

MANAPPURAM ASSET FINANCE LIMITED
INVESTMENT POLICY

As amended up to 28-09-2017

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.

Objective: MAAFIN's principal business is granting of loans against the security of household gold ornaments, immovable properties, vehicles, stock in trade etc. MAAFIN depends for funding on sources like Capital & Reserves, Non Convertible Debentures, Subordinated Secured Bonds, Credit lines from Bank etc. Although MAAFIN 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.

Statutory: It is the policy of MAAFIN to be compliant with the Rules and Regulations issued by the DNBS, RBI, who are the principal regulators for MAAFIN 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 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 MAAFIN and the investments made by MAAFIN's investments will fully comply with stipulations in the said Notification.

In making such investments MAAFIN 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 MAAFIN may invest.

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. Head – Risk Management Department -Member

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

The investment portfolio will be managed by 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 MAAFIN.

From time to time investments will be managed through external programs, facilities and professionals. To constitute compliance these must be managed in a manner consistent with this policy.

Investment Objectives

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 idea of safety is to mitigate credit risk, interest rate risk.

1.1. Credit Risk

MAAFIN 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 MAAFIN will do business.
2. Diversifying the portfolio so that potential losses on individual securities will be minimized.

1.2. Interest Rate Risk

MAAFIN will minimize the risk that it will carry because of market value of securities in the portfolio will fall 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 on the open market prior to maturity.
2. Investing operating funds primarily in shorter- term securities

1.3. 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 resale markets. Negotiable securities may be sold prior to their maturity to provide liquid funds as needed for cash flow purposes.

1.4. 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.

2. Standards of Care

2.1. Prudence: 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, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived. MAAFIN 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 MAAFIN.

Investment 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.

2.2. 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 MAAFIN.

2.3. 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 subordinate officials.

2.4. Checks & Balances

The following guidelines have been established to enhance the integrity and transparency of MAAFIN's internal procedures for investing MAAFIN's funds and accounting for those investments. The CFO, the Accounts Officer and other persons designated in writing to act as Investment Officers will be authorized to transact investment business on behalf of MAAFIN. All trade confirmations will be sent directly to the Accountant where transaction details will be compared and verified against internal records. The Accountant 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 MAAFIN's posting officers. The CFO and other officers authorized to transact investment business on behalf of MAAFIN are expressly prohibited from posting transactions regarding investments into MAAFIN's general ledger.

3.3. 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

3.4. Investment Restrictions and Prohibited Transactions

To provide for the safety and liquidity of MAAFIN's 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.

4. 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 MAAFIN 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.

5 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.

6. Transfer of Investments: MAAFIN 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.

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

8. 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.

9. 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.

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

11. Performance Review & Reporting

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

12. Policy Consideration

12.1 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.

12.2 Revision

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

12.3 Adoption

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