

DHARA MOTOR FINANCE LIMITED

INVESTMENT POLICY OF THE COMPANY FOR THE F.Y 2025-26

Policy reviewed and framed as under

Scope

This policy applies to the investment of all operating funds of Dhara Motor Finance Limited. It does not cover the Employee's Benefit Funds created under the requirements of various statutes and laws in force in India and applicable to the company. Dhara Motor Finance Limited, hereinafter referred to as the "DMFL", obtains its funding primarily through the subscription of Share Capital, Cash Credit, term loan, other Debt Instruments and Public deposits. Now, it does not accept public deposits since the company has surrendered the "A category" license. License which was permitted to accept public term deposits. DMFL has made complete payment to their all depositors as on 31.03.2025. DMFL is non deposit taking finance company.

By character and by definition A Non-Deposit Taking Non-Banking Financial Company (NBFC-ND) is a financial institution that doesn't accept deposits from the public, but instead, funds its operations through other means like **loans, investments, and other financial activities**. By virtue of Size the DMFL categorised as systemically non important company. NBFC-NDs are regulated by the Reserve Bank of India (RBI) and are subject to certain guidelines and regulations. Examples:

NBFC-NDs include companies that primarily engage in asset Finance, microfinance, infrastructure finance and credit activities including investments.

No Asset Finance Company, which is not accepting public deposit, shall, invest in –

(a) Land or building, except for its own use, an amount **exceeding ten percent** of its owned fund;

(b) Unquoted shares of another company, which is not a subsidiary company or a company in the same group of the non-banking financial company, **an amount exceeding ten percent** of its owned fund.

Explanation: While calculating the ceiling on investment in unquoted shares, investments in such shares of all companies shall be aggregated. Provided further that the ceiling on the investment in unquoted shares shall not be applicable to an Asset Finance Company or a loan company or an investment company in respect of investment in the equity capital of an issuance company upto the extent specifically permitted, in writing, by the Reserve Bank of India.

Provided that the ceiling on credit/investment concentration shall not be applicable to a residuary non-banking company in respect of investments in approved securities, bonds, debentures and other securities issued by a Government company or a public financial

institution or a scheduled commercial bank under the provisions of paragraphs 6(1) (a) and 6(1) (b) of the Residuary Non-Banking Companies (Reserve Bank) Directions, 1987.

Provided further that the ceiling on the investment in shares of another company shall not be applicable to a non-banking financial company in respect of investment in the equity capital of an insurance company up to the extent specifically permitted, in writing, by the Reserve Bank of India.

Provided further that any non-banking financial company, classified as Asset Finance Company by the Reserve Bank of India, may in exceptional circumstances, exceed the above ceilings on credit/investment concentration to a single party or a single group of parties by 5 per cent of its owned fund, with the approval of its Board.

The investment portfolio will be managed by the Board of Directors, who will strive to invest with the judgment and care that prudent individuals would exercise in the execution of their own affairs, to maintain the safety of principal, maintain liquidity to meet cash flow needs and to provide competitive investment returns for DMFL. From time to time investments will be managed through external programs, facilities and professionals. To constitute compliance these must be managed in a manner consistent with this policy.

1. Investment 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 : DMFL 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 DMFL will do business.
2. Diversifying the portfolio so that potential losses on individual investment will be minimised

Interest Rate Risk

DMFL will minimize the risk that it will carry because of market value of investment in the portfolio will fall due to changes in general interest rates, by:

1. 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.
2. 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 purposes and company has decided to maintain at least 2 months requirement in advance and mainly the required percentage of LCR.

Yield on Investments :

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, investment shall not be sold prior to maturity with the following exceptions:

1. An investment with declining credit may be sold early to minimize loss of principal.
2. Liquidity needs of the portfolio require that the investment be sold.

Standards of Care

Prudence Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived. DMFL recognizes that no investment is totally free from risk and that occasional measured losses are inevitable and will be considered within the context of the overall return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of DMFL.

Delegation of Authority

Authority to manage the investment program is vested with the Board of Directors.

3 .Checks & Balances

The following guidelines have been established to enhance the integrity and transparency of DMFL's internal procedures for investing DMFL's funds and accounting for those investments. The Director (Finance), the Direct Accounts Officer and other persons designated in writing to act as Investment Officers will be authorized to transact investment business on behalf of DMFL. All trade confirmations will be sent directly to the Accountant where transaction details will be compared and verified against internal records. The Accountant shall review all investment transactions subsequent to execution by the Director (Finance) or other person designated as investment officer. All journal entries will be signed by a senior officer not conducting the transaction and entered into the general ledger by one of DMFL's posting officers. The Director (Finance) and other officers authorized to transact investment business on behalf of DMFL are expressly prohibited from posting transactions regarding investments into DMFL's general ledger.

4. Investment Transactions

a. Internal Controls

The Director (Finance) is responsible for establishing and maintaining an internal control structure that will be reviewed annually with DMFL's internal auditor. The internal control structure shall be designed to ensure that the assets of DMFL are protected from loss, theft or misuse and to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived.

b. Authorized Financial Dealers and Institutions

DMFL will ensure that all financial dealers/Institutions being dealt with are registered with respective agencies like Securities Exchange Board of India (SEBI) or Reserve Bank of India (RBI) and funds floated by such dealers/institutions only will be approved for the purpose of investment. Any investment in institution/entity which is not approved by either SEBI or RBI will not qualify for investment unless prior approval for the same is taken from Board of Directors of the company.

c. Eligible Investment

The following list represents the current range of investments that DMFL will consider and which shall be authorized for the investment of funds.

1. Land/ Building (for own use and for other restricted purposes)

DMFL may invest in the Land or building. However where investment is made in the Land or building except for own use however such investment shall not exceed 10% of the NOF of the Company. Subject to latest RBI norms changed from time to time

2. Certificates of Deposit (CDs).

DMFL may invest funds to meet short-term liquidity needs in CDs. The maturity of these CDs will vary to coincide with expected cash demands. Except with Board approval, such investment shall not exceed 10% of the NOF of the Company. Subject to latest RBI norms changed from time to time

3. Commercial Paper.

DMFL may invest in commercial paper issued by corporations with an original maturity of 180 days or less, which at the time of purchase, have received the highest rating issued by any accredited rating agency. Subject to latest RBI norms changed from time to time

4. Treasury Bills (T-Bills).

DMFL may invest in T-Bills issued by the local government, banks and Reserve Bank of India. Except with Board approval, treasury bills holding in any government issue shall not exceed 5% of the investment portfolio. Subject to the latest RBI norms changed from time to time

Shares (Stocks). DMFL may invest in public and private equity securities. However such investment shall not exceed 10% of the NOF of the Company. Subject to latest RBI norms changed from time to time

Investment Restrictions and Prohibited Transactions

To provide for the safety and liquidity of DMFL's funds, the investment portfolio will be subject to the following restriction:

1. Borrowing for investment purposes ("Leverage") is prohibited.
2. Investment in any instrument, which is commonly considered a "derivative" investment (e.g. options, futures, swaps, caps, floors, and collars), is prohibited.
3. No more than 5% of the total market value of the portfolio may be invested in commercial paper of any one issuer.

5. Criteria for Classification

At the time of making the Investment, the investment so made by the Company is to be classified mainly into two criteria:

a .Long Term Investment

Any investment that is made for the period of 1 year or above is to be classified as Long Term Investment.

b. Short Term Investment

Any Investment made in Liquid funds or for the period lesser than 1 year, is to be classified as Short Term Investment.

Authority for making Long Term Investment

Any Long Term investment, except in the Subsidiary Company, should be done with the permission of Board of Directors.

Investment Parameters

1. Portfolio Diversification The investments portfolio shall be diversified to minimize the risk of loss resulting from over over-concentration of assets in specific class, currency, Country, or economic sector. Diversification strategies shall be periodically reviewed. The current policy guidelines are as follows: Asset Allocation DMFL shall adopt a flexible weightings approach (strategic asset allocation) involving the periodic adjustments of the weights for each category based either on the market analysis or on technical analysis (i.e., market timing). A new allocation therefore may be constructed to capture greater returns in a changing market. The initial allocation table is as follows:

2. Maturity Limitations Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available

funds such as in DMFL deposits or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

3. Portfolio Management following the primary objective of preservation of capital, investments shall be actively managed to take advantage of market opportunities. In so doing, negotiable securities may be sold prior to their maturity to provide liquid funds as needed for cash flow purposes, to enhance portfolio returns, or to restructure maturities to increase yield and/or reduce risk. Assets may be sold at a loss only if it is felt that the sale of the security is in the best long-term interest of DMFL.

Performance Review & Reporting

The Director (Finance) will periodically establish a benchmark yield for DMFL's investments, and will set targets for portfolio growth and diversification. Investments held at the end of each quarter will be disclosed in quarterly balance sheets being put up for board's consideration.

Record Keeping and Safekeeping

The accountant shall be responsible for recording all investment transactions and for securing all documents relative to such transactions. The Accountant will ensure credit in demat are received in reasonable time and filed. The Accountant will further ensure that all certificates for other investments are received in reasonable time, are accurately recorded and securely filed away. Also, the monthly interest accruals and quarterly market value adjustments will be the Accountant's responsibility.

Policy Consideration

1. Exception any investment currently held that does not meet the guidelines of this policy shall be exempt from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.
2. Revision the Director (Finance) shall review the policy annually and shall recommend all necessary changes to the Board for consideration and adoption.
3. Adoption this policy and any changes made during the annual reviews shall be adopted by resolution of the Board of Directors.

For and behalf of the Board of Directors

Gajendra Singh
Managing Director

Ghanshyam Singh Chauhan
Whole Time Director