



# Capfin India Limited

Regd. Office: 6th Floor, VB Capitol Building, Range Hills Road, Opp. Hotel Symphony, Bhoslenagar, Shivajinagar, Pune, Maharashtra, India, 411007;  
Email: [compliance@capfinindia.in](mailto:compliance@capfinindia.in) | CIN: L74999PN1992PLC243323  
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## I. Preamble

Being a Non-Banking Financial Company, one of the objects of Capfin India Limited (herein after referred to as 'Company' or "CIL") is to invest the funds of the Company in the purchase or acquisition of shares, stocks, debenture stock, bonds, mortgages, obligations and securities. CIL being a registered Non-Banking Financial Company, the Board of Directors of the Company are required to formulate an Investment Policy in terms of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 ("**Directions**").

Meeting of the long-term investment goals of the Company is basically dependent on a number of factors, which not only include the investment capital and rate of return, but also inflation and taxes. 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.

## II. Applicability

This Investment policy shall be applicable to all investments made by the Company.

## III. Definitions

For the purpose of this Investment Policy –

- a) "Act" means the Reserve Bank of India Act, 1934;
- b) "Board of Directors" means the Board of Directors of Capin India Limited.
- c) "Body corporate" means a body corporate as defined under Section 2 of the Companies Act, 2013;
- d) "Break-up value" means the equity capital and reserves as reduced by intangible assets and revaluation reserves, divided by the number of equity shares of the investee Company;
- e) "Carrying cost" means book value of the assets and interest accrued thereon but not received;
- f) "Company" or "CIL" means Capin India Limited;
- g) "Companies Act" means the Companies Act, 2013 or any statutory modifications or reenactment thereof for the time being in force.
- h) "Companies in the group" means an arrangement involving two or more entities related to each other through any of the following relationships: Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-



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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.

- i) "Current investment" means an investment which is by its nature readily realisable and is intended to be held for not more than one year from the date on which such investment is made;
- j) "Discounted Cash Flows (DCF) Value Method", is defined as value equals to the present value of future cash flows that accrues to the equity shareholders of the Company.
- k) "Earning value" means the value of an equity share computed by taking the average of profits after tax as reduced by the preference dividend and adjusted for extra-ordinary and nonrecurring items, for the immediately preceding three years and further divided by the number of equity shares of the investee company and capitalised at the following rate :-

- (a) in case of predominantly manufacturing company, eight per cent;
- (b) in case of predominantly trading company, ten per cent; and
- (c) in case of any other company, including an NBFC, twelve per cent;

**Note:** If, an investee company is a loss-making company, the earning value will be taken at zero;

- l) "Fair value" means the mean of the earning value and the break-up value and discounted cash flow value method;
- m) "Long term investment" means an investment other than a current investment;
- n) "Net asset value" means the latest declared net asset value by the concerned mutual fund in respect of that particular scheme;
- o) "Officer of a Company" means any person as defined in Clause (59) of Section 2 of the Companies Act, 2013 including an Auditors of the Company;

Other terms not defined hereinabove shall have same meaning as defined in the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 amended from time to time.

#### IV. Company Profile

Capfin India Limited is registered as a registered NBFC with RBI has been primarily engaged into (a) Investing in securities of listed and unlisted companies and (b) Lending activities.

Meeting of the long-term investment goals of the Company basically depends on a number of factors, which not only include fund availability and rate of return, but also inflation and taxes.

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 manner:

1. Return on investments in the form of Dividend and/or interest;



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2. For capital appreciation;
3. For other benefits.

### V. Master Direction/Regulations

During the course of its operations, the Company will strictly adhere to various guidelines as will be stipulated by the Reserve Bank of India (RBI) from time to time, these guidelines.

The Company shall adhere to the provisions of the Companies Act, 2013 and rules made thereunder, as amended from time to time.

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 shall have overriding effect on the parameter(s).

All investment decisions would be taken only by the delegated authorities. The Board of Directors of the Company, by way of a resolution, shall delegate the said power to any committee of Directors, the managing director, the manager or CEO or CFO or the principal officer (hereinafter collectively referred to as the "delegate") of the Company. The said resolution shall specify the total amount up to which the funds will be invested and the nature of the investments which shall be made by the delegate.

The investment exposure in any single entity or group of entities along with other exposures by way of loans and advances and other receivables would be covered under the Exposure Norms stipulated by Reserve Bank of India from time to time.

### VI. Classification Of Investments:

The Investments, that the Company shall 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 shall 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 realisable.
2.	Long term Investments	Any other investments other than the aforesaid current investments will be construed as long term investments.

The Company intends to make long term strategic investments (and not for trading purpose) in various securities of all kinds and description as will be deem fit, including Shares (equity / preference / warrants), Bonds, Debentures, Units, Commercial Papers, etc, issued by any of the public or private sector undertaking(s), Bank(s), Financial Institution(s), Mutual Fund(s), Venture Capital Fund(s) or by any State Governments or Central Government, or by a corporation constituted by any of the State



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or Central Government enactment or a Government Company or any other Company incorporated under the Companies Act, 2013 or under any previous company law or other Bodies Corporate, PTC or any other securitized papers.

While dealing in securitization / direct assignment as an investor, the company shall adhere to the regulatory guidelines issued from time to time.

The Company shall make investments by exploring the money market and listed / unlisted securities segments and in Fixed/Term Deposit and Certificate of Deposits of Bank(s). Investments in securities shall be classified into current and long term, at the time of making each investment. While selecting the investments the Company would inter alia check the available data of defaulters in bonds, deposits and debentures.

The Company has interest in varied lines of businesses and also undertakes investments both proprietary and participating basis. For this purpose the Company needs to float, foster different entities to meet the business requirements and regulatory guidelines applicable for respective line of businesses. Such Investments are normally in the nature of unquoted investments of different class – equity, preference, debentures, subordinated and hybrid instruments, bonds etc. Hence no cap on the unquoted investments is considered necessary. They are however subjected to the exposure norms under prudential guidelines.

Any overseas Investment is to be made under FEMA regulations and DNBR regulations. Company cannot make direct investment in an overseas entity (set up or acquire abroad directly as JV/WOS or indirectly as step down subsidiary) located in the countries identified by the FATF as “non co-operative countries and territories” as per list available on FATF website or as notified by the Reserve Bank of India from time to time.

### **VII. Accounting Of Investments:**

Accounting standards and Guidance Notes issued by the Institute of Chartered Accountants of India (ICAI) shall be followed insofar as they are not inconsistent with any of the Directions issued by Reserve Bank of India from time to time.

### **VIII. Transfer Of Investments:**

- 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;



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### IX. sValuation:

The cost of the investment(s) will include the acquisition charges such as brokerage, fees, duties, service tax and cess, etc. 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. 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. 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.

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 will be appropriate to apply the sale proceeds of rights to reduce the carrying amount of such investments to the market value.

The Company shall 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.

### X. Income from Investments:

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 inter class transfer, even in respect of the scrips of the same category.

### XI. Capital Investment

- **Capital Market Exposure:** The Company may invest directly in all types of capital market instruments. Company should strictly adhere to the definition of “capital market exposure” as spelt out in the Master Directions – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023. The adherence of this ceiling shall be reviewed by the Risk Management Committee on quarterly basis. The capital market exposure is also subject to the exposure norms for single / group exposures.
- **Ceiling on IPO Funding:** There shall be a ceiling of ₹1 crore per borrower for financing subscription to Initial Public Offer (IPO).
- **Partnership Firms:** Reserve Bank of India vide Master Directions – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 prohibited NBFCs from becoming partners in Partnership Firms. Keeping this in view, Company shall not invest in Partnership Firms as a partner. The partnership firm mentioned above would also include Limited Liability Partnership (LLPs) and also the Association Of Persons (AOP) these being similar in nature to partnership firms.



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- **Overseas Investments:** While making any overseas investments, the Company would keep in view the extant Regulatory Guidelines issued by Department of Non-Banking Supervision and FEMA guidelines and ensure strict compliance.

### **XII. Internal Audit and Reporting Requirements:**

The Internal Audit of the Investment transactions would be undertaken on quarterly basis for the quarterly period ending June, September, December and March.

The details of the investment portfolio, such as the movement in different categories, fresh investments and redemptions made would be placed before Risk Management Committee for review on quarterly basis for capturing and analyzing risks and for taking remedial measures, if any required. The minutes of the Risk Management Committee would be placed before the Board on periodical basis.

Half yearly review of investments would be placed before Audit Committee / Board. Such review would be done for half year ending September and March within two months of the close of the half year.

### **XIII. Amendments**

The Board may amend the provisions of this Policy from time to time.

Unless otherwise specified, such amendments shall be effective from the date of the Board meeting at which such amendments are approved.s