars), is prohibited.

9. Accounting for Income from Investment:

- a. Income from bonds and debentures of corporate bodies and from Government securities/bonds may be considered on accrual basis: Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.
- b. 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.

10. Policy Review:

The Investment Policy shall be reviewed by the Board from time to time to make amendments if considered necessary.