

# SARASWATI COMMERCIAL (INDIA) LIMITED

CIN: L51909MH1983PLC166605

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## INVESTMENT POLICY

<b>Effective from</b>	<b>24.07.2017</b>
<b>1<sup>st</sup> Review</b>	<b>30.01.2019</b>
<b>2<sup>nd</sup> Review</b>	<b>10.08.2023</b>
<b>3<sup>rd</sup> Review</b>	<b>12.11.2024</b>

## **INVESTMENT POLICY**

### **INTRODUCTION**

Saraswati Commercial (India) Limited (“The Company”) is an Investment and Credit Company (ICC). The Company is engaged in the business of investment and trading in shares and securities & lending activities.

The Reserve Bank of India (RBI) on October 19, 2023 (bearing ref no. **RBI/DoR/2023-24/106**) issued Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 [Earlier Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 were applicable to the NBFC which is now repelled] considering it necessary in the public interest, and being satisfied that, for the purpose of enabling the Reserve Bank to regulate the financial system to the advantage of the country and to prevent the affairs of any Non-Banking Financial Company from being conducted in a manner detrimental to the interest of investors and depositors or in any manner prejudicial to the interest of such NBFCs.

As per the Scale Based Regulations, Company is required to frame, adopt and implement an Investment Policy.

The Company shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications accordingly to conform to the standards prescribed.

The Company had adopted Indian Accounting Standards ('Ind AS') notified under Section 133 of the Companies Act 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015 as amended, from April 1, 2019 and the effective date of such transition is April 1, 2018.

### **CLASSIFICATION OF INVESTMENTS:**

The Investments of Saraswati Commercial (India) Limited will be classified into the following two categories:

- A. Investment: This includes securities purchased with the intention to hold for long term & not for trade. Intention of the management is to gain capital appreciation & Dividend Income from those Investments. These Securities will be classified as “Investments” for accounting purpose.
- B. Stock in Trade: - This includes securities purchased with the intention on trading & earn business profit from the same

Management will review the Investments periodically & if there is any change in the intention in holding security then management can approve the reclassification/ inter class transfer of securities.

**TRANSFER OF INVESTMENTS:**

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, on April 1 or October 1, with the approval of the Board;

The investments shall be transferred scrip-wise, from trade investment (stock in trade) to investment, at market value;

**RECOGNITION/ VALUATION OF INVESTMENTS**

**- Initial Measurement of Investments:**

Recognized Investments are initially measured at fair value. Transaction costs and revenues that are directly attributable to the acquisition or issue of Securities (other than Investment at Fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the Investment, as appropriate, on initial recognition. Transaction costs and revenues directly attributable to the acquisition of Investments at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Company will account for such difference as follows:

- a. if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognized in profit or loss on initial recognition (i.e. day 1 profit or loss);
- b. in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the investment).

after initial recognition, the deferred gain or loss will be released to the Statement of profit and loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset.

**SUBSEQUENT MEASUREMENT OF INVESTMENTS**

All recognized Investments that are within the scope of Ind AS 109 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business

model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

## **BUSINESS MODEL ASSESSMENT**

The Company determines its business model at the level that best reflects how it manages groups of Investments to achieve its business objective. The Company's business model is assessed on an instrument by instrument basis.

### • **Further Classification of Investments**

For the purpose of subsequent measurement, Investments are classified into Three categories:

- Debt instruments at amortized cost
- Debt and equity instruments at Fair value through profit or loss (FVTPL)
- Equity instruments designated at Fair value through other comprehensive income(FVOCI)

#### ➤ **Debt instruments at amortized cost :**

The Company measures its investment in debt instrument at amortized cost if both the following conditions are met:

- The asset is held within a business model of collecting contractual cash flows; and
- Contractual terms of the asset give rise on specified dates to cash flows that are Sole Payments of Principal and Interest (SPPI) on the principal amount outstanding.

To make the SPPI assessment, the Company applies judgment and considers relevant factors such as the nature of portfolio and the period for which the interest rate is set.

The business model of the Company for assets subsequently measured at amortized cost category is to hold and collect contractual cash flows. However, considering the economic viability of carrying the delinquent portfolios in the books of the Company, it may sell these portfolios to other entities.

After initial measurement, such Investments are subsequently measured at amortized cost on effective interest rate (EIR).

#### ➤ **Debt / equity instruments at FVTPL:**

The Company classifies Investments which are held for trading & other instruments under FVTPL category. Held for trading assets are recorded and measured in the standalone balance sheet at fair value. Interest income is recognized in profit & loss as per the terms of the contract. Dividend income is recognized in profit & loss when the right to receive the same has been established. Gains or losses on changes in fair value of debt and equity instruments are recognized on net basis through profit or loss.

The Company's investments into mutual funds, bonds, equity shares have been classified under this category.

➤ **Equity instruments designated at FVTOCI:**

The Company's management has elected to classify irrevocably some of its equity investments at FVTOCI, when such instruments meet the definition of Equity under Ind AS 32 'Financial Instruments: Presentation'. Such classification is determined on an instrument-by-instrument basis.

Gains or losses on equity instruments measured through FVTOCI are never recycled to profit & loss, even on sale of investments. Dividends are recognized in profit or loss as dividend income, when the right of the payment has been established. Equity instruments at FVTOCI are not subject to impairment assessment.

**MEASUREMENT:**

The Quoted investments for each category are valued using the closing price of NSE / BSE as at the reporting period.

Fair value of quoted investment in two Group Companies, are further adjusted on account cross holding within group of companies.

The mutual funds are valued using the closing NAV as published on Association of Mutual Funds of India (AMFI).

The Unquoted equity shares other than group shall be valued at the fair value which is determined using valuation techniques which maximize the use of observable market data. Fair values of unquoted investments are derived from transaction in said securities between unrelated parties in the month of March.

For unquoted group companies and other unlisted companies, for which latest standalone /consolidated audited balance sheet are available. Accordingly, their fair value can be derived from the latest audited balance sheet by applying below formula:

“(Share capital + other equity - prepaid expenses) / no of equity shares = value per share.”

No of equity shares in above formula has been derived after reducing cross holding effect (if any).

**DE-RECOGNITION OF FINANCIAL ASSETS**

A financial asset is de-recognized only when:

- The Company has transferred the right to receive cash flows from the financial assets;  
or
- The right to receive cash flows from the asset have expired; or

- Retains the contractual rights to receive the cash flows of the financial assets, but assumes contractual obligations to pay the cash flows to one or more recipients.

Where the entity has transferred Investments, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is de-recognized. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not de-recognized.

On de-recognition of a Investments in its entirety, the difference between the asset's carrying amount and the sum of the consideration received or receivable in profit & loss in case Investments classified under FVTPL category.

In case of Investments classified under FVOCI category, the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in other equity is transferred to retained earnings if such gain or loss would have otherwise been recognized in profit or loss on disposal of that financial asset.

#### **AUTHORITY**

The Board of Directors (Board) of Company from time to time delegates the authority for making investment.

Any changes in the authority by the Board will automatically supersede the above authority.

All investments in securities will be made after conducting preliminary analysis of the fundamentals of the scrips. In respect of investment in securities, it may not be possible to document the rationale behind every investment decision.

However, the following norms must be followed by the Corporate Finance & Treasury Team:

1. The Authorized Signatory of the Company and in his absence, the director as authorized by board of the Company be and is hereby authorized to invest in, buy, sell, apply for purchase of, transfer, negotiate and/or otherwise deal with on such terms and conditions as he may think fit, in shares and securities in cash segment and in future and options segment, and in any Venture Capital Fund, Private Equity fund, Preferential Allotment, QIB issues, IPO investments etc.
2. The below mentioned authorized signatories of the Company are authorized to invest in, buy, sell, apply for purchase of, transfer, negotiate and/or otherwise deal with, on such terms and conditions as they think fit, in fixed deposits, bonds (private sector and government), units of mutual funds, debentures and securities other than shares in cash segment and future and options segment, including promissory notes, that may be issued

by any body corporate, financial institutions, banks, central government and state governments, in the name of Company.

**Group A:**

Sr No.	Name of the person	Designation	Mode of Operation
1	Ashwin Pannalal Kothari	Authorized Signatory	Severally
2	Rohit Ashwin Kothari	Authorized Signatory	Severally

**Group B:**

Sr No.	Name of the person	Designation	Mode of Operation
1	Sandeep Kejariwal	Authorized Signatory and Director	Jointly
2	Hetal Khalpada	Authorized Signatory and Director	Jointly

Any investment made in long duration Mutual funds shall be ratified by the Audit Committee.

**INVESTMENT DECISION MAKING PROCESS / INVESTMENT CONDITIONS**

1. Listed Equity Shares & other Listed Securities

Based on the various factors such as market research, financial ratio's, sentiments etc the company make investment in listed shares and securities. Considering different investment strategies such as Period of holding, growth investing, value investing, or income investing authorized person decides to invest in listed shares and securities.

2. Securities not listed recognized stock exchange

The Company may make investments in unlisted securities after thoroughly research the company's financials, its promoters, the sector and growth potential and considering factors like valuation, tax implication, rating given by recognized rating agencies.

3. Investment through Initial Public Offer (IPO)

The Company may make investments in Initial Public Offer (IPO) after proper valuation and considering factors like rating given by recognized rating agencies, market conditions etc.

#### 4. Mutual Funds

The Company will only invest in Mutual funds having total AUM of minimum Rs. 1,000 crores.

#### **INVESTMENT CONCENTRATION NORMS**

RBI vide circular dated 15th January 2024 has issued guidelines for Investment Concentration Norms – Credit Risk Transfer.

<b>Particulars</b>	<b>Exposure Limits</b>
Single borrower/party limit	25% of Tier 1 capital
Single group of borrowers/parties	40% of Tier 1 capital

For the purpose of this section, following shall be considered: -

- a) In the above exposure limits, the credit exposure shall also be considered.
- b) **“Companies in the group”** shall mean an arrangement involving two or more entities related to each other through any of the following relationships: Subsidiary – parent, Joint venture, Associate, Promoter-promotee (as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997) for listed companies, a related party, Common brand name, and investment in equity shares of 20 percent and above. The terms parent, subsidiary, joint venture, associate and related party shall be as defined/ described in applicable accounting standards.
- c) Tier I Capital as defined under Master Direction – Reserve Bank of India (Non-Banking Finance Company – Scale Based Regulation) Direction, 2023.
- d) The above concentration norms shall not apply for lending to subsidiaries and companies within the group to the extent they have been reduced from Owned funds for calculation of Net Owned Fund.

#### **Monitoring and Review of Investment**

The company will monitor the compliance of investment limits. The company will review the investments on a quarterly basis.

#### **REPORTING**

A report shall be provided to the management of the Company. The Report will detail the investment portfolio such as name of the scrip, original cost, market price and change in market price with respect to previous day closing.



Equity Investment portfolio shall reconcile with depository statement on weekly basis. The Company will do weekly reconciliation of its various investments with Demat statements, physical statements and investment statements

The Chief Financial Officer(CFO) or one level below CFO will track all corporate actions with respect to Company's investments and make sure the company gets benefit from all corporate actions of the investee Companies and to keep the management informed on corporate announcement like declaration of dividend, bonus, split of shares etc.

The Audit committee will verify all investments, future commitments and off balance sheet items on quarterly basis as made by the Company.

**POLICY EXCEPTIONS**

Any exceptions to this policy shall only be with the prior approval of the Board of Directors of the Company.

**REVIEW**

This policy shall be reviewed by the Board of Directors on at least an Annual basis.