MANAPPURAM FINANCE LTD (MAFIL)

INVESTMENT POLICY

Policy Owner	**:**	**Treasury**
Reviewed by	**:**	**Policy Review Committee**
Approved by	**:**	**Board**
Approval Date	**:**	**December 2024**
Effective Date	**:**	**December 2024**
Next Review Date	:	December, 2025

Contents

1. Introduction

Manappuram Finance Ltd (MAFIL) is registered with the Reserve Bank of India as a Systemically Important, Non-Deposit taking, Non-Banking Finance Company (NBFC- ND-SI). It is listed in the Mumbai Stock exchange, National Stock Exchange and as such governed by the SEBI Rules and Regulations and the Companies Act, 1956, in addition to the oversight of the Department of Banking Supervision (DBS) of Reserve Bank of India. As per the RBI circular dated October 22,2021, MAFIL has been classified a NBFC – Middle Layer as per the Scale Based Regulations (SBR),

As per the Master Directions DNBR.PD.008.10.119/2026-17 dt. September 01, 2016 updated as on 16/5/2019, NBFC-ND-SI are required to frame an investment policy and implement the same. Major guidance through the policy shall cover the following.

a. Criteria to classify investments into current and long-term investments.
b. Periodicity for inter – class transfer of investments ie. transfer from current to long- term and vice versa.

Accordingly, Board approved an investment policy in its meeting dt.12/2/2016 and the current policy is its renewal with updates based on the regulatory guidelines and business needs.

The policy aims at laying down guidelines, procedures to be adhered to while undertaking investments.

2. Objectives

The broad objectives of the policy are:

a. To invest surplus funds effectively in liquid instruments.
b. To seek optimum yield within reasonable level of risk in consonance with liquidity management.
c. To maintain adequate buffer/develop a contingency strategy for creating liquidity in the event of requirement of funds for unforeseen circumstances.
d. To create a well-diversified portfolio of different instruments across varied maturities with sufficient measures taken to safeguard against liquidity risk, credit risk and interest rate/exchange risk.
e. To comply with RBI and other statutory guidelines related to investments.

3. Definitions

a. Break up value: Means the equity capital and reserves as reduced by intangible assets and revaluation reserves, divided by the number of equity shares of the investee company.
b. Carrying cost: Book value of the assets and interest accrued thereon but not received.
c. Current investments: 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.
d. Fair value: Mean of the earning value and the break up value.
e. Long term investments: Investments other than current investments.
f. Net Asset Value: Latest net asset value declared by the mutual funds concerned in respect

of that scheme.

4. Regulations affecting investments:

4.1 Prudential exposure ceilings: As per regulations, NBFC-ND-SI shall not,
The extant credit concentration limits prescribed for NBFCs separately for lending and investments shall be merged into a single exposure limit of 25% for single borrower/ party and 40% for single group of borrowers/ parties. Further, the concentration limits shall be determined with reference to the NBFC's Tier 1 capital instead of their Owned Fund. The revised norms are indicated in the table below

Limit (as a percentage of Tier I Capital)	
	Exposure %
Single borrower/ party	25
Single group of borrowers/ parties	40

However, these directions are not applicable to

. Investments of applicable NBFCs in shares of

(i) Its subsidiaries;
(ii) Companies in the same group,

to the extent they have been reduced from Owned Funds for the calculation of NOF.

4.2 Accounting of investments: All the investments shall be classified into current and long-term investments as specified in the investment policy spelt out by the Board. Inter – class transfer shall be subject to the following conditions:

a. There shall be no such transfer on ad-hoc basis.
b. Such 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.
c. Investments shall be transferred scrip- wise, from current to long-term or vice- versa, at book value or market value, whichever is lower.
d. Depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be ignored.
e. 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.

4.3. Valuation of investments

4.3.1 Quoted current investments: Such investments shall, for the purposes of valuation, be grouped into the following categories

a. Equity shares
b. Preference shares
c. Debentures and bonds.
d. Government securities including treasury bills
e. Units of mutual funds.
f. Others.

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.

4.3.2 Unquoted current investments:

a. Unquoted equity shares: Such instruments 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 Rupee only.
b. Unquoted preference shares: Such investments shall be valued at cost or face value, whichever is lower.
c. Investments in unquoted Government securities or government guaranteed bonds shall be valued at carrying cost.
d. Unquoted investments in the units of mutual funds: Such investments shall be valued at the net asset value declared by the mutual fund in respect of each scheme.
e. Commercial papers shall be valued at carrying cost.

4.3.3 Long term investments: Such investments shall be valued in accordance with the Accounting Standard issued by ICAI.

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.

4.3.4 Accounting Treatment of Investments under Ind AS: Investments are categorized into either of the three buckets based on the nature of investments. Long term investments initially recognized at fair value plus directly attributable transaction cost will be measured at Amortised Cost. These investments include debt instruments, investments in subsidiaries etc.

Investment held as current, fair value will be determined through either of the following methods.

1. Fair Value through Profit and Loss (FVTPL).
2. Fair Value through Other Comprehensive Income (FVOCI)

Investments at fair value through FVTPL comprise:

- Investments held for trading.
- Investments specifically designated as fair value through profit and loss account.

- Debt instruments with contractual terms that do not represent solely payment of principal and interest.

Investments available for sale assets, other than unquoted equity will be fair valued following FVOCI. Gain or loss on valuation is kept in “other comprehensive income” in the shareholders’ equity. These gains/losses are brought into current profit/loss when the investment in question is sold.

4.4 Income recognition

a. Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis:

   Provided 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 NBFC’s right to receive payment is established.

b. Income from bonds and debentures of corporate bodies and from Government securities/bonds may be taken into account on accrual basis:

   Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

c. 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.

4.5 Risk weight for capital adequacy

Investments, including term deposits with banks will attract the following risk weights for computation of the capital adequacy.

Sl No	Description	Risk weight (%)
1	Term deposits with banks	0
2	Approved securities (except at 3 below)	0
3	Term deposits / certificate of deposits / bonds of public financial institutions	100
4	Shares of all companies and debentures / bonds / commercial papers of all companies and units of mutual funds.	100

5. Guiding principles for investment

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

As the structured / synthetic products like Market Linked Debentures (MLD) consists of significant risks like changes in the value of underlying security and unpredictable return on investments, MAFIL will not investments in such instruments.

5.2 Credit Risk: MAFIL will minimize credit risk, the risk of loss due to the failure of the security issuer or banker, by:

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

5.3 Interest Rate Risk: MAFIL will minimize the risk in the investment portfolio by:

a. 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.

b. Investing operating funds primarily in shorter- term securities.

5.4 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 resale markets. Negotiable securities may be sold prior to their maturity to provide liquid funds as needed for cash flow purposed. The investment under the Liquidity Risk Frameworks in the form of High Quality Liquid Assets shall be maintained as per the LCR guidelines of RBI. HQLAs shall be managed specifically by ALCO Supporting Group as provided in the Liquidity Risk Management Policy and ALM policy.

5.5 Yield: The investment portfolio shall be managed with the objective of attaining a competitive rate of return given the constraints of the safety and liquidity objectives. To ensure long-term objectives are met, securities shall not be sold prior to maturity with the following exceptions:

a. A security with declining credit may be sold early to minimize loss of principal.

b. Liquidity requirements necessitate that the security be sold.

6. Guidance for Investments:

6.1 Current investments: For liquidity and treasury management, investment up to Rs 3,000 cr shall be made in the following short-term instruments.

a. Term deposits with banks: Deposit with any single bank shall not exceed Rs.500 Cr subject to the total credit facilities availed from the bank at any point of time and this amount may go up considering operational requirements with the approval of MD & CEO.

   Deposit with single Small Finance Bank should not exceed Rs 50 cr or its exposure to us under credit facilities, whichever is lower. Deposits with banks placed under Prompt Corrective Action (PCA) Framework shall not exceed the outstanding in credit facilities availed of by us.

b. Term deposits with FIs: Deposit with any single FIs shall not exceed Rs 25 Cr and the maximum investment limit Rs 200 cr at any point of time.

c. Units of money market mutual funds: The Asset Management Company shall have minimum rating of AAA and the maximum investment shall be restricted to Rs.500 Cr at any point of time. Investments shall be in the open ended schemes, which allows exit from the funds any time. Investments in Low risk mutual funds and liquid funds should be preferred. Exposure to growth funds shall be restricted to 25% of investment in mutual funds.

d. Commercial papers, certificate of deposits (Minimum credit rating CRISIL – A1): Maximum exposure to CPs/CDs shall be Rs.200 Cr.

e. Any other short-term instruments approved by Financial Resource Management Committee of the Board (FRMC).

Note1: Subscription to units of Mutual Funds and Commercial Paper/CDs shall be based on a list of issuers approved by FRMC

Note 2: ALM Support Group shall monitor the exposure limits and compliance shall be placed to ALCO.

6.2 Investments in subsidiaries: MAFIL recognises that in the initial 3 to 5 years of formation of subsidiaries, they may require parental support in the form of equity and loans. The Company's general policy is that each subsidiary once reaching 3 to 5 years of existence, should be able to raise the resources required from the market based on its own credentials.

Notwithstanding, the company is required to recognise that there may be difficulties for subsidiaries which are in existence for 3 to 5 years also, in raising resources at economically sustainable and competitive terms due to various systemic issues like the prevailing Covid – 19 situation.

MAFIL may invest in subsidiaries within the statutory and regulatory guidelines, subject to approval from the Board of Directors. Board of Directors may also approve strategic investments in other companies for furtherance of the business of MAFIL within the statutory and regulatory limit.

6.3 Investments for creation of debenture redemption Fund (DRF): As per the current regulations (Companies Act and SEBI guidelines) Listed NBFCs, though exempted from creation of Debenture Redemption Reserve (DRR), are required to create DRF for the publicly placed debentures and bonds and shall deposit /invest in the prescribed investments a sum equal to 15% of the amount of its debentures maturing during the year ending on 31st March next following on or before 30th April. Prescribed investments are as follows:

a. Deposit with scheduled commercial bank free from charge or lien.
b. Un encumbered securities of the Central or any state Governments
c. Unencumbered securities prescribed in the Indian Trust Act,1882

6.4 Investment in Partnership Firm/LLP/AOP:

The Company shall not contribute to the capital of a partnership firm or become a partner of such firm/LLP/AOP.

6.5 Classification of investments: Investments for treasury management and liquidity purposes shall be of current investment in nature. Credit substitutes like PTC shall have longer maturity and classified under long term investments and shall be treated under the securitization guidelines for asset classification and income recognition and provisioning.

6.6 Delegated powers: All investment decisions shall be taken by an Investment Committee consisting of the following members:

Managing Director & CEO	Chairman
Chief Financial Officer	Member
Head – Risk Management	Member

Delegated power of the committee shall be Rs.3000 Cr or such amount as decided by the Financial Resource Management Committee from time to time.

7. Investment Restrictions and Prohibited Transactions

To provide for the safety and liquidity of MAFIL's funds, investment in any instrument, which is commonly considered a "derivative" investment (e.g. options, futures, swaps, caps, floors, and collars), is prohibited.

8. Compliance to regulations (For regulations, please refer para 4)

8.1 Transfer of Investments: MAFIL shall not 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.

8.2 Valuation: Valuation of the investments shall be strictly in accordance with the guidelines of the Reserve Bank of India.

8.3 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.

8.4 Income Recognition and Asset Classification: RBI norms regarding Income Recognition and asset classification shall be strictly complied with for recognition of income and asset classification.

8.5 Risk Weight: The investments shall be assigned the Risk weight as per the directions of RBI for computing Capital adequacy.

9. Standards of Care

9.1 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. MAFIL 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 MAFIL.

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.

9.2 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 MAFIL.

10. Board level oversight

Financial Resource Management Committee (FRMC) of the Board shall review investment portfolio on a quarterly basis. FRMC may fix ceilings for investments and types of investments as per the business/regulatory requirements.

11. Delegation of Authority

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

12. Checks & Balances

The following guidelines have been established to enhance the integrity and transparency of MAFIL's internal procedures for investing MAFIL's funds and accounting for those investments. The Chief Financial Officer, General Manager (Treasury) and other persons designated in writing to act as Investment Officers will be authorized to transact investment business on behalf of MAFIL. All trade confirmations will be sent directly to a designated officer where transaction details will be compared and verified against internal records. The designated officer shall review all investment transactions subsequent to execution by the Chief Financial Officer 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 MAFIL’s posting officers. The Chief Financial Officer and other officers authorized to transact investment business on behalf of MAFIL are expressly prohibited from posting transactions regarding investments into MAFIL's general ledger.

13. Custody of Scrip:

The scrips relating to the investment will be kept in the custody of Responsible official in the Treasury dept, 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.

14. Performance Review & Reporting

The CFO (Chief Financial Officer) will periodically establish a benchmark yield for MAFIL's 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.