

Fortune Integrated Assets Finance Limited

Investment Policy

Pursuant to Reserve Bank of India circular – DNBS (PD)/CC 89/03.05.0021/2006-07 dated February 22, 2007, **Fortune Integrated Assets Finance Limited** (hereinafter referred to as “FIAFL”) has adopted the Investment Policy, which includes the following:

Objectives of investment

To invest surplus funds in securities to meet the capital-to risk- weighted- assets ratio (CRAR) and Net Owned Funds (NOF) and other liquidity related issues.

To invest surplus funds in different instruments as permissible under RBI instructions taking into account the requirement of liquidity for advances having regard to safety, liquidity and return.

While making investments and subsequently thereafter, the Treasury Head. would continuously monitor the portfolio and undertake such investments / disinvestment transactions including taking small profit/losses ahead of expected major downward price movements so as to reduce the risks and enhance return as is prudently possible based on information on various factors and infrastructure available subject to internal Control Guidelines and information/approval/ratification by authorities as stipulated hereinafter.

While doing so every care to be taken to ensure that there is no breach of regulatory stipulations with regard to transactions.

Regulatory Limits/Internal Limits

The company shall not lend to / invest in single borrower/company exceeding 15% and single group/group of companies exceeding 25% of its owned funds.

Classification and Valuation of Investments

Classification:

As per the RBI guidelines, the company shall classify the investments into current and long-term investments.

Current Investment: All investments which are held by the company for tenure of less than one year shall be considered as current investment.

Long term Investment: All investments which are not current investments are Long term investments. Quoted current investments shall, for the purposes of valuation, be grouped into the following categories, viz.,

- Equity shares,
- Preference shares,
- Debentures and bonds,
- Government securities including treasury bills,
- Units of mutual fund, and
- Others. 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 diminution 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.

Diminution in one category of investments shall not be set off against appreciation in another category.

Unquoted equity shares in the nature of current investments shall be valued at cost or break up value, whichever is lower.

However, non-banking financial companies 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.

Unquoted preference shares in the nature of current investments shall be valued at cost or face value, whichever is lower.

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

Unquoted investments in the units of mutual funds in the nature of current investments shall be valued at the Net Asset Value (NAV) declared by the mutual fund in respect of each particular scheme.

Commercial papers shall be valued at carrying cost.

A long-term investment shall be valued in accordance with the Accounting Standard issued by Institute of Chartered Accountants of India (ICAI.)

The Investment Portfolio is to be classified into the following categories:

Held for Trading (HFT): Securities acquired for the purpose of taking advantage of the short-term price / interest rate movements.

Held to Maturity (HTM): Securities acquired with the intention to hold them up to the date of maturity.

Available for Sale (AFS): Securities, which do not fall within the above mentioned two categories, would be classified under Available for Sale.

The category will be decided at the time of acquisition of the security.

In case of Mutual Fund Units, if it is a close-ended scheme and if the units are not listed in Stock Exchange, then the same to be included in HTM category. Other wise all the units are to be classified into HFT or AFS.

Valuation of Investments

Held to Maturity: The Investments classified under HTM need not be marked to market and will be carried at acquisition cost if more than the face value, where the excess premium paid will be amortized over the period remaining to maturity.

Amortization will be on the basis of number of days; and will be done once in a year on the last working day of the year

Available for Sale: Securities under this category will be marked to market scrip wise but the net appreciation / diminution will be calculated after the scrips being grouped as follows:

- Equity shares
- Preference shares
- Debentures and bonds
- Government securities including treasury bills
- Units of mutual fund, and
- Others:

The net appreciation will be ignored and the net diminution will be provided for. The book value for the scrip's will not undergo any change. The diminution in one group cannot be set-off against any appreciation in nother group. In case of PSU Bonds, there will be no netting of appreciation/ diminution. The Bonds will be held under HTM and diminution shall be provided for Valuation for Available for Sale category to be done at the end of every quarter.

The diminution provision to be made will have to be debited to P& L. and an equivalent amount to be credited to P&L from Investment Fluctuation Reserve / Investment Diminution Reserve A/c. In case of excess provision, the excess provision should be reversed and credited to P&L and an equivalent amount transferred to Investment Fluctuation Reserve / Investment Diminution Reserve A/c from P & L. When such provisions are made, explanatory note to be shown after determining the profit for the year.

Held for Trading

The security has to be marked to market on the last working day of every month and the net diminution if any will have to be provided for in the P&L. Account The net appreciation will have to be ignored and Book Value will not undergo any change.

In case, any of the securities in any of the three categories is/are outstanding for receipt of Principal / Interest, then the Company should not reckon the income for such securities and should also make appropriate provisions for diminution in the value of the investment based on the latest NPA provisioning norms. This diminution cannot be set-off against other appreciation in the securities in the same category.

Other Functions

As the debt markets have become subject to substantial volatility investment portfolio is required to be monitored closely and actively managed. Decisions to restructure the same have to be taken promptly to avoid undue loss in value or missing opportunities to enhance return. Since these decisions cannot be held for the approval of Board meeting, committee approach is necessary and accepted convention. While broader decisions on budget and balance sheet structure may be vested with Board, the Asset Liability Management Committee (ALCO) vested with responsibility of making decisions on composition of investment portfolio and fix outer limit on modified duration and single instrument exposure. The Committee to consist of three members viz. Mr. Chintan V. Valia, Mr. G S Ganesh & Mr. Mukesh Unadkat and ALCO may be authorized to take decisions for day to day operations subject to overall ceilings prescribed by the Board as follows:

- Formation of broad trading parameters / strategies for the day's dealing activity within the provisions of the Investment Policy, Assets Liabilities Management (ALM) guidelines and business plan for the Treasury Department.
- Review of data and market intelligence on economic environment, current interest rates/ currency outlook from short-term perspective.
- Give necessary inputs to Risk Committee.
- Take review quarterly or frequent intervals depending on the market happenings and decision taken, if any will be recorded.
- Review of the decisions for Investment / Disinvestments.
- Pricing responsibilities for investment decisions.
- Review of the decisions taken by the Committee.
- The Committee to meet on a quarterly or at more frequent intervals depending on the prevailing market conditions.
- Any vacant position in ALCO shall be filled in at the discretion of Board of Directors.

Reporting Arrangements

The Board is to be informed at regular intervals on all the transactions on company's Investment. It is proposed to inform the Board as early as possible preferably in the first succeeding meeting by means of exception reports on irregularities for contravention or any serious irregularities.