



SAHARA HOUSINGFINA CORPORATION LIMITED
(CIN No.L18100WB1991PLC099782)

POLICY ON INVESTMENT AND TREASURY MANAGEMENT

This “**Policy on Investment and Treasury Management**” is adopted by the Company in accordance with the regulations/directions issued in public interest by the Reserve Bank of India and aptly covered in “**Paragraph 11 of Chapter V: Asset Classification and Provisioning forming a part of the Master Direction - Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021** notified vide RBI/2020-21/73 DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 dated 17/02/2021” (*hereinafter referred to as “RBI-HFC Directions, 2021.”*)

1. PREAMBLE / INTRODUCTION:

The primary purpose of the “**Policy on Investment/Treasury Management**” is to provide clear direction to the Management about the investment and treasury functions and establish a framework:

- **that strictly conforms with the directions issued by the regulator from time to time and more specifically encompassed in guidelines related to investment, its accounting (including provisions etc.) and limits set thereof (if any).**
- that is financially responsible and prudent in investment and treasury matters;
- that minimizes its costs of borrowings;
- that ensures, where possible, that the structure of the borrowing is appropriate for the nature of the assets being funded;
- that receivables are well managed;
- that maximizes interest earned on surplus funds within prudent risk limits;
- that identify, minimize and effectively manage financial risks; and
- that ensures the funding requirements are met at all times to support its core business;

The mission remains to minimize its exposure to risks associated with borrowings and to invest prudently (certainly not in investments that are speculative in nature) within the given ambit of the guidelines covered in the **RBI-HFC Directions, 2021**.

Until now, **SAHARA HOUSINGFINA CORPORATION LIMITED (SHCL)** had in place a “Guidelines for Investment/Treasury Management” in place that was last reviewed, adopted and implemented on 30/05/2016 in accordance with the erstwhile regulatory guidelines of National Housing Bank (NHB) set in its Master Circular – The Housing Finance Companies (NHB) Directions, 2010.

With the supersession of the Master Circular – The Housing Finance Companies (NHB) Directions, 2010 with *RBI-HFC Directions, 2021*, the above Policy (amongst others) has to be reviewed (so as to comply with the current regulatory guidelines), approved (by its Board of Directors) and implemented afresh.

2. APPLICATION OF THE POLICY:

Whereas this Policy shall apply to all operational offices of SHCL present and future namely Registered & Corporate Office, Region Offices, Branch Offices and Satellite Offices (if any). However, in the prevailing limited scale of operation & business dynamics coupled with insignificant investment environment on account of limited

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resource availability, this Policy shall more prominently be applicable/effective to the Registered & Corporate Office of SHCL, as such strategies, supervision and decisions particularly on investments and related exposure/s (if any) are predominantly taken/finalized from the said location.

3. INVESTMENT AND TREASURY FUNCTION

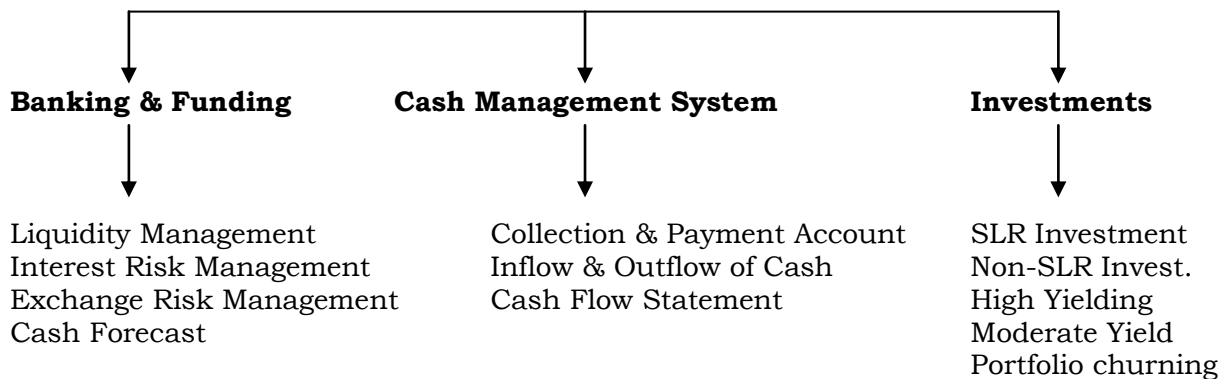
Treasury functions shall encompass the following activities:

- Daily cash flow management and forecast;
- Resource Mobilization;
- Investment of surplus funds (presently approved to be parked in Term Deposits of Scheduled Commercial Bank/s);
- Receivable collection;
- Risk Management;
- Asset Liability Management specifically the deviation gap;

3.1. Objectives

- The provisions of funds for business at cost effective rate;
- The management of remittances and transmissions of funds and investing surplus funds within the laid down policy and in accordance to the regulatory guidelines;
- Liaison with banks and other financial institutions;
- Investment and divestment decision/s based on the surplus/deficit status of funds;
- Regular update on data and research on various investments i.e. equity & debt;

3.2. Components:



3.2.1. Banking and Fund Mobilization

- Regular Interaction with Regulators, Banks, NHB, Financial Institutions, Multilateral Agencies, Qualified Secured and Unsecured Lenders, Merchant Bankers to raise funds for the Company.
- Coordinating with Rating Agencies to rate the Company’s paper (Long Term, Short Term, Securitization Pool)
- Interacting with Intermediaries

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- Interacting with various other Agencies (Legal Firm, Solicitor Firms, Trustees, etc)
- Completing the necessary procedures and documentations, etc. to raise funds
- Raising the funds and allocating the funds to the respective branches accordingly to their requirement.
- Investing the surplus money till further requirement (presently in Term Deposits of Scheduled Commercial Bank/s)

3.2.2. Cash Management System

- Collation of information and compilation of the Daily Collection Reports from the Branches in respect of collection/deposit that have been given effect to in the “Collection Account” maintained by the Company with its designated Bank/s;
- Compilation of the Collection Reports in respect of the Cash Management System (CMS) facilities (if any) opted by the Company with external service providers (Banks), who facilitate clearance/realization of collection/deposit and pursuant to its realization (or otherwise), transfer the net amount of money/fund, so collected, to the designated “Collection Account” maintained by the Company with its designated Bank/s;
- Maintenance of information related to payouts i.e. disbursements, expenditure, tax outgo etc. given effect to by the Company through its Payments Accounts, which in the current stage of business activity is centralized and maintained exclusively from Registered & Corporate Office);
- The collection by way of electronic transfer shall get same-day credit to the Company’s designated bank account whereas (in case of instruments), the account shall get credited with funds within T+2 days for local cheques. Hence the Company is in position to assess its fund position on daily basis after meeting the requirements of payment account/s.
- If the consolidated account shows surplus balance, one that may not be deployable in the short term, the fund is to be prudently invested in a planned manner in Term Deposits with Scheduled Commercial Bank (preferably with the primary banker to the Company), so that, in the interim period, the excess/idle fund can generate interest earning for the Company (instead of lying idle in the Current Account of the Company), and in case of deficit and/or as and when deemed necessary, the planned investments in Term Deposits (which otherwise are liquid in nature), the money be liquidated to mitigate the demand of payouts that may come along.

3.2.3. Investments

- Maintaining Daily Cash Inflows and Outflows after taking into consideration funds from CMS, Balances in all Current Accounts, Operational Expenses, etc.
- It will generate the statements pertaining to the commitments to the lenders in regards to interest, principal repayments, prepayment, etc. These reports will be consolidated with CMS reports which will give the exact figure of surplus/deficit available on daily, weekly and monthly basis. Based on the figures available, the finance department will park its surplus funds in the investment or liquidate the investment to meet the commitments. In the present modest size of activity and limited resources to its disposal, the Company shall invest surplus fund in the form of Term Deposit with Schedule Commercial Bank/s.

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- Daily Cash Inflows will include disbursement from Banks & Financial Institutions (Borrowing), EMI Receivables, Recoveries in Non-Performing Accounts (NPAs), Liquidations from Investments, etc.
- Daily Cash Outflows will include Housing & Other Loan Disbursements, Payments of interest and repayments of principal amount to Lenders, Prepayments to Lenders (if any), Redemption of Non-Convertible Debentures, Unsecured loans, Operational Expenses, Tax outgo etc.
- If Daily Cash flows shows the surplus positions, make the investments and if shows the deficit situation, liquidate the investments.

3.3. In Case of Surplus Funds

- At the current modest business scale of operations and limited resource availability, the Company shall primarily park the surplus fund at its disposal in Term Deposits with Schedule Commercial Bank/s. And as and when opportunity is conducive, to:
 - Choose the appropriate instrument for investment based on the amount to be invested, period for which it to be invested, risk involved, return available, etc.
 - Track key indicators of money market and debt market like call rates, G-Sec yield levels, etc. on continuous basis every day.
 - Analyse the market indicators and make investment decisions.
 - Analyse the portfolio mix and make changes as per the developments in the markets.

3.4. In case of Deficit Situations

- Whether the funds are required for normal business operations or commitments, etc.
- Decide on the amount of funds and tenure for which funds are to be mobilized.
- Identify the instruments that should be liquidated based on the rate of interest and terms and conditions, etc.

4. CLASSIFICATION OF INVESTMENT

At the time of Investments in securities etc., such investments shall be predominantly classified as into current (short term) and long term investments, the definition of which are state below:

- 4.1. **Current (Short Term) Investments are** those investments which are readily realizable/liquidated and is intended to be held for not more than “**one year (12 months)**” from the date on which such investment/s is/are made.
- 4.2. **Long-Term Investments** means an investment other than a Current (Short Term) Investment and which primarily is invested for a period more than **12 (twelve) months;**

Further, in case of inter-class transfer the guidelines mentioned in **Para 11.1 of the RBI-HFC Directions, 2021** shall be strictly kept in mind and complied to with.

The Company shall invest not less than 75% of its total investible funds on long-term basis and not more than 25% in the current (short term) investments. However, no such limits are set for parking of surplus money/funds with Scheduled Commercial Bank/s in Term Deposit.

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5. INVESTMENT OPTIONS

- 5.1. Stocks (Listed)
- 5.2. Bonds
 - i) Government Securities
 - ii) Corporate Bonds
 - iii) State Government Bonds
 - iv) Mutual Funds Debt instruments
- 5.3. Money Market Instruments
 - i) Money Market Mutual Funds
 - ii) Treasury Bills
 - iii) Commercial Paper
 - iv) Certificate of Deposit
- 5.4. Other Investments
 - i) Term Deposits with Bank/s
 - ii) Inter Corporate Deposits/Fixed Deposits/Certificate of Deposits/Bond of Public Financial Institutions

6. EXPOSURE OF INVESTMENT

Type of Security	Specific Monetary limits
SLR Approved & Other SLR approved unencumbered Securities as defined in the NHB Act, 1987	As the Company has been granted Certificate of Registration (CoR) as a “Non-Deposit taking Housing Finance Company, the requirement of maintenance of SLR is not applicable to the Company.
Non-SLR Securities	
Mutual Fund <i>like Liquid, Debt, Balanced</i>	The Company will not invest more than 5 (five)% of its owned funds in Single Mutual fund (including all schemes of that mutual fund)
Money Market Instruments <i>like G-Secs, T-Bills, CPs, etc</i>	The Company will not invest more than 5 (five)% of its owned funds in any single type of instrument.
Other Investments	
Term Deposits with Bank/s	All surplus/idle funds to be parked with Schedule Commercial Bank/s at tenor, rate of interest and suitable terms, that shall be decided by the empowered Committee
Inter Corporate Deposits/Fixed Deposits/Certificate of Deposits/Bond of Public Financial Institutions	The Company will not invest more than 10 (ten)% of its owned funds to a single company and in case of single group of companies, not exceeding 15 (fifteen)% of its owned funds.

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- 6.1. The Management will have liberty to invest more than the prescribed limits if it deems it necessary in the best interest of the Company, subject to the same not exceeding the limits prescribed by Reserve Bank of India (RBI) in the **RBI-HFC Directions, 2021** and/or any specific limits set by National Housing Bank (NHB). In case of any excess fund/amount so invested, the matter shall be reported for ratification to the Board of Directors in their Board Meeting subsequent the date of such investment.

7. CONCENTRATION OF CREDIT/INVESTMENT

In accordance with **Para 20 of the RBI-HFC Directions, 2021, NO HFC shall:**

Guidelines	Limits
LEND TO: - A Single Borrower - Single Group of Borrowers	Exceeding 15 (fifteen)% of its Owned Fund; Exceeding 25 (twenty-five)% of its Owned Funds;
INVEST IN THE: - Shares of Other Company - Shares of Single Group of Companies	Exceeding 15 (fifteen)% of its Owned Fund; Exceeding 25 (twenty-five)% of its Owned Funds;
LEND TO AND INVEST IN (loans/investments together) - A Single Party - A Single Group of Companies	Exceeding 25 (twenty-five)% of its Owned Funds; Exceeding 40 (forty)% of its Owned Funds;

Note:

- 7.1. Owned Fund shall be as defined under **Paragraph 4.1.28 of the RBI-HFC Directions, 2021** and with respect to its position as per the published accounts as on March 31st of the previous year.
- 7.2. The above are broad guidelines and shall be read along-with other related provisions mentioned more clearly in **Paragraph 20 of the RBI-HFC Directions, 2021**

8. ENGAGEMENT OF BROKERS

The prevalent dynamics of investment of the Company currently does not entail engagements of brokers (whatsoever), as investments are limited to deposit of allocable funds in the form of “Term Deposits with Scheduled Commercial Bank/s” only. Nonetheless, as and when the investment environment and dynamics are suitable for the Company and the need is felt imperative for such dynamic/conducive investments necessitating involvement/engagement of brokers, the Company shall prior to such engagement, review its then subsisting **“Policy on Investment and Treasury Management”**, all with the sole objective to ensure it is in accordance with **Para 24 of the RBI-HFC Directions, 2021** (as amended from time to time).

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9. GENERAL

- 9.1. The Company has been granted Certificate of Registration (CoR) by the National Housing Bank, New Delhi as a Non-Deposit taking Housing Finance Company and thus the guidelines/directions covered under Chapter VII (Acceptance of Deposits) of **RBI-HFC Directions, 2021** is not applicable on the Company, which includes maintenance of minimum percentage of liquid assets (SLR). Nonetheless, the guidelines under **Para 27.2 of the RBI-HFC Directions, 2021** shall be applicable and accordingly the cumulative loans or other assistance (including that from NHB, if any) of the Company shall not be in excess of **twelve times of its NOF** on or after March 31, 2022 or as amended by the regulator, thereafter. NOF for the purpose of determination of the above limits shall be as at March 31st of the previous financial year based on the Audited Financial Statements for that year.
- 9.2. Depreciation in investments (If any) shall be distinctly disclosed in the Balance Sheet in accordance with the guidelines of the regulator.
- 9.3. Income from Investment shall be taken into accounts as per the guidelines covered under **Para 10 of the RBI-HFC Directions, 2021**.
- 9.4. Accounting for investments shall be in accordance to the applicable guidelines covered in **Para 11.2 of the RBI-HFC Directions, 2021**.
- 9.5. Depreciation in investments (if any) shall be disclosed in the Balance Sheet/ Financials in accordance to **Para 15.1.b. of RBI-HFC Directions, 2021**.
- 9.6. This Policy does not encompass Investments in Real Estate (if any) that may be undertaken by the Company in future. If and when, the Company so decides on such an investment/s, it shall be in accordance with **Para 22 of RBI-HFC Directions, 2021** and has to be approved by its Board of Directors.
- 9.7. Exposure to Capital Market (if any) shall be as per the limit/restriction set under **Para 23 of the RBI-HFC Directions, 2021**.
- 9.8. This **“Policy on Investment and Treasury Management”** has been framed in accordance with the directions of the regulator and includes many facets/features that are presently either not applicable and/or not performed and/or undertaken by the Company in its existing restricted business dynamics and also limited resource at its dispensation, and have been framed/designed primarily to fully conform with the directives encompassed in RBI-HFC Directions, 2021, so that, as and when the Company is in a position to make such investments, it can do so without the need to change the subsisting Code)

10. INVESTMENT COMMITTEE

The Committee will comprise of the following members:

- 10.1. Shri D. J. Bagchi, KMP (CEO & Company Secretary)
- 10.2. Shri Vivek Kapoor, KMP (CFO)

11. REPORTING TO THE BOARD OF DIRECTORS

The Board will approve this **“Policy on Investment and Treasury Management”** and any variations deemed necessary thereafter will require the approval of the Board. In case where the variation(s) is/are extremely urgent in nature, the approval for such variations may be obtained from the Chairman of the Audit Committee, and

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the matter along-with the summary of variation/s shall be placed for ratification before the Board of Directors at its subsequent meeting

(Note: This Policy comes into immediate effect and shall supersede the previous "Guidelines for Investment/Treasury Management" that was earlier approved by the Board of Directors of the Company in their meeting held on May 30, 2016.

Sd/-
(D J Bagchi)
CEO

Place : Kolkata
Date : February 15, 2022

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