

CHOKHANI SECURITIES LIMITED

INVESTMENT & TREASURY POLICY

This document lays down the policy of the Company and the guide lines to be adhered to while undertaking investment transactions for deployment of funds and advancing loans, placing short/ long term deposits with body corporates.

The policy is framed with the following objectives:-

1. Effectively manage and invest the funds in the Permitted investments for the duration available.
2. Effectively manage and invest the other surplus funds which may be available comparatively for a longer period.
3. Effective management of interest rate risk by adopting certain maturity pattern, particularly when the funds are invested in Government
4. Effective Internal Control on the operations/execution of Investment
5. Proper recording/accounting of the investment transactions.
6. Effective reporting of the Investment transaction to the Management Protection of Capital, Liquidity of funds and Maximization of yield will be the aim of Treasury Management. Surplus funds available for investment will be as far as possible will be deployed for the available duration in specific instruments or deployed in instruments which have high liquidity.

Authorization:

Management of the investible surpluses of the Company shall be managed by the Company. Where ever there is availability of surplus funds for deployment, the Finance/treasury department of the Company would invest the surplus funds. The following activities shall be responsibility of the Finance/Treasury department.

1. Investment of funds as per the policy guide lines.
2. Day to day monitoring of Investment portfolio.
3. Disposal of securities and realization of proceeds and revenue dues.
4. Accounting of the Securities transactions and reconciliation thereof
5. Review of portfolio as and required

Category of investments:-

Investments will be made under the following two categories:-

1. Investments in Equity/preference capital and or debt instruments of Group companies or in form loans to group companies
2. Investments in equity/preference capital of the companies having similar objects of the Gro companies
3. Short term surplus funds shall be invested only in permitted investments. Permitted investment under this category at present
 - a) Securities issued by the Central Government including Treasury
 - b) Securities issued by the State Governments
 - c) Securities issued by the Indian Financial Institutions
 - d) Term Deposits with Banks
 - e) Instruments issued by Government of India wholly owned Corporations with a rating of AA by CARE or P1 by CRISIL or equivalent rating by other rating agencies such as ICRA or D &
 - f) Mutual Funds – Income Funds and Liquid Funds
 - g) CP with rating of P1 or Corporate Debentures with a rating of
 - h) Equity shares or Mutual Fund Units of equity schemes

To match the duration of surplus, investment may be made in Term Deposit(s) with Banks CP/Debenture can be purchased in the secondary market subject to availability. Otherwise, funds can be invested in Government Securities which have liquidity in the market. However, holding period yield will depend upon the interest rate movement in the market due to policy changes, market liquidity etc

Equity investments have to be made only to the extent of funds that can be deployed for a long term. However, decision regarding sale in short term can be taken if the appreciation after investment exceeds 25%.

Individual Product Guidelines

Central Government Securities including T Bills and State Government Securities:

Initially investments will be restricted to Central Government Securities and T Bills. Investments in State Government Securities will be avoided as they are comparatively less liquid and price of the State Government securities of various state governments with same coupon and maturity vary in the market.

<u>Maturity Period</u>	<u>Amount</u>
> 3 years	not less than 25%
3 > 5 years	not more than 40%
5 > 10 years	not more than 25%
> 10 years	not more than 10%

Corporate Debentures/CPs/Bonds

Investment shall be made subject to rating of P1 in the case of CPs and AA for debentures given by one of the rating agencies namely, CRISIL, ICRA, CARE or D & P. Investment in debt securities of a single issuer and cumulative shall not exceed the following limits:-

Rating	Issuer wise limit	Cumulative for the rating Category
AAA/AA+ /P1+	Rs.25 crores	Rs.100 crores
AA / P1	Rs.10 crores	Rs.50 crores

The overall portfolio of corporate CPs/debentures/bonds shall not exceed Rs.100 crores.

Investments in units of Mutual Funds

The maximum outstanding investment in units of debt schemes which includes, income, liquid, short term or any other such debt schemes shall be Rs.200 crores. The investment should be within 30% of the corpus of the scheme as per last available fact sheet.

Credit Rating

The rating at the time of investment shall be taken for exposure. If the rating falls below the rating prescribed in the investment policy, such investments shall be sold within 90 days to avoid further loss. However, if the security cannot be sold within the stipulated time of 90 days, the matter will be reported to the Board.

Transactions through Brokers:

Transactions shall be done either directly with the counter parties or through brokers who are member of debt/equity segment of NSE or BSE. Brokerage payable shall be in line with the market and the same shall be mentioned in the specific notes put up for purchase/ sale.

Stop Loss

authority is required to continue with the position or the trader has to square off the position and book the loss.

The portfolio is exposed to price risk arising out of interest rate movements, foreign currency movements and credit risk on account of investments/positions. Since the value of these securities/positions undergoes a change on account of the changes in the interest rates, exchange rates or the credit rating, the profit/value of the investment undergoes change, even though the security has not been sold.

In order to limit the amount of loss which can arise out of the adverse market rate movements, stop loss limits are required for treasury operations. It also enables an efficient risk monitoring mechanism which information can be passed on to the management before a certain threshold level of stop loss limit has been reached. The management will then be able to take corrective action, if necessary, before the actual stop loss limit is reached. Stop loss limit proposed are:-

Fixed Income 2%
Equity 5%

Besides intra day monitoring of the prices, value of the portfolio scrip wise will be done daily based on the closing price of securities for evaluation and decisions. The corporate benefits like dividends received on the equity positions will also be considered as an income for the purpose of the stop loss limit. The upfront incentive income received on any security will be considered as part of profit for the purpose of calculation of the stop loss limit.

Transactions in Foreign Currency

The Company may have liabilities under foreign currency by way of Term Loan borrowing, Working Capital and deferred payment for the capital assets imported and also has receivable under exports.

Treasury shall monitor the market movements and shall enter into Forward Rate Agreements and Interest Rate Swap, as and when required, to hedge the price risk and reduce the cost upon approval.

Reports from Treasury:

<u>Name of the report</u>	<u>Frequency</u>
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Transactions in Investments	
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Purchases and Sales	Daily
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Review of investment	
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Transactions	Monthly
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