

# **Sattva Holding and Trading Private Limited**

## **Investment Policy**

Version: 7.0  
(Version Date: 28<sup>th</sup> March 2025)

**Policy Custodian:**

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**Policy Version Control:**

<b>Sr. No.</b>	<b>Version Number</b>	<b>Version Date</b>
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3	Version 3.0	11 <sup>th</sup> February 2022
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**Policy Governance:**

<b>Frequency of Review</b>	Annual or as per the requirement
<b>Last Reviewed On</b>	28 <sup>th</sup> March 2025
<b>Approval Path</b>	Board of Directors

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## **1. Background**

The Reserve Bank of India [“RBI”] has, under the Reserve Bank of India Act, 1934 [“RBI Act”], issued the Core Investment Companies (Reserve Bank) Directions, 2016 [“the CIC Directions”]. The Directions have prescribed various requirements relating to investment function of a Systemically Important Non-Deposit Taking Core Investment Company [“CIC-ND-SI”], in order to regulate the deployment of funds in a prudent manner.

The Company, being a Core Investment Company registered U/s 45-IA of the RBI Act as a CIC-ND-SI, is engaged in investment and financing activities to its entities in the Group.

In view of the above, this policy document lays down the policy of the Company and the guidelines to be adhered to while undertaking investment transactions, especially in primary and secondary markets of securities.

## **2. Objectives**

The objectives of this policy are as under:

- i. Effectively manage and invest the funds in the permitted investments for the duration available
- ii. Effectively manage and invest the other surplus funds as may be available after maintaining the CIC investment requirements.
- iii. Effective Internal Control on the operations / execution of Investment Transactions
- iv. Proper recording / accounting of the investment transactions
- v. Effective reporting of the Investment transactions to the Management
- vi. Effective compliance management of the investment transactions.

## **3. Scope**

This policy document covers all transactions relating to investment function of the Company, including but not limited to, investment in debt securities, investment in equity securities including that of Group companies unless stated otherwise.

In case of any discrepancy between this policy and any directions issued by RBI, the applicable directions, as amended from time to time, shall supersede this policy.

#### **4. Definitions**

**a. Adjusted Net Worth** means:

- (a) the aggregate, as appearing in the last audited balance sheet as at the end of the financial year, of Owned Funds as defined below.
- (b) as increased by:
  - i. 50% of the unrealized appreciation in the book value of quoted investments as at the date of the last audited balance sheet as at the end of the financial year (such appreciation being calculated, as the excess of the aggregate market value of such investments over the book value of such investments); and
  - ii. the increase, if any, in the equity share capital since the date of the last audited balance sheet.
- (c) as reduced by:
  - i. the amount of diminution in the aggregate book value of quoted investments (such diminution being calculated as the excess of the book value of such investments over the aggregate market value of such investments); and
  - ii. the reduction, if any, in the equity share capital since the date of the last audited balance sheet.

**b. Break-Up Value** means the equity capital and reserves as reduced by intangible assets and revaluation reserves, divided by the number of equity shares of the investee company.

**c. Carrying Cost** means book value of the assets and interest accrued thereon but not received.

**d. Companies in the Group** means an arrangement involving two or more entities related to each other through any of the following relationships, viz.:

- i. Subsidiary – Parent (defined in terms of AS 21)
- ii. Joint venture (defined in terms of AS 27)
- iii. Associate (defined in terms of AS 23)
- iv. Promoter-Promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies
- v. a Related Party (defined in terms of AS 18)
- vi. Common brand name, and
- vii. Investment in equity shares of 20% and above.

**e. Control** shall have the same meaning as is assigned to it under clause (e) of sub-regulation (1) of regulation 2 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

- f. **Current Investment** means an investment which is by its nature readily realisable and is intended to be held for not more than one year from the date on which such investment is made.
- g. **Earning Value** means the value of an equity share computed by taking the average of profits after tax as reduced by the preference dividend and adjusted for extraordinary and non-recurring items, for the immediately preceding three years and further divided by the number of equity shares of the investee company and capitalised at the following rate:
  - (a) in case of predominantly manufacturing company, eight per cent;
  - (b) in case of predominantly trading company, ten per cent; and
  - (c) in case of any other company, including non-banking financial company, twelve per cent.

Note: If, an investee company is a loss-making company, the earning value will be taken at zero.

- h. **Fair Value** is the mean of the earning value and the break-up value.
- i. **Investment** means investment in shares, stock, bonds, debentures or securities issued by the Government or local authority or other marketable securities of a like nature.
- j. **Long-Term Investment** means an investment other than a current investment.
- k. **Market Value of Quoted Investments** means the average of the weekly highs and lows of the closing price of the investments, on a recognized stock exchange where the investment is most actively traded, during the period of 26 weeks immediately preceding the end of the financial year at which date the last audited balance sheet is available.
- l. **Net Assets** means total assets excluding:
  - (a) cash and bank balances;
  - (b) investment in money market instruments and money market mutual funds
  - (c) advance payments of taxes; and
  - (d) deferred tax payment.
- m. **Net Asset Value** means the latest declared net asset value by the mutual fund concerned in respect of that particular scheme.
- n. **Net Book Value** means:
  - (a) in the case of hire purchase asset, the aggregate of overdue and future instalments receivable as reduced by the balance of un-matured finance charges and further reduced by the provisions made as per the CIC Directions;

- (b) in the case of leased asset, aggregate of capital portion of overdue lease rentals accounted as receivable and depreciated book value of the lease asset as adjusted by the balance of lease adjustment account.
- o. Outside Liabilities** means total liabilities as appearing on the liabilities side of the balance sheet excluding 'paid up capital' and 'reserves and surplus', instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue but including all forms of debt and obligations having the characteristics of debt, whether created by issue of hybrid instruments or otherwise, and value of guarantees issued, whether appearing on the balance sheet or not.
- p. Owned Funds** means paid up equity capital, preference shares which are compulsorily convertible into equity, free reserves, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any.
- q. Public funds** includes funds raised either directly or indirectly through public deposits, inter-corporate deposits, bank finance and all funds received from outside sources such as funds raised by issue of Commercial Papers, debentures etc. but excludes funds raised by issue of instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue.
- r. Total Assets** means the total of all assets appearing on the assets side of the balance sheet.

Words or expressions used and not defined in this policy but defined in the CIC Directions, shall have the meanings respectively assigned to them under the CIC Directions. Words or expressions used and not defined in the CIC Directions, but defined in the Master Directions issued by the Bank, shall have the meanings respectively assigned to them under that Act or Directions. Any words or expressions used and not defined in CIC directions or in the RBI Act or any of the Directions issued by RBI, shall have the meanings respectively assigned to them under the Companies Act, 2013.

## 5. **Investment Objectives**

The Company's investment function is limited to strategic acquisition, holding and sale of investments in Group Entities. The overall objective is to consolidate the holdings of the Promoters in various major operating Companies under a Corporate Structure.

## 6. **Authorization**

- a. The Board of Directors are responsible for the investment function of the Company. The Company, being CIC, cannot invest in other than group companies in excess of the limit prescribed by Reserve Bank of India. All the long-term investments in the group companies shall be executed only with approval of the Board and shall not exceed the limit of investment as approved by the shareholders under Section 186 of the Companies Act 2013.
- b. Directors and other KMPs shall severally propose the long-term investments to the Board for its approval. Authorized Personnel shall monitor investment limits on continual basis as approved by the Shareholders. Investments with amount upto Rs 10 lakh in Group Companies may be made by Authorized Personnel within the overall limit as approved by Audit Committee and Board.
- c. In accordance with the provisions **Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016** the Company shall not trade in its investments in shares, bonds, debentures, debt or loans in group companies except through block sale for the purpose of dilution or disinvestment unless the transaction is an off-market inter-se transfer between insiders or the transaction in question was carried out pursuant to a statutory or regulatory obligation to carry out a bona fide transaction as per the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015.
- d. CEO/ CFO of the Company shall decide the broker and other modus operandi through which such investments would be made, based on the prevailing regulations and evaluations of best suited offer received from market participants.
- e. The Company shall undertake transactions in Government Securities through its CSGI account or demat account. The Company shall not undertake any transaction in government security in physical form through any broker.

Provided that point a, b, c and d mentioned hereinabove shall not be applicable in case of making investment of Idle funds (Excess funds available which are not required to be used immediately) of the Company in short term mutual funds, Fixed Deposits or any such short-term deposit wherein the objective is just to temporarily invest idle funds and earn reasonable returns on it for short duration (Such short duration shall not be more than one year). Any Director / Principal Officer be and is hereby authorised to take decisions with regard to making investment of idle funds in the



securities permitted under RBI Regulations, on the basis of investment horizon, interest rate, past performance, Average Assets under Management (AAUM), Fixed Deposits on the basis of well-established Bank, or any such short-term deposits which are investment grade.

Any proposal for liquidation of Investment is to be proposed to the Board of Directors and the liquidation of investments is to be undertaken only post approval of the Board of Directors by a Board Resolution.

## **7. Review**

The Board of Directors are required to review the investment portfolio of the Company at periodic intervals, at least once in a year.

## **8. Pre-Cursors to Investment Transactions**

While making the investment function decisions, following indicative factors are to be considered and documented:

- i. Liquidity Risk and its Management as per the Company's Liquidity Risk Management Policy
- ii. Interest Rate Risk Management
- iii. Foreign Currency Fluctuation risk management, in case of cross-border investment transactions
- iv. Credit and other ratings
- v. Other market information available that may have a bearing on the decision-making process
- vi. All regulatory limits and compliances before and after making the proposed investment transaction

Additionally, the Company being a Core Investment Company, shall consider the following:

- i. The Company is not permitted to trade in its investments
- ii. Liquidation of investments are to be done via block sale for the purpose of dilution or disinvestment, i.e. the decision shall be based on a strategic bearing, to be adequately documented during the authorization process

## **9. Classification of Investment**

The company shall classify the Investments in securities into current and long term, at the time of making each investment;

In case of inter-class transfer –

- a. There shall be no inter-class transfer on ad-hoc basis;
- b. The inter-class transfer, if warranted, shall be effected only at the beginning of each half year, on April 1 or October 1, with the approval of the Board;
- c. The investments shall be transferred scrip-wise, from current to long-term or vice-versa, at book value or market value, whichever is lower;

- d. The depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be ignored;  
The depreciation in one scrip shall 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.

## **10. Risk**

The Company does not perceive major risk apart from Market Risk, in investment function and its operations, since majority of the investment is concentrated to one major operating Company, fluctuation / dilution / sale in which is an extremely rare event with strategic underpinnings rather than operational.

There exists a real time monitoring of Asset-Liability Mismatches, Liquidity Risk Management, Investment Risks and Market Risks.

## **11. Limitations to Investment Transactions**

The Company, being a Core Investment Company, is only permitted to carry out investment functions as under:

- i. The Company holds not less than 90% of its net assets in the form of investment in equity shares, preference shares, bonds, debentures, debt or loans in group companies, and
- ii. The Company's investments in the equity shares (including instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue) in group companies and units of Infrastructure Investment Trust ["InvIT"] only as sponsor constitute not less than 60% of its net assets as mentioned in clause (a) above;

Provided that the exposure of such CICs towards InvITs shall be limited to their holdings as sponsors and shall not, at any point in time, exceed the minimum holding of units and tenor prescribed in this regard by SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended from time to time.

- iii. The Company does not trade in its investments in shares, bonds, debentures, debt or loans in group entities except through block sale for the purpose of dilution or disinvestment, unless approved under applicable regulations and
- iv. The Company does not carry on any other financial activity referred to in Section 45I(c) and 45I (f) of the RBI Act, except:
  - (a) investment in
    - i. bank deposits,
    - ii. money market instruments, including money market mutual funds and liquid mutual funds
    - iii. government securities, and
    - iv. bonds or debentures issued by group companies,
  - (b) granting of loans to group companies and
  - (c) issuing guarantees on behalf of group companies.

- v. The Company shall undertake transactions in Government securities through its CSGL account or its demat account

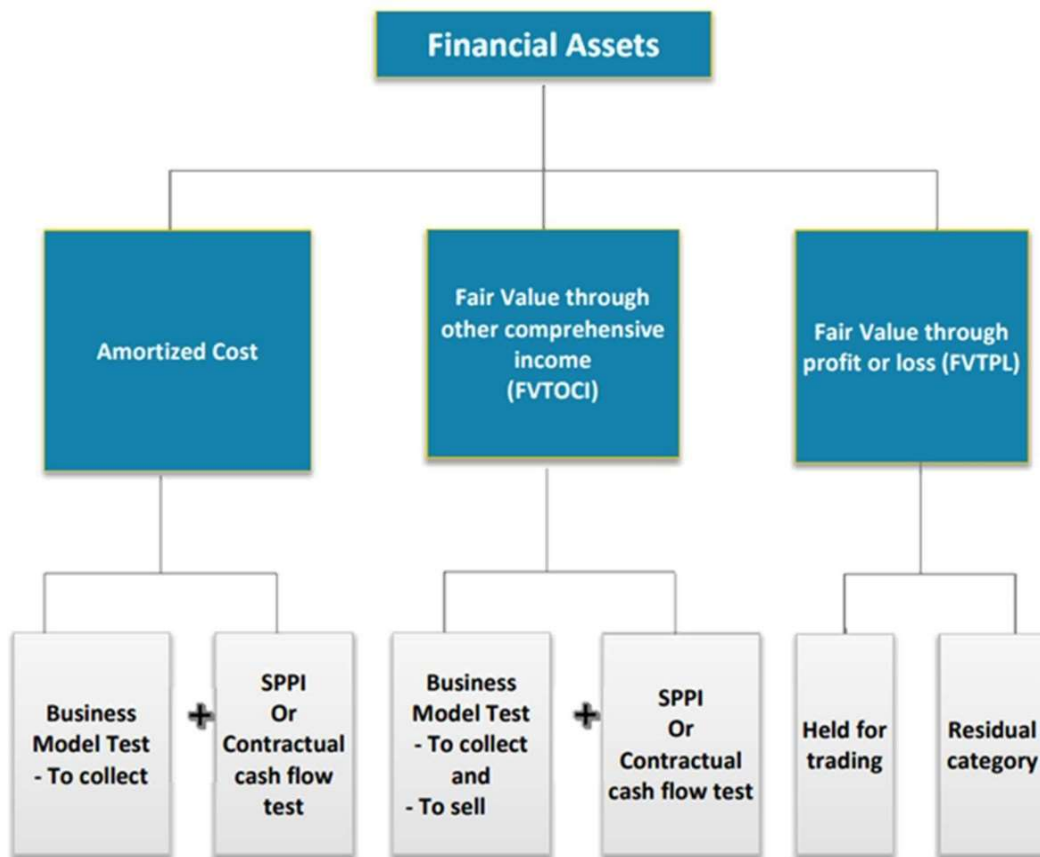
Provided that the Company shall not undertake any transaction in government security in physical form through any broker.

- vi. The Company shall not contribute to the capital of a partnership firm / limited liability partnership / association of persons or become a partner of such firm / limited liability partnership / association of persons.

## 12. Accounting

The Company prepares its financial statements in accordance with Indian Accounting Standards [“IndAS”] read with RBI Notifications on Implementation of IndAS.

### Classification of Financial Assets



Classification of financial assets measured at Amortised Cost, FVTOCI or FVTPL is based on the business model test and SPPI test for characteristics of the asset.

#### ***Business Model Test:***

The Company's business model refers to how it manages its financial assets in order to generate cash flows. Cash Flow can be generated through collecting contractual cash

flows, selling financial assets or both. This test should not be performed on the basis of “worse case scenarios.”

#### ***Contractual Cash-Flows Characteristics Test [“SPPI”]***

SPPI test refers to Financial Assets held solely for receipt of principal and interest on the principal outstanding.

Company’s classification and measurement of financial asset depends on the business model and results of SPPI test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including;

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key managerial personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

#### ***Classification at Amortised Cost:***

Financial Assets to be measured at amortised cost if both the following conditions are satisfied:

- Business model for the asset is to hold financial assets in order to collect contractual cash flows; and
- Cash Flow from financial assets give rise solely to receipt of principal and interest (SPPI)

#### ***Classification at Fair Value Through Other Comprehensive Income [“FVTOCI”]:***

Financial assets to be measured at FVTOCI if both the following conditions are satisfied:

- Business model for the asset is to hold financial assets in order to collect contractual cash flows/ selling financial assets; and
- Cash Flow from financial assets give rise to receipt of principal interest.

#### ***Classification at Fair Value Through Profit or Loss [“FVTPL”]:***

- Residual Financial Assets

#### **Prudential Floor**

The Company maintains a prudential floor to, at any instance, have atleast the minimum provision prescribed under RBI’s Income Recognition, Asset Classification and Provisioning requirements, in instances where the ECL provisioning is lower than the Prudential requirements.

### **13. Additional Considerations**

- i. The Company may make overseas investment in compliance with the prescribed regulations as applicable only with the approval of the Board.
- ii. The Company may participate in the designated currency options / futures exchanges recognized by the Securities and Exchange Board of India [“SEBI”] as clients, subject to RBI (Foreign Exchange Department) guidelines in the matter, only for the purpose of hedging their underlying forex exposures. The Company shall disclose the transactions undertaken in the currency futures market, in accordance with the guidelines issued by SEBI, in its financial statements.
- iii. The Company may participate in the designated interest rate futures [“IRF”] exchanges recognized by SEBI, as clients, subject to RBI / SEBI guidelines in the matter, for the purpose of hedging their underlying exposures. Further, it shall submit the data in this regard half yearly, in the prescribed format, to the Regional Office of the Department of Supervision in the jurisdiction where the company is registered, within a period of one month from the close of the half year.

### **14. Effective Date**

This policy version 7.0 has been adopted at the Company’s Board of Directors meeting held on 28<sup>th</sup> March 2025 and shall stand applicable organization wide with effect from 28<sup>th</sup> March 2025.

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