

AUTHUM INVESTMENT & INFRASTRUCTURE LIMITED

LENDING AND INVESTMENT POLICY

1. Objectives of the Policy

AUTHUM INVESTMENT & INFRASTRUCTURE Ltd.(the “Company”) is a Non- Banking Finance Company (Non Deposit Accepting) registered under the Section 45-IA of the Reserve Bank of India Act, 1934. The Motive of the Company is to invest in the Shares, Securities, bonds etc. to get return out of the investment in the form of Dividend, and/or interest, capital appreciation and for other benefits. As per the “Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 a Systemically important non-deposit taking non-banking Financial Company is required to have a Investment Policy as well as the policy on Demand/Call Loans. Besides this the Company is also exposed to various risks in its investment business and to alleviate the risks arising from such lending and investing activities, a comprehensive policy comprising of the guideline for both the loans as well as the investments has been framed.

2. Lending and Investments Themes

India demands extensive investments across sectors which are expected to grow on the back of strong economic outlook. With a deep understanding of NBFC activities, the Company shall follow opportunistic lending and investment strategies coupled with judicial and efficient manner of lending and investing. The following will be the broad lending and investment themes (indicative and not exhaustive)

Lending Themes	Investment Themes
<ul style="list-style-type: none"> Situation which are not usually structured and financed by Banks and Private Equity Funds. 	<ul style="list-style-type: none"> Sovereign Securities
<ul style="list-style-type: none"> Project Funding 	<ul style="list-style-type: none"> Bank Bonds-PSUs and Private
<ul style="list-style-type: none"> Structured Finance –Cash flow backed /Asset backed 	<ul style="list-style-type: none"> Corporate Bonds- PSUs and Private
<ul style="list-style-type: none"> Mezzanine Funding with/Without Equity options 	<ul style="list-style-type: none"> SEBI approved Mutual Funds
<ul style="list-style-type: none"> Turnaround Situation Funding 	<ul style="list-style-type: none"> Commercial Papers
<ul style="list-style-type: none"> Lending in ordinary course of Company’s business activities as ‘NBFC’ 	<ul style="list-style-type: none"> Certificate of Deposits and Fixed Deposits issued by Banks
	<ul style="list-style-type: none"> Securitization Instruments including Pass-Through Certificates
	<ul style="list-style-type: none"> Equity Shares of Body Corporates.
	<ul style="list-style-type: none"> Convertible and Non Convertible

	Preference Shares, Warrants etc.
	<ul style="list-style-type: none">• Non Convertible Debentures and optionally Convertible Debentures
	<ul style="list-style-type: none">• Others in ordinary course of Company's business activities as 'NBFC'

3. Regulations in connection with Lending and Investment

During the course of its operations, it will strictly adhere to various Guidelines as may be stipulated by the Reserve Bank of India from time to time. These Guidelines will include - "Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 as amended from time to time and Clarifications as may be issued by the RBI from time to time.

Lending

- The Company will not grant loans or advances to a single borrower exceeding 15% of its owned funds and any single group of borrower exceeding 25% of its owned funds.
- Lending decision on the basis of audited financials and/or latest available management certified financials or any other research as may be conducted by the experts of the Research Team.
- In case of secured Lending, the security cover shall be equivalent to loan amount.
- In case the lending is secured by Shares in such a case pledging of Shares shall preferably be in dematerialized form only.
- Right to nominate a Director on the Board of the Borrower Company.

Policy on Demand/Call Loans

At Present Company is engaged in the trading and investment activities in to Capital Market and does not carry the activities comprising of demand/call loans. But as the Company may carry the activities of granting demand/call loans in future complying with the RBI Prudential Norms the Company and may follow the following set of guidelines.

- All loans other than fixed tenure loans will be repayable on demand by the borrower to the lender.
- Fixed tenure loans will stand renewed by mutual consent of the parties after expiry of term.
- *No loans will be renewed in the event there is default in payment of interest.*
- No processing fee will be charged on the renewal of the Loans.
- The borrower will confirm the balance outstanding at the end of period and will request the lender to roll over the balance.
- Demand loans can be renewed for any number of times depending on the relationship between the borrower and lender.
- Maximum amount for each of the demand/call loan and the aggregate amount of the demand /call loan would be subjected to a review periodically at least annual basis, by the Risk Management Committee.

Investment

- The Company will not invest in the shares of another Company exceeding 15% of its owned funds and any single group of Companies exceeding 25% of its owned funds.
- Investment decisions on the basis of audited financials and/or latest available management certified financials or any other research as may be conducted by the experts of the Research Team.

- To comply with RBI's prudential norms from time to time generally, amongst other, with regard to investments, inter-alia, in respect of the matters –
 - i. Classification of investments into current or short term (investments intended to be made for a period not exceeding 1 year) and long-term (investment intended to be made for a period not less than 1 year) would be made at the time of making investments,
 - ii. inter-class and scrip-wise transfer from current to long-term or *vice – versa*, at book value or market value, whichever is lower,
 - iii. to provide depreciation in the value of each scrip as per norms and to desists from setting off depreciation in one scrip against another scrip,
 - iv. to follow the norms of grouping for valuation purposes and valuation thereof.

Overall Lending / Investment limits

The Company taking into account the loans and investments taken together will not exceed the following limits

1. 25% of its Owned Funds to a single party and
2. 40% of its owned funds to a single group of parties.
3. These ceilings shall be applicable to the credit/investment by such a non- banking financial company to companies/firms in its own group as well as to the borrowers/ Investee Company's group.
4. In exceptional circumstances it is provided that any systemically important non-deposit taking non-banking financial company not accessing public funds, either directly or indirectly, or not issuing guarantees may make an application to the Bank for an appropriate dispensation consistent with the spirit of the exposure limits".

4. Constitution of ALCO Committee

The Board shall constitute a 'ALCO' (Asset Liability Management Committee) comprising of at least 3 members as per the Asset Liability Management Guideline for the purpose of deciding lending and Investment of the Company as well as the management of the same. The ALCO committee may be entrusted with the following roles and responsibilities.

1. To be responsible for ensuring adherence to the limits set by the Board for liquidity, interest rate and equity price risks.
2. To decide the business strategy of the NBFC in line with the NBFC's budget and decided risk management objectives and market conditions.
3. To analyze, monitor and report the risk profiles to the Board of Directors.
4. To review the performance of the portfolio companies periodically
5. To decide the mix of lending and Investment exposure.
6. To decide the terms and conditions for the purposes of lending and investment.
7. To decide the criteria for Company's KYC policy in consonance with the RBI guidelines as well as to make the necessary amendments in the KYC requirement in accordance with the statutory and regulatory amendments.
8. ALCO shall also be responsible for sectoral Guidelines for Lending and Investment as per the RBI Guidelines.
9. Other Support System:-Wherever required, the ALCO Committee shall seek assistance from external firms for carrying out the due diligence (legal, technical, business, financial etc.) transaction structuring, documentation, valuation etc.

5. Risk Management in Lending and Investment

a. Risk Management Committee

The ALCO Committee may assign the Risk Management Committee the task of monitoring and evaluating the risk on a continuous basis and also to decide the optimum mix of Investments in order to mitigate the market risk. The Risk Committee will be responsible to design the risk parameters and to amend the said parameters periodically depending upon the Market conditions.

b. Risk Management Policy

- All New Investment Proposals will be submitted to the Risk Committee
- All Inter Corporate Loan Proposals will be submitted to the Risk Committee
- Risk Committee will review all the new proposals and will submit its report to the ALCO and the Board.
- Risk Parameters in respect of all Investment proposals be as below :
 - Investment in a Particular scrip will not exceed 15% of Owned Funds..
 - Investment in particular Group will not exceed 25 % of owned fund.
 - Investments can be disposed off so as to give a Minimum return of 25% on the amount Invested and in the event of occurrence of unforeseen market events and loss in a particular scrip the Risk Management Committee will take the final decision regarding the final disposal or retention of that particular Scrip.
 - Investments of Blue Chip in nature can be held if the market indicates that the prices will go up further in special cases , otherwise they can be disposed of to give a Minimum return of 25% on the amount Invested.
 - Loan to a single party will not be more than 15% of the Owned Fund.
 - Loan to a single group will not be more than 25% of the Owned Fund.
 - Overall loan and Investment to a particular person will not exceed 25% of its owned funds and to a particular group will not exceed 40% of owned funds.
 - In the future and option segment
 - Transaction will be entered to give a minimum return which will be equivalent to the borrowing cost.
 - In the event of Loss in any transaction of a particular scrip because of prevailing market conditions the said transactions will be carried / rolled over so it recover the said loss in the next transaction unless there is likely situation in the market that the said loss cannot be recovered from that particular scrip.
 - The risk committee will be appraised quarterly of the gains or losses made in all Future and Option transaction.
- All unsecured Loan Proposal will be submitted to a member of the Risk Committee who will evaluate the same and submit his suggestion to the Committee.
- Investment proposals may also be evaluated by Loan and Investment Committee before making any investment in capital market including derivative segment, IPO (Initial Public Offers), bonds, mutual funds etc.

As the major operations of the Company involves trading in the shares and securities risk parameters may be decided by the risk Management Committee depending upon the availability of the funds and the market conditions on time to time basis and in such case the Company may not adhere to restrictive parameters laid down above for the purpose of Investment and Loans.

6. Disclosure and Transparency

As a part of the Corporate Governance the following information should be put up by the NBFC to the Board of Directors at regular intervals as may be prescribed by the Board in this regard:

- i. progress made in putting in place a progressive risk management system, and risk management policy and strategy followed
- ii. conformity with corporate governance standards viz. in composition of various committees, their role and functions, periodicity of the meetings and compliance with coverage and review functions, etc.

To carry out the above mentioned functions a Disclosure and Transparency Committee may be constituted.

7. Connected Lending

To comply with the suggested Corporate Governance Guidelines in relation to lending to Directors and the individuals and entities connected with the Directors or the NBFC a Connected Lending Committee may be constituted to adhere to the Corporate Guidelines in connection to the Connected Lending.

8. KYC Policy

The Company has a well defined elaborate KYC Policy for its Customers which is approved by the Board of Directors and the Board of directors are authorized to make the suitable amendment to the Policy in consonance with the RBI guidelines and Notifications. ALCO Committee shall adhere to the Policy while taking the decision for lending and investment.