(Approved by the Board as on 28th August 2020)

Vara Finance Private Limited

Investment Policy

Index

Chapter – I
PREAMBLE

This Investment Policy has been made pursuant to Regulation 10 of Non-Banking Financial Companies (Reserve Bank) Directions, 2016 as amended and may be modified by the Board of Directors of the Company from time to time.

The Reserve Bank of India (RBI) vide RBI/DNBR/2016-17/44 Master Direction DNBR.PD. PD.007/03.10/.119/2016-17 dated September 01, 2016 (as amended) has advised Board of NBFCs to frame a appropriate Investment Policy for the company and implement the same.

The Board of Directors has approved and adopted this 'Investment Policy' on 28th day of August, 2020. (Need to enter the date of Board Meeting to he held for approval of policies)

Chapter – II
APPLICABILITY

This Investment policy shall be applicable to all investments made by the Company.

Chapter - III
COMPANY PROFILE AND OBJECTIVE

VARA FINANCE PRIVATE LIMITED ("VFPL") is a company incorporated under the Companies Act, 2013 having Corporate Identification Number (CIN: U65999TG2018PTC127620).

It is a non-deposit taking non systemically important non- banking financial company registered and regulated by the Reserve Bank of India (RBI) as a Non-Banking Finance Company (NBFC), bearing Registration no. N-09.00472. The registered office of the Company is at 1-3-53, General Bazar, Secunderabad Hyderabad-Telangana 500003

VFPL being a registered NBFC with RBI has been primarily engaged into (a) Investing or financing short term and long term loan and (b) Lending activities.

Its main objective is to carry on the business of or engage in the business of financing, lending and advancing short-term and long term loans, credit, operating lease, either with or without security or on guarantee on such terms as may seem expedient by the company or do such activities as may permitted by the applicable laws and regulations and subject to necessary approvals from the regulators.

To lend and advance money and give credit on any terms or mode and with or without security to any individual, firm, body corporate or any other entity and to carry on the business in or outside India of making, extending sanctioning, investing in any mode of financing as per requirement and to give guarantees, provide security and to finance, lendor advance money or give loans to such person or firms or body corporate with the object or financing industrial enterprises either with or without interest or security of on any such terms as may be determined.

Following broad guidelines have been framed by VFPL to inform its investment decisions in order to conform with the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 and Non-Banking Financial-Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016. Meeting of the long- term investment goals of the Company basically depends on a number of factors, which not only include fund availability and rate of return, but also inflation and taxes. The motive of the Company to hold the investments is to get returns out of the investments, which can be in any of the following manner:

1. Return on investments in the form of Dividend and/or interest;
2. For capital appreciation;
3. For other benefits.

Investment Other Objectives

Safety: Safety of principal is the foremost objective of the investment program. Investments will be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The idea of safety is to mitigate credit risk, interest rate risk.

Credit Risk: VFPL will minimize credit risk, the risk of loss due to the failure of the security issuer or banker, by:
1. Pre qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which VFPL will do business.
2. Diversifying the portfolio so that potential losses on individual securities will be minimized.

Interest Rate Risk: Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and;
Investing operating funds primarily in shorter- term securities.

Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating Requirements that may be reasonably anticipated. This will be accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Furthermore, since all possible cash demands cannot be anticipated, the portfolio shall consist largely of securities with active secondary or resale markets. Negotiable securities may be sold prior to their maturity to provide liquid funds as needed for cash flow purposed.

Yield : The investment portfolio shall be managed with the objective of attaining a competitive rate of return given the constraints of the aforementioned safety and liquidity objectives. To ensure long-term objectives are met, securities shall not be sold prior to maturity with the following exceptions:
1. A security with declining credit may be sold early to minimize loss of principal.
2. Liquidity needs of the portfolio require that the security be sold.

Chapter – IV
REGULATIONS

During the course of its operations, the Company will strictly adhere to various guidelines as may be stipulated by the Reserve Bank of India (RBI) from time to time. These guidelines will include:
Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 2007, as amended upto date. Clarifications as may be issued from time to time by Reserve Bank of India.

The Company will also adhere to the provisions of the Companies Act, 2013. However being an Investment Company, engaged in the business of acquisition of shares, stock, debentures or other securities, the provisions of Section 186 of the said Act are not applicable to the Company.

Any statutory modifications in the Statutory guidelines / norms / clarifications/ regulations, or if there is any change in any of the parameter(s) framed by the Board, then the parameter change mutatis mutandis.

All investment decisions of the Company shall be taken only at the meetings of the Board of Directors of the Company. The Board of Directors of the Company, may however, delegate the said power to any committee of directors, the managing director, the manager or the principal officer (hereinafter collectively referred to as the "delegate") of the Company. The said resolution of the Board shall specify the total amount up to which the funds may be invested and the nature of the investments which may be made by the delegate.

Chapter - V
Prudential Regulations

Leverage Ratio
The leverage ratio of an applicable NBFC (except NBFC-MFIs and NBFC-IFCs) shall not be more than 7 at any point of time, with effect from March 31, 2015.
In respect of NBFCs primarily engaged in lending against gold jewellery (such loans comprising 50 percent of more of their financial assets) they shall maintain a minimum Tier I capital of 12

percent.

Income recognition
The income recognition shall be based on recognised accounting principles. Income including interest/ discount/ hire charges/ lease rentals or any other charges on NPA shall be recognised only when it is actually realised. Any such income recognised before the asset became non-performing and remaining unrealised shall be reversed.

Chapter – VI
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:

1. **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.

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

Chapter – VII
TRANSFER OF INVESTMENT

a) Investments in securities shall be classified into Current and Long Term, at the time of making each investment;

b) No inter-class transfer will be made on ad-hoc basis;

c) The inter-class transfer, if warranted, shall be effected only at the beginning of each half year, (i.e. on 1st April or 1st October) with the approval of the Board of Directors;

d) 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;

e) The depreciation, if any, in each scrip shall be fully provided for and the appreciation, if any, shall be ignored;

f) The depreciation in one scrip shall not be set off against the appreciation in another scrip, at the time of such inter-class transfer.

Chapter – VIII
VALUATION

Valuation of Quoted Current Investment:

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

A. i) Equity Shares or any compulsory convertible instruments
ii) Preference Shares

B.
i. Preference Shares
ii. Debentures and bonds
iii. Government Securities including treasury bills
iv. Unit of Mutual Funds and
v. 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) Depreciation in one category of investments shall not be set off against the appreciation in another category.

Valuation of Un-quoted Current 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 Funds***

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.

Valuation of Long Term Investment:

A long term investment shall be valued in accordance with the Accounting Standard issued by ICAI as specified below:

"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.

Loan against NBFCs own shares prohibited : No applicable NBFC shall lend against its own shares.

Loans against security of shares :
Applicable NBFC with asset size of ₹100 crore and above lending against the collateral of listed shares shall, maintain a Loan to Value (LTV) ratio of 50% for loans granted against the collateral of shares. LTV ratio of 50% is required to be maintained at all times.

Any shortfall in the maintenance of the 50% LTV occurring on account of movement in the share prices shall be made good within 7 working days.

In case where lending is being done for investment in capital markets, accept only Group 1 securities (specified in SMD/ Policy/ Cir - 9/ 2003 dated March 11, 2003 as amended from time to time, issued by SEBI) as collateral for loans of value more than ₹ 5 lakh, subject to review by the Bank.

Report on-line to stock exchanges on a quarterly basis, information on the shares pledged in their favour, by borrowers for availing loans in format as given by RBI.

Chapter – IX
INVESTMENT COMMITTEE

The Company is having an Investment Committee for following activities:

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

Composition of the Committee
The investment Committee shall consist of following directors as a member:

1. Mr. Annam Vikas : Chairman (Managing Director)
2. Mrs. Bhagavatula Nalini : Member (Director)
3. Mr. A.L Nageswara Rao : Member (Independent Director)

Quorum:
Any 2 (two) members will constitute the quorum.

Powers of the Committee:

The Board of Directors has delegated all the powers of Investment/Disinvestment decision within the limits specified as given below:

Investment Limits	Sanctioning Authority
upto 3 Crore	Managing Director
above 3 Crore to 7.5 Crore	Investment Committee
above 7.5 Crore	Board of Directors

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.

Chapter – X
AMENDMENTS

The Board may amend the provisions of this Policy from time to time.

Unless otherwise specified, such amendments shall be effective from the date of the Board meeting at which such amendments are approved.