INVESTMENT POLICY

Industrial Investment Trust Limited
CIN: L65990MH1933PLC001998
Regd. Off: 101A, The Capital, G-Block,
Plot no.C-70 Bandra Kurla Complex,
Bandra (East) Mumbai Mumbai City
MH 400051
Website: www.iitlgroup.com

Version	Date of Approval/ Reviewal
V.1	
Recommended By	Mr. Rajev Adlakha – CEO – NBFC Operations
Approved By	Board - Meeting Dated : 04/03/2023

Recommended By:

Approved By:

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1. INTRODUCTION

INDUSTRIAL INVESTMENT TRUST LIMITED ("IITL") being a registered Non-Banking Financial Company, was granted certificate of registration as NBFC-ND in the year 2000 by Reserve Bank of India (RBI), Mumbai. The Company is a Systemically Important Non-Banking Financial Company. One of the main objectives of IITL is to "To carry on the business of Investment Company and for that purpose to invest in and acquire, hold and deal in shares, stocks, debentures, debenture stocks, bonds, securities, etc." In addition, it can engage in other activities like Loan Against Property, etc.,

2. SCOPE

This policy applies to the investment of all operating funds of IITL. It does not cover the Employee's Benefit Funds created under the requirements of various statutes and laws in force in India and applicable to the company.

IITL obtains its funding primarily through the subscription of Share Capital. It does not accept public deposits. Its concentration of credit/investment decisions are based in terms of Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, as amended from time to time.

All remaining funds will be invested in a variety of ways to maximize investment earnings.

The investment portfolio will be managed by the Committee, which will strive to invest with 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 IITL.

3. INVESTMENT

A. Risks

Safety
The company is exposed to specific risks that are particular to its business and the environment within which it operates including market risks, credit risks, liquidity and interest rate risks.

Safety of principal is the foremost objective of Investment. 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 all risks.

i) Market risks:
The company has some quoted investments which are exposed to fluctuation in stock prices.

ii) Credit risks:
Credit risk is a risk arising out of default or failure in meeting financial obligations by investee entity. Thus credit risk is a loss as a result of non-recovery of funds invested, both principal and interest.

iii) Liquidity and interest rate risks:
The company is exposed to liquidity risks principally as a result of lending to its customers for periods which may defer from its funding sources. The company may be impacted by volatility in the interest rates which may cause its margins to decline and profitability to shrink. The company manages asset-liability position in accordance with overall guidelines laid down by Reserve Bank of India (RBI) in the asset-liability management (ALM) framework.

B. Returns

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:

i) A security with declining credit may be sold early to minimize loss of principal.
ii) Liquidity needs of the portfolio require that the security be sold.

4. Regulations

During the course of its operations, the Company will strictly adhere to various guidelines as will be stipulated by the Reserve Bank of India (RBI) from time to time, these guidelines shall include:

- Master Direction – Non-Banking Financial Company (Systemically Important Non-Deposit taking Company Direction, 2016 as amended from time to time.
- Guidelines for investments in unencumbered securities.
- Clarifications as will be issued from time to time by Reserve Bank of India

The Company shall adhere to the provisions of the Companies Act, 2013 and rules made thereunder, as amended from time to time.

Pursuant to any subsequent amendments or any statutory modifications or re-enactments in the above stated guidelines / norms / clarifications or in any other applicable acts / regulations, if there is any change in any of the parameter(s) framed by the Board, then the act / regulation shall have overriding effect on the parameter(s).

For the purpose of calculation of Net Owned Fund, the investment made by IITL in subsidiary and/or group entities, shall be in compliance with the guidelines issued by RBI from time to time.

5. Investment Organization

i) Committee

"Investments / Loans and Risk Management Committee" consisting of the following members will oversee the implementation of the system and review its functioning periodically apart from taking decision on Investments:

a) Chairman of the Company
b) Two Independent Directors
c) CEO – NBFC Operations
d) Chief Financial Officer

The quorum shall be two members. Based on the requirements / contingency, the Committee will meet from time to time.

ii) Scope of Committee

- Review existing investments and their performance
- Allocation of fund under each category of investments
- Direction to employee(s) with regard to execution of investment decision.
- To consider and approve investments as per investment matrix.
- To check and review defaults in repayments of bonds, deposits, debentures or any other debt instrument by the Investee.

iii) Approvals

<u>Investment Proposal</u>

All Investments proposals shall be approved by all the members present at the Committee meetings.

<u>Sale / Redemption</u>

- For normal redemption / payment on maturity or arising out of merger acquisitions, no specific approval is required.
- In case of sale, invoking put option or other transfers, the same would be approved by all members present at the Committee meetings.

iv) Standards of Care

a) 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. IITL 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 IITL.

b) Delegation of Authority

All investment decisions of the Company shall be taken by the Committee for Investments /

Loans and Risk Management or any other designated committee for the purpose and the same shall be placed before the next Board Meeting for their perusal and noting.

6. Investment Parameters

i) Portfolio Diversification

Permitting cash flows, the investments portfolio shall be diversified to minimize the risk of loss resulting from over concentration of assets in specific class, currency, country, or economic sector. Diversification strategies shall be periodically reviewed.

ii) 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 such as in bank deposits to ensure that appropriate liquidity is maintained to meet ongoing obligations.

iii) Portfolio Management

Following the primary objective of preservation of capital, investments shall be actively managed to take advantage of market opportunities. In doing so, 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 IITL.

7. Investment Transaction

The Company can invest in the following financial instruments:

- The Company intends to make long term strategic Investments (and not for trading purpose) in various securities of all kinds and description as it may deem fit, including Shares (equity / preference / warrants), Bonds, Debentures, Units, Commercial Papers, etc. issued by any of the public or private sector undertaking(s), Bank(s), Financial Institution(s), Mutual Fund(s), Venture Capital Fund(s) or by any State Governments or Central Government, or by a corporation constituted by any of the State or Central Government enactment or a Government Company or any other Company incorporated under the Companies Act, 2013 or under any previous company law or other Bodies Corporate.
- The Company can invest in any entities / companies or any other body corporate, however shall not invest in such entities whose business are not permissible under any law or regulations.
- While dealing in securitization / direct assignment as an investor, the company shall adhere to the regulatory guidelines issued under circular no. DNBS/PD/No.301/3.10.01/2012/13 dated August 21, 2012 or as may be amended from time to time.
- The Company shall also make investments by exploring the listed or unlisted Debt Mutual Fund, Fixed Income Mutual Fund, Liquid Mutual fund, Commercial Paper, Bonds, Debenture, T-Bills or any other Money Market products.
- The Company shall also make investments in listed or unlisted equity, preference or warrants.

- The Company shall also make investments in listed or unlisted Bonds, Debenture, or any other debt instrument issued by any State Governments or Central Government, or by a corporation constituted by any of the State or Central Government enactment or a Government Company.
- The Company shall also make investment in Fixed / Term Deposits and Certificate of Deposits of Bank(s).
- The Company shall not invest in Partnership Firms, Limited Liability Partnership or Association of Persons in compliance of Circular No. RBI/2010-11/453 DNBS.PD/CC.NO.214/03.02.002/2010-11 dated March 30, 2011 and DNBS.PD/CC.NO.328/03.02.002/2012-13 dated June 11, 2013 and amended from time to time issued by the RBI.
- The Company shall seek prior permission from the RBI in case of acquisition/transfer of control of other NBFCs in accordance with circular no RBI/2015-16/122 DNBR(PD)CC. No. 065/03.10.001/2015-16 dated July 9, 2015 and amended from time to time by RBI.
- Any Overseas Investment is to be made under FEMA regulations, DNBR regulations or any other applicable regulations. The Company cannot make direct investment in an overseas entity located in the countries identified by the FATF as "non co-operative countries and territories" as per list available on FATF website www.fatf-gafl.org or notified by the Reserve Bank of India from time to time.

Limits for various categories of investment

Sr. No.	Type of Investment	Aggregate Maximum Limit (Rs. In Crores)
i)	Fixed Deposits of renowned Banks	500.00
ii)	Shares (Equity and Preference) - Quoted Equity Shares - UnQuoted Equity Shares - Preference Shares	700.00
iii)	Call Accounts and Certificates of Deposit (CDs)	100.00
iv)	Commercial Paper	100.00
v)	Treasury Bills (T-Bills)	100.00
vi)	Bonds (Sovereign and Corporate)	100.00
vii)	Debentures	100.00
viii)	Government Securities	300.00
ix)	Units of Mutual Fund	300.00
x)	Overseas	500.00
xi)	Any Other	500.00

The above aggregate monetary limit for investment are subject to limits as stipulated under the Prudential Norms of RBI from time to time.

8. Classification of Investments

The Investments, that the Company shall hold, will be treated as the assets of the Company held with the motive of earning income by way of dividends, interest, and / or for capital appreciation and / or for other benefits. The investments of the Company shall be classified into the following two categories:

1.	Current Investments	The investments made by the Company which are intended to be held for not more than one year from the date on which such investments is made and which are by its very nature are readily realizable.
2.	Long term Investments	Any other investments other than the aforesaid current investments will be construed as long term investments.

Inter Class Transfers

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 Committee. Such inter class transfer should be in compliance with the applicable statutory provisions from time to time.

Valuation of Investments

a. Short Term Investment

<table>
<tr><th rowspan="2">Category of Investment</th><th colspan="2">Valuation</th></tr>
<tr><th>Quoted Security</th><th>Unquoted Security</th></tr>
<tr><td>Equity Shares</td><td rowspan="5">Quoted Current investment foreach category shall be valued at Market Value or Cost, whichever is lower.</td><td>Cost or Breakup value, whichever is lower.</td></tr>
<tr><td>Preference Shares</td><td>Cost or Face value, whichever is lower.</td></tr>
<tr><td>Government Security</td><td>At Carrying Cost.</td></tr>
<tr><td>Units of Mutual Funds</td><td>At Net Asset Value declared by Mutual Fund in respect of each particular scheme.</td></tr>
<tr><td>Debenture and Bonds</td><td>Shall be treated as Term Loans or other type of credit facilities depending upon the tenure of the debentures.</td></tr>
</table>

b. Long Term Investment

All the Long Term Investments are to be valued in accordance with Accounting Standards issued by Institute of Chartered Accountants of India (ICAI) and prescribed under The Companies (Indian Accounting Standards) Rules, 2015 and amended from time to time or as prescribed by the RBI from time to time.

Presentation in the financial statement

- Income from investments shall be provided in the books of accounts as per the Accounting Standards and norms prescribed by the RBI from time to time.

- Investment on the reporting date shall be disclosed appropriately as per format prescribed by the Regulator(s) from time to time.

9. Internal Credit Assessments of Investments

To ensure that the investments made by the Company do not give rise to system concerns, it is necessary that the Company should ensure that it takes into account the following aspects:

1. Based on the economic scenario, the Company shall evaluate its Investments and diversify in various categories of financial instruments / business sectors.
2. Investment proposal to be subjected to same degree of Credit risk analysis as any loan proposal.
3. Strengthening the internal systems which should include building of a system of regular tracking of the financial position of the Issuer.
4. The Company shall exercise due diligence of the investee companies for determining quality standards and industry wise, maturity wise in order to mitigate adverse risk of illiquidity.
5. The Company shall carry undertake risk assessment from time to time in respect of the investments made by the Company and taking remedial measures, wherever required.
6. The Company has to exercise due caution while taking any investment decision to subscribe to any financial instruments and refer to list of defaulters / willful defaulters from the data disseminated by RBI / Credit Information companies so that investments are not made in companies / entities who are defaulters / willful defaulters.

10. Record Keeping and Safekeeping

The Head of the Accounts Department shall be responsible for recording all investment transactions and for securing all documents relating to such transactions. The concerned Head will further ensure that all certificates for other investments received in reasonable time, are accurately recorded and filed.

11. Policy Consideration

i) 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.

ii) Revision

The Committee shall review the policy annually and shall recommend all necessary changes to the Board for consideration and adoption.

iii) Adoption

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

12. Performance Review & Reporting

The Board of Directors shall have the prerogative to review the performance of the Investments / Loans and Risk Management Committee.