

# PNY SABHA FINANCE LIMITED

## **COPROPRATE INVESTMENT POLICY**

Reviewed and approved by vide Board Resolution No. RES.NO.BOD/13/11-07/2017-18 dated 28<sup>th</sup> November 2017

**Revised on board meeting dated 06/08/2024**

**Res: BOD/07-08-04/2024-25**

**Introduction:** PNY Sabha Finance Ltd is registered with the Reserve Bank of India as a Non-Systemically Important, Non-Deposit taking, Non-Banking Finance Company and categorized as 'Loan Company'. It is a Public Limited Company governed by the Rules and Regulations of the Companies Act, 2013, and regulated by the Department of Non-Banking Supervision (DNBS) of Reserve Bank of India.

### **1. Scope**

This policy applies to the investment of all operating funds of PNY Sabha Finance Ltd. 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.

PNY Sabha Finance Ltd obtains its funding primarily through the subscription of Share Capital, Loans and other Debt Instruments. It does not accept public deposits.

### **2. Investment Objectives**

- **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.

- **Credit Risk**

PNY Sabha Finance Ltd will minimize credit risk, the risk of loss due to the failure of the security issuer or banker, by:

1. Pre qualifying the Financial Institutions, brokers/dealers, intermediaries, and advisors with which PNY Sabha Finance Ltd will do business.
2. Diversifying the portfolios so that potential losses on individual securities will be minimized.

- **Interest Rate Risk**

PNY Sabha Finance Ltd 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:

1. 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.

- Investing operating funds primarily in shorter- term securities.

### **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.

- **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.

### **3. Standards of Care**

- **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. PNY Sabha Finance Ltd 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 PNY Sabha Finance Ltd.

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.

- **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 PNY Sabha Finance Ltd.

- **Delegation of Authority**

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

## **Checks & Balances**

The following guidelines have been established to enhance the integrity and transparency of PNY Sabha Finance Ltd's internal procedures for investing PNY Sabha Finance Ltd's funds and accounting for those investments.

The Managing Director, the Chairman, the Chief Financial Officer (CFO) and other persons designated in writing to act as Investment Officers will be authorized to transact investment business on behalf of PNY Sabha Finance Ltd. All trade confirmations will be sent directly to the Accounts Department where transaction details will be compared and verified against internal records. The Department shall review all investment transactions subsequent to execution by the Managing Director 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 PNY Sabha Finance Ltd's posting officers. The Managing Director and other officers authorized to transact investment business on behalf of PNY Sabha Finance Ltd are expressly prohibited from posting transactions regarding investments into PNY Sabha Finance Ltd's general ledger.

## **4. Investment Transactions**

- **Internal Controls**

The Chief Financial Officer is responsible for establishing and maintaining an internal control structure that will be reviewed annually with PNY Sabha Finance Ltd's internal auditor. The internal control structure shall be designed to ensure that the assets of PNY Sabha Finance Ltd 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.

- **Authorized Financial Dealers and Institutions**

PNY Sabha Finance Ltd 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.

## **5. 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:

- a. Current Investment**

The investment made by the Company which are intended to be held for not more than one year from the date on which such investment is made and which are by its very nature are

readily realizable.

#### **b. Long Term Investment**

Any Investment other than the aforesaid current investment will be construed as long term investment, including the investments within the Group.

#### **Inter Class Transfers**

The Company shall not make any inter class transfer on ad-hoc basis. If the inter class transfer is warranted then it shall be effected only at the beginning of each half year only i.e. on 1<sup>st</sup> April or 1<sup>st</sup> October, with approval of the Board.

The Investment shall be transferred scrip-wise, from current investment to long-term investment or vice -versa, at book value or market value whichever is lower.

### **6. Investment Parameters**

#### **• Portfolio Diversification**

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. The current policy guidelines are as follows:

Asset Allocation PNY Sabha Finance Ltd shall adopt a flexible weightings approach (strategic asset allocation) involving the periodic adjustments of the weights for each category based either on the market analysis or on technical analysis (i.e., market timing). A new allocation therefore may be constructed to capture greater returns in a changing market. The initial allocation table is as follows:

#### **• 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 to ensure that appropriate liquidity is maintained to meet ongoing obligations.

#### **• Portfolio Management**

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

### **7. Performance Review & Reporting**

The Managing Director will periodically establish a benchmark yield for PNY Sabha Finance Ltd'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.

### **8. Record Keeping and Safekeeping**

The Accounts Department shall be responsible for recording all investment transactions and for securing all documents related to such transactions. The Department will ensure credit in demat are received in

reasonable time and filed. The Department will ensure that all certificates for other investments are received in reasonable time, are accurately recorded and securely filed away. Also, the monthly interest accruals and quarterly market value adjustments will be the Accounts Departments responsibility.

## **9. Policy Consideration**

### **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.**

### **Revision**

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

### **Adoption**

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