

# **N.B.I. INDUSTRIAL FINANCE CO. LTD.**

## **INVESTMENT POLICY**

### **1. Introduction:**

N.B.I. Industrial Finance Co. Ltd. (the 'Company' or 'NBI') is a public limited company domiciled in India and incorporated under the provisions of Companies Act, 1913.

The Company operates as an Investment Company (as defined under RBI Guidelines) and is consequently registered as a Non-Banking Financial Company. The Company's registered office is 21 Strand Road, Kolkata – 700001, West Bengal, India. The company is registered with Reserve Bank of India as NBFC vide Registration Number 5.00252.

### **2. Objective:**

The principal activity of the Company is to provide.

1. Inter-corporate loans and
2. Investing in securities in wide range of companies as, Equity Instruments (Both Quoted and Unquoted), Preference Shares, Mutual Funds etc.

Following broad guidelines have been framed by NBI to inform its investment decisions in order to conform with NBFC-ND-SI detailed in their Master Circular no: RBI 2012-13/37. DNBS (PD) CC No.279/03.02.001/2012-13 dated 2.7.2012.

Accordingly, in compliance with Clause 6 (1) a of the Notification referred to above, this policy which will govern all investments, including statutory investments, to be made by NBI, is framed and submitted to the Board of Directors for approval. The Policy will be reviewed and revised and got approved by the Board of Directors if, there is any change in the statutory/regulatory provisions or annually, whichever is earlier.

The company has taken an irrevocable option to designate its investments in mutual fund and inventory fair value through Profit or Loss Account (FVTPL), investment in equity and preference shares fair value through other comprehensive income (FVTOCI), as the said instruments are not held for trading and the company continues to invest for long term purpose and remain invested in leaders in sectors, which it believes to have potential to remain accretive over the long term.

All the investments made are within India.

### **3. Classification Of Investment**

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 Investment:** The investments 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.
- **Long Term Investment:** Investment intended to be held for more than one year from the date on which such investment is made

#### 4. **Transfer of Investment**

- Investments in securities shall be classified into Current and Long Term, at the time of making each investment;
- No inter-class transfer will be made on ad-hoc basis;
- The inter-class transfer, if warranted, shall be affected only at the beginning of each half year, (i.e., on 1st April or 1st October) with the approval of the Board of Directors;
- The Investments shall be transferred scrip-wise, from Current to Long term or vice-versa, at the book value or market value, whichever is lower;
- Long term depreciation, if any, in each scrip shall be fully provided for and the appreciation, if any, shall be ignored, the Board may decide otherwise too in specific cases.

#### 5. **Valuation of Quoted Current Investment**

The quoted current investments shall, for the purposes of valuation, be grouped in the following categories:

- Equity Shares or any compulsory convertible instruments
- Preference shares
- Debentures and bonds
- Government Securities
- Unit of Mutual Funds and
- Others.

The quoted current investments for each category shall be valued at cost or market value, whichever is lower. For this purpose:

- i) Investments in each category shall be considered scrip-wise and the cost and market value/fair value aggregated for all investments in each category.
- ii) 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.
- iii) If the aggregate market value for the category exceeds the aggregate cost for the category, the net appreciation shall be ignored.
- iv) The Company has chosen to carry the Investments in associates at cost less impairment, if any, in the separate financial statements.

#### 6. **Valuation of Un-quoted Investment**

- a) **Equity Shares:** Unquoted equity shares in the nature of current investments shall be valued at Cost or Break-up value, whichever is lower. However, the Company may substitute Fair value for the Break-up 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) **Preference Shares:** Unquoted preference shares in the nature of current investments shall be valued at Cost or Face value, whichever is lower.

- c) **Government Securities:** Investments in unquoted Government Securities or Government guaranteed bonds shall be valued at Carrying cost.
- d) **Mutual Fund:** Unquoted investments in the units of Mutual funds in the nature of current investments shall be valued at the Net Asset Value declared by mutual fund in respect of each particular scheme.
- e) **Commercial Papers:** Commercial Papers shall be valued at Carrying cost.
- f) **Debentures:** 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.

## 7. Valuation of Long-Term Investment

“Long-term investments are usually carried 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 recognise the decline. Indicators of the value of an investment are obtained by reference to its market value/fair value, the investee’s assets and results and the expected cash flows from the investment.

The type and extent of the investor’s stake in the investee are also taken into account. Restrictions on distributions by the investee or on disposal by the investor may affect the value attributed to the investment. Long-term investments are usually of individual importance to the investing enterprise. The carrying amount of long-term investments is therefore determined on an individual investment basis.

Where there is a decline, other than temporary, in the carrying amounts of long-term investments, the resultant reduction in the carrying amount is 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.”

**Note:** Unquoted debentures shall be treated as term loans or other types of credit facilities depending upon the tenure of such debentures for the purpose of income recognition and asset classification.

## 8. Income from Investment.

- Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis:

Provided that the income from dividend on shares of corporate bodies may be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and the non-banking financial company’s right to receive payment is established.

- Income from bonds and debentures of corporate bodies and from Government securities/bonds may be taken into account on accrual basis:

Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

- Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government may be taken into account on accrual basis.

## **9. Investment Committee**

The Company is having an Investment Committee for following activities:

- Fixing criteria for classifying the investments into current and long-term investments,
- Investment of funds as per the policy guide lines,
- Day to day monitoring of Investment portfolio,
- Disposal of securities and realization of proceeds and revenue dues,
- Accounting of the Securities transactions and reconciliation thereof,
- Review of portfolio as and when required.

Committee shall consist of following directors:

- 1.) Chairman (Independent Director) – Ashok Bhandari
- 2.) Independent Director – Debasish Ray
- 3.) Non- Executive Director – B. L. Gaggar
- 4.) Non- Executive Director – J. P. Mundra

## **10. Powers of the Committee**

The Investment Committee shall be fully authorized to invest the surplus funds of the company in any form of investment it considers to be beneficial to the company within the framework approved by the Board of Directors. The committee shall meet as and when required depending on investment decisions. The committee will report to the board of directors on quarterly basis.