CHARTERED FINANCE & LEASING LIMITED

INVESTMENT POLICY

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POLICY VERSION CONTROL:

VERSION NO.	APPROVED BY BOARD ON	REMARKS
1.0	07-Apr-2022	Policy adopted by the Board

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1. Introduction:

Chartered Finance & Leasing Limited (hereafter called “the Company”) is a Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India (RBI). In accordance with the Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, (hereinafter referred to as “the RBI Directions”) issued by the RBI, the Board of Directors of an NBFC is required to frame and approve an Investment Policy.

2. About the Policy:

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

3. Objectives of the Policy:

The Policy is framed with the following objectives: -

1. Effectively manage and invest the funds in the permitted investments for the duration available.
2. Effectively manage and invest the other surplus funds which may be available comparatively for a longer period.
3. Effective management of interest rate risk by adopting a certain maturity pattern, particularly when the funds are invested in government securities.
4. Effective internal control on the operations/execution of investment transactions.
5. Proper recording/accounting of the investment transactions.
6. 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 the responsibility of the ALCO:

1. Fixing criteria for classifying the investments into current and long-term investments,
2. Investment of funds as per the Policy guidelines,

3. Day-to-day monitoring of investment portfolio,
4. Disposal of securities and realization of proceeds and revenue dues,
5. Accounting of the securities transactions and reconciliation thereof,
6. Review of the portfolio as and when required.

The Committee 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 Committee 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. Capital Risk
c. Interest rate risk management
d. Additional profits

5. Investible Surplus:

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

6. Classification of investments:

The investments of the Company will be treated as assets of the Company held with the motive of earning income by way of dividends, interest, and / or for capital appreciation and / or for other benefits. The investments of the Company will be classified into the following two categories:

Current Investments	The investments made by the Company which are intended to be held for not more than one year from the date on which such investment is made and, by its very nature, readily realisable.
Long term Investments	Any other investment other than the aforesaid current investments will be construed as long-term investment.
Stock in Trade	Any other investment in instruments which are held for trading purposes will be treated as Stock in Trade.

7. Accounting for Income from Investment:

a) Investments in securities shall be classified into current and long term, at the time of making each investment as per criteria set in classification of investment;

b) Income on securities classified as Stock in Trade should be accounted for based on Cost or Market Price, whichever is lower. To determine the Market Price, the Company needs to follow the discount rate of trading as available or provided by rating agencies, other investors and brokers;

c) There shall be no inter-class transfer on an *ad hoc* basis;

d) 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;

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

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

g) Quoted current investments shall, for the purposes of valuation, be grouped into the following categories, viz.,

- Equity Shares;
- Preference Shares;
- Debentures & Bonds;
- Units of Mutual funds;
- Government securities, including treasury bills;
- 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.

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

i) Unquoted preference shares in the nature of current investments shall be valued at cost or face value, whichever is lower.

j) Investments in unquoted government securities or government guaranteed bonds shall be valued at carrying cost.

k) 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.

l) Commercial papers shall be valued at carrying cost.

m) Income from bonds and debentures of corporate bodies and from Government securities/bonds may be considered on an accrual basis.

n) A long-term investment shall be valued in accordance with applicable Ind AS.

8. Report to the Board:

The ALCO shall submit its report on the investment portfolio of the Company to the Board of Directors.

9. Policy Review:

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