



# RAR FINCARE LIMITED

Investment Policy (Version 2)

## Introduction

RAR Fincare Limited is registered with RBI as non-deposit taking Non-Banking Finance Company. The company is governed by the Companies Act, 2013 in addition to the oversight of the Department of Supervision (DNBS) of RBI.

## About the Policy

RAR Fincare Limited will be compliant with the Rules and Regulations issued by the RBI, and the Ministry of Corporate Affairs, the principal regulators for RAR Fincare Limited and with the provisions of Companies Act. The current instructions of RBI in respect of Investments by NBFCs are detailed in their Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Direction, 2023. Accordingly, in compliance with the Master Direction referred to above, this policy which will govern all investments, to be made by RAR Fincare Limited, is framed and approved by the Board of Directors/committees of the Board. The Policy will be reviewed and revised and any amendments will be approved by the Board of Directors if there is any change in the statutory/regulatory provisions or annually, whichever is earlier.

In making such investments, RAR Fincare Limited 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.

## Statutory Requirements

The relevant clauses of the RBI Notification governing investments and RAR Fincare Limited's approach are as below:

Clause	Particular	RAR Fincare Limited Policy
Master Direction 13 Income from investments	(1) Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis: <b>Provided</b> 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 non-banking financial company's right to receive payment is established (2) Income from bonds and debentures of corporate bodies and from Government securities/ bonds may be taken into account on accrual basis: <b>Provided</b> that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears. (3) 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	RAR Fincare Limited will comply fully with these stipulations
Clause 5 Accounting Standard	Accounting Standards and Guidance Notes issued by the Institute of Chartered Accountants of India (referred to in these Directions as "ICAI") shall be followed	RAR Fincare Limited will comply fully with prescribed accounting

		standards
Master Direction 29 Investment Policy / Clause 11 Accounting for Investment	<p>(1) (a) The Board of Directors of every non-banking financial company shall frame investment policy for the company and implement the same;</p> <p>(b) The criteria to classify the investments into current and long term investments shall be spelt out by the Board of the company in the investment policy;</p> <p>(c ) Investments in securities shall be classified into current and long term, at the time of making each investment;</p> <p>(d) In case of inter-class transfer:</p> <ol style="list-style-type: none"> <li>there shall be no such transfer on ad-hoc basis;</li> <li>transfer, if warranted, shall be effected only at the beginning of each half year, on April 1 or October 1, with the approval of the Board;</li> <li>the investments shall be transferred scrip-wise, from current to long-term or vice-versa, at book value or market value, whichever is lower;</li> <li>the depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be ignored;</li> <li>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 scrips of the same category</li> </ol> <p>(2) (a) Quoted current investments shall, for the purposes of valuation, be grouped into the following categories, viz.</p> <ol style="list-style-type: none"> <li>Equity shares</li> <li>Preference shares</li> <li>Debentures and bonds</li> <li>Government securities including treasury bills,</li> <li>Units of mutual fund, and</li> <li>Others</li> </ol> <p>(b) 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 against appreciation in another category</p> <p>(3) Unquoted equity shares in the nature of current investments shall be valued at cost or breakup value, whichever is lower. However, non-banking financial companies may substitute fair value for the breakup value of the shares, if considered necessary. Where the balance sheet of the investee company is not available for two years, such shares shall be valued at one</p>	<p>RAR Fincare Limited will fully comply with the accounting principles stated and this investment policy will reflect the same</p>

	<p>Rupee only</p> <p>(4) Unquoted preference shares in the nature of current investments shall be valued at cost or face value, whichever is lower</p> <p>(5) Investments in unquoted Government securities or Government guaranteed bonds shall be valued at carrying cost</p> <p>(6) 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</p> <p>(7) Commercial papers shall be valued at carrying cost</p> <p>(8) A long term investment shall be valued in accordance with the Accounting Standard issued by ICAI</p> <p>Explanation - 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</p>	
Master Direction 9.1 Leverage Ratio	<p>The leverage ratio of every Non-Banking Financial Company shall not be more than 7 at any point of time.</p> <p>Leverage Ratio shall mean the total Outside Liabilities divided by Owned Funds</p>	<p>RAR Fincare Limited will comply with regulations on leverage ratio</p>

The relevant clauses of the MCA Notification governing investments and RAR Fincare Limited's approach are as below:

No. 11/02/2012-CL-V (A) Government of India Ministry of Corporate Affairs	<p>1) For NBFCs registered with the RBI under Section 45-IA of the RBI (Amendment) Act, 1997, 'the adequacy' of Debenture Redemption Reserve (DRR) will be 25% of the value of debentures issued through public issue as per present SEBI (Issue and Listing of Debt Securities) Regulations, 2008, and no DRR is required in the case of privately placed debentures</p> <p>2) Every company required to create/maintain DRR shall before the 30th day of April of each year, deposit or invest, as the case may be, a sum which shall not be less than fifteen percent of the amount of its debentures maturing during the year ending on the 31st day of March next following in any one or more of the following methods, namely:</p> <ol style="list-style-type: none"> <li>in deposits with any scheduled bank, free from charge or lien in unencumbered securities of the Central Government or of any State Government;</li> <li>in unencumbered securities mentioned in clauses (a) to (d) and (ee) of section 20 of the Indian Trusts Act, 1882;</li> <li>in unencumbered bonds issued by any other company which is notified under clause (f) of</li> </ol>	<p>RAR Fincare Limited will deposit in prescribed instruments in full compliance with the regulations</p>
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	<p>section 20 of the Indian Trusts Act, 1882;</p> <p>d. The amount deposited or invested, as the case may be, above shall not be utilized for any purpose other than for the repayment of debentures maturing during the year referred to above, provided that the amount remaining deposited or invested, as the case may be, shall not at any time fall below 15 per cent of the amount of debentures maturing during the 31st day of March of that year</p>	
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### **Investment Objectives**

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, liquidity & yield

### **Classification of Investments**

Investments in securities shall be classified into current and long term, at the time of making each investment.

“Current Investment” means an investment which is by its nature readily realizable and is intended to be held for not more than one year from the date on which such investment is made.

“Long Term Investment” means an investment other than a current investment.

### **Transfer of Investments**

The transfer of Investments from Long Term to Short Term shall not be made on ad-hoc basis but are to be made at the beginning of each half year only i.e. on 1st April and 1st October, with approval of the Board. Such inter class transfer are to be made at Book value or Market value, whichever is lower after providing effect of Depreciation. Appreciation, if any, shall be ignored.

### **Valuation**

Valuation of the investments shall be strictly in accordance with the provisions of the Reserve Bank of India Notification reproduced in this document.

### **RAR Fincare Limited Investment Policy**

The Company shall make Investments in any of the following instruments as decided by the Investment Committee: -

- 1 Securities issued by the Central Government including Treasury Bills.
- 2 Securities issued by the State Governments
- 3 Securities issued by the Indian Financial Institutions
- 4 Term Deposits with Banks
- 5 Instruments issued by Government of India wholly owned Corporations with a rating of AA by CARE or P1 by CRISIL or equivalent rating by other rating agencies such as ICRA or D & B.
- 6 Liquid Funds / Debt Funds/Balanced Funds of Mutual Fund Companies (based on past performance of the scheme and its NAV)
- 7 Any other instruments decided by the committee/Board from time to time

### **Portfolio Diversification**

The investments portfolio shall be diversified to minimize the risk of loss resulting from over concentration of assets in specific class or economic sector. Diversification strategies shall be periodically reviewed.

Investment shall be made as permitted by the Reserve Bank of India as follows:

- (a) Not exceeding twenty-five percent of its Tier 1 capital to a single party; and
- (b) Not exceeding forty percent of its Tier 1 capital to a single group of parties

Provided that RAR Fincare Limited may exceed the exposure norm specified above, by 5 percent for any single party and by 10 percent for a single group of parties, if the additional exposure is on account of infrastructure loan and/or investment. All investments shall be made in dematerialized form only.

The ceiling on the investment in shares of another company shall not be applicable to RAR in respect of investment in the equity capital of an insurance company up to the extent specifically permitted, in writing, by the Reserve Bank.

This exposure limits mentioned above cover both on and off-balance sheet exposures and aggregated loan and investment exposures together. While on-balance sheet exposures shall be taken at outstanding value, the off-balance sheet exposures shall be translated into their credit equivalents using credit conversion factors used for capital adequacy.

Exposure norms shall not apply to :

- (i) investments in shares of (a) its subsidiaries; (b) companies in the same group, to the extent they have been reduced from Owned Funds for the calculation of NOF and
- (ii) the book value of debentures, bonds, outstanding loans and advances (including hire purchase and lease finance) made to, and deposits with - (a) subsidiaries of the NBFC; and (b) companies in the same group, to the extent they have been reduced from Owned Funds for the calculation of NOF.

The exposures listed below shall also be exempt from exposure norms:

- (a) Exposure to the Government of India and State Governments which are eligible for zero percent risk weight under capital regulations applicable to NBFCs;
- (b) Exposure where the principal and interest are fully guaranteed by the Government of India

### **Maturity Limitations**

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds to ensure that appropriate liquidity is maintained to meet ongoing obligations.

### **Portfolio Management**

Following the primary objective of preservation of capital, investments shall be actively managed to take advantage of market opportunities. In so doing, negotiable securities may be sold prior to their maturity to provide liquid funds as needed for cash flow purposes, to enhance portfolio returns, or to restructure maturities to increase yield and/or reduce risk. Assets may be sold at a loss only if it is felt that the sale of the security is in the best long-term interest of RAR Fincare Limited.

## **Standards of Care**

### **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. RAR Fincare Limited 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 RAR Fincare Limited.

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.

## **Ethics & Conflict 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 RAR Fincare Limited.

## **Delegation & Authority**

Authority to manage the investment program is granted to the CEO, 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 CEO. The CEO shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

## **Checks & Balances**

The following guidelines have been established to enhance the integrity and transparency of RAR Fincare Limited's internal procedures for investing RAR Fincare Limited's funds and accounting for those investments. The CEO and other persons designated in writing to act as Investment Officers will be authorized to transact investment business on behalf of RAR Fincare Limited. 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 CEO or other person designated as investment officer. All journal entries will be signed by a senior officer not conducting the transaction. The CEO and other officers authorized to transact investment business on behalf of RAR Fincare Limited are expressly prohibited from posting transactions regarding investments into RAR Fincare Limited's general ledger.

## **Investment Restrictions & Prohibited Transactions**

To provide for the safety and liquidity of RAR Fincare Limited's funds, the investment portfolio will be subject to the following restriction:

- 1 Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited
- 2 No more than 33% of the total market value of the portfolio may be invested in commercial paper of any one issuer during the first 3 years
- 3 No investment should be made in entities engaged in activities that lead to environmental pollution, employment of child labour, health hazard or destruction of nature such as mining, processing of timber, paper making, plastics manufacturing, ship-breaking, etc. Additionally, no investment shall be made in entities carrying on liquor or tobacco trade or manufacturing.
- 4 The Company shall not make investments in any scheme of AIFs which has downstream investments either directly or indirectly in their debtor company. Such downstream investments shall exclude investments in equity shares of the debtor company of the NBFC, but shall include all other investments, including investment in hybrid instruments.
- 5 The Company shall not contribute more than 10 per cent of the corpus of an AIF Scheme, such that, the collective contribution by all regulated entities in any AIF Scheme shall not be more than 15 per cent of the corpus of that scheme.
- 6 If the Company contributes more than five per cent of the corpus of an AIF Scheme, which also has downstream investment (excluding equity instruments) in a 'debtor company' of the Company, then the Company shall be required to make 100% provision to the extent of its proportionate investment in the 'debtor company' through the AIF Scheme. Notwithstanding the same, if the Company's contribution is in the form of subordinated units under the Priority Distribution Model (PDM), it shall deduct the entire investment from its capital funds – equally from both Tier-1 and Tier-2 capital (wherever applicable).

The above described negative list is illustrative, and not exhaustive.

#### **Performance Review & Reporting**

The CFO (or CEO till the time a CFO is appointed) will periodically establish a benchmark yield for RAR Fincare Limited investments and will set targets for portfolio growth and diversification. Investments held at the end of each quarter will be disclosed in quarterly balance sheets being put up for board's consideration. Further the CEO/CFO, shall formally review the Investment Portfolio on half yearly basis and submit a report to the Board of the Company.

#### **Policy Considerations**

The Committee/Board shall review the policy once in every two years or to comply with urgent business/regulatory requirements and shall recommend to the Board all necessary changes for consideration and adoption.



### **Adoption**

This policy and any changes made during any review shall be adopted by resolution of the Board of Directors. Any deviation to any clause of this Policy due to the urgency of an event or any other reason shall be made only with the approval of the CEO/CFO.

*Reviewed by the Board of Directors in its meeting held on June 07, 2024*

<i>Senior Management – Reviewer</i>	<i>Senior Management – Approver</i>	<i>Custodian</i>
<i>SD/- Chief Financial Officer</i>	<i>SD/- Chief Operations Officer</i>	<i>SD/- Company Secretary</i>
<i>SD/- Chief Risk Officer</i>	<i>SD/- Chief Executive Officer</i>	