

Som Datt Finance Corporation Limited

INVESTMENT POLICY

Policy version:	01
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Approved by Board on (date):	August 13, 2025

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Som Datt Finance Corporation Limited

Investment Policy

BRIEF ABOUT THE COMPANY

Som Datt Finance Corporation Limited (the “Company” or “SDFCL”) is a Reserve Bank of India (“RBI”) registered Non-Deposit taking Non-Systematically Important Non-Banking Financial Company (“NBFC”), categorised as an Investment and Credit Company (“ICC”). Under the Scale-Based Regulations, the Company is categorised as Base-Layer (“BL”). The Company is listed on the Bombay Stock Exchange (“BSE”).

PURPOSE

The purpose of this policy is to establish a framework and guidelines for managing the Company's investment operations in line with its objectives, risk tolerance, liquidity needs, size, and compliance with applicable regulatory and statutory requirements.

APPLICABLE REGULATIONS

‘Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023’ (“RBI SBR Directions”), dated October 19, 2023, as amended from time to time. In the event of any conflict between this policy and the RBI SBR Directions, the latter shall prevail.

SCOPE

This document lays down the policy of the Company and the guidelines to be adhered to while undertaking investment transactions, including but not limited to equity shares, derivatives, mutual funds, bonds, debt funds, fixed deposits, real estate, and other approved asset classes. It also extends to the lending business operations that involve the deployment of funds.

OBJECTIVES

- The primary objective of the Company's investments is to achieve optimum returns on the investment portfolio commensurate with the size, risk appetite, safety and liquidity requirements of SDFCL. The returns could be in the form of: (a) capital appreciation, (b) dividends (c) interest, and (d) others.
- The other investment objective is to optimise returns on surplus or idle funds while ensuring adequate liquidity, safety, and full compliance with RBI prudential norms, where applicable.

DELEGATION OF POWER, APPROVAL AND REVIEW

The powers of the Board in respect of Investments and Treasury are delegated as below:

Delegation & Approval Matrix:

Secondary Market Investment Buy/Sell	Approving Authority
Single Scrip up to Rs 1 Crore per Day	MD / CEO
Single Scrip >Rs 1 Crore to Rs 5 Crores per Week	MD / CEO
Single Scrip >Rs 1 Crore and upto Rs 10 Crores per Day	MD & CEO
Single Scrip >Rs 10 Crore to Rs 20 Crores per Week	MD & CEO
More than Above limits	Investment Committee

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Primary Market	Approving Authority
Upto Rs 5 Crores in any single IPO	MD / CEO
Rs 5 Crores to Rs 10 Crores	MD & CEO
Above Rs 10 Crores	Investment Committee

Unlisted Equity/Debt/Hybrid/AIFs	Approving Authority
Upto Rs 1 Crore	MD/CEO
>Rs 1 Crore to Rs 2 Crores	MD & CEO
>Rs 2 Crore to Rs 10 Crores	Investment Committee
Above Rs 10 Crores	Board of Directors

Treasury (for short-term)	
Upto Rs 10 Crores	CFO
Rs 10 Crore to Rs 20 Crores	Any two of CFO/MD/CEO
Above Rs 20 Crores	Investment Committee

The Company is required to obtain the Board approval in the following cases:

- The investment value of SDFCL exceeds 20% of its AUM in equity/preference shares of a single entity, except for IPO and Rights issues
- The investment value of SDFCL exceeds 20% of its AUM in any equity-oriented mutual fund, except in case of NFOs
- The investment value of SDFCL exceeds 5% of the shareholding of any RBI-regulated entity, or 10% in a non-RBI-regulated entity.

For the purpose of this policy, AUM includes both investment and loan book but excludes cash and cash equivalents and, is calculated as lower of:

- a) AUM as at the end of the previous month or
- b) Average of the AUMs of the previous 3 months.

INVESTMENT GUIDELINES

Eligible Investments:

The Company may invest its surplus funds up to a maximum, at any point in time, in any of the following:

Investment Type	Instrument	Entity / Fund / Index / Trust
Capital Market	Equity Shares, ETFs	Listed Companies, ETFs, AIFs or SIFs
Primary Market	Equity Shares, Preference Shares, Warrants, etc.	Unlisted Companies, IPOs
Capital Market	Derivatives (Futures & Options, Forward Contracts, Swaps)	Equity shares of Companies, Indices, Bonds, Interest rates, Currencies, Commodities, etc.
Capital Market	Units of Equity Mutual Funds	AMCs offering Large-cap funds, Mid-cap funds, Small-cap funds, Flexi-cap funds, Balanced funds, Arbitrage funds, etc.

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Investment Type	Instrument	Entity / Fund / Index / Trust
Fixed Income	Units of Debt Mutual Funds	AMCs offering various short-term categories such as Liquid funds, Overnight funds, Ultra-short duration funds, Low duration fund, Short duration funds, Money market funds, etc. And long-term categories such as Corporate bond funds, Credit risk funds, Medium duration funds, Dynamic bond funds, Gilt funds, etc.
Fixed Income	Fixed Deposits	Scheduled Commercial Banks, Small Finance Banks, Large NBFCs, etc.
Fixed Income	Government Securities, Corporate Bonds/NCDs, Treasury Bills, Commercial Papers, Inter Corporate Deposits	Central or State governments or their agencies, Corporates, NBFCs, HFCs, AIFs, SIFs etc.
Loan Portfolio	Pools/Units of Securitisation	Portfolios of other NBFCs/SPVs through direct or secondary transactions.
Real Estate	Units of REITs or InvITs	REITs or InvITs in India
Real Estate	Commercial or residential properties	-

These investment guidelines shall be reviewed periodically based on market conditions and regulatory changes, whenever required, but once every year.

Restricted Investments:

The Company is prohibited from investing in unregulated instruments and entities, activities prohibited under FEMA and other regulations.

INVESTMENT CLASSIFICATION, ACCOUNTING AND VALUATION

Investments in securities shall be classified as current (short-term) or long-term, at the time of making each investment. Any investment made for a period of less than one year shall be classified as '**Current or Short-term Investments**', while investments with a maturity of one year or more shall be classified as '**Long-term Investments**'.

In case of inter-class transfers i.e., from 'current' to 'long-term' or vice-versa:

- (i) there shall be no such transfer on an ad-hoc basis,
- (ii) such transfer, if warranted, shall be effected only at the beginning of each half year, on April 01 or October 01, with the approval of the Board,
- (iii) the investments shall be transferred scrip-wise, at book value or market value, whichever is lower,
- (iv) the depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be ignored,
- (v) 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.

The **recognition of income** (such as dividends, capital gains, and interest), as well as the **accounting treatment** and **valuation of investments**, shall be in accordance with the Indian Accounting Standards ("Ind AS") issued by the Institute of Chartered Accountants of India ("ICAI"), as amended from time to time.

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For the purpose of calculating the **Capital Adequacy Ratio** as per the RBI SBR Directions, the Company shall adhere to the following risk weights with respect to its investments in various instruments:

Sr. No.	Risk Asset	Risk Weight
1.	Cash and bank balances	0%
2.	Fixed deposits	0%
3.	Bonds of public sector banks	20%
4.	Fixed deposits/ certificates of deposits/ bonds of public financial institutions	100%
5.	Shares of all companies and debentures/ bonds/ commercial papers of all companies and units of all mutual funds	100%
6.	Inter Corporate Deposits	100%
7.	Interest due on Government securities	0%
8.	Investment in State Government securities	0%
9.	Fixed assets – Premises (net of depreciation)	100%
10.	Other investments	100%

REVIEW OF THE POLICY

The investment policy should be subject to the regulatory guidelines issued by the Reserve Bank of India and approved by the Board of Directors.

ABBREVIATIONS

- AIF: Alternative Investment Fund
- AMC: Asset Management Company/ies
- AUM: Asset Under Management
- ETF: Exchange Traded Funds
- FEMA: Foreign Exchange Management Act
- HFC: Housing Finance Company/ies
- InvIT: Infrastructure Investment Trust
- IPO: Initial Public Offering
- NCD: Non-Convertible Debentures
- NFT: Non-Fungible Tokens
- REIT: Real Estate Investment Trust
- SPV: Special Purpose Vehicle
- SIF: Specialised Investment Funds
