

**TVS HOLDINGS LIMITED**

---

**INVESTMENT POLICY**

---

# TVS HOLDINGS LIMITED

## INVESTMENT POLICY-DRAFT

### 1. PREAMBLE

TVS Holdings Limited ("the Company" or "TVSH") is a Core Investment Company under section 45 IA of the Reserve Bank of India Act 1934. The primary objective of the Company is to make equity investments and to hold investments in its Subsidiaries and Group Companies.

All non-deposit taking NBFCs with asset size of ₹ 100 crore and above, Core Investment Companies shall frame Investment policy in terms of paragraph 14 of the Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016, the Company is required to adopt an Investment Policy.

The Company operates as an investment holding company primarily to TVS Motor Company Limited ("TVSM"), a Two-wheeler and Three-wheeler manufacturing Company and Emerald Haven Realty Limited (EHRL), a real estate company. Hence, primarily the investment made by the Company is solely into the equity shares of TVSM and EHRL and is of long term in nature. However, investable surplus which may occur from time to time can be deployed for short period on such criteria as stipulated below in this policy.

Group Company(ies) means "Companies in the same Group" as defined in CIC Directions as amended from time to time. For clarity, definition of "Companies in the same Group" as on date is as follows:

*"Companies in the Group" means an arrangement involving two or more entities related to each other through any of the following relationships, viz., Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18) Common brand name, and investment in equity shares of 20% and above).*

The Investment Policy lays down the broad guidelines for making investment decisions.

The purpose of the Company to hold the investments is to get the returns out of the investments which can be in any of the following manner:

- A. Dividends,
- B. Interest,
- C. Capital appreciation or
- D. Safety and liquidity

### 2. MANDATORY PARAMETERS FOR INVESTMENTS BY A CIC

The Company would always satisfy the following conditions as on the date of the last audited balance sheet, as stipulated by RBI: -

# TVS HOLDINGS LIMITED

- i. it will hold not less than **90% of its net assets** in the form of **investment** in equity shares, preference shares, bonds debentures, debt or loans in **group companies**;
- ii. its investments in the **equity shares** (including instruments **compulsorily convertible into equity shares within a period not exceeding 10 years** from the date of issue) in **group companies** and units of Infrastructure Investment Trust (InvITs) only as sponsor shall constitute **not less than 60%** of its net assets as mentioned in clause (i) above;

Provided that the exposure of the Company towards InvITs shall be limited to its holdings as sponsors and shall not, at any point in time, exceed the minimum holding of units and tenor prescribed in this regard by SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended from time to time.

- iii. It will not trade in its investments in shares, bonds, debentures, debt or loans in group companies except through block sale for the purpose of dilution or disinvestment;
- iv. it will not carry on any other financial activity referred to in Section 451(c) and 451 (f) of the Reserve Bank of India Act, 1934 except

(a) investment in

- (i) bank deposits,
- (ii) money market instruments, including money market mutual funds that make investments in debt/money market instruments with a maturity of up to 1 year.
- (iii) Government securities, and
- (iv) bonds or debentures issued by group companies,

(b) granting of loans to group companies and

(c) issuing guarantees on behalf of group companies.

## 3. AUTHORITY TO MAKE INVESTMENTS

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, Managing Directors, (hereinafter collectively referred to as the “delegatee”) of the Company.

The investment in debt instruments including unlisted / unsecured debentures or OFCDs are required to be disclosed in the balance sheet under the head “Investment” as prescribed in Schedule III of the Companies Act, 2013, but for all other intents and purposes, these investments are to be treated as loans for the purpose of compliance

# TVS HOLDINGS LIMITED

with prudential guidelines of RBI and / or investment pattern prescribed under RBI (CIC) Directions. The Board or delegatee should specify the limits in the resolution upto which the funds may be invested / redeemed and nature/ rationale of such investment/ redemption as per the Company's objectives and RBI Guidelines.

The decisions taken by the delegates would have to be placed before the Board of Directors of the Company at periodic intervals for its noting and ratification.

## **4. FUNDING PROGRAMME**

The Investment Department shall keep the Risk Management Department informed of its investment plans to facilitate the Liquidity Risk Management Process and the funding programmes to take into account lending, investment, and other activities, and ensure that adequate liquidity is maintained at the head and each constituent entity within the group.

## **5. 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, capital appreciation or for other benefits. The investments of the Company will be classified into the following two categories:

### **(a) Current Investments including Stock in trade**

The investments made by the Company which by its very nature are readily realisable and are intended to be held for not more than one year from the date on which such investment is made.

### **(b) Long term Investments**

Any other investment other than the aforesaid current investments will be construed as long term investment

The Company being a CIC may make long term strategic Investments (and not for trading purpose) in securities of its own subsidiaries / subsidiaries of the subsidiary companies / Joint Ventures, and associates i.e. bodies corporate (within the meaning of the "Companies in the same Group" as defined by RBI) engaged in business operations which would be strategically synergistic with the Company's own business activities or the business activities of its Subsidiary Company(ies), if any.

# TVS HOLDINGS LIMITED

In case of inter-class transfer –

- There shall be no such transfer on ad-hoc basis;
- such transfer, if warranted, shall be effected only at the beginning of each half year, on April 1 or October 1, with the approval of the Board;
- the investments shall be transferred scrip-wise, from current to long-term or vice- versa, at book value or market value, whichever is lower;
- the depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be ignored;
- 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.

## 6. OVERSEAS INVESTMENT

The Company shall strictly follow the directions prescribed by Foreign Exchange Department for overseas investment. The following prescriptions shall also be adhered to by the Company.

- (i) The Company shall ensure that investments made overseas shall not result in creation of complex structures. In case the structure overseas requires a Non-Operating Holding Company, there shall not be more than two tiers in the structure.
- (ii) An annual certificate from statutory auditors shall be submitted by the CIC to the Regional Office of DoS where it is registered, certifying that it has fully complied with all the conditions stipulated under these Guidelines for overseas investment. The certificate as on end March every year shall be submitted by April 30 each year.
- (iii) The Company shall report the overseas investment within the prescribed timeline, as specified by the RBI.

### 6.1 Investment in financial sector overseas

The Company shall, prior to investing in Joint Venture/Subsidiary/Representative Offices overseas in the financial sector, secure general approval from the RBI. Financial Sector for this purpose would mean a sector/ service regulated by a Financial Sector Regulator. The Company shall also ensure to comply with the following eligibility criteria for overseas direct investment (ODI):

- (1) The Adjusted Net Worth (ANW) of the Company shall not be less than 30% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items as on the date of the last audited balance sheet as at the end of the financial year. The Company shall continue to meet the requirement of minimum ANW, post overseas investment. For this purpose, the risk weights applicable shall

# TVS HOLDINGS LIMITED

be as provided for in these directions.

Adjusted net worth" means —

the aggregate, as appearing in the last audited balance sheet as at the end of the financial year, of Owned Funds as defined at (v) below.

(a) as increased by:-

- (i) 50% of the unrealized appreciation in the book value of quoted investments as at the date of the last audited balance sheet as at the end of the financial year (such appreciation being calculated, as the excess of the aggregate market value of such investments over the book value of such investments); and
- (ii) the increase, if any, in the equity share capital since the date of the last audited balance sheet.

(b) as reduced by:-

- (i) the amount representing any direct or indirect capital contribution made by one CIC in another CIC, to the extent such amount exceeds ten per cent of Owned Funds of the investing CIC;
- (ii) the amount of diminution in the aggregate book value of quoted investments (such diminution being calculated as the excess of the book value of such investments over the aggregate market value of such investments), and;
- (iii) the reduction, if any, in the equity share capital since the date of the last audited balance sheet.

- (2) The level of Net Non-Performing Assets of the Company shall not be more than 1% of the net advances as on the date of the last audited balance sheet.
- (3) The Company shall generally be earning profit continuously for the last three years and its performance shall be satisfactory during the period of its existence.
- (4) The Company shall ensure that no direct investment is made in activities prohibited under FEMA
- (5) The total overseas investment shall not exceed 400% of the owned funds of the Company and cannot exceed more than 1 billion in a financial year
- (6) The total overseas investment in financial sector shall not exceed 200% of its owned funds.
- (7) Investment in financial sector shall be only in regulated entities abroad.
- (8) Entities set up abroad or acquired abroad shall be treated as wholly owned subsidiaries

# TVS HOLDINGS LIMITED

(WOS) / joint ventures (JV) abroad.

- (9) Overseas investments by the Company in financial /non-financial sector shall be restricted to its financial commitment. However with regard to issuing guarantees/Letter of Comfort in this regard, it is notable that the Company can issue guarantees / letter of comfort to the overseas subsidiary engaged in non-financial activity.

## 7. ACCOUNTING FOR INVESTMENT

### 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:
  - (i) As income, being the return on the investment.
  - (ii) Recovery of cost.

Where income receivable on investments has been accrued and has not been received for a period of 12 months beyond the due date, provision shall be made by debit to the revenue account for the income so accrued and no further accrual of income should be made in respect of such investment.

### B. VALUATION OF INVESTMENTS

- (i) Quoted current investments shall, for the purposes of valuation, be grouped into the following categories, viz.

# TVS HOLDINGS LIMITED

- equity shares,
  - preference shares,
  - debentures and bonds,
  - Government securities including treasury bills,
  - units of mutual fund, and
  - others.
- (ii) 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.
- (iii) Unquoted equity shares in the nature of current investments shall be valued at cost or breakup value, whichever is lower. However, TVSH may 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.
- (iv) Unquoted preference shares in the nature of current investments shall be valued at cost or face value, whichever is lower.
- (v) Investments in unquoted Government securities or Government guaranteed bonds shall be valued at carrying cost.
- (vi) 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.
- (vii) Commercial papers shall be valued at carrying cost.
- (viii) 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.

## C. Accounting policy for Financial Instrument:

### (a) Initial Recognition and measurement

All financial assets and liabilities shall be initially recognised at fair value. Transaction



# TVS HOLDINGS LIMITED

costs that are directly attributable to financial assets and financial liabilities, which are not at fair value through profit or loss, will be added to the fair value on initial recognition

## (b) Subsequent measurement

### (i) Financial assets carried at amortised cost (AC):

A financial asset is subsequently measured at cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flow and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### (ii) Financial assets at fair value through other comprehensive income (FVTOCI):

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### (iii) Financial assets at fair value through profit or loss (FVTPL):

A financial asset, which is not classified in any of the above categories is subsequently fair valued through profit or loss.

### (iv) Investment in Subsidiaries and Associates:

The Company has accounted for its investments in subsidiaries and associates at cost.

### (v) Other equity instruments

All equity investments are measured at fair value, with value changes recognised in statement of profit and loss, except for those equity investments for which the company has elected to present the value changes in "Other Comprehensive Income".

## D. Accounting for investment income:

- (i) Income from dividend on shares of corporate bodies and units of mutual funds shall be taken into account on cash basis:

Provided that the income from dividend on shares of corporate bodies shall be taken into account on accrual basis when such dividend has been declared by the corporate body in its annual general meeting and the CIC's right to receive payment is established.

- (ii) Income from bonds and debentures of corporate bodies and from Government securities/bonds shall be taken into account on accrual basis:

# TVS HOLDINGS LIMITED

Provided that the interest rate on these instruments is pre-determined and interest is serviced regularly and is not in arrears.

- (iii) Income on securities of corporate bodies or public sector undertakings, the payment of interest and repayment of principal of which have been guaranteed by Central Government or a State Government shall be taken into account on accrual basis.
- (iv) Accounting standards

TVSH is required to implement Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015, shall prepare their financial statements in accordance with Ind AS notified by the Government of India and shall comply with the regulatory guidance prescribed vide the circular DOR (NBFC).CC.PD No.109/22.10.106/2019-20 dated March 13, 2020 and circular DOR (NBFC).CC.PD.No.116/22.10.106/2020-21 dated July 24, 2020 on Implementation of Ind AS as amended from time to time.

## 8. ACQUISITION / DISPOSAL OF INVESTMENTS

Transactions for purchase or sale of investments shall be recognised as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year are recorded and reflected in the financial statements for that year. Where investment transactions take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction shall be recorded, in the event of a purchase, as of the date on which the scheme obtains an enforceable obligation to pay the price or, in the event of a sale, when the scheme obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.

Considering that Capital market is influenced by various factors viz, political, economics, natural calamities inland as well as global apart from financial strengths of individual companies, the Company would need to focus on risk identification, risk assessment, measurement, risk management, risk tolerance limits and risk mitigation plan.

On disposal of an investment, the difference between the carrying amount and the disposal proceeds, net of expenses, is recognised in the statement of profit and loss.

When disposing of a part of the holding of an individual investment, the carrying amount to be allocated to that part is to be determined on the basis of the average carrying amount of the total holding of the investment.

## 9. DEMAND / CALL LOAN

Objective: The Company may grant short term loans to associate / group companies subject to provisions of the Companies Act, 2013 and any other regulatory approvals, if any. The policy will provide operational guidelines to all concerned and will enable the company to gainfully deploy the surplus funds from time to time and the same will be implemented with immediate effect.

# TVS HOLDINGS LIMITED

TVSH being an Investment Holding Company, does not have any active lending products. However, the Company may provide short term loans or make short term investments including in the form of inter-corporate deposits to its group / subsidiary companies. Such short term loans / investments shall be provided on arm's length basis as per the terms and conditions that may be agreed upon between the company and the concerned subsidiary / associate / group company.

Tenure: The tenure of such loan will be at the sole discretion of the Company but the same will be clearly stated by the sanctioning authority determined by ALCO. Further, the sanctioning authority shall record the specific reason in writing at the time of sanctioning loan, if the cut-off date for demanding or calling up of such loan goes beyond a period of one year from the date of sanction.

Rate of Interest: Generally no loan will be sanctioned without interest. However in all cases the rate of interest, mode of payment of interest i.e. monthly or quarterly will be clearly recorded by the sanctioning authority. If no interest is stipulated or a moratorium is granted for any period, the sanctioning authority shall record the specific reasons in writing at the time of sanctioning the loan.

Review: The loans will be reviewed half yearly and a summary of the same shall be annually placed to the Board.

Renewal of Loan: Renewal of Loan shall depend upon the performance of the Loan and compliance with the terms of sanction.

Sanctioning Authority: The Board, The Committee or any other person duly authorized by the Board / Committee shall be the Sanctioning Authority.

## 10. AMENDMENTS

The Board may, subject to applicable law, amend, suspend or rescind this Policy at any time. Any difficulties or ambiguities in this Policy will be resolved by the Board and/ or administrative committee of the Board, in line with the broad intent of this Policy, as and when required.

## 11. CHANGE IN LAW

In case of any subsequent changes in the provisions of the Act or further rules and regulations / guidelines from the Reserve Bank of India or any other regulations / Directions which makes any of the provisions of this Policy inconsistent, then the provisions of the Act or such other regulations / Directions would prevail over this Policy and the relevant provisions contained in the Policy would be modified accordingly in due course to make it consistent with applicable laws.

\*\*\*\*\*