



Akara Capital Advisors Private Limited
Investment Policy
Version 2.0

INVESTMENT POLICY



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1. INTRODUCTION

Akara Capital Advisors Private Limited (hereinafter referred as “Akara” or “the Company”) is registered with the Reserve Bank of India as as Non-Deposit-taking Non-Banking Financial Company (NBFC), categorized as NBFC-Middle Layer in terms of in terms of the parameters contained in [Master Direction – Reserve Bank of India \(Non-Banking Financial Company – Scale Based Regulation\) Directions, 2023](#) vide circular DoR.FIN.REC.No.45/01.10.119/2023-24 dated October 19, 2023, as amended from time to time, the Board of Directors of an applicable NBFCs is required to frame and implement an Investment Policy.

This Investment Policy has been made pursuant to Regulation 29 of Master Direction- Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 as amended and may be modified by the Board of Directors of the Company from time to time.

2. INVESTMENT GUIDELINES / PRINCIPLES:

OBJECTIVE	EXPLANATION
Capital preservation and appreciation	All investment decisions will be governed by Capital preservation as the key guiding principle. Safety of investments will include not only considerations relating to default risk but also risks on account of depreciation in the value of investments on account of market risk factors like interest rate risk and equity price risk. In addition to capital preservation, it is also important to provide adequate returns either in the form of absolute returns or capital appreciation to justify making an investment decision
Target returns as determined in individual cases (Investment portfolio)	Investments should be managed efficiently to achieve target returns. Targets are set with an objective to ensure stable and consistent returns and to endeavor to maximize profits.
Maintenance of Liquidity	Liquidity is critical to facilitate redeployment of funds where required and to provide adequate support in case of contingencies. Investment management activities will be carried out keeping in mind liquidity of securities. Liquidity maintenance will be ensured by earmarking a certain part of the investment portfolio towards short-term securities and liquid instruments
Transparent reporting and accounting of investment	One of the key objectives of investment management is to ensure that investment transactions are appropriately classified, valued and accounted for to facilitate transparent reporting to stakeholders

3. CLASSIFICATION OF INVESTMENTS:

The Investments, that the Company will hold, will be treated as the assets of the Company held with the motive of earning income by way of dividend, interest, and / or for capital appreciation and / or for other benefits. The investments of the Company shall be classified into the following two categories:



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- A. **Current Investment:** The investments made by the Company which are intended to be held for not more than one year from the date on which such investment is made.
- B. **Long Term Investment:** Investment intended to be held for more than one year from the date on which such investment is made.

4. **PERMISSIBLE INVESTMENTS**

Product Type	Product Name	Product limits	Rating based limits
Debt Markets Instruments	Gsec/RBI bonds/ZCBs	Up to 100% of Portfolio	NA
	*SDLs	Up to 30% of Portfolio Single state should not have exposure > 25% of the SDL portfolio	NA
	Listed NCD and Bonds, Floating Rate Bonds (including public and private placements)	Up to 30% of the portfolio	AAA - No limit AA/AA+ - Up to 10% of portfolio Below AA - Nil
	PTCs	Up to 30% of the portfolio	AAA - No limit AA/AA+ - Up to 15% of portfolio Below AA - Nil
Money Market Instruments	T-bill	Up to 100% of Portfolio	NA
	Certificate of Deposits/ Commercial Paper	Up to 30% of the portfolio	If A1+ then no limit Below A1+ Nil
	Overnight schemes /Liquid schemes /Money market schemes of MFs	Up to 70% of portfolio	NA
	Other MF schemes excluding Equity	Up to 30% of portfolio	
	Bank FDs	Up to 45% of the portfolio	AAA - No limit AA/AA+ - Up to 15% of portfolio Below AA - Nil
Others	Corporate Deposit	Up to 30% of the portfolio	AAA - No limit AA/AA+ - Up to 15% of portfolio Below AA - Nil
	Equity and Equity MFs	Up to 5% of Equity and MF portfolio	NA



5. CONCENTRATION LIMITS:

As per the Credit and Concentration Investment norms, the Company shall not have exposures (Credit and Investment taken together) exceeding:

- Twenty five percent of its Tier 1 capital to a single party; and
- Forty percent of its Tier 1 capital to a single group of parties.

However, the Company may exceed the exposure norm specified above, by 5 percent for any single party and by 10 percent for a single group of parties, if the additional exposure is on account of investment.

Conservatively, Akara will maintain these limits as under

- Fifteen percent of its Tier 1 capital to a single party; and
- Twenty Five percent of its Tier 1 capital to a single group of parties.

Mutual Fund and Scheme Concentration limits:

- Fund House Level - Investment to be not more than 20% of Tier 1 capital
- Scheme Level – Investment to be not more than 20% of Tier 1 Capital
- Investment to be not more than 20% of AUM of the scheme after considering our investment
- Latest reported Fund house AUM of not less than Rs. 30,000 cr
- Latest reported scheme AUM of not less than Rs. 1,000 cr

6. TRANSFER OF INVESTMENT:

- a) Investments in securities shall be classified into Current and Long Term, at the time of making each investment;
- b) No inter-class transfer will be made on ad-hoc basis;
- c) The inter-class transfer, if warranted, shall be effected only at the beginning of each half year, (i.e. on 1st April or 1st October) with the approval of the Board of Directors;
- d) The Investments shall be transferred scrip-wise, from Current to Long term or vice-versa, at the book value or market value, whichever is lower;
- e) The depreciation, if any, in each scrip shall be fully provided for and the appreciation, if any, shall be ignored;
- f) The depreciation in one scrip shall not be set off against the appreciation in another scrip, at the time of such inter-class transfer.

7. VALUATION:

Quoted Investments: The quoted current investments shall, for the purposes of valuation, be grouped in the following categories:

- a) **Equity**
 - i) Equity Shares or any compulsory convertible instruments
 - ii) Preference Shares
- b) **Debt**
 - i) Debentures and bonds
 - ii) Preference Shares



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- iii) Debentures and bonds
- iv) Government Securities including treasury bills
- v) Unit of Mutual Funds and
- vi) Others

The quoted current investments for each category shall be valued at cost or market value, whichever is lower.

For this purpose:

- i) Investments in each category shall be considered scrip- wise and the cost and market value/Fair Value aggregated for all investments in each category.
- ii) If the aggregate market value for the category is less than the aggregate cost for that category, the net depreciation shall be provided for or charged to the Profit and Loss Account.
- iii) If the aggregate market value for the category exceeds the aggregate cost for the category, the net appreciation shall be ignored.
- iv) Depreciation in one category of investments shall not be set off against the appreciation in another category.

Un-quoted Current Investment:

- a) Equity Shares:
Unquoted equity shares in the nature of current investments shall be valued at Cost or Break- up value, whichever is lower. However, the Company may substitute fair value for the Break- up value of the shares, if considered necessary.

Where the balance sheet of the investee company is not available for two years, such shares shall be valued at One Rupee only.

- b) Preference Shares:
Unquoted preference shares in the nature of current investments shall be valued at Cost or Face value, whichever is lower.
- c) Government Securities:
Investments in unquoted Government Securities or Government guaranteed bonds shall be valued at Carrying cost.
- d) Mutual Funds:
Unquoted investments in the units of Mutual funds in the nature of current investments shall be valued at the Net Asset Value declared by mutual fund in respect of each particular scheme.
- e) Commercial Papers
Commercial Papers shall be valued at Carrying cost.
- f) Debentures
Unquoted debentures shall be treated as term loans or other type of credit facilities depending upon the tenure of such debentures for the purpose of income recognition and asset classification.



Valuation of Long-Term Investment:

A long-term investment shall be valued in accordance with the Accounting Standard issued by ICAI as specified below:

“Long-term investments are usually carried at cost. However, when there is a decline, other than temporary, in the value of a long-term investment, the carrying amount is reduced to recognize the decline. Indicators of the value of an investment are obtained by reference to its market value/fair value, the investee’s assets and results and the expected cash flows from the investment. The type and extent of the investor’s stake in the investee are also taken into account. Restrictions on distributions by the investee or on disposal by the investor may affect the value attributed to the investment.

Long-term investments are usually of individual importance to the investing enterprise. The carrying amount of long-term investments is therefore determined on an individual investment basis.

Where there is a decline, other than temporary, in the carrying amounts of long-term investments, the resultant reduction in the carrying amount is charged to the profit and loss statement. The reduction in carrying amount is reversed when there is a rise in the value of the investment, or if the reasons for the reduction no longer exist.”

Note: Unquoted debentures shall be treated as term loans or other types of credit facilities depending upon the tenure of such debentures for the purpose of income recognition and asset classification.

8. DEALING THROUGH BROKERS

- All deals that need intermediation and done through and registered stockbrokers empaneled by AKARA, would be subject to ceiling/limits stipulated from time to time to prevent concentration of business with a single broker/ intermediary. For engagement of brokers to deal in investment transactions, AKARA will observe the following:
- The quality of the broking house based on years of market experience and experience of the broking team
- Coverage of the broking house in the market in terms of number/quality of counterparties the broker is empaneled with
- Current market share of the broker
- Promoter group of the broking company and net worth of the entity
- Independence of the broking business from the proprietary desk to avoid conflict of interest
- Market feedback on the competence of the broking house

The following documentation would be sourced to empanel brokers:

- Latest available financial statements/annual report and net worth certificate.
- Experience certificate of Key Management Personnel (KMP).
- Certified copy of Exchange/SEBI membership & status certificate.
- Authorized signatories list along with Board Resolution (BR).
- List of Directors, ownership pattern/shareholders details.
- Certified copy of PAN, MOA & AOA, Certificate of incorporation.

Empanelment for every broker will be recommended by the Investment Committee:



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A cap of 15% of total brokerage paid (both purchase and sales) on investment deals entered by AKARA during a year should be treated as the aggregate upper limit for each of the approved brokers. However, if for any reason it becomes necessary to exceed the aggregate limit for any broker, the specific reasons thereof should be recorded and the ALCO should be informed of this, post facto.

9. INVESTMENT GOVERNANCE AND MONITORING AND REVIEW:

Investment Committee: It is imperative for the achievement of Investment policy objectives that the investment portfolio is reviewed on a continuous basis. The review of the portfolio should be done by the Investment Committee with regards to the following parameters on a quarterly basis:

- Income generated by investment activities
- Composition and size and market value of the portfolio
- Compliance with statutory and regulatory requirements
- Compliance with all limits set out by this policy and any exceptions with approvals or ratifications received
- Any diminution of the rating of the issuer / investment and the consequential effect on the portfolio's quality
- Details of depreciation on investments
- Non-performing investment details
- Risk profile of the portfolio

A. Scope of Investment Committee:

The Company is having 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 guidelines,
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.

B. Composition of the Committee:

The investment Committee shall consist of the following members:

1. Mr. Tushar Aggarwal
2. Mrs. Shruti Aggarwal
3. Mr. Emany Srinivas Pramodh (proposed)
4. Mr. Veekesh Gandhi (proposed)
5. Mr. Varun Chhabra (proposed)

Quorum: Any 3 (three) members will constitute the quorum.

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.



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10. REVIEW AND APPROVAL OF POLICY:

Policy shall be reviewed by the Investment Committee at least on annual interval or as and when any changes are to be incorporated in the Policy due to change in applicable law or regulation or as per business needs. Subsequently, any changes/amendments to the Policy must be approved by the Board of the Company.