

JALAN CHEMICAL INDUSTRIES PVT LTD

Investment Policy

(Formulated in terms of Para 11 of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023; approved and adopted by the Board of Directors at their meeting held on 31.03.2024)

Our Company, M/s. Jalan Chemical Industries Pvt Ltd, is an Investment and Credit Company “NBFC-ICC”, as defined in Para 5.1.19 of Chapter II of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (“the Directions”) issued by the Reserve Bank of India on 19th October, 2023. The Company is engaged in the business of providing finance by way of making loans and trading/investments in securities.

Objective

One of the main objects of JALAN CHEMICAL INDUSTRIES PVT LTD (herein after referred to as “Company” or “JCIPL”) is to “carry on investment business and to purchase, acquire, hold and dispose of or otherwise deal and invest in fixed deposits, shares, stocks, debentures, debenture stocks, bonds, obligations, and securities.....”. To meet this objective, the Board of Directors of the Company hereby frames the broad guidelines for making investment decisions as well as to inculcate the operational efficiency for investments.

Jalan Chemical Industries Pvt Ltd (“JCIPL”) being a registered Non-Banking Financial Company, the Board of Directors of the Company are required to formulate an Investment Policy in terms of Para 11 of Master Direction – Reserve Bank of India Non-Banking Financial Company – Scale Based Regulation) Directions, 2023.

Meeting of the long-term investment goals of the Company is basically dependent on a number of factors, which not only includes the investment capital and rate of return, but also inflation and taxes. The key objective of investment is to optimize yield, taking care to ensure liquidity and safety of the Corpus invested. The cardinal principle to be followed in all types of investment – current or long term, is not to compromise on factors of safety and liquidity in pursuit of higher yield or returns. The motive of the Company to hold the investments is to get returns out of the investments, which can be in any of the following manners:



1. Return on investments in the form of Dividend and/or interest, or
2. For capital appreciation or
3. For other benefits, including tax saving.

Para 11 of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (“the Directions”) inter-alia stipulates as under:

11. Accounting for investments

- 11.1. Quoted current investments shall, for the purposes of valuation, be grouped into the following categories, viz.
 - (i) equity shares,
 - (ii) preference shares,
 - (iii) debentures and bonds,
 - (iv) Government securities including treasury bills,
 - (v) units of mutual fund, and
 - (vi) Others.
- 11.2. Quoted current investments for each category shall be valued at cost or market value whichever is lower. For this purpose, the investments in each category shall be considered scrip-wise and the cost and market value aggregated for all investments in each category. 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. If the aggregate market value for the category exceeds the aggregate cost for the category, the net appreciation shall be ignored. Depreciation in one category of investments shall not be set off against appreciation in another category.
- 11.3. Unquoted equity shares in the nature of current investments shall be valued at cost or breakup value, whichever is lower. However, applicable NBFCs shall substitute fair value for the breakup 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.



- 11.4. Unquoted preference shares in the nature of current investments shall be valued at cost or face value, whichever is lower.
- 11.5. Investments in unquoted Government securities or Government guaranteed bonds shall be valued at carrying cost.
- 11.6. Unquoted investments in the units of mutual funds in the nature of current investments shall be valued at the net asset value declared by the mutual fund in respect of each particular scheme.
- 11.7. Commercial papers shall be valued at carrying cost.
- 11.8. A long-term investment shall be valued in accordance with the applicable Accounting Standard.

Note: 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.

The Company duly in compliance with the above directions has framed this policy.

Guidelines

While making an investment decision, the following aspects should be considered:

1. Exposure in terms of total equity/debt portfolio should not exceed 25% of networth in any industry at the time of making of the investment or Rs. 50 crores, whichever is higher. In specific cases, relaxation of industry wise exposure may be permitted on the basis of reasoned recommendations based on sound business considerations which shall not exceed 50% of the net worth. However, there shall be no restrictions on the amount of investments in debt issued by the Central Government Undertakings, Public Sector Undertakings (PSUs) and Fixed Deposits with Banks.
2. Investment in equity shares of listed companies with a market capitalisation of less than rupees one hundred crores should normally be avoided.
3. Investment should not be made in companies which are illiquid or trading whose trading volumes are abnormally low. This is a subjective issue which is to be decided by the person making the investment.



4. All transactions in listed shares are to be routed through approved intermediaries on BSE, NSE or any other recognized stock exchange in India.
5. The Company can invest through portfolio management schemes provided by portfolio managers in accordance with SEBI (Portfolio Managers) Regulations, 2020. The amount to be invested through each portfolio managers should not exceed Rs. 20 Crores and the aggregate of all investments in such portfolio management schemes shall not exceed Rs. 50 Crores.

Trading and derivatives:

The holding period for trading will normally be for one month to less than one year, the objective being to encash short term market fluctuations. In case of derivatives, the holding period will be short term as per the settlement cycle prescribed by the respective stock exchanges. The restriction in industry exposure will be calculated with reference to total investment made – whether long term, current, trading or in derivatives.

No restriction will be on the amount of investments which are made for the purpose of arbitrage operations.

Regulations:

1. During the course of its operations, the Company will strictly adhere to various guidelines as may be stipulated by the Reserve Bank of India (RBI) from time to time.
2. The Company will adhere to the provisions of the Companies Act, 2013. However being a Non- Banking Financial Company, registered with the Reserve Bank of India and engaged in the business of investing/ lending, provisions of Section 186 is not applicable to the company (except for layers of investment companies)
3. Pursuant to any subsequent amendments or any statutory modifications or re-enactments in the above stated guidelines / norms / clarifications or in any other applicable acts / regulations, if there is any change in any of the parameter(s) framed by the Board, then the act / regulation will have overriding effect on the parameter(s).
4. The Company shall take all investment decisions only at the meetings of the Board of Directors of the Company. The Board of Directors of the Company, by way of a resolution, may delegate the said power to any committee of directors, or any director. The said



resolution should specify the total amount upto which the funds may be invested and the nature of the investments which may be made by the delegate.

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 dividends, interest, and / or for capital appreciation and / or for other benefits. The investments of the Company will be classified into the following two categories:

1. **Current Investments** : 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 and which are by its very nature are readily realizable.
2. **Long term Investments**: Any other investment other than the aforesaid current investments will be construed as long term investment
3. **Stock-in-Trade**: Shares and Securities held for trading purpose will be classified under stock-in-trade.

Transfer of Investments

The Company shall not make any inter class transfer on ad hoc basis. If the inter class transfer is warranted than it shall be effected only at the beginning of each half year, on 1st April or on 1st October, with the approval of the Board. The investments shall be transferred scrip-wise, from current investments to long-term investments or vice-versa, at book value or market value, whichever is lower.

Valuation

A. General

1. The cost of the investment(s) will include the acquisition charges such as brokerage, fees and duties.
2. If the Company acquires (fully or partly) any investment, by issue of shares or other securities, the acquisition cost will be the fair value of the securities issued.
3. If the Company acquires any investment in exchange, or part exchange, for another asset, the acquisition cost of the investment will be determined by reference to the fair value of the asset.



4. If the Company subscribes for any right shares offered, the cost of the right shares is added to the carrying amount of the original holding. If rights are not subscribed for but are sold in the market, the sale proceeds are taken to the profit and loss statement.
5. If the Company acquires investments on cum-right basis and the market value of investments immediately after their becoming ex-right is lower than the cost for which they were acquired, it may be appropriate to apply the sale proceeds of rights to reduce the carrying amount of such investments to the market value.
6. The Company may treat the Interest and dividends in connection with the investments in any of the following ways:
 - As income, being the return on the investment.
 - Recovery of cost.

B. Quoted Current Investments

The quoted investments will be grouped in the following headings for the purpose of the valuation:

- Equity Shares
- Preference Shares
- Debentures and bonds
- Government securities, including treasury bills
- Units of mutual funds and
- Others

The quoted current investments for each category shall be valued at cost or market value, whichever is lower. The investment in each category shall be considered scrip-wise and the cost and market value aggregated for all investments in each category. 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. If the aggregate market value for the category exceeds the aggregate cost for the category, the net appreciation shall be ignored. Depreciation in one category of investments shall not be set off against appreciation in another category.



C. Unquoted Investments

1. The unquoted equity shares in the nature of current investments shall be valued at cost or break-up value, whichever is lower. However, if required, the Company may substitute fair value for the break up value of the shares. Further, where the Balance sheet of the investee company is not available for two years, such shares shall be valued at one rupee only.
2. The unquoted preference shares in the nature of current investments shall be valued at cost or face value, whichever is lower.
3. The investment in unquoted Government securities or Government guaranteed bonds shall be valued at carrying cost.
4. Unquoted investments in the units of mutual funds in the nature of current investments shall be valued at the net asset value declared by the mutual fund in respect of each particular scheme.
5. Commercial papers shall be valued at carrying cost.
6. Long-term investments are usually valued 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. The said decline shall be 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.

D. Depreciation and Appreciation

The depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be fully ignored. The depreciation in one scrip shall not be set off against appreciation in another scrip, at the time of interclass transfer, even in respect of the scrips of the same category.

E. Stock in Trade

Stock in trade of securities shall be valued at lower of cost and market value/net realizable value, computed scrip-wise or category-wise, as may be decided by the Board in accordance with Accounting Standard 13 "Accounting for Investments".

