

2026

INVESTMENT POLICY

HINDUSTHAN MICROFINANCE PVT. LTD.
(HMPL)



1. INTRODUCTION

Hindusthan Microfinance Pvt Ltd (“HMPL” or “the Company”) is a Non-Banking Financial Company – Microfinance Institution (NBFC-MFI) registered with the Reserve Bank of India and operating as a Non-Deposit Taking NBFC.

The Company’s primary business is providing microfinance loans to low-income households. Effective management of financial resources is essential to ensure that the Company maintains adequate liquidity, efficient deployment of funds, and sustainable growth of its lending operations.

This Investment Policy establishes a framework for mobilization, deployment, monitoring, and control of funds to ensure prudent financial management and regulatory compliance.

The Company has prepared its Investment Policy as under .in line with the Master Direction (NBFC-Scale-based Regulation) 2023 and RBI (Financial Statement , Presentation and Disclosures) Direction ,2025 and the Companies Act ,2013 (as amended up tp date) ,

2. OBJECTIVES

The objectives of this Policy are to:

- Ensure efficient utilization of financial resources in the permitted investments .
- Maintain adequate liquidity to support lending operations.
- Optimize the cost of funds and borrowing mix.
- Ensure timely servicing of financial obligations.
- Strengthen financial discipline and treasury management.
- Ensure compliance with applicable guidelines issued by the Reserve Bank of India.

3. SCOPE

This Policy shall apply to:

- Investment of surplus funds of the Company
- Liquidity management of operational funds for short term or long term ,depending on needs

All investments undertaken by HMPL shall be in accordance with this Policy and applicable regulatory guidelines.

4. INVESTMENT PHILOSOPHY

The Company shall adopt a prudent and risk-averse investment approach with the following priorities:

1. Safety of principal
2. Liquidity of funds
3. Reasonable yield
4. Risk Management (by adopting appropriate maturity pattern)
5. Proper recording/accounting of investment transactions
6. Internal Control Measures
7. Timely Reporting to the Board of Directors .
8. No investment in non- financial service sectors
9. No investment under FEMA (Foreign Exchange Management Act)
- 10, No investment in speculative or high-risk investments.

5. CATEGORIES OF INVESTMENTS

The Company’s investments broadly fall under the following categories:

- i) Investment of Surplus Funds

Surplus funds may be invested in:

- Fixed Deposits with Scheduled Commercial Banks, Small Finance Banks, or NBFCs, preferably where the Company has existing or proposed lending relationships, Business Correspondent arrangements, or term loan exposure with such Banks / NBFCs / Financial Institutions.
- Liquid Mutual Fund Schemes

These instruments provide reasonable returns while maintaining liquidity and capital safety.

ii) Investment of Short-Term Surplus Funds

Short-term surplus funds may be deployed in the following instruments:

a) Deposits with Banks

The Company may place deposits with:

- Scheduled Commercial Banks having top rating above AA

subject to internal approval and evaluation of financial strength.

b) Investment in Debt Liquid Mutual Fund Schemes

The Company may invest in:

- Liquid Mutual Funds
- Money Market Mutual Funds
- Short-term Debt Mutual Funds

Such investments shall be made only in SEBI regulated mutual fund schemes managed by reputed Asset Management Companies.

c) Investment in Government Securities / Bonds

The Company may invest in:

- Government of India Bonds
- Treasury Bills

These investments are considered low-risk instruments with high credit quality.

6. RISK MANAGEMENT

The Company shall ensure appropriate risk management through:

- Investment only in **low-risk instruments**
- Diversification across financial institutions
- Periodic review of counterparty credit quality
- Monitoring of investment maturity profile

The Company shall prioritize **capital safety over higher returns**.

Among other risks, operational risks related to investments will be discussed in the Company's Risk Management Committee

7. APPROVAL AUTHORITY

Board of Directors

- Approves the Investment & Treasury Policy **Board , at its discretion, may delegate the power to sanction investments to Finance Committee .**
- **Managing Director / CEO**
- Provides overall supervision of treasury activities

Finance Department

- Executes investment transactions
- Maintains investment records and monitoring reports
- All investments to be made by the delegated authorities prudently in conformity with Board approved Policy .

8 Valuation & Accounting of Investments

The Company shall adopt appropriate accounting standards , valuation and classification , recognition of investments / income thereof in line with RBI Directions / Companies

Laws .As per Ind.As , investments are financial assets .The Company will classify financial assets in one of the following categories :

10 ‘ Exposure Limits ;

To avoid concentration risks , the Company has fixed the following limit for investment in single company or group of companies

8. Monitoring and Reporting

The Finance Department shall maintain a **register of all investments** including:

- Type of investment instrument
- Amount invested
- Date of investment
- Maturity date
- Rate of return

Investment details shall be reported periodically to **senior management and the Finance Committee** .

10. Policy Review

This Policy shall be reviewed annually and may be reviewed more frequently, if required, due to regulatory changes or business requirements.

Any modification to this Policy and exception to the policy in implementation shall require **approval of the Board of Directors**.

11. Effective Date

This Investment & Treasury Policy shall come into effect from the date of approval by the **Board of Directors of Hindusthan Microfinance Pvt Ltd**.