

Investment Policy

Version	Date of Approval / Reviewal
V.1	06-02-2014
V.2	30-05-2019
V.3	22-09-2020
V.4.	29-06-2021
V.5.	27-05-2022

Introduction

Sonata Finance Private Ltd (“The Company”) is a registered Non-Banking Financial Company-Micro Finance Institutions “NBFC-MFI”, provides financial services to socially and economically disadvantaged families to improve their quality of life in a sustainable manner. The company has its presence in nine underserved Indian States and services its target customers through 450 plus branch network. The company main business is offering micro loans to low income household in cost effective and transparent manner.

Scope and Purpose

In order to operate its business, the company sources funds from different banks, financial institutions including foreign financial institutions to further on lend money to low-income households. Company also collects the repayments of the loans from the low-income household customers and pays back to the financial institution on due repayments dates. In the entire process it is critical for the company to maintain enough liquidity to service the customer financial needs and meet the lender obligation on time.

As the Company business is, based on trust which derives from the timely fulfillment of the commitments with the stakeholders – clients as well as the lenders, maintaining sufficient liquidity, at all times, is critical for the Company. As the company maintains liquidity and liquidity comes at a cost, deployment of liquidity in avenues which give optimum return with no or negligible risk is one of the key objectives for the management of the company. This policy sets a guiding principle for the management to deploy/invest the intermittent liquid funds in avenues which are safe, liquid and provide optimal return on investment.

Governance

The Board of Directors “Board” of the Company, being the board of NBFC are required to formulate the Investment Policy in terms of **Non-Banking Financial (Non-Deposit Accepting) Companies Prudential Norms Directions 2007**. In pursuant to said directions, the Board hereby

prescribes the broad guidelines for taking investment decisions by management committee and to bring operational efficiency in the system.

Regulations

1. During the course of its operations, the Company will strictly adhere to various guidelines issued by RBI or may be stipulated by the Reserve Bank of India (RBI) from time to time in respect of investments made or to be made by the NBFCs.
 - Non-Banking Financial Companies Prudential Norms (Reserve Bank) Direction, 1998, as amended up to date.
 - Clarifications as may be issued from time to time by Reserve Bank of India.
2. The Board of the Company shall take all investment decisions, and/or may delegate the said power to the management committee of the Company. The said resolution should specify the total amount up to which the funds may be invested in Banks/ Mutual Funds etc. and the nature of the investments which may be made by the management committee.
3. The Company shall:
 - a. Not invest in the shares of any other company.
 - b. Not invest more than 25% of its owned fund to a single party; and

In case investment made by the Company is in excess of the ceilings specified above and is in force on the date of commencement of these directions, the investment shall be brought down by the Company as per the directions in due course.

4. 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).

Board Permitted Instruments

The core business of Sonata is lending to low-income segments within the permissible guidelines of the RBI applicable to MFIs. In order to extend its services to large number of disadvantaged borrowers, the Company will keep short term liquidity in instruments where the underlying investments are in fixed income in nature, subject to the available surplus funds. Such instruments may be debt instruments, Money Market instruments in one or more tranches,

in units of existing/new mutual fund schemes, and or short-term fixed deposits of banks/ financial institutions, except where deposits are kept as security where deposit period will be linked to maturity of loan. In all such deposits, it should be ensured that interest is received by company as and when it is due.

Sonata will not make investments in instruments that have equity participation in any private or public entities.

Classification of Investments

The Current Investments held with the objective of maintaining liquidity by parking temporary funds under Board approved instruments, shall be treated as the assets of the Company. Current 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 are liquid.

Sonata intends to make Current Investments (and not for trading purpose) in public or private sector undertaking(s), Bank(s), Financial Institution(s), Mutual Fund(s), or by a corporation constituted by any of the State or Central Government enactment or a Government Company or any other Company incorporated under the Companies Act, 1956 as amended or other Bodies Corporate.

The Company shall focus on utilizing the income from investments in carrying out its microfinance activities, which would provide an impetus to such microfinance opportunities.

Valuations:

1. Investments in the units of mutual funds in the nature of current investments shall be valued at the net asset value (NAV) declared by the mutual fund in respect of each particular scheme.
2. In case of FD, value is to be determined by its present net value

The Board shall, review the policy and introduce the changes as required.

Investment Committee Formulation and its Functions:

Any Investment to be made by the Company shall be approved by the management committee of the company consisting of:

1. Mr. Anup Kumar Singh (Chairman)
2. Mr. Akhilesh Singh (Chief Financial Officer)
3. Mr. Shrikant Bhargava (Chief Financial Advisor)
4. Mr. Manish Raj (Chief Accounts Controller)

The Investment Committee shall decide regarding the quantum of funds to be placed in different banks or the mutual funds after considering the return on investment and credibility of the organization. Prior to making any investment, the committee will compare the interest rates of a minimum of three Banks or Mutual Fund AMCs.

Any loan disbursed by any lender is to be first placed in a single bank account to be decided by the Investment Committee.

Any surplus amount after meeting the lending requirement is to be invested in mutual funds or kept as short-term fixed deposits with Banks. The Committee shall also review all the investments made earlier on weekly basis to ensure proper deployment on maturity.

The Company has large number of current accounts at different places for day-to-day operations of the company's branches. It should be endeavor of the committee to ensure that these current accounts are opened only at nationalized banks/private sector banks and not in any cooperative bank or regional rural bank branches.

The Committee should ensure that the idle funds kept in current accounts of the bank branches are centrally pooled. The Company should also explore the possibility of opening pool accounts in banks at Lucknow which have large number of our current accounts and establish a partnership with payment banks to provide more cash deposit avenues to the Company's branches operating in remote locations.

The Committee should obtain the list from treasury in advance where bank loans are due to be repaid to ensure timely repayment of company's borrowings.

--//--//--//--