Indian School Finance Company Private Limited

Investment Policy and Procedure

Policy Version ISFC/ Ver 1.07/2024-25

Investment Policy and Procedure: Following policies and procedures establish guidelines for activities relating to the investment management. Adherence to these policies and procedures will ensure that the profit of the Company and the value of shareholders' equity are adequately monitored and safeguarded against risks arising from investment instruments and transactions. The directions issued by the Reserve Bank of India (RBI), including the Master Direction – Reserve Bank of India (Non-Banking Financial Company– Scale Based Regulation) Directions, 2023, along with any amendments or modifications thereto, as well as relevant accounting standards, norms, and laws, shall form an integral part of this policy. Any applicable changes in these regulations shall be considered an automatic modification to the terms outlined in this policy, as required.

Governance Sr no	Board of Directors	Board of Directors	Treasury/ Finance Department
1	Approve Broad Business Strategies and policies that govern management of Investment of ISFC	Review development of appropriate Investment policies and guidelines	Execution of Investment transactions subject to policies and limits set by Board
2	Clear guidance regarding the level of risk acceptable	Review adherence to policies and guidelines	Quarterly reports to RMC and Board of Directors
3	Periodical review reports to assess compliance with approved policies	Periodical Review of Investment activities against laid down policies and guidelines	Reports to RMC and Board of Directors relating to stress tests and analysis of Investment portfolio
4		Periodical Review of Investment Policy.	
5		Providing Counterparty approvals and limits thereof for investments	

Policy

The Treasury or Finance Department's responsibility is to invest cash surplus and manage the investment portfolio as effectively as possible, taking into consideration interest rate trends, the Company's liquidity, and the liquidity of the market of invested instruments. Investments should be made only in those categories of instruments that are frequently quoted and have a liquid secondary market.

As per the extant the Reserve Bank of India, Investments are broadly classified into two categories: Current Investments and Long-term investments. A current investment is one that is readily realisable and intended to be held for not more than one year from the date on which such investment is made; a long-term investment is another.

The two key objectives of managing investments are:

(a) To maximize profit from cash surplus and obligatory kept reserve assets
(b) To build liquidity back-up by creating the portfolio of investments.

ISFC may only enter investments specified in the Investment Policy and Procedure and not exceed limits approved by the Board of Directors. Investments into other, than specified categories of Permitted Instruments are allowed only after prior approval from the Board of Directors and within established limits.

Permitted Instruments: It is not the Company policy to invest in the Stock Exchange. Investments into stock/shares or any other instruments convertible into stock/shares (e.g. bonds convertible into stocks or options for stocks) are not permitted. The Company shall invest in the financial instruments permitted for Investments (hereinafter referred to as "**Permitted Instruments**"), in accordance with the guidelines for investments therein subject to maximum investment allowed as per the Board of Directors of the Company. The limits defined hereinbelow are the sub-limits within the overall limit as per Board Resolution. **Financial instruments permitted for investment.**

Permitted Instruments	**Max tenor**	**Limit in Rs Crores**	**Guidelines**
Fixed Deposits with Scheduled Commercial Banks	Up to 1 Year	25% of net worth or Rs.50Crs whichever is higher	Money can only be deposited with Scheduled Commercial Banks as per RBI and the bank should not be a loss-making bank as per latest year's financials.

Units of Money Market Mutual Funds	Up to 30 days	Up to Rs.70Cr	Eligible funds must be pre-approved and Investment in liquid schemes not permitted if the AUM of the scheme is less than Rs.5000 Crores, unless the fund is of international repute and pre-approved by Board of Directors justifying the reasons of investment in such fund. Investment in one fund house cannot exceed more than Rs 20 Crores or 10% of the net owned fund of the fund or 25% of the Investment in Mutual fund by the Company whichever is lower.
Buy back of own commercial papers/ Debentures/ Prepayment of Bank Loans/ Clean-up Call Option of Securitization	Upto 1 year	75Crs	There should be proper justification of buying back or prepaying the loans. Buy back should be done by either borrowing same maturity debt or out of liquidity. In case of Securitization Clean up call

			option, total clean up consideration should not be more than 10% of the original ticket size, with no limitation on the residual maturity.
Investment in Security Receipts in form of PTC issued by ARCs	Max 5 years	Rs 30 Cr in a FY	Impairment to be considered basis Rating agency guidelines.

ISFC's Investments Category

Sr No	Particulars
1	Axis Liquid Fund Collection A/C
2	HDFC Liquid Fund Collection A/c
3	ICICI Prudential Mutual Fund Collection 1 Account
4	SBI LIQUID FUND
5	Aditya Birla Sun Life Liquid Fund

Income from investments

(1) Income from units of mutual funds shall be considered on a cash basis:

(2) Income from bonds and debentures of corporate bodies and from Government securities/bonds shall be considered on an accrual basis:

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

(3) 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 shall be considered on an accrual basis.

Accounting of investments

(1) (i) Investments in securities shall be classified into current and long term, at the time of making each investment.

(ii) In case of inter-class transfer –

(a) there shall be no such transfer on ad-hoc basis.

(b) such 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.

(e) 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.

(2) (i) Quoted current investments shall, for the purposes of valuation, be grouped into the following categories, viz.,

(a) preference shares,

(b) debentures and bonds,

(c) Government securities including treasury bills,

(d) units of mutual fund, and

(e) others.

(ii) 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.

(3) Unquoted preference shares in current investments shall be valued at cost or face value, whichever is lower.

(4) Investments in unquoted Government securities or Government guaranteed bonds shall be valued at carrying cost.

(5) Unquoted investments in the units of mutual funds in current investments shall be valued at the net asset value declared by the mutual fund in respect of each scheme.

(6) Commercial papers shall be valued at carrying cost.

(7) A long-term investment shall be valued in accordance with the Accounting Standard issued by ICAI.

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.

The aforesaid shall inter alia be as provided in applicable laws, accounting standards and guidelines issued by the Reserve Bank of India from time to time inter alia for the following:

(a) Classification of investments into current and long term shall be made, at the time of making each investment.

(b) There shall be no inter-class transfer on an ad-hoc basis, and such transfer, if warranted, shall be effected only at the beginning of each half year, with the approval of the Board;

(c) Under inter-class transfer, the investments shall be transferred scrip-wise at book value or market value.

(d) Under inter-class transfer, depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be ignored, and the depreciation in one scrip shall not be set off against appreciation in another scrip; and

(e) The mechanism for inter-class transfer, if any, will be approved by the Board based on recommendations of the Company's finance/ treasury department, following applicable norms.

Valuation The valuation of the investments shall be strictly in accordance with the provisions prescribed by RBI (as may be notified from time to time) and in line with the standards prescribed or the same.

2. Effective Investment Management Process.

By managing investments and making investments decisions Treasury/Finance department will take into consideration:

- Corporate guidelines.
- amount available for investments (cash surplus and liquidity buildup);
- current and future funding requirements (cash flows);
- market situation, including liquidity on certain instruments, the current shape of the interest rate curve, forward interest rates, and the spread between the bond curve and the swap curve.
- Available investment limits for different categories of instruments.
- Investment transactions may be executed only under an approved investment strategy and with counterparties and within credit limits approved by the Board of Directors.

The preferred types of investment instruments are Fixed Deposits with Scheduled Commercial Banks and liquid and Debt schemes of Mutual Funds.

All investments longer than 90 days should be made only in Permitted Instruments with a liquid secondary market and those on which the sell-buy-back transactions are easily executable.

3. Execution of Investment Transactions.

Execution of the approved strategy is the responsibility of ISFC Treasury/Finance Department, subject to limits and restrictions set by the Board. Separate board approval for individual transactions that are in line with the strategy is not required.

Investment transactions may be executed only by authorised persons and within the individual transaction limits as specified in the delegation of authority matrix (see separate document).

The main points of executing investment transactions are:

a) Check the cash flow position to determine the amount that can be invested and the maximum tenure of the investment.

b) Check the list of Permitted Instruments and then check the available limits for approved counterparties.

c) check for different types of financial instruments with the same investment tenor and the same characteristics; choose the one with the highest investment yield

d) prepare the deal ticket and send for approval.

Responsibility & Policy Review: The Board of Directors may review the policy annually. However, the board may approve any amendments to the policy as and when required.