

Authum Investment and Infrastructure Limited

Investment Policy

amended on 14/11/2019

reviewed on 13/02/2023

I. PREAMBLE

Company has put in place the board approved investment policy in line with the instructions contained in The Reserve Bank of India (RBI) vide RBI/DNBR/2016-17/44 Master Direction DNBR.PD. PD.008/03.10/.119/2016-17 dated September 01, 2016 (as amended)

This Investment Policy has been made pursuant to Regulation 10 of Non-Banking Financial Companies (Reserve Bank) Directions, 2016 as amended and may be modified by the Board of Directors of the Company from time to time.

The Board of Directors has approved this 'Investment Policy' on 14th November, 2019.

II. APPLICABILITY

This Investment policy shall be applicable to all investments made by the Company.

III. DEFINITIONS

For the purpose of this Investment Policy –

- a) "Act" means the Reserve Bank of India Act, 1934;
- b) "Board of Directors" means the Board of Directors of Authum Investment and Infrastructure Limited.
- c) "Body corporate" means a body corporate as defined under Section 2 of the Companies Act, 2013;
- d) "Break up value" means the equity capital and reserves as reduced by intangible assets and revaluation reserves, divided by the number of equity shares of the investee Company;
- e) "Carrying cost" means book value of the assets and interest accrued thereon but not received;
- f) "Company" or "AUTHUM" or "AAIL" means Authum Investment and Infrastructure Limited;
- g) "Companies Act" means the Companies Act, 2013 or any statutory modifications or reenactment thereof for the time being in force.
- h) "Companies in the group" means an arrangement involving two or more entities related to each other through any of the following relationships: Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee (as provided in the SEBI (Acquisition of Shares and

Takeover) Regulations, 1997) for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20% and above.

- i) "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;
 - j) "Discounted Cash Flows (DCF) Value Method", is defined as value equals to the present value of future cash flows that accrues to the equity shareholders of the Company.
 - k) "Earning value" means the value of an equity share computed by taking the average of profits after tax as reduced by the preference dividend and adjusted for extra-ordinary and nonrecurring items, for the immediately preceding three years and further divided by the number of equity shares of the investee company and capitalised at the following rate :-
 - (a) in case of predominantly manufacturing company, eight per cent;
 - (b) in case of predominantly trading company, ten per cent; and
 - (c) in case of any other company, including an NBFC, twelve per cent;
- Note:** If, an investee company is a loss-making company, the earning value will be taken at zero;
- l) "Fair value" means the mean of the earning value and the break-up value and discounted cash flow value method;
 - m) "Long term investment" means an investment other than a current investment;
 - n) "Net asset value" means the latest declared net asset value by the concerned mutual fund in respect of that particular scheme;
 - o) "Officer of a Company" means any person as defined in Clause (59) of Section 2 of the Companies Act, 2013 including an Auditors of the Company;
 - p) "Regulations/Prudential Norms" means Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998;

Other terms not defined hereinabove shall have same meaning as defined in the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 amended from time to time.

IV. COMPANY PROFILE

AUTHUM is registered as a registered NBFC with RBI has been primarily engaged into (a) Investing in securities of listed and unlisted companies and (b) Lending activities.

Meeting of the long term investment goals of the Company basically depends on a number of factors, which not only include fund availability and rate of return, but also inflation and taxes. The motive of the Company to hold the investments is to get returns out of the investments, which can be in any of the following manner:

1. Return on investments in the form of Dividend and/or interest;
2. For capital appreciation;
3. For other benefits.

V. CLASSIFICATION OF INVESTMENT

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

1. Current Investment: 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.
2. Long Term Investment: Investment intended to be held for more than one year from the date on which such investment is made.

VI. TRANSFER OF INVESTMENT

- a) Investments in securities shall be classified into Current and Long Term, at the time of making each investment;
- b) No inter-class transfer will be made on ad-hoc basis;
- c) The inter-class transfer, if warranted, shall be effected only with the approval of the Board of Directors;
- d) The Investments shall be transferred scrip-wise, from Current to Long term or vice-versa,
- e) The depreciation, if any, in each scrip shall be fully provided for and the appreciation, if any, shall be ignored;
- f) The depreciation in one scrip shall not be set off against the appreciation in another scrip, at the time of such inter-class transfer.

VII. VALUATION

Valuation of Quoted Current Investment:

The quoted current investments shall, for the purposes of valuation, be grouped in the following categories:

- A. i) Equity Shares or any compulsory convertible instruments

- ii) Preference Shares
- B. i) Debentures and bonds
- C. ii) Preference Shares
 - iii) Debentures and bonds
 - iv) Government Securities including treasury bills
 - v) Unit of Mutual Funds and
 - vi) Others

The quoted current investments for each category shall be valued at cost or market value, whichever is lower.

For this purpose:

- i) Investments in each category shall be considered scrip- wise and the Cost and Market value/Fair Value aggregated for all investments in each category.
- ii) 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.
- iii) If the aggregate market value for the category exceeds the aggregate cost for the category, the net appreciation shall be ignored.
- iv) Depreciation in one category of investments shall not be set off against the appreciation in another category.

Valuation of Un-quoted Current Investment:

a) Equity Shares

Unquoted equity shares in the nature of current investments shall be valued at Cost. However, the Company may substitute Fair value of the shares, if considered necessary.

b) Preference Shares

Unquoted preference shares in the nature of current investments shall be valued at Cost or Face value, whichever is lower.

c) Government Securities

Investments in unquoted Government Securities or Government guaranteed bonds shall be valued at Carrying cost.

d) Mutual Funds

Unquoted investments in the units of Mutual funds in the nature of current investments shall be valued at the Net Asset Value declared by mutual fund in respect of each particular scheme.

e) Commercial Papers

Commercial Papers shall be valued at Carrying cost.

f) Debentures

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.

Valuation of Long Term Investment:

A long term investment shall be valued in accordance with the Accounting Standard issued by ICAI as specified below:

“Long-term investments are usually carried at cost. However, when there is a decline, other than temporary, in the value of a long term investment, the carrying amount is reduced to recognise the decline. Indicators of the value of an investment are obtained by reference to its market value/fair value, the investee’s assets and results and the expected cash flows from the investment.

Long-term investments are usually of individual importance to the investing enterprise. The carrying amount of long-term investments is therefore determined on an individual investment basis.

Where there is a decline, other than temporary, in the carrying amounts of long term investments, the resultant reduction in the carrying amount is charged to the profit and loss statement. The reduction in carrying amount is reversed when there is a rise in the value of the investment, or if the reasons for the reduction no longer exist.”

Note: Unquoted debentures shall be treated as term loans or other types of credit facilities depending upon the tenure of such debentures for the purpose of income recognition and asset classification.

VIII. INVESTMENT COMMITTEE

The Company is having an Investment Committee for following activities:

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 portfolio as and when required.

Composition of the Committee

The investment Committee shall consist of minimum 3 directors.

Quorum:

Any 2 (two) members will constitute the quorum.

Powers of the Committee:

The Investment 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 and when required depending on investment decisions. The committee will report to the board of directors on quarterly basis.

IX. AMENDMENTS

The Board may amend the provisions of this Policy from time to time.

Unless otherwise specified, such amendments shall be effective from the date of the Board meeting at which such amendments are approved.