



ELECTRONICA FINANCE LIMITED

INVESTMENT POLICY

Version Control

Document version	Description of changes	Memorandum of change	Prepared by / Changed by	Proposed by	Owner Dept.	Approval Date
1.0	First	Introduction of Policy	Risk & Treasury	CFO	Treasury	08-Nov-2023
2.0	Regulatory changes	Regulatory Changes	Treasury	CFO	Treasury	13-Nov-2024

1. Introduction:

Electronica Finance Private Limited (hereafter called “The Company”) is a Non-deposit taking NBFC registered with RBI and presently classified in the middle layer under the scale based regulations of RBI.

The Company is adopting this Investment Policy which provides the guiding framework for investment decisions relating to surplus funds of the Company while ensuring compliance with regulatory requirements and ensure prudent management of the investment portfolio.

The RBI Master Directions as amended from time to time further prescribe certain norms for investments and accounting thereof. This policy aims to establish a prudent investment framework to safeguard the Company’s funds and at the same time optimize income.

2. About the Policy:

This document lays down the policy of the Company and the guidelines to be adhered to while undertaking investment transactions for deployment of funds and advancing loans, placing short/ long term investment with body corporate and Banks etc.

3. Objectives of the Policy:

The policy is framed with the following objectives: -

1. Foremost objective shall be safety of the principal amount of investment, thus involving managing liquidity risk, credit risk and interest rate risk effectively
2. Effectively manage and invest the funds in the permitted investments for the duration available.
3. Effective optimization of interest rate by adopting certain maturity pattern for investment in fixed deposits and debt schemes of mutual funds, NCDs and CPs based on liquidity assessment
4. Proper recording/accounting of the investment transactions.
5. Control, monitoring and reporting of the investment transactions to the Management

4. Eligible Instruments:

EFL intends to make investments in following instruments:

- Fixed deposits with scheduled commercial banks
- Deposits with public or private sector undertaking(s), Financial Institution(s) rated AAA or sovereign
- Liquid, Money Market and Overnight schemes of Mutual Funds
- Central Govt. securities such as T-Bills and G-sec
- Securities, including Non-Convertible Debentures (NCDs), Pass-Through Certificates (PTCs), Commercial Papers (CPs), and other approved market instruments with credit ratings

(issuer long term rating) ranging from AAA to A. These debt instruments offer flexible tenors, allowing for short-term placements with the option of rollover or hold-to-maturity, depending on cash flow requirements and market conditions.

- Such other instruments as may be specifically approved by the Board

Any changes to this list or additional instruments may be approved by the ALCO and reported to the Board.

The Company shall largely deploy the investible surplus in Current Investments. Any investment in long-term investments shall be approved by the MD & CEO and shall be presented in the immediate next ALCO meeting and Board meeting being held after such investment was made.

No trading in instruments is envisaged under this policy.

5. Classification of Investments

Investments in the nature of Current Investments are held with the objective of maintaining liquidity by parking temporary funds in instruments approved by the Board. Current Investments made by the Company are intended to be held for not more than one year from the date on which such investment is made.

6. Valuations:

1. Investments in the units of mutual funds in the nature of current investments shall be valued at the net asset value (NAV) declared by the mutual fund in respect of each particular scheme.
2. In case of FD, value is to be determined by its present net value and accrued interest shall be accounted for as per accounting policy
3. Investments in market instruments like T-bills, G-sec bonds, NCDs, PTCs and CPs shall be valued on a mark to market basis and interest income shall be accrued as per accounting policy which includes compliance with RBI IRAC norms.

7. Authorization:

The Asset Liability Committee of the Management (ALCO) shall be responsible to ensure that the investment policy is adhered to.

On an ongoing basis, the CFO / Head – Treasury / DVP-Treasury / AVP-Treasury shall be responsible for the following:

1. Fixing criteria for classifying the investments into current and long term investments,
2. Investment of funds as per the policy guidelines,
3. Regular monitoring of investment portfolio,
4. Redemption / Sale of investments
5. Accounting of the investment transactions and reconciliation thereof
6. Review of portfolio as and when required
7. All investments should be within risk appetite of the company

The Treasury team shall propose the quantum of funds to be placed in different instruments. Such proposal shall contain details of the proposed investment instruments, historical ROI (if applicable), expected ROI, duration of investment, risk profile, comparison with similar instruments. The CFO / MD & CEO shall approve the investment.

While identifying the instruments, following shall be key criteria:

- a. Liquidity (ease of redemption and timeline for liquidity)
- b. Interest rate risk scenario (low to moderate risk)
- c. Optimum returns (based on tenure and alternate options)
- d. Safety (low to moderate credit risk)

8. Investible Surplus:

Investible surplus shall be determined by the Treasury team factoring in scheduled outflows arising from debt repayments, operating expenses, normal disbursements, statutory due payments, additional contingent outflow for other expenses and scheduled inflows from loan book, prepayment and processing fees, charges collected. The assessment of the duration of investment shall be done factoring in the scheduled inflows and outflows and other probable flows impacting the cash position.

9. Exposure Norm

The exposure norms are as below for the following Eligible Investment Instrument:

- **Mutual Funds:** Maximum 100% of Investible Surplus
- **Fixed Deposits:** Maximum 100% of Investible Surplus
- **Corporate Deposits/FDs:** Maximum 30% of Investible Surplus
- **T-bill/G-sec:** Maximum 30% of Investible Surplus
- **Bond/Debentures/PTC/CPs:** Maximum 30% of Investible Surplus
- Single fund house/entity/corporate body investment exposure should be not more than 20% of the Investible surplus pertaining to that Eligible instrument.
- Group Investment exposure should be not more than 25% of the Investible surplus.
- For NCDs, Bonds, PTCs, and CPs, the per transaction limit is Rs. 5 Cr, with a maximum single-party exposure of Rs. 25 Cr (subject to MD & CEO approval).

10. Ethics & Conflicts of Interest

Officers and employees involved in the investment process shall 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. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees engaged in the investment function shall refrain from undertaking personal investment transactions with the same individual or company with which business is conducted on behalf of Electronica Finance Limited.

11.Reporting requirements:

The Treasury team shall provide a quarterly report to ALCO on the investments done during the quarter and as on date of the report, the returns earned / accrued, gain/loss and investment position.

12.Policy Review:

The Policy shall be reviewed annually for changes required by regulations, investment complexities, scale of investments, etc. Any amendments to the Policy shall be approved by Board.

