Saral Home Finance Limited
(Formerly known as VishwakriyaHousing Finance Limited)
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SARAL HOME FINANCE LIMITED

INVESTMENT POLICY

(Effective date: 01st April, 2024

This is a confidential document and is meant for restricted distribution

1) BACKGROUND AND PURPOSE

This Investment Policy has been formulated as required under The Master Direction Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, and also to ensure the transparency and efficiency in the Investment operations of Saral Home Finance Limited

As per the applicable Master Directions prescribed by the Reserve Bank of India ("**RBI"**), every Housing Finance Company (**"HFC**") is required to frame and implement Investment policy for the company.

Saral Home Finance Limited (hereinafter called as "**SHFL**" or **"Company"**), being a HFC, proposes to adopt this **Investment Policy** ("**Policy**").

The Policy provides a general guidance note on the Optimal management of surplus funds of SHFL pending loan disbursements to ensure optimum liquidity, safety i.e., preservation of capital and yield consistent with one another and return on Investments. The current version of the Policy shall be effective from the date of its approval by the Board and supersede all previous versions of the Policy.

2) APPLICABILITY

The Policy applies to any Investment made by the Company including to classify the Investment into current and long-term investments.

3) CLASSIFICATION OF INVESTMENTS

Based on the NHB Guidelines/ Directions, Investments shall be classified under Current and Long-Term Investments. –

i. **Current Investments:** Investments, which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments**.**

ii. **Long Term Investments:** Investments other than current investments is classified as Long-Term Investments.

The transfer of investment shall be guided by the following:

(i) There shall be no inter-class transfer on ad-hoc basis;

(ii) The inter-class transfer, if warranted, shall be effected only at the beginning of each half year, on April 1 or october1, with the approval of the Board;

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

(iv) The depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be ignored;

(v) 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 scrip of same category.

4) INVESTMENT STRATEGY

In general, the company's investment strategy will consist of purchasing Government Securities, Fixed Deposit and reputed /Mutual funds and holding them through maturity. No trading will be undertaken. This strategy will satisfy the objectives of (1) limiting interest rate(market) risk and (2) limiting credit risk associated with any one issuer or market segment.

The Company will undertake derivative transactions only to hedge exposure in foreign currency debts as guided by the "Foreign Exchange and Interest Rate Risk Management Policy".

5) PROCESS FOR DECIDING ON INVESTMENT:

Before taking any Investment decision comparative and competitive tendering would be conducted to ensure that the funds are parked with optimum safety and returns. CFO / Treasury Head would take all the details related to tendering and place it before the MD/WTD/CEO for taking further decision.

MD/WTD/CEO would approve and authorise the decision on Investment. It is recommended to maintain at-least 10% of previous month's closing cash & bank balance in highly liquid instruments or as pure cash, so as to have funds available for any unprecedented or upcoming operational or financial obligations.

The Company's portfolio will be managed internally with inputs from the institutional coverage groups of various high-quality investment banks and commercial banks.

6) AUTHORIZATION OF INVESTMENTS :

In order to ensure efficient evaluation of the available Investment options w.r.t to risks associated with investment, liquidity of investment, and return on investment, the approval shall be as per the authority Matrix in **Appendix I**.

7) VALUATION OF INVESTMENTS

(1) A long-term investment shall be valued in accordance with the Accounting Standard (AS-13) on Accounting for Investment issued by ICAI.

(i) 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, the investee's assets and results and the expected cash flows from the investment. The type and extent of the investor's stake in the investee are also taken into account. Restrictions on distributions by the investee or on disposal by the investor may affect the value attributed to the investment.

(ii) 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.

(2) Quoted current investments shall, for the purpose 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.

(3) 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 category of investments shall not be set off against appreciation in another category.

(4) Unquoted equity shares in the nature of current investments shall be valued at cost or breakup value, whichever is lower. Where the balance sheet of the investee company is not available for two years, such shares shall be valued at one rupee only.

(5) Unquoted preference shares in the nature of current investments shall be valued at cost or face value or the net asset value whichever is less. In case the net asset value is negative or the balance sheet of the investee company is not available for two years, it should be valued at rupees one per company.

(6) Investments in unquoted Government securities or Government guaranteed bonds shall be valued at carrying cost.

(7) 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.

(8) Commercial papers shall be valued at carrying cost

Note: 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.

8) INCOME FROM INVESTMENTS

Income to be recognized based on accounting standards and Directions/ Guidelines issued by NHB. Generally, Income to be recognized on accrual basis unless mentioned otherwise.

i. Interest on Bank Deposits: Interest on bank deposits and investments is recognized on time proportion basis taking into account the amount outstanding and rates applicable.

ii. Dividends: Dividend income is recognized when the Company's right to receive dividend is established by the reporting date. Income from dividend on shares of corporate bodies and units of mutual funds shall be taken in to account on cash basis, provided that the income from dividend on shares of corporate bodies may be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and the housing finance company's right to receive payment is established.

iii. Income from bonds and debentures of corporate bodies and from Government securities/ bonds may be taken into account on accrual basis, provided that the interest rate on these instruments is predetermined and interest is serviced regularly and is not in arrears.

iv. Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by the Central Government or a State Government may be taken into account on accrual basis.

9) EXPOSURE LIMITS- RESTRICTIONS AS PER NHB GUIDELINEs

In line with the extant NHB Guidelines/ Directions Investment Exposure limits are stated below:

(i) The Company shall not invest in:

(a) the shares of another company exceeding fifteen percent of its owned fund;

(b) the shares of a single group of companies exceeding twenty-five percent of its owned funds;

(c) lend and invest (loans or investments together) exceeding: twenty-five percent of its Tier 1 Capital to a single party; and forty percent of its Tier 1 Capital to a single group of parties.

Investment in the shares of another housing finance company shall not exceed fifteen per cent of the equity capital of the Company. The prior approval of the Board of Directors will be sought for Investment within the Exposure limits.

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<u>Restrictions on investment in real estate, exposure to and engagement of brokers</u>

(I) Investment in Land or Buildings

SHFL, shall not invest in land or buildings, except for its own use, an amount exceeding twenty per cent of its capital fund.

Provided that such investment over and above ten percent of its owned fund shall be made only in residential units

'Capital fund' means the aggregate of 'tier-I capital' and 'tier-II capital'.

Provided that the land or buildings acquired in satisfaction of its debts shall be disposed off by the SHFL within a period of three years or within such a period as may be extended by the National Housing Bank, from the date of such acquisition if the investment in these assets together with such assets already held by the housing finance company exceeds the above ceiling.

(II) Exposure to Capital Market :

The aggregate exposure of the Company to the capital market in all forms (both fund based and non-fund based) should not exceed 40 per cent of its net worth as on March, 31 of the previous year, within this overall ceiling, Direct investment in shares, convertible bonds/ debentures, units of equity-oriented mutual funds and all exposures to Venture Capital Funds (VCFs) (both registered and unregistered) of the company shall not exceed 20 per cent of its Net worth. Detailed regulations of NHB shall be strictly followed in this respect.

ANNEXURE-I

Investment authorization limits

The authorized officers for the purpose of approval of investment transactions viz. purchase/ redemption is as per the below mentioned matrix:

Approval Matrix:

A. Investment in Fixed Deposits

Limit	Authority
Up to Rs 100 Crore	Finance Controller, jointly with MD&CEO
More than INR 100 Crore	Board of Directors

B. Redemption of Fixed deposits - Finance Controller, jointly with MD&CEO

C. All other Investments as mentioned under Investment Options would need authorization from the Board of Directors.

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