INVESTMENT POLICY

(For Base Layer NBFC – Investment and Credit Company)

1. Preamble

Thirukochi Fincap Private Limited ("the Company") is a Non-Banking Financial Company – Investment and Credit Company (NBFC-ICC) categorized under the Base Layer as per the Scale Based Regulation (SBR) framework issued by the Reserve Bank of India.

As an NBFC primarily engaged in lending activities, *the* investment of surplus funds shall be undertaken cautiously *and in strict compliance with Section 186 of the Companies Act, 2013,* with emphasis on:

- Capital preservation
- Liquidity maintenance
- Regulatory compliance
- Controlled risk exposure

This Policy establishes a structured governance and control framework for investment management.

2. Objectives

The objectives of this Investment Policy are:

1. To ensure *the* prudent and conservative deployment of surplus funds.
2. To establish risk limits and exposure controls *in line with statutory boundaries*.
3. To align investment decisions with the Company's ALM framework.
4. To prevent speculative or high-risk exposures.
5. To ensure full compliance with RBI prudential norms *and the Companies Act, 2013*.
6. To protect the Company's capital base and CRAR *(Capital to Risk-Weighted Assets Ratio).*

3. Applicability

This Policy applies to:

- All investments made out of owned funds *and borrowed funds (where permitted)*.
- Temporary deployment of surplus liquidity.
- Strategic and non-strategic investments.
- Treasury operations.
- Investments in financial instruments permitted by RBI.

This policy does not govern loans and advances made in the ordinary course of *the* lending business.

4. Investment philosophy

The Company shall follow a “Safety–Liquidity–Return” hierarchy, meaning:

1. Safety of principal is paramount.
2. Liquidity shall not be compromised.
3. Returns shall be optimized within acceptable risk levels.

The Company shall adopt a conservative risk profile appropriate for a Base Layer NBFC*, ensuring no breach of the principal business criteria (PBC) mandated by RBI for NBFC-iccs*.

5. Classification of investments

In accordance with RBI Prudential Norms and applicable Accounting Standards (Ind AS 109 / IGAAP), investments shall be classified as:
5.1 Strategic Investments
Investments made for long-term business objectives, including:

- Equity participation in group or allied entities (subject to regulatory norms *and Section 188 of the Companies Act, 2013 for Related Party Transactions*)
- Investments necessary for operational integration

Such investments require prior Board approval *and must be classified as Long-Term Investments or FVTOCI (Fair Value Through Other Comprehensive Income).*
5.2 Non-Strategic / Treasury Investments
Investments made for:

- Liquidity management
- Yield optimization
- Temporary surplus deployment

These shall follow internal limits, be reviewed periodically, *and be classified as Current Investments or FVTPL (Fair Value Through Profit or Loss) / Amortized Cost depending on the business model*.

6. Permitted investment instruments

Subject to RBI regulations, *Section 186 of the Companies Act, 2013*, and internal exposure limits, the Company may invest in:
6.1 Government Securities (G-Secs)
- Central Government Securities
- State Development Loans (SDLs)
- Treasury Bills

These instruments shall constitute a core liquidity buffer and be preferred due to *their* sovereign backing.

6.2 Corporate Bonds / Debentures

- Listed, secured instruments
- Rated by RBI-recognized credit rating agencies
- Minimum rating threshold: "A" *(or equivalent)*

Preference shall be given to AA and above rated securities.

Investment in unrated or below-threshold securities is prohibited.

6.3 Bank Fixed Deposits

- Scheduled Commercial Banks only
- Diversified exposure
- Preference for highly rated banks

6.4 Mutual Funds

· Debt mutual funds only

· Liquid, overnight or short-duration schemes

· No exposure to equity-oriented or sectoral funds

6.5 Equity Investments (Restricted)

· Only for strategic purposes

· Total capital market exposure shall not exceed 10% of Owned Funds

· No trading or speculative activity permitted

· *Investments in unquoted equity shares are strictly subject to Board approval and transparent valuation.*

6.6 Other Permitted Instruments

Any instrument expressly permitted by RBI from time to time*, provided it aligns with the Company's risk appetite*.

7. Prohibited investments

The Company shall not invest in:

· Cryptocurrency or virtual digital assets

· Unregulated schemes

· Derivatives for speculative purposes

· Leveraged investment products

· Complex structured products

· Private placements without *comprehensive* due diligence

· *Alternative Investment Funds (AIFs) that have downstream investments either directly or indirectly in a debtor company of the NBFC (as per recent RBI directives on evergreening).*

8. Exposure norms & limits

Exposure Type	**Regulatory/Internal Limit**
Statutory Limit (Companies Act, Sec 186)	*Investments shall not exceed 60% of paid-up share capital, free reserves, and securities premium account, OR 100% of free reserves and securities premium account, whichever is more, unless approved by a special resolution of shareholders.*
Single Counterparty Exposure	Shall comply with RBI-prescribed prudential norms and internal limits approved by the Board.
Group Exposure	Exposure to related entities shall be within RBI ceilings and subject to enhanced scrutiny *under Section 188 of the Companies Act, 2013.*
Sectoral Exposure	Concentration in a particular sector shall be monitored to avoid systemic risk.
Capital Market Exposure	Total exposure to capital markets shall not exceed 10% of Owned Funds.

The Board may prescribe stricter internal caps than regulatory limits.

9. Credit risk management

· Investments shall only be made in rated instruments.
· Continuous monitoring of credit rating changes.

· Immediate review upon downgrade.

· Exit strategy to be evaluated if rating falls below internal threshold.

· Credit watch/negative outlook cases to be escalated to management.

10. Market risk management

The Company shall monitor:
· Interest rate sensitivity

· Duration risk

· Mark-to-market *(MTM)* volatility
Portfolio diversification across maturities shall be maintained.

11. Liquidity risk management

· Adequate proportion in liquid assets.

· Investments aligned with cash flow projections.

· Compliance with ALM gap statements.

· Stress testing under adverse scenarios.

Short-term liabilities shall not fund long-term illiquid investments.

12. Asset-liability management (ALM) linkage

All investments must:
· Be mapped to maturity buckets.

· Be reflected in structural liquidity statements.

· Not create negative cumulative mismatches beyond *regulatory and internal* tolerance levels.
Investment decisions shall consider projected disbursement schedules and repayment inflows.

13. Accounting & valuation

Investments shall be:

· Classified as per applicable accounting standards *(Ind AS or IGAAP, as mandated by MCA).*
· Valued on cost or fair value basis as applicable.

· Subject to MTM provisioning where required.

· Provided for in accordance with RBI norms *(e.g., Unquoted equity shares at break-up value, Quoted equity at market value, Mutual Funds at NAV).*

14. Governance framework

14.1 Board of Directors
The Board shall, *in accordance with Section 179(3)(e) of the Companies Act, 2013*:
· Approve the Investment Policy *via resolutions passed at meetings of the Board*.
· Define risk appetite.

· Approve exposure ceilings.

· Review investment performance quarterly.

· Ensure compliance with RBI norms.

14.2 Investment Committee (if constituted)
Composition:

· Managing Director

· CFO

· Compliance Officer

· Senior Finance Officials

Functions:

· Implement Board-approved strategy.

· Monitor exposure limits.

· Review credit quality.

· Report deviations immediately *to the Board/Audit Committee.*

15. Monitoring & reporting

15.1 Internal Monitoring
Monthly review covering:

· Portfolio composition

· Yield performance

· Credit rating movement

· ALM impact

· Concentration risk

15.2 Board Reporting
Quarterly reporting including:

· Investment summary

· Regulatory compliance certificate

· Breach reporting (if any)

· Capital adequacy impact

15.3 Regulatory Reporting
All RBI returns *and MCA filings (e.g., MBP-1, AOC-4)* and disclosures shall be submitted accurately and within prescribed timelines.

16. Internal controls & audit

· Internal Audit shall review compliance with this policy.
· Any breach shall be reported to the Board *and the Audit Committee*.
· Corrective action must be implemented promptly.

· Repeated non-compliance shall be escalated.

17. Capital adequacy impact

The Company shall ensure:
· Proper risk weight assignment *as per RBI guidelines for different asset classes*.
· Investments do not adversely affect CRAR.

· Adequate capital buffer is maintained.

18. Stress testing

The Company may conduct periodic stress tests to assess:

· Impact of interest rate shocks.

· Credit downgrade scenarios.

· Liquidity crunch situations.

Findings shall be reported to management.

19. Documentation & record retention

· All investment decisions shall be documented *properly*.
· Due diligence records must be maintained.

· *The* Investment register *(Form MBP-2 as per Companies Act, 2013)* shall be updated.
· Records retained for *a* minimum *of* 8 years*, in compliance with Section 128 of the Companies Act, 2013*.

20. Policy review

This Policy shall be reviewed:
· Annually; or

· Upon regulatory change; or

· Upon material change in business risk profile.

Amendments require Board approval.

21. Effective date

This **INVESTMENT POLICY** has been approved by the Board of Directors of THIRUKOCHI FINCAP PRIVATE LIMITED at its meeting held on 12/03/2026.
Effective Date: 12/03/2026.