

VSJ INVESTMENTS PRIVATE LIMITED

INVESTMENT POLICY

Version	Updates	Reviewed Date	Approved by
2024	Investment Policy	21/05/2024	Board of Directors

Introduction

VSJ has adopted the Investment Policy pursuant to Reserve Bank of India's ("RBI") Master Direction-NBFC- Systemically important Non-Deposit taking Company (Reserve Bank) Directions, 2016 as amended from time to time.

As part of its business operations, the Company periodically undertakes investment transactions

- a. To maintain liquidity prescribed by Board and
- b. To make productive use of surplus funds not deployed in lending

The purpose of this policy statement is to establish parameters for VSJ Investments Pvt Ltd ("VSJ" or "the Company") governing management of the investment securities portfolio. Investments and excess cash shall be managed in a manner that is consistent with liquidity needs, asset/liability strategies and safety and soundness concerns for the benefit of VSJ.

About the Policy

The Company will

- a. Undertake investment transactions to primarily meet the liquidity needs, pledging requirements and deployment of surplus within acceptable interest rate risk boundaries, without compromising on the safety of capital.
- b. Ensure investment transactions undertaken are
 - i. Compliant with all approved policies and delegations
 - ii. Based on fair assessment of cash flows and surplus, including current and future funding requirements
 - iii. Only in marketable and/ or liquid instruments
 - iv. Can be liquidated without significant impact on cost,
 - v. Operated to robust mark-to-market and liquidation policies, so as to minimize downside risk and,
 - vi. Managed to robust operating control standards

Governance and Responsibilities

The Board of Directors and management have the responsibility to implement an effective investment policy. Both must work to ensure that the staffing and structure are commensurate with the firm's level of liquidity risk.

1. Board of Directors ("Board")

The Board will review, update, and approve the Investment policy at least annually. The Board may delegate all or part of its responsibilities to the Asset Liability Management Committee.

2. Asset Liability Management Committee (“ALCO”)

ALCO derives its authority from the Board and is responsible, subject to limits as may be prescribed by the Board.

3. Finance

Finance is responsible for the execution of the approved investment policy within the boundaries established by ALCO and the Board. Further will be responsible for

- a) monitoring policy compliance,
- b) Processing the transactions,
- c) Accounting,
- d) Documentation.

Permissible Instruments and Transactions

The following asset classes are considered eligible investments;

- Fixed Deposits (“FDs”) issued by Financial Institutions – FDs held must be issued financial institutions.
- Liquid Mutual Fund/Short Term Mutual Fund.
- Investment in the Liquid or Overnight schemes of the Mutual Fund houses.

Classification of Investments

Investments must be classified as either ‘Current’ or ‘Long Term’ investment, at the time of an investment (refer to Accounting Standards)

- ◆ Current Investments - 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 which are by nature marketable securities.
- ◆ Long term Investments - Any investment other than current.

Transfer of Investment:

The Company shall not make any inter-class transfer on ad hoc basis. If the inter- class transfer is warranted then it shall be effected only at the beginning of each half year, i.e. on April 1 or October 1, with the approval of the Board or Committee of Board. The investments shall be transferred scrip-wise, from current investments to long-term investments or vice -versa, at book value or market value, whichever is lower.

Accounting for Income from Investment:

- ◆ Income from bonds and debentures of corporate bodies and from Government securities/bonds may be considered on accrual basis. Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.
- ◆ 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 may be taken into account on accrual basis

Limit Monitoring and Reporting

Regular reports will be submitted to ALCO that include:

- Holdings of investments by type of instrument
- Transaction reports including purchases and sales of securities
- Investment maturity schedule showing expected future cash flow

Exceptions to the guidelines and restrictions outlined in this policy will be reported to ALCO no later than the next regularly scheduled meeting. For investments that fall out of compliance with this policy after they have been purchased, an analysis will be presented to ALCO recommending divestiture or retention of the investment.

There would be regular monitoring of the approved Bank/Financial Institutions to assess if there has been any adverse impact on the strength of the Bank/Financial Institution, particularly for Rating Downgrades.

Policy Review

The Board shall review the Investment Policy annually and make amendments if considered necessary.