



arriba inclusive finance pvt. ltd.

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ARRIBA INCLUSIVE FINANCE PRIVATE LIMITED

INVESTMENT POLICY

(Confidential)

PREMABLE

The Reserve Bank of India (RBI) vide RBI/DoR/2023-24/106-DoR.FIN.REC.No.45/03.10.119/2023-24 dated October 19, 2023 - Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (updated as on November 10, 2023) has advised Board of NBFCs to frame investment policy for the company and shall implement the same.

The criteria to classify the investments into current and long-term investments shall be spelt out by the Board of the company in the investment policy.

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

In case of inter-class transfer –

- (i) there shall be no such transfer on ad-hoc basis.
- (ii) such 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.
- (iii) the investments shall be transferred scrip-wise, from current to long term or vice-versa, 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.

APPLICABILITY

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

SCOPE AND PURPOSE

This policy applies to the investment of all operating funds of Arriba Inclusive Finance Private Limited. It does not cover the Employee's Benefit Funds created/to be created under the requirements of various statutes and laws in force in India and applicable to the company. Arriba Inclusive Finance Private Limited, hereinafter referred to as the "Arriba", obtains its funding primarily through the subscription of Share Capital, Loans, other Debt Instruments to further on lend money to low-income households. It does not accept public deposits.

Company also collects the repayments of the loans from the low-income household customers and pays back to the financial institution on due repayments dates. In the entire process it is critical for the company to maintain enough liquidity to service the customer financial needs and meet the lender obligation on time.

As the Company business is, based on trust which derives from the timely fulfilment of the commitments with the stakeholders – clients as well as the lenders, maintaining sufficient liquidity, at all times, is critical for the Company. As the company maintains liquidity and liquidity comes at a cost, deployment of liquidity in avenues which give optimum return with no or negligible risk is one of the key objectives for the

management of the company. This policy sets a guiding principle for the management to deploy/invest the intermittent liquid funds in avenues which are safe, liquid and provide optimal return on investment.

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

Arriba will minimize credit risk, the risk of loss due to the failure of the security issuer or banker, by:

1. Prequalifying the financial institutions, brokers/dealers, intermediaries, and advisors with which Arriba will do business.
2. Diversifying the portfolio so that potential losses on individual securities will be minimized.

Interest Rate Risk

Arriba will minimize the risk that it will carry because of market value of securities 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 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.

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. Arriba recognizes that no investment is totally free from risk and that occasional measured losses are inevitable in a diversified portfolio and will be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best long-term interest of Arriba.

Investment Officials acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion to the Board of Directors and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Ethics & Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions in which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officials shall refrain from undertaking personal investment transactions with the same individual or company with which business is conducted on behalf of Arriba.

Delegation of Authority

Authority to manage the investment program is granted to the Director (Finance), who shall act in accordance with the established written procedures and internal controls for the operation of the investment program consistent with this investment policy. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Director (Finance). The Director (Finance) shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Checks & Balances

The following guidelines have been established to enhance the integrity and transparency of Arriba's internal procedures for investing Arriba'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 Arriba. 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 Arriba's posting officers. The Director (Finance) and other officers authorized to transact investment business on behalf of Arriba are expressly prohibited from posting transactions regarding investments into Arriba's general ledger.

INVESTMENT TRANSACTIONS

Internal Controls

The Director (Finance) is responsible for establishing and maintaining an internal control structure that will be reviewed annually with Arriba's internal auditor. The internal control structure shall be designed to ensure that the assets of Arriba 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.

Authorized Financial Dealers and Institutions

Arriba 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.

Eligible Investment

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

Call Accounts and Certificates of Deposit (CDs)

Arriba may invest funds held with correspondent banks to meet short-term liquidity needs in call accounts and CDs. The maturity of these CDs will vary to coincide with expected cash demands.

Commercial Paper

Arriba 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.

Treasury Bills (T-Bills)

Arriba may invest in T-Bills issued by the local government, banks, and Reserve Bank of India.

Bonds (Sovereign and Corporate)

Arriba may invest in Bonds issued by the local government and by banks and Reserve Bank of India, as well as in corporate bonds.

Shares (Stocks)

Arriba may invest in public and private equity securities.

Mutual Funds

Arriba may invest in mutual funds, including both equity and debt-oriented funds.

Investment Restrictions and Prohibited Transactions

To provide for the safety and liquidity of Arriba'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. Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited.

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, which 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.

Inter Class Transfers

The transfer of Investments from Long Term to Short Term shall not be made on ad-hoc basis but are to be made at the beginning of each Half year only i.e. on 1st April and 1st October, with approval of the Board. Such inter class transfer are to be made at Book value or Market value, whichever is lower after providing effect of Depreciation and appreciation, if any, is to be ignored.

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.

GROUPING OF INVESTMENT

The investments made by the Company are to be classified into following categories:

- a. Equity Shares

- b. Preference Shares
- c. Debentures and Bonds
- d. Government Securities
- e. Units of Mutual Fund
- f. Any Other

VALUATION OF INVESTMENT

a. Short Term Investment

Category of investment	Valuation	
	Quoted security	Unquoted security
Equity shares	Quoted Current investment for each category shall be valued at Market value or Cost, whichever is lower.	Cost or Breakup value, whichever is Lower.
Preference shares		Cost or Face value, whichever is Lower.
Government security		At carrying cost
Units of mutual funds		At Net Asset Value declared by Mutual Fund in respect of each particular scheme.
Debentures and bonds		Shall be treated as Term Loans or other type of credit facilities depending upon the tenure of the debentures.

Long Term Investment

All the Long-Term Investments are to be valued in accordance with Accounting Standards issued by Institute of Chartered Accountants of India (ICAI).

INVESTMENT PARAMETERS

Portfolio Diversification

The investments portfolio shall be diversified to minimize the risk of loss resulting from 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 – Arriba 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:

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 deposits or overnight repurchase agreements to ensure that appropriate liquidity is maintained to meet ongoing obligations.

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 Arriba.

INVESTMENT COMMITTEE

The Company to have 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 members:

1. Ms. Praseeda Kunam : Chairperson
2. Mr. P S N Murthy : Member
3. Mr. Ramesh Kumar : Member

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

POWERS OF THE INDIVIDUAL/COMMITTEE

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

Investment limits	Sanctioning Authority
Upto 2 crores	Manager, Accounts
Above 2 crores and upto 5 crores	CEO
Above 5 crores and upto 10 crores	Investment Committee

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.

PERFORMANCE REVIEW & REPORTING

The Director (Finance) will periodically establish a benchmark yield for Arriba'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 Accounts Department shall be responsible for recording all investment transactions and for securing all documents relative to such transactions. The Accounts team will ensure credits in demat are received in reasonable time and filed. They 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

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.

REVISION

The Director (Finance) shall review the policy annually and shall recommend all necessary changes to the Board for consideration and adoption. The Board may amend such 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.

ADOPTION

This policy and any changes made during the annual reviews shall be adopted by resolution of the Board of Directors.
