

SHRIRAM CREDIT COMPANY LIMITED

INVESTMENT POLICY

STATUS OF THE COMPANY:

SHRIRAM CREDIT COMPANY LTD (hereinafter called SCCL) is a Public Limited Company incorporated under the Companies Act, 1956 and is registered with RBI as Non – Deposit taking Systemically Important Non-banking Finance Company.

OBJECTIVE:

The Reserve Bank of India had issued a Notification under **NON-BANKING FINANCIAL (NON- DEPOSIT ACCEPTING OR HOLDING) COMPANIES PRUDENTIAL NORMS (RESERVE BANK) DIRECTION, 2007**(as amended from time to time) to regulate and control the Non-Banking Financial Companies which are not accepting /holding public deposits.

RBI had issued Master Direction - Non Banking Financial Company- Systemically Important Non - Deposit taking Company (Reserve Bank) Directions, 2016 (as amended from time to time) In order to comply with the above Directions read with the relevant Annual Circular of RBI, the following policy has been framed for regulating the Investments by the Company.

The Company is in the business of extending loans and also holds strategic investments in subsidiaries. The company makes investments for strategic reasons to develop the businesses and make them to grow as mature business entities. All the investments of the company, except the investments made with temporary surpluses, are the long-term in nature. The investment goals include development of business, supporting the subsidiaries, capital appreciation, etc. The motive of the Company to hold the investments is to get long term returns out of the investments. The investments could benefit the company from any of the following manners:

1. Strategic investment benefits from developing the business.
2. Capital appreciation from dilution of investments
3. Income from investments like dividend etc.
4. For other benefits.

COMPLIANCE IN RESPECT OF INVESTMENT ACTIVITY:

- SCCL is in compliance with the various applicable guidelines as stipulated by Reserve Bank of India from time to time.
- SCCL is also strictly adhering to the applicable provisions of Companies Act, 2013 including any statutory modifications or amendments incidental thereto.
- The Board of SCCL may revise the existing policy or frame a new investment policy (ies) to comply with the regulatory amendments made from time to time.

INVESTMENT POLICY OF SCCL:

A. INVESTMENT DECISION:

SCCL will take all investment decisions only at the duly convened meeting of the Board of Directors. The Board of SCCL may delegate the said powers to any Committee of the Board (which includes the existing one or a newly constituted one)/ Director/Chief Financial Officer/Company Secretary. The delegated powers are subject to the following:

- The resolution delegating the said powers has to specify the quantum limits and the generic nature of the Security.
- The delegated powers should be used only for the best interest of the company.
- The delegated powers will be monitored by the Board at periodic intervals.
- The delegated authority can seek internal and external legal/ professional advice for the proposed investments in order to minimize the risks and on the other hand to reap highest possible returns.

B. CLASSIFICATION OF INVESTMENTS:

Investments of SCCL will be treated as the Long-term Investments /Assets, if, it is held for strategic reasons beyond one year. Rest of the investments will be treated as Short-term Investments. The aforesaid classification will be decided at the time of making investment itself and treated in the Books accordingly.

The company will also make investment / grant loan from its temporary cash surplus in

- (i) Bank deposits
- (ii) Money market instruments, including money market mutual funds,
- (iii) Government securities and
- (iv) Bonds or debentures
- (v) Granting of loans to group companies.
- (vi) Granting inter corporate loans.
- (vii) Shares and other securities of companies and equity mutual funds.

The company can also give guarantees on behalf of group companies.

C. INTER-CLASS TRANSFER OF SECURITEIS

There shall not be Inter-Class Transfer of Securities without any justification. Such, Inter-Transfer can be made if, the situation warrants. The same is done with the approval of the Board (includes Committee or any delegated authority) only at the commencement of Half-year, i.e. April 1st or October 1st of the financial year. The investment may be transferred scrip-wise, from current to long-term or vice versa, at book value or market value, whichever is lower.

Depreciation in the nature of diminution in the value of the security shall be fully provided in the books of SCCL and appreciation in value if any, shall be ignored.

Depreciation in one scrip shall not be set off against appreciation in scrip, at the time of such inter-class transfer, even in respect of the scrip of the same category.

D. GROUPING OF INVESTMENTS

The Current Investments may be classified in to two categories i.e. Quoted and Un-quoted.

❖ QUOTED CURRENT INVESTMENTS

The quoted investments will be grouped in the following headings for the purpose of the valuation :

- Equity Shares
- Preference Shares
- Debentures and bonds
- Government securities including treasury bills
- Units of mutual funds and
- others

The quoted current investments for each category shall be valued at cost or market value, whichever is lower. The investment 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 INVESTMENTS**

- The unquoted equity shares in the nature of current investments shall be valued at cost or break-up value, whichever is lower. However, if required, the Company may substitute fair value for the breakup value of the shares. Further, where the Balance sheet of the investment company is not available for two years, such shares shall be valued at one rupee only.
- The unquoted preference shares in the nature of current investments shall be valued at cost or face value, whichever is lower.
- The investment 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.
- Long-term investments are usually valued at cost. However, when there is a decline, other than temporary, in the value of a long term investment, the carrying amount is reduced to recognize the decline. The said decline shall be charged to the profit and loss statement. The reduction in carrying amount is reversed when there is a rise in the value of the investment, or if the reasons for the reduction no longer exist.
- Commercial Papers shall be availed at a carrying cost.
- 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.

ACCOUNTING TREATEMENT:

SCCL will be strictly complying with the applicable Accounting Standards in respect of Investments, issued by the Institute of Chartered Accountants of India.

(This policy has been recommended by the Audit Committee and approved by the Board of Directors in their meeting held on November 2, 2018)