MEENAKSHI MERCANTILES LIMITED

INVESTMENT POLICY

1. INTRODUCTION, OBJECTIVES AND APPLICABILITY:

Meenakshi Mercantiles Limited is an NBFC registered with the Reserve Bank of India (RBI). The Company is classified as a Middle layer NBFC (NBFC-ML) pursuant to Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (hereinafter referred to as "the RBI Directions") issued by the RBI, the Board of Directors of an applicable NBFC is required frame and approve an Investment Policy.

The objective of investments by the company is to manage liquidity and to get reasonable returns while ensuring safety of the Investments, which can be in any of the following manners:
i) Return on investments in the form of Dividend and/or interest, or
ii) For capital appreciation or
iii) For other benefits.

Investment Objective is also to optimize return on surplus / idle fund with adequate liquidity and safety and to adhere to RBI's prudential norms as applicable.

1.1 Objectives

The Board of Directors have established the Policy parameters with regard to investment of the funds of the Company into the instruments, products, securities etc. within the regulatory/ statutory requirements.

This policy lays out the general terms and conditions for Investments made by the Company. This policy covers all operational guidelines for the investments.

The broad objectives of the Policy are as under:
i) Effectively manage and invest the funds in permitted investments for the duration available.
ii) Effectively manage and invest surplus funds which may be available relatively for a longer period or shorter period
iii) Effectively manage interest rate risk by adopting appropriate maturity pattern, particularly when the funds are invested in Government Securities.
iv) Effectively implement Internal Control on the operations/execution of Investment Transactions.
v) Proper recording/accounting of the investment transactions.

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1.2 Applicable Regulations:

i) Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, as applicable.
ii) Guidelines for investments in unencumbered securities.
iii) Clarifications as may be issued from time to time by Reserve Bank of India.
iv) The Company will adhere to the provisions of the Companies Act, 2013.
v) 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 will have overridden effect on the parameter(s).

1.3 Delegation of Power, Approval and Review:

The Board of Directors of the Company will approve this Policy and authorities under the Policy. Further, the Board, by way of a resolution, may delegate the said power to any of its Committees, the Managing Director, the Manager or the Principal Officer (hereinafter collectively referred to as the "delegate") of the Company.

The said powers are subject to review from time to time as per respective Board resolution.

1.4 Exception to the Policy

Any exception to the Policy will need approval from the Board of Directors.

1.5 Recordkeeping

The Company will maintain appropriate records in accordance with the regulatory/ statutory requirements from time to time.

1.6 Applicability

The Policy will be applicable from the date of approval by the Board of Directors of the Company.

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1.7 Policy Review

The Board of Directors of the Company or the Risk Management Committee may review the policy yearly to ensure that it remains consistent with the overall objectives of the Company and it complies with the regulatory/ statutory requirements from time to time.

2. POLICY STANDARDS

2.1 Classification of Investments

The Investments of the Company will be treated as 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.

As per Ind AS, the investments are financial assets.

At Initial recognition, Company will classify financial assets in any one of the following categories:

(a) Amortised Cost
(b) Fair value through Other Comprehensive Income (FVOCI)
(c) Fair value through Profit or Loss (FVTPL)

(a) Amortised Cost:

A financial asset shall be measured at amortised cost if both of the following conditions are met:

(i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Fair value through Other Comprehensive Income (FVOCI):

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

(i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
(ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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(c) Fair value through Profit or Loss (FVTPL):

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. However, the Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income.

Business Model assessment and Solely payments of principal and interest (SPPI) test:

Classification and measurement of financial assets depends on the business model and results of SPPI test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including;

1) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
2) The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
3) How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
4) The expected frequency, value and timing of sales are also important aspects of the Company's assessment

If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2.2 Type of Investment:

The Company may invest in the following instruments:

1. **Government Instruments**:

- Debt instruments, Treasury Bills, or securities issued or guaranteed by the Government of India.

2. **Corporate Instruments**:

   - Corporate Debt, Short-Term Deposits, Commercial Papers, Intercorporate Deposits from scheduled commercial banks, Small Finance Banks, financial institutions.

3. **Equity & Preference Investments**:

   - Quoted equity and preference shares for investment purposes.
   - Unquoted equity and preference shares for investment purposes

4. **Money Market Instruments**:

   - Liquid funds, Fixed Maturity Plans, Bond Funds, Gilt Funds, and mutual fund units registered with the Securities and Exchange Board of India (SEBI).

5. **Debentures and Other Debt Instruments**:

   - Debentures, Bonds, and Certificates of Deposit issued by scheduled commercial banks, cooperative banks, or financial institutions.

6. **Alternative Investment Funds (AIFs)**:

   - Investments in regulated AIFs, subject to RBI and SEBI guidelines, in alignment with the Company's risk profile and investment strategy.

2.3 <u>Recognition of Income from Investments:</u>

a) Income from dividend on units of mutual funds shall be taken into account when right to receive dividend is established;

b) Interest income from bonds and debentures of corporate bodies, from Government securities/bonds and from unquoted preference shares are classified at amortise cost and shall be recognised at effective interest rate method. For investments classified at FVTPL, interest income shall be recognised at coupon rate;

c) Interest Income on Fixed Deposits with Banks/ Financial Institutions may be taken into account on accrual basis;

d) Financial assets that are classified at FVOCI or FVTPL shall be remeasured at fair value at each balance sheet date and the gain / loss shall be recognised in statement of profit & loss or in OCI as the case may be.

e) Gain / loss on derecognition of financial assets shall be booked as difference between carrying amount and realised value.

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2.4 Transaction in Government Securities:

The Company may undertake transactions in Government securities (Debt Instruments) through its demat account.

2.5 Concentration of Investment/ Exposure limits:

The Company will ensure that all its investments comply with the concentration norms prescribed in the RBI Directions as applicable.

2.6 Investment Authorisation Hierarchy:

The Board may delegate powers to Asset Liability Committee (ALCO) to sell, purchase, transfer, endorse, negotiate and or/otherwise deal in Securities/ Mutual Funds and sign letter of indemnity, execute bond of indemnity, guarantee, sign declaration and also authorised to receive interest & principal thereof on behalf of Company.

The said powers are subject to review from time to time as and when required.

2.7 Investment in Mutual Funds, AIFs, and Debentures:

The Company may invest in mutual funds, alternative investment funds (AIFs), and debentures, based on the suitability of the instruments and the risk-return profile aligned with the Company's investment objectives. The selection of mutual funds and AIFs must be consistent with the Company's risk management framework, ensuring proper due diligence, credit rating, and liquidity considerations. The Company may invest in AIFs after verification of downstream investments. The Company shall not make any investments in any scheme of AIFs which has downstream investments either directly or indirectly in a debtor of the Company.

AIF – specific guidelines:

- Only SEBI-registered AIFs are eligible.
- No investment in any AIF scheme with downstream investment in the Company's debtor entities (direct or indirect).
- Exposure to AIFs to be within Board-approved NOF limits.
- AIF investments to be recognised at FVTPL under Ind AS 109.
- Monitoring: Quarterly review of AIF performance, compliance with concentration norms, and stress testing under ICAAP.

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