

## **COMPANY INVESTMENT POLICY**

### **JMJ FINANCE LIMITED**

Approved by the Board of directors in their meeting held on 13/01/2020

Reviewed by the Board of directors in their meeting held on 11/03/2024

## **Scope**

As per RBI (DNBS) guidelines and prudential norms, the Board of Directors of every non-banking financial company shall frame investment policy for the company and implement the same. Our Company is engaged in the business of providing term loans/ gold loans/ business loans and accepting funds through subordinate and other debt instruments, loans and subscription to share capital. This policy shall act as master guideline to all investments made by the Company and also to the treatment of such investments in the books of account. The policy shall also include some major aspects relating to investments in the Company.

## **Investment**

Our Company obtains its funds for long term/ short term purposes through the subscription to share capital, loans and other debt instruments. Investments made by Company will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective of the Company while making investment shall be to mitigate risks and to generate returns without losing the principal amount. In case of any investment, the Company shall comply with all other applicable statutes/ laws along with this policy guidelines.

Investing means the act of allocating funds to an asset or committing capital to a business with an expectation of return in the form of income or price appreciation. Investment indicates the assets or securities or an opportunity in which the Company has invested its funds. The major considerations in an investment are risk and return (yield). The common perception is that money has a value which diminishes every year if kept idle and if invested it can earn returns or reduce diminution in value of money. The Company's views about risk and yield on investment are given below-

## **Investment Risk**

Risk refers to the degree of uncertainty and/or potential financial loss inherent in an investment decision. Investment risk can be defined as the probability or likelihood of occurrence of losses relative to the expected return on any particular investment. So, the Company shall take all endeavour to assess risk associated with an investment. The following are advised-

1. Due diligence to be conducted about the history of the investment, earnings, regulatory compliance framework, past performance etc.
2. Diversification of risk shall be advisable wherein the Company shall invest in more than one investment opportunity. The more diversification, less the risk associated to the total investment amount. By doing this, the company will be able to ensure that against any loss suffered in one investment is set off the profit in the other investments.
3. The Company shall to possible extent ensure the investments are liquid, to reduce liquidity risk.

## **Return (Yield)**

The investment portfolio shall be managed with the objective of attaining a competitive rate of return given the constraints of the aforementioned safety and liquidity objectives. To ensure long-term objectives are met, securities shall not be sold prior to maturity with the following exceptions:

1. A security with declining credit may be sold early to minimize loss of principal.
2. Liquidity needs of the portfolio require that the security be sold.

In addition to the above, investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, but for investment, considering the probable safety of capital as well as the probable income to be derived.

No investment is totally free from risk and that occasional measured losses are inevitable in a diversified portfolio and will be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a investment/ security is in the best long-term interest of Company.

## **Transactions in government securities**

The company may undertake transactions in Government securities through its CSDL account or its demat account:

Provided that no non-banking financial company shall undertake any transaction in government security in physical form through any broker.

## **Accountability of Officers/employees**

Officers and employees involved in the investment process shall always refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and officials in the investment process shall disclose any material interests in financial institutions in which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officials shall refrain from undertaking personal investment transactions with the same individual or company with which business is conducted on behalf of Company.

Officials acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion to the Board of Directors and the liquidity and the sale of securities are carried out in accordance with the terms of this policy. Any officer or employee making personal profits or acting against the spirit of this policy shall be liable of misconduct and treated accordingly as per applicable Company policies.

## **Criteria for Classification**

At the time of making the Investment, the investment so made by the Company is to be classified mainly into two criteria:

### **a. Long Term Investment**

Any investment, which is made for the period of 1 year or above, is to be classified as Long Term Investment. In other manner, it means an investment other than a current investment.

### **b. Short Term Investment/Current investment**

Any Investment made in Liquid funds or for the period lesser than 1 year, is to be classified as Short Term Investment. It 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

### **Authority for making Investment**

Any Long-Term investment, should be done with the permission of Board of Directors and/or a committee of Board of Directors constituted for the purpose of implementation of the policy and other senior officials. However, special powers may be granted to Managing Director/ Wholetime Director by the Board/committee. In such case, the Managing Director/ Wholetime Director shall periodically place reports to the Board/committee with the assistance of the Finance/Accounts department and the Key Managerial Personnel of the Company.

Short term investment decisions shall be initiated by the Managing Director/ Wholetime Director, after obtaining advise from the Key Managerial Personnel of the Company (KMP appointed under Section 203 of the Companies Act 2013) and/or consultants. The Managing Director/ Wholetime Director shall act in accordance with the established written procedures and internal controls for the operation of the investment program consistent with this investment policy. No person shall engage in an investment transaction except as provided under the terms of this policy. The Managing Director/ Wholetime Director shall be responsible for all transactions undertaken under his authority and shall establish or cause to establish a system of controls to regulate the activities of subordinate officials.

Wherever required, the Managing Director/ Wholetime Director may obtain advise from experts/professionals in the area of investment/securities law/Company law, as the case may be.

### **Performance Review & Reporting**

The Managing Director// Wholetime Director/ concerned department heads shall with the assistance of KMP periodically establish a benchmark yield for Company's investments, and set targets for portfolio growth and diversification. Investments held at the end of financial year will be disclosed in financial statements being put up for board's consideration.

### **Record Keeping and Safekeeping**

The accounts /treasury/finance department shall be responsible for recording all investment transactions and for securing all documents (Soft copy & Hard copy) related to such transactions. The Accounts Department will further ensure that all certificates for other investments are received in reasonable time, are accurately recorded and securely filed away. Also, the monthly interest accruals and quarterly market value adjustments will be the CFO's responsibility. The accounts department heads shall seek the advice of Managing Director/ Wholetime Director, CS and CFO, in case of any clarification relating to recording of investments.

## **Revision**

The Managing Director/ Wholetime Director shall review the policy annually with the assistance of other KMP and shall recommend all necessary changes to the Board for consideration and adoption. On approval by the Board of Directors, the same shall be placed in the relevant committees for their review and noting. The Committee may suggest changes in the policy or procedures in written format, from time to time and send it to the board for approval. Once the Board approves the policy it becomes final.

## **Acquisition or Transfer of Control of NBFC**

- The term “Control” shall for the purpose of these clauses or related clauses have the meaning as is assigned to it under clause (e) of sub-regulation (1) of regulation 2 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

Thus, Control includes the right to appoint majority of the directors or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner:

Provided that a director or officer of a target company shall not be considered to be in control over such target company, merely by virtue of holding such position;

- An applicable NBFC, shall require prior written permission of the RBI for the following:
  - a) any takeover or acquisition of control of the applicable NBFC, which may or may not result in change of management;
  - b) any change in the shareholding of the applicable NBFCs, including progressive increases over time, which would result in acquisition / transfer of shareholding of 26 per cent or more of the paid-up equity capital of the applicable NBFC.

Provided that, prior approval would not be required in case of any shareholding going beyond 26% due to buyback of shares / reduction in capital where it has approval of a competent Court. The same is to be reported to the Bank not later than one month from its occurrence;

- c) any change in the management of the applicable NBFC which would result in change in more than 30 per cent of the directors, excluding independent directors.

Provided that, prior approval would not be required in case of directors who get re-elected on retirement by rotation.

The concerned officers/departments and KMP shall keep this clause in mind while making investments.

## **Accounting of investments**

- Accounting Standards and Guidance Notes issued by the Institute of Chartered Accountants of India (referred to in these Directions as “ICAI”) and directions issued by RBI or any professional body competent to issue the same, shall be followed.

- Quoted current investments shall, for the purposes of valuation, be grouped into the following categories, viz.
  - (a) equity shares,
  - (b) preference shares,
  - (c) debentures and bonds,
  - (d) Government securities including treasury bills,
  - (e) units of mutual fund, and
  - (f) others.
- Quoted current investment means investments quoted/traded in stock exchange(s) and price of which is decided by market forces. 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.
- Unquoted equity shares in the nature of current investments shall be valued at cost or breakup value, whichever is lower. However, applicable NBFCs 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.
- Unquoted preference shares in the nature of current investments shall be valued at cost or face value, whichever is lower.
- Investments in unquoted Government securities or Government guaranteed bonds shall be valued at carrying cost.
- 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.
- Commercial papers shall be valued at carrying cost.
- A long term investment shall be valued in accordance with the Accounting Standard issued by ICAI.

Note:

1. 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.
2. "Carrying cost" for above purpose means book value of the assets and interest accrued thereon but not received.

3. “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;

### **Inter-Class Transfer**

In case of inter-class transfer –

- (a) There shall be no such transfer on ad-hoc basis;
- (b) such 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;
- (c) the investments shall be transferred scrip-wise, from current to long-term or vice-versa, at book value or market value, whichever is lower;
- (d) the depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be ignored;
- (e) 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.

### **Income from investment**

- (1) Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis:

**Provided** that the income from dividend on shares of corporate bodies shall be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and the applicable NBFC’s right to receive payment is established.

- (2) Income from bonds and debentures of corporate bodies and from Government securities/bonds shall be taken into account on accrual basis:

**Provided** that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

- (3) 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 shall be taken into account on accrual basis.

### **Investment abroad**

The Directions contained in this chapter are in addition to those prescribed by Foreign Exchange Department for overseas investment.

- Prior approval of the RBI shall be obtained in cases of opening of branch/subsidiary/joint venture/representative office or undertaking investment abroad by applicable NBFCs.
- NBFC shall not open subsidiaries/joint ventures/representative office abroad or shall make investment in any foreign entities without obtaining prior approval in writing from

the Bank. The application from the applicable NBFC seeking No Objection would be considered subject to general and specific conditions prescribed in these directions.

- Investment in non-financial service sectors shall not be permitted;
- Direct investment in activities prohibited under FEMA or in sectoral funds shall not be permitted;
- Investments shall be permitted only in those entities having their core activity regulated by a financial sector regulator in the host jurisdiction;
- The aggregate overseas investment shall not exceed 100% of the NOF. The overseas investment in a single entity, including its step down subsidiaries, by way of equity or fund based commitment shall not be more than 15% of the applicable NBFC's owned funds;
- Overseas investment shall not involve multi layered, cross jurisdictional structures and at most only a single intermediate holding entity shall be permitted;
  - The CRAR/Leverage of the applicable NBFCs post investment in subsidiary abroad shall be not less than the regulatory prescriptions;
  - The applicable NBFC shall continue to maintain required level of NOF after accounting for investment in the proposed subsidiary/investment abroad as prescribed in the explanation to section 45-IA of the RBI Act;
- The level of Net Non-Performing Assets of the applicable NBFC shall not be more than 5% of the net advances;
- The applicable NBFC shall be earning profit for the last three years and its performance in general shall be satisfactory during the period of its existence;
- The applicable NBFC shall comply with the regulations issued under FEMA, 1999 from time to time;
- Regulatory compliance and servicing of public deposits, if held by the applicable NBFC, shall be satisfactory;
- The applicable NBFC shall comply with the KYC norms;
- SPVs set up abroad or acquisition abroad shall be treated as investment or subsidiary/joint venture abroad, depending upon percentage of investment in overseas entity;
- An annual certificate from statutory auditors shall be submitted by the applicable NBFC to the Regional Office of Department of Non-Banking Supervision of the Bank where it is registered, certifying that it has fully complied with all the conditions stipulated under these directions for overseas investment;
- If any adverse features come to the notice of the Bank, the permission granted shall be withdrawn. All approvals for investment abroad shall be subject to this condition.

### **Joint Ventures abroad**

Investments abroad, other than in subsidiaries shall also be governed by same guidelines as those applicable to subsidiaries.

### **Investment through Alternative Investment Funds - Calculation of NOF of an applicable NBFC**

While arriving at the NOF figure, investment made by an applicable NBFC in entities of the same group concerns shall be treated alike, whether the investment is made directly or through an Alternative Investment Fund (AIF) / Venture Capital Fund (VCF), and when the funds in the VCF have come from the applicable NBFC to the extent of 50% or more; or where the beneficial owner, in the case of Trusts is the applicable NBFC, if 50% of the funds in the Trusts are from the concerned applicable NBFC. For this purpose, "beneficial ownership" shall mean holding the power to make or influence decisions in the Trust and



being the recipient of benefits arising out of the activities of the Trust. In arriving at the NOF, the substance would take precedence over form.

NBFCs desirous of making any overseas investment must obtain 'No Objection' (NoC) of the Department of Non-Banking Supervision of RBI before making such investment, from the Regional Office in whose jurisdiction the head office of the company is registered.

Applications in this regard shall clearly state the activities intended to be undertaken by the overseas entity. NBFCs may also note that in terms of the Regulations *ibid*, they are not permitted to make direct investment in a foreign entity engaged in activities not approved under FEMA.

Investment in tranches of securitized loans shall attract capital adequacy and other prudential norms as applicable to securitization transactions.

### **Disclosure in the balance sheet**

(1) Every applicable NBFC shall separately disclose in its balance sheet the provisions made as per the RBI Directions without netting them from the income or against the value of assets.

(2) The provisions shall be distinctly indicated under separate heads of account as under: -

- (i) provisions for bad and doubtful debts; and
- (ii) provisions for depreciation in investments.

(3) Such provisions shall not be appropriated from the general provisions and loss reserves held, if any, by the applicable NBFC.

(4) Such provisions for each year shall be debited to the profit and loss account. The excess of provisions, if any, held under the heads general provisions and loss reserves may be written back without making adjustment against them.

### **Miscellaneous**

- The Company need to maintain a leverage ratio specified under RBI guidelines and/or applicable statutes to maintain financial position of the Company.

Leverage Ratio = Total Outside Liabilities/Owned funds

As per prudential norms of RBI, the leverage ratio of an applicable NBFC (except NBFC-MFIs and NBFC-IFCs) shall not be more than 7 at any point of time, with effect from March 31, 2015.

In respect of NBFCs primarily engaged in lending against gold jewellery (such loans comprising 50 percent or more of their financial assets) they shall maintain a minimum Tier I capital of 12 percent.

- The income recognition shall be based on recognised accounting principles.
- Income including interest/ discount/ hire charges/ lease rentals or any other charges on NPA shall be recognised only when it is actually realised. Any such income

recognised before the asset became non-performing and remaining unrealised shall be reversed.

- The policy shall be reviewed from time to time, based on applicable RBI guidelines/ statutes. Where at any point of time, any of the clauses in this policy turns to be inconsistent with any RBI guidelines/ statutes/ laws, then that particular portion of the relevant guidelines/ statute/ law shall override the relevant clause in this policy and the relevant clause in this policy shall be subordinate to that particular guideline/statute/law to that effect.
- The Company shall comply with all requirements under Companies Act 2013 and/or rules, other applicable statutes and regulations in case of investments. Failure to comply with statutory requirements under various statutes will lead to penalty under applicable statutes/ laws.
- ~~Every non-banking financial company shall prepare its balance sheet and profit and loss account as on March 31 every year. Whenever a non-banking financial company intends to extend the date of its balance sheet as per provisions of the Companies Act, it should take prior approval of the Reserve Bank of India before approaching the Registrar of Companies for this purpose.~~

~~Further, even in cases where the Bank and the Registrar of Companies grant extension of time, the non-banking financial company shall furnish to the RBI a proforma balance sheet (unaudited) as on March 31 of the year and the statutory returns due on the said date.~~

~~Every non-banking financial company shall finalise its balance sheet within a period of 3 months from the date to which it pertains.~~

### **Subsequent amendments**

Where due to an amendment in law/ rules/ regulations, any of the clauses mentioned above becomes inconsistent to a particular rule/ laws/ regulations, then the provisions contained in such laws/rules/regulations shall preside over that particular clause.

//Approved//

For JMJ Finance Limited

Sd/-

Wholetime Director