

AMBIUM FINSERVE LIMITED

(Formerly known as Ambium Finserve Private Limited)

INVESTMENT POLICY

Version 2

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I. INTRODUCTION AND BACKGROUND

Ambium Finserve Limited (formerly Ambium Finserve Private Limited)(hereinafter referred to as “the Company” or “Ambium”) is a Non- Systemically Important Non-deposit taking Non-Banking Financial Company (NBFC-ND-NSI) duly registered with the Reserve Bank of India (RBI). Under the Scale Based Regulatory (SBR) Framework for NBFCs, the Company is categorized as a Base Layer NBFC based on its asset size.

The Company has adopted this Policy on Investments (the “Policy”) as required under the RBI’s Master Direction for non-systemically important Non-Banking Financial Companies, as amended from time to time. This Policy is duly approved by the Board of Directors of the Company.

II. PURPOSE AND SCOPE

The Policy shall be applicable to all the operational investments made by the Company. The purpose of the Policy is to frame the broad guidelines for making appropriate investment decisions as well as to inculcate operational efficiency while making investments by the Company.

The principal business activity of the Company is of providing secured as well as unsecured business loans to the under-served individuals, households, and businesses and offer wholesale lending to other NBFCs, Financial Institutions and other Body Corporates (having an AUM of up to INR 5000 crores or such other cap as may be decided by the Board) to provide access to credit to under-served segment.

The Company will not deploy funds in investments as a business activity, but it may on an occasional basis invest surplus funds into liquid investments subject to applicable RBI guidelines and regulations. Such investments shall be made in accordance with the Risk Management Policy which governs liquidity management as stipulated by the RBI.

This policy is framed with the following objectives:

1. To effectively manage and control the investment of surplus funds in the permitted avenues/instruments for the duration available;
2. To manage interest rate risk by adopting appropriate measures to maturity patterns;
3. To manage the investment decisions in compliance with this policy and objectives of the Company;
4. To ensure the required control and monitoring for efficient and effective investment transactions;
5. To maintain proper recording/accounting of the investment transactions; and
6. To ensure effective reporting of the investment transactions to the management.

III. INVESTMENT OBJECTIVES

Based on the business objectives of the Company following important parameters of Investments shall be considered before taking any investment decision:

i. Safety:

Investments will be undertaken by the Company in a manner that seeks to ensure preservation of the capital and generate an investment return commensurate with the risk. Accordingly, Investments will be made in accordance with the Credit Policy and the Risk Management Policy of the Company, to ensure that the investments are made within the acceptable business terms and are approved by the relevant authority.

ii. Minimise Credit Risk:

The Company shall aim to minimize its credit risks (i.e., the risk of loss due to failure of security or banker) by:

- a. Engaging primarily with regulated financial institutions, brokers/dealers, intermediaries, advisors, etc., while making investments.
- b. Diversifying the portfolio such that the potential losses on individual securities will be minimized.
- c. By complying with the risk management practices and policies adopted by the Company.

iii. Minimise Interest Rate Risk:

The Company will minimize its Interest rate Risk that it will carry due to changes market value of securities on account of changes in general interest rate by:

- a. The investment portfolios must be structured such that the securities forming a part of the investment portfolio must mature to meet cash requirements for ongoing operations of the Company, thereby avoiding the need to sell securities in the open market prior to maturity so as to meet the liquidity needs of the Company.
- b. The surplus from the operating funds must be primarily invested in securities maturing in the short-term that can be readily converted into cash.

iv. Manage Liquidity Risk

It must be ensured that the investment portfolio remains sufficiently liquid to meet all operating requirements that are reasonably anticipated. The Company shall accomplish the same by structuring the portfolio such that the securities mature concurrent with cash requirements to meet the anticipated demands. Furthermore, the portfolio must consist largely of securities with active secondary or resale markets to cover the unforeseen cash demands. Negotiable securities may be sold prior to their maturity to provide liquid funds as needed for working capital or cash flow.

v. Yield

The investment portfolio shall be managed with the objective of attaining a competitive rate of return given the constraints of the abovementioned safety and liquidity objectives. In order, 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; and
- b. Liquidity needs of the portfolio require that the security be sold.

IV. STANDARDS OF CARE

The Company needs to take care of the following standard practices while finalising and implementing investment decisions:

- **Prudence**

Investments will 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.

- **Ethics & Conflicts of Interest**

Officers and employees involved in the investment process will 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 will disclose any material interests in financial institutions in which they conduct business. They will further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Personal investment transactions of employees and officials with the same individual or company with which business is conducted on behalf of the Company will be subject to the Company's insider trading policy .

- **Delegation of Authority**

Authority to manage the investment program is granted to any director authorised by the Board, will act in accordance with the established 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 authorised Director. The Head of Finance or any other director authorised by the Board will be responsible for all transactions undertaken and will 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 the Company's internal procedures for investing funds and accounting for those investments. The Director authorised by the Board or any person designated in writing to act as Investment Officers will be authorised to transact investment business on behalf of the Company.

V. CLASSIFICATION OF INVESTMENTS

The Investments that the Company will hold, will be treated as the assets of the Company held with the

motive of earning income by way of dividend, interest, and / or for capital appreciation and / or for other benefits. The investments of the Company shall be classified into the following two categories:

- **Current Investments** – Investments made by the Company which are intended to be held for a period less than one year from the date on which such investments are made.
- **Long Term Investments** – Any other Investments other than the aforesaid current investments will be construed as long-term investment.

VI. TRANSFER OF INVESTMENTS

The Company shall not make any inter class transfer on an ad-hoc basis. Inter-class transfer, if warranted, will be affected only at the beginning of each half year, on April 1 or October 1, with approval of the Board.

The accounting treatment for inter class transfer will be as under:

- On such inter-class transfer, the investments will be transferred scrip-wise, from current to long-term or vice-versa, at book value or market value, whichever is lower.
- The depreciation, if any, in each scrip will be provided for and appreciation, if any, will be ignored.
- The depreciation in one scrip will 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.

VII. VALUATION OF INVESTMENTS

The Investments made by the Company as mentioned above are classified mainly into long term investments and short-term investments. The regulator (RBI) has specified the accounting treatment to be considered for investment instruments lying under these two categories (long-term & short-term investments).

Short Term Investments

The Short-term Investments are further classified as Quoted and Unquoted Short-term Investments and the valuation/accounting treatment for investment instruments under these categories are as follows:

- i. (a) Quoted current investments shall, for the purposes of valuation, be grouped into the following categories, viz.
 - Equity shares,
 - Preference shares,
 - Debentures and bonds,
 - Government securities including treasury bills,
 - Units of mutual fund, and
 - Others.

(b) 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.

ii. **Valuation of Un-quoted Current Investment:**

- a) Unquoted **equity shares** in the nature of current investments shall be valued at cost or breakup value, whichever is lower. The Company may substitute fair value for the breakup value of the shares, if considered necessary. Where the balance sheet of the investee company is not available for two years, such shares shall be valued at one Rupee only.
- b) Unquoted **preference shares** in the nature of current investments shall be valued at cost or face value, whichever is lower.
- c) Investments in unquoted **Government securities** or Government guaranteed bonds shall be valued at carrying cost.
- d) 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.
- e) **Commercial papers** shall be valued at carrying cost.
- f) 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.

The aforementioned valuation/accounting treatment for short term Investments can also be understood through the means of the following table:

Category of Short-Term Investment	Valuation	
	Quoted Security	Unquoted Security
Equity Shares	Quoted Current Investment for each category will be valued at Cost or Market Value, whichever is lower	Cost or Breakup value. Whichever is lower
Preference Shares		Cost or Face value, whichever is Lower

Government Security		At Carrying Cost
Units of Mutual Fund		At Net Asset Value (NAV) declared by Mutual Fund in respect of each particular scheme.
Debentures and Bonds		It will be treated as Term Loans or other type of credit facilities depending upon the tenure of such debentures for the purpose of income or asset classification.

Long Term Investment: A long-term investment shall be valued in accordance with the Accounting Standard issued by ICAI.

VIII. PERFORMANCE REVIEW AND REPORTING

Investments held at the end of each quarter will be disclosed in quarterly balance sheets being put up for the Board's consideration.

IX. COMPLIANCE WITH INVESTMENT POLICY

All the Investment shall be made in compliance with the Investment Policy and should be as per the applicable provisions of the Companies Act, 2013 read with rules made thereunder, notifications and circulars issued by the RBI from time to time and other rules, regulation, directions as may be applicable for this purpose and is in effect at the time the investment is made. Changes to the Investment Policy will only be effective prospectively and will not apply to investments made prior to such changes. However, the Board will take necessary actions as appropriate on divestments to be made due to changes in regulatory requirements.

For transactions undertaken, implementation of the principles of this Policy shall be maintained as follows:

- (i) the leading credit/risk associate shall be the maker for the conformity with the Policy;
- (ii) Post the maker review, any member of the Executive Committee of the Board of Directors, or any such person as may be authorized by the Board shall confirm the compliance with the Policy as checker.

X. POLICY REVIEW

The Board or the directors authorised by the Board will review the policy annually and will recommend all necessary changes for consideration and adoption.