



# **Baid Leasing and Finance Co. Ltd.**

## **INVESTMENT POLICY**

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Company Circulation

## Version Control

Document Version	Description of Change/ Annual Review	Date	Prepared / Changed by
1.0	Annual Review	<b>22nd June 2021</b>	Office of Chief Financial Officer

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## **SCOPE**

This policy applies to the investment of all operating funds of BAID LEASING AND FINANCE CO. LTD. [hereinafter referred as “the Company” or “We” or “BALFC”]. 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.

## **INTRODUCTION**

The Company obtains its funding primarily by providing vehicle financing, loan against property and SME lending. It does not accept public deposits. It is a non-systematically important NBFC.

## **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.

### **2. Credit Risk**

BALFC 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 the Company will do business.
- b. Diversifying the portfolio so that potential losses on individual securities will be minimized.

### **3. Interest Rate Risk**

BALFC 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:

- 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.

### **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

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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.

#### **5. 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:

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

### **STANDARDS OF CARE**

#### **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. BALFC 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 BALFC.

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, 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. 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 BALFC.

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## INVESTMENT TRANSACTIONS

### **1. Internal Controls**

The Chief Financial Officer is responsible for establishing and maintaining an internal control structure that will be reviewed annually with the Company's internal auditor.

The internal control structure shall be designed to ensure that the assets of BALFC are protected from loss, theft or misuse and to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived.

### **2. Authorized Financial Dealers and Institutions**

We will ensure that all financial dealers/Institutions being dealt with are registered with respective agencies like Securities Exchange Board of India (SEBI) or Reserve Bank of India (RBI) and funds floated by such dealers/institutions only will be approved for the purpose of investment. Any investment in institution/entity which is not approved by either SEBI or RBI will not qualify for investment unless prior approval for the same is taken from Board of Directors of the company.

### **3. Eligible Investment**

The following list represents the current range of investments that BALFC will consider and which shall be authorized for the investment of funds.

**Commercial Paper.** BALFC may invest in commercial paper issued by corporations with an original maturity of 364 days or less, which at the time of purchase, have received the highest rating issued by any accredited rating agency. Eligible regional commercial paper shall not exceed 15% of the investment portfolio.

**Treasury Bills (T-Bills).** BALFC may invest in T-Bills issued by the local government, banks and Reserve Bank of India. Except with Board approval, treasury bills holding in any government issue shall not exceed 15% of the investment portfolio.

**Bonds (Sovereign and Corporate).** BALFC may invest in Bonds issued by the local government and by banks and Reserve Bank of India, as well as in corporate bonds. Except with Board approval, bond holding in any government issue shall not exceed 15% of the investment portfolio, and the total bond holding in any corporation shall not exceed 15% of the investment portfolio.

**Shares (Stocks)/Mutual Funds.** BALFC may invest in public and private equity securities. Except with Board approval, equity holding in a single entity or a group of related entities shall not

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exceed 25% of the investment portfolio. Further investments in subsidiaries will not fall within this parameter.

### **CRITERIA FOR CLASSIFICATION**

At the time of making the Investment, the investment so made by the Company is to be classified mainly into two criteria:

#### **1. Long Term Investment**

Any investment, which is made for the period of 1 year or above, is to be classified as Long Term Investment.

#### **2. Short Term Investment**

Any Investment made in Liquid funds or for the period lesser than 1 year, is to be classified as Short Term Investment.

#### **3. 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 Board. Such inter class transfer are to be made at Book value or Market value, whichever is lower after providing effect of Depreciation and appreciation, if any, is to be ignored.

- In case of inter-class transfer –

(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;

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(c) the investments shall be transferred scrip-wise, from current to long-term or vice-versa, at book value or market value, whichever is lower;

(d) the depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be ignored;

(e) 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.

- Quoted current investments shall, for the purposes of valuation, be grouped into the following categories, viz.
  - (a) equity shares,
  - (b) preference shares,
  - (c) debentures and bonds,
  - (d) Government securities including treasury bills,
  - (e) units of mutual fund, and
  - (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.
- Unquoted equity shares in the nature of current investments shall be valued at cost or breakup value, whichever is lower.
- Unquoted preference shares in the nature of current investments shall be valued at cost or face value, whichever is lower.
- Investments in unquoted Government securities or Government guaranteed bonds shall be valued at carrying cost.
- 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.
- Commercial papers shall be valued at carrying cost.
- A long term investment shall be valued in accordance with the Accounting Standard issued by ICAI.

Note: 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.

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### **AUTHORITY FOR MAKING LONG TERM INVESTMENT**

Any Long Term investment should be done with the permission of Board of Directors (which expression shall include the Committee of Board i.e. Executive Committee or any person authorized /representing the Board).

### **GROUPING OF INVESTMENT**

The investments made by the Company are to be classified into following categories:

- a. Equity Shares
- b. Preference Shares
- c. Debentures and Bonds
- d. Government Securities
- e. Units of Mutual Fund
- f. Any Other

### **VALUATION OF INVESTMENT**

#### **Short term investment**

Category of Investment	Valuation	
	Quoted Security	Unquoted Security
Equity Shares	Quoted Current investment for each category shall be valued at Market value or Cost, whichever is lower.	Cost or Breakup value, whichever is Lower.
Preference Shares		Cost of face value, whichever is lower
Government Securities		At Carrying Cost.
Units of mutual Funds		NAV declared by the mutual funds.
Debentures and Bonds		Shall be treated as the Term loan depending on the tenor of the Debenture or Bond.

#### **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).

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## **POLICY CONSIDERATION**

### **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.

### **2. Revision**

Chief Financial Officer shall review the policy annually and shall recommend all necessary changes to the Board for consideration and adoption.

### **3. Adoption**

This policy and any changes made during the annual reviews shall be adopted by resolution of the Board of Directors (which expression shall include the Committee of Board i.e. Executive Committee or any person authorized /representing the Board).

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<b>Proposed by:</b>	
<b>Name</b>	<b>Signature</b>
Mr. Aditya Baid, Chief Financial Officer	

<b>Reviewed by:</b>	
Mr. Aman Baid, Whole Time Director	

<b>Approving Authority</b>	Board of Directors
<b>Date of Approval/ Review</b>	June 22, 2021

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