Times Guaranty Limited

INVESTMENT POLICY

Information:

Document	Classification	Version	Status
Investment Policy	Confidential	2.0	

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1. Background

Times Guaranty Limited (the "Company") is a Base Layer Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India (RBI) and classified as an Investment and Credit Company (ICC). The Company is listed on both major stock exchanges and is committed to maintaining high standards of corporate governance.

The company primarily focuses on providing customized financial solutions to corporate clients to support their business growth, including structured credit products such as term loans with bullet repayment options that offer repayment flexibility. The Company may also extend credit facilities to individuals with a business or professional relationship, as per its internal policies and regulatory norms. Additionally, the company manages its surplus funds through investments in mutual funds and debt securities, aiming for optimal returns with prudent risk management, while maintaining a transparent, disciplined, and compliant approach in all its operations.

This policy is prepared in line with the requirements prescribed by Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and RBI notification dated 21st April 2021.

2. Objectives

The objectives of this policy are as under:

- Effectively manage and invest the funds in the Permitted investments for the duration available.
- Effectively manage and invest the other surplus funds which may be available comparatively for a longer period.
- Effective management of interest rate risk by adopting certain maturity pattern, particularly when the funds are invested in Government Securities.
- Effective Internal Control on the operations / execution of Investment Transactions.
- Proper recording / accounting of the investment transactions.
- Effective reporting of the Investment transaction to the Management

Surplus funds available for investment will be as far as possible deployed for the available duration in specific instruments or deployed in instruments which have high liquidity.

3. Definitions

"***Current Investment***" means an investment which is by its nature readily realizable and is intended to be held for not more than one year from the date on which such investment is made.

"***Long Term Investment***" means an investment other than a current investment.

4. Investment Objectives

The Board has resolved that all decisions pertaining to investments shall be delegated to the Executive Director or the Chief Financial Officer. A detailed operating manual shall be prepared and adopted by them, taking into consideration the various investment objectives outlined below.

- 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.

- 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:
  a. A security with declining credit may be sold early to minimize loss of principal.
  b. Liquidity needs of the portfolio require that the security be sold.

5. Authorization

The Board of Directors of the Company shall be responsible for determining the amount of surplus funds that can be invested in the forms detailed in this policy. The duty and responsibility of utilizing the investible surplus, to the maximum extent possible, lies with them.

The Board shall meet on periodical basis to review the investment portfolio of the Company and the return earned by the Company on the same, and make investment decisions as necessary.

While making investment decisions, the following factors are to be taken into account:
- Liquidity
- Interest Rate-Risk Management
- Additional Profits
- Security/Ratings of the Instrument

6. Investible Surplus

Investible surplus is that amount which remains after all expenses and liabilities have been taken care of and therefore could be ploughed back into the business. Growth and business expansion is impossible without timely reinvestment and hence, any surplus should be dealt with appropriately.

The company's primary source of funding for conducting investment activity shall flow from:

- Periodic dividends from investment made in shares of listed entities
- Realized Capital Gains from current investments
- Realized Gains from Long Term investments
- Funds received from the repayment of the loan from the borrowers
- Fund infusion by promoters from their individual books

This priority of fund flow shall enable the company shall ensure appropriate liquidity maintenance as well as increase the performance of the company without relying on additional sources of funding. The company does not intend to fund its business activity from external sources

7. Classification of Investment:

Investments in securities shall be classified into current and long term, at the time of making each investment;

In case of Inter-Class transfer:

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

8. Company's Investment Policy

- **Eligible Instruments**

  The Company shall make investments in any of the following instruments, as decided by the relevant authority:

  a. Securities issued by the Central Government including Treasury Bills.
  b. Securities issued by the State Governments
  c. Other Money Market Instruments including Commercial Papers issued by the Corporate Entities
  d. Securities issued by the Indian Financial Institutions

e. Term Deposits with Banks including Schedule commercial banks and co-operative banks
f. Securities in the nature of Mutual Funds, both Equity and Debt oriented
g. Secured / Unsecured Debt Instruments issued by Indian / Foreign Companies (including bonds) both secured and unsecured
h. Securities in nature of units of Alternate Investment Funds
i. Equity Shares or such other convertible instruments of listed and unlisted Companies in India / Outside India.

Note: Investment in any other security / instrument other than those prescribed above shall require approval of Board and Risk Management Committee.

9. Portfolio Composition

While Investment in above instruments, shall be done within the overall limit prescribed by the board. The company shall bifurcate its overall investment portfolio into: A) Short Term Investment Portfolio and B) Long Term Investment Portfolio. Appropriate Mix of the portfolios shall be determined by the board from time to time.

- **Short Term Investment Portfolio**

The short-term investment portfolio of the company (maturity generally 1-3 years) be primarily guided by the objectives set out in this policy and few critical points as below:

a. Instruments for portfolio
The composition of short-term portfolio shall primarily consist of instruments listed above from 8 (a) to 8 (g) Although, investment in instruments listed in 8 (i) may also be included with a prior internal discussion.

b. Credit Rating
A minimum Credit Rating shall be determined below which the company shall not invest in the securities

c. Duration Management
The investment shall be made with the perspective of operational and financing expenses as well growth / expansion strategy of the company.

d. Liquidity Management
Ensure a portion of the portfolio is allocated to highly liquid securities to facilitate quick access to cash as needed.

e. **Regular Monitoring and Review:**
Conduct periodic reviews of the securities held in the portfolio to assess credit quality, interest rate environment, and overall market conditions.

f. Reinvestment Plan:
A clear strategy for reinvesting interest income and principal repayments, favoring securities that align with risk-return objectives shall be as discussed internally by the company.

- **Long Term Investment Portfolio**

The Portfolio shall primarily consist of instruments in 8 (i) (i.e. listed and unlisted companies' equity / convertible securities) but may include any instrument from and shall follow a conservative strategy due to its high nature of risk:

a. Investment Horizon
Usually a long-term investment horizon (typically 5–10 years) to withstand market fluctuations and capitalize on compounding returns.

b. Focused on long-term growth
The investment shall be well poised to stay invested over an extended period (3 years +) and be the beneficiary of compounding.

c. Tolerance for volatility and overall risk capacity of the company
Unlisted equity investments are subject to a higher level of risk. The return expectation from the unlisted portfolio is therefore higher than from the listed equities portfolio. Hence an outlook on volatility of the return shall be made and should ensure that the investment in security is within the overall risk capacity of the company

d. Exit Options
All unlisted investments shall include a clearly defined exit option negotiated with the investee company prior to investment. The exit strategy may encompass various mechanisms such as Buyback Agreements, Secondary Market Sales, Defined Exit Period, Performance based exit strategy, etc.

e. Liquidity Considerations
Consideration for liquidity in the market in case of investment in listed shares. In case of commitment of funds to a financial intermediary, the company shall also ensure that the available funds are available at the time of making calls.

f. Regular Performance Monitoring:
Implement a robust monitoring system to track the performance of high-risk investments against benchmarks, adjusting strategies as necessary.

g. Permissible Investments outside India
Investments outside India shall be made considering parameters such as compliance with regulatory guidelines, investment instruments, sectors, etc.

The Company shall **NOT** make investments in the following:

- Capital of Partnership Firm / Limited Liability Partnership
- Overseas Investment in any entity engaged in any activity not regulated by a Financial Services Regulator.

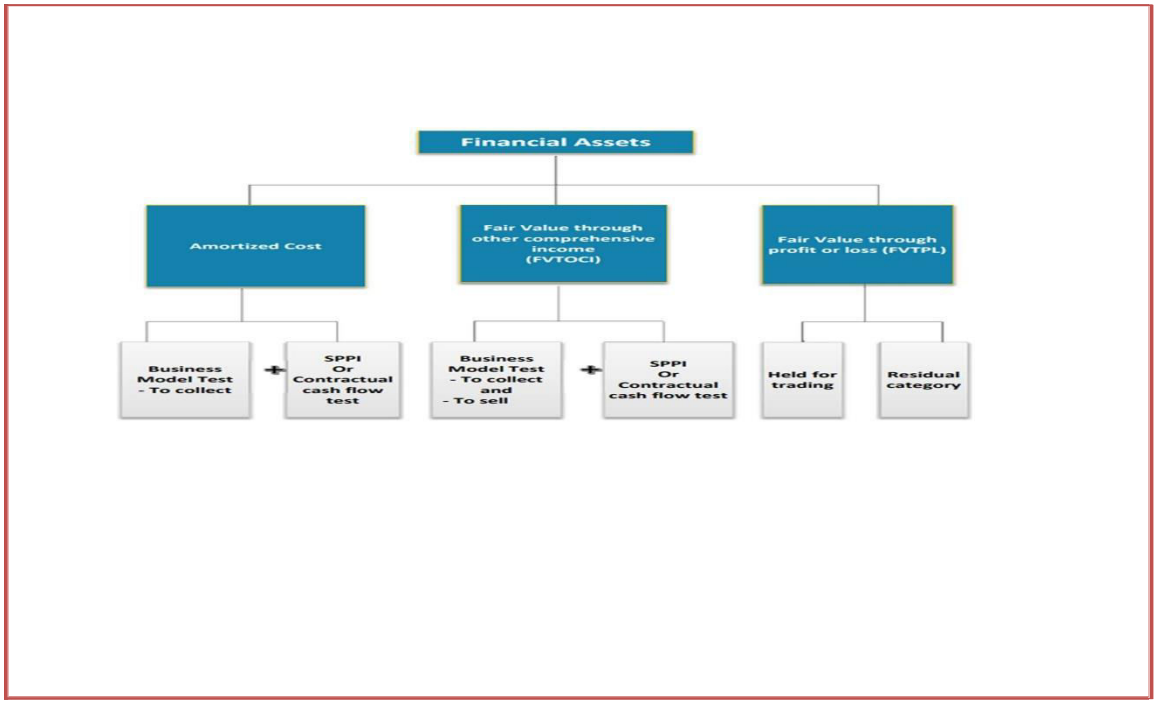
10. Authorization Matrix

The Board shall develop a matrix for authorization as it may deem necessary in the future to delegate investment decision-making for components of its investment portfolio. The Executive Director/Chief Financial Officer shall be responsible for making day-to-day investment decisions and ensuring optimum utilization of funds in a secure and prudent manner, in line with the authority matrix approved by the Board.

11. 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 Amortized 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;

  a. 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;
  b. 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
  c. 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).

A. Classification at Amortized Cost:

Financial Assets to be measured at amortized 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)

B. 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.

C. 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 at least 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.

12. Exception Handling

Any exceptions to this policy shall only be with the prior approval of the Board of Directors of the Company.

13. Adoption, Effective Date and Review

This policy has been adopted vide resolution of the Board of Directors of the Company dated 11th June 2025. This policy shall be applicable organization wide with effect from 11th June 2025. This policy shall be reviewed by the Board of Directors on atleast an Annual basis.

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