



MANAPPURAM ASSET FINANCE LIMITED (MAAFIN)

INVESTMENT POLICY

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MANAPPURAM ASSET FINANCE LIMITED
INVESTMENT POLICY

1.Introduction: Manappuram Asset Finance Ltd (MAAFIN) is an NBFC registered with the Reserve Bank of India. It is a Public Limited Company governed by the Companies Act, 2013, in addition to the oversight of the Department of Non-Banking Supervision (DNBS) of Reserve Bank of India.

2.Objective: The Company's principal business is granting loans against the security of household gold ornaments, immovable properties, vehicles, stock in trade etc. The Company depends on sources like Capital & Reserves, Non-Convertible Debentures, Subordinated Secured Bonds, Credit lines from Banks, NBFCs etc. Although the Company does not undertake Investments as a business activity, it does occasionally deploy funds in investments as Cash Collateral for loans sanctioned by Banks, other funds etc.

3.Statutory: It is the policy of the Company to be compliant with the Rules and Regulations issued by the DNBS, RBI, which is the principal regulator of the Company and also with the provisions of Companies Act. The current instructions of DNBS, RBI in respect of Investments by NBFC-ND-SI are detailed in their Master Circular no: DNBR.009/ CGM(CDS)-2015 dated March 27, 2015 kept as a base in framing this policy for the sake of comprehensiveness. Accordingly, in compliance with Clause 6 (1) a of the Notification referred to above, this policy is framed to govern all investments, including statutory investments, to be made by the Company and the investments made by the Company will fully comply with stipulations laid down in the said Notification.

In making such investments the Company will be guided by considerations of safety, liquidity, credit risk, Interest Rate Risk and yield of the investment in that order. Such investments will take into account the liquidity requirements, if made under the statutory provisions. Fixed deposits of Banks, Credit rated debt funds of reputed Mutual Funds, Financial institutions, etc. are some of the instruments in which the Company may invest.

4.Delegation of Powers: All investment decisions will be taken by an Investment Committee consisting of the following members:

1. Managing Director - Chairman
2. Chief Executive Officer (CEO) - Member
3. Chief Financial Officer (CFO) - Member
4. Chief Risk Officer (CRO) - Member
5. Chief Compliance Officer (CCO) - Member

Head-Treasury Dept will be the Secretary to the Committee.

5.Quorum: The Chairman and any three members will constitute the quorum.

The investment portfolio will be managed by the Chief Financial Officer, who will strive to invest with the judgment and care that prudent individuals would exercise in the execution of their own affairs, to maintain the safety of principal, maintain liquidity to meet cash flow needs and to provide competitive investment returns for the Company. From time to time, investments will be managed through external programs, facilities

and professionals. To comply with the directions, these must be managed in a manner consistent with this policy.

6. Investment Objectives

6.1. Safety

Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The requirement of safety is to mitigate credit risk, interest rate risk.

6.1.2. Credit Risk

The Company will minimize credit risk, the risk of loss due to the failure of the security issuer or banker, by:

1. Pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the Company will do business.
2. Diversifying the portfolio so that potential losses on individual securities will be minimized.

6.1.3. Interest Rate Risk

The Company will minimize the risk that it carries on account of fall in market value of securities in the portfolio due to changes in general interest rates, by:

1. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, prior to maturity.
2. Investing funds required for operations in primarily in short- term securities

6.1.4. Liquidity

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or re sale markets. Negotiable securities may be sold prior to their maturity to provide liquid funds as needed for cash flow purposed.

6.1.5. Yield

The investment portfolio shall be managed with the objective of attaining a competitive rate of return given the constraints of the afore mentioned 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.

7. Standards of Care

7.1. Prudence: Investments shall be made with judgment and care, under circumstances prevailing then, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived. The Company Recognizes that 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 security is in the best long-term interest of the Company. Investment Officials acting in accordance with written procedures in line with 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 manner to the Board of Directors and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

7.2. 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. Employees and investment officials 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 the Company.

7.3. Delegation of Authority

Authority to manage the investment program is granted to the CFO, who 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 may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the CFO. The CFO shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of sub ordinate officials.

7.4. Checks & Balances

The following guidelines have been established to enhance the integrity and transparency of the Company's internal procedures for investing the Company funds and accounting for those investments. The CFO, the Head- Accounts Dept and other persons designated in writing to act as Investment Officers will be authorized to transact investment business on behalf of the Company. All trade confirmations will be sent directly to the Head-Accounts Dept where transaction details will be compared and verified against internal records.

8. Investment

The Head-Accounts Dept shall review all investment transactions subsequent to execution by the CFO or other person designated as investment officer. All journal entries will be signed by a senior officer not conducting the transaction and entered into the general ledger by one of the Company's posting officers. The CFO and other officers authorized to transact investment business on behalf of the Company are expressly prohibited from posting transactions regarding investments into the Company's general ledger.

8.1 Eligible Investment

The current investments shall be in SEBI registered mutual funds, Fixed Deposits, Certificate of Deposits of Banks or all India Financial Institutions and the investment in a single fund shall not exceed 15% of the owned funds of the company

8.2. Investment Restrictions and Prohibited Transactions

To provide for the safety and liquidity of the Company funds, the investment portfolio will be subject to the following restriction: Investment in any instrument, which is commonly considered a "derivative" investment (e.g. options, futures, swaps, caps, floors, and collars), is prohibited.

9.Classification of Investments: The investments, the Company will hold will be treated as assets of the Company made for the purpose of providing cash collateral or for meeting negative maturity mismatches over and above statutorily permitted ceilings etc. However, such investments should earn income for the Company by way of dividends, interest and/or capital appreciation and should be in full compliance with

RBI stipulations wherever applicable. The investments of the Company will be classified into the following two categories.

Classification	Nature of Investment
Current	Investment which are intended to be held for not more than one year from the date on which the investments are made and which are by its very nature readily realizable.
Non Current Investments	Any other investment other than the current investments.

10.Contingency Funding :In compliance with the provisions of Annex VI Para 1.8 of the RBI Master Direction on NBFC, the Company shall keep some investments in some highly liquid assets, as part of contingency funding plan to meet emergency funding requirements in the likelihood of recall of one or more of credit facilities extended to the Company. The Company proposes to build a sizeable amount over a period of 2 years, by way of such contingency funding.

11 Custody of Scrip : The scrips relating to the investment will be kept in the custody of CFO, who will also be responsible for the collection of interest/ dividend, if any, periodically. Renewal of the investments will be treated as a fresh investment and dealt with accordingly.

12.Transfer of Investments: The Company does not intend to make any inter- class transfer of investments. If it becomes absolutely necessary then such transfers shall be effected at the beginning of the half year on 1st April or 1st October with the approval of the Board.

13.Valuation: Valuation of the investments shall be strictly in accordance with the provisions of the Reserve Bank of India Notification mentioned above.

14.Depreciation and Appreciation: Depreciation in value compared to market rates, if any, in any scrip shall be provided for fully and appreciation, if any, shall be fully ignored. The depreciation in one scrip shall not be set off against appreciation in another scrip even in respect of scrip of the same category or during inter class transfer.

15.Income Recognition and Asset Classification: RBI norms regarding Income Recognition shall be strictly complied with while recognizing income from investments. Such investments shall be classified in strict conformity with the current RBI norms.

16.Risk Weight: The investments shall be assigned the Risk weight indicated by RBI in their Notification mentioned above for calculating Capital adequacy.

17. Performance Review & Reporting

The CFO (Chief Financial Officer) will periodically establish a benchmark yield for the Company's investments and will set targets for portfolio growth and diversification.

18. Policy Consideration

18.1 Exception

Any investment currently held that does not meet the guidelines of this policy shall be exempt from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

18.2 Revision

The CFO (Chief Financial Officer) shall review the policy annually and shall recommend all necessary changes for consideration and adoption.

18.3 Adoption

This policy and any changes made during the annual reviews shall be adopted by resolution of the Board of Directors.