

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

Introduction and Objective

Sonata Finance Private Ltd (“Company”/“Sonata”) being a registered Non-Banking Financial Company- Micro Finance Institutions “NBFC-MFI” provides financial and other support services to improve the quality of life of the socio-economically disadvantaged in a sustainable manner.

Sonata, in order to achieve its objectives and to maintain the credibility amongst its lending partners, by being able to repay its debt obligations to them well within the due dates, will undertake the investment of surplus funds into the secured debt liquid funds/Schemes or Income funds or banks fix deposits with overdraft facility in prudent manner.

In addition to above, Sonata holds investments with motive to maintain liquidity of funds to ensure that any requirement of funds for disbursement to micro borrowers are met by the Company without any difficulty so that the needs of the micro borrowers are not affected due to unavailability of funds.

The Board of Directors “Board” of the Sonata, 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, Sonata 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 Sonata shall take all investment decisions, and/or may delegate the said power to 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. Sonata 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

If in case investment made by the Company is in excess of the ceilings specified hereinabove and exists on the date of commencement of these directions, shall be brought down by the Company as per the repayment schedule 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, 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 in 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. Under all such deposits, it should be ensured that interest is received by company on quarterly basis. .

Sonata will not make investments in instruments that have equities private or public as the underlying investments.

Classification of Investments

The Current Investments held with the motive to maintain 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 and which are by its very nature are readily realizable.

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 to utilize the income from investment in carrying out its microfinance activities and give 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 declared by the mutual fund in respect of each particular scheme.
2. In case FD value is to be determined by its present net value

The Board at the reasonable times and occasion shall review, introduce the changes if any, in the policy thereafter its adoption in case any change in investment policy is warranted.

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

The Investment Committee shall decide the funds to be placed in different banks or the mutual funds after considering the return on investment and credibility of organization. For any investment to be made the committee should compare the interest rate of minimum three banks.

Any loan disbursed by any lender are to be first placed in a single bank account maintained at Lucknow.

Any surplus amount after meeting the lending requirement is to be invested in mutual funds or short term deposit 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 account to be opened only at nationalized banks/private sector banks and not in any cooperative bank or regional rural bank branches.

The Committee should also ensure that the ideal funds kept in current accounts of the bank branches are to be centrally pooled. We should explore the possibility of opening pool accounts in banks at Lucknow which has large number of our current accounts.

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

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