

S. P. Apparels Limited

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Investment Policy

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Definitions and Abbreviations

Terms	Description
Accumulation of funds	Set aside a part of internal accruals over a period of time for a particular purpose
Allocation of funds	Investing in various classes of underlying with a mix of fixed and variable
AIFs	Alternative Investment Funds
Corpus	Accumulation of One third of PBT for investment
FPO	Follow-on Public Offer
Guideline	Aims to streamline particular processes according to a set routine practices
IPO	Initial Public Offering
Investment	An investment is an underlying purchased with the hope that it will generate income (or) will appreciate in the future
Investment Committee	The Investment Committee of the Board of Directors as described in the Role of the Investment Committee section
Long Term	Any investment made beyond 6 months
Short Term	Any investment made for less than 6 months
PBT	Profit Before Tax
PSBs	Public Sector Banks
Large Reputed Private Banks	Based on the size of loans and advances of the respective banks

Guidelines for Investment

A. Introduction

The basic objective of this Investment policy is to establish guidelines for the Company's investment portfolio. The policy also incorporates accountability standards that will be used for monitoring the progress of the investment portfolio. Any Deviation from this policy requires the approval from the Board.

B. Investment Objective

The investment is to be made with the objective of conserving the underlying for long-run, real purchasing power of underlying while providing a relatively predictable and growing stream of annual distributions. The ultimate objective is to preserve/protect the Capital at any given point in time. However, tolerable range of interim volatility and calculated risk are acceptable.

C. Deployment of Funds

Setting priorities for utilization of funds is an important policy decision. Similarly, determination of surplus funds is an important prerequisite for cash management and investment. Sometimes due to timing differences in inflows & outflows, treasury enjoys the situation of surplus funds.

In this regard, treasury is required to have a guideline for effective cash management ensuring liquidity, return, minimal risk and compliance with statutory guidelines. Given the characteristics of funds we can classify them into 2 types, (a) Funds raised for specific purpose/project and (b) Management of Corpus which is accumulated from the portion of profit.

- a) Funds raised for specific project will have a time gap between the receipt & utilisation, that time gap is to be made use of through investment of funds either for short term (or) long term. However, the investment vehicle outlined below to be followed while investing the funds.
- b) Corpus funds accumulated by way of setting aside a portion of profits would be invested as depicted in the proposed investment vehicle. So as to make it eloquent, portion of profits from each division (Spinning, Dyeing, Garment and Retail) to be accumulated as Corpus and the same has to be utilised for various purposes like new projects, capex, dividend distribution to the stake holders and investments.

Proposed Investment Vehicles

a) Funds raised for specific purpose/project

Investment using specific projects funds is to be aligned with the time horizon of the project and the same is depicted in the below table;

Investment Tool	Maximum Allocation	Time Horizon	Ceiling
Liquid Fund/Mutual Fund (purely debt instruments only)	30.00%	1 day - 3 months	Rs. 10.00 crores in an individual fund/scheme
Fixed Deposit	20.00%	7days – 3 months	As prescribed u/s 186 of the Companies Act, 2013.
Debt Fund	50.00%	6 -12 months	Rs. 25.00 crores in an individual fund/scheme

Liquid/Liquid Plus funds / Fixed Deposit with Banks

The Company may invest its surplus fund into Liquid/Liquid Plus mutual funds/Fixed deposits with banks as per the time horizon stated above and depending upon the suitability and availability of the funds.

Selection criteria

At least 60% of Debt MF portfolio should be in AA+ or above rated papers and not more than 10% of the Fixed Income portfolio should be invested in unrated papers.

It is proposed that investment in Fixed Deposits with individual Banks should not exceed 60.00% of the total paid-up capital and free reserves (or) 100.00% of the free reserves as per Section 186 of Companies Act, 2013. Any Fixed Deposit provided to the bank against the margin/lien on the credit facility will be outside the preview of the above limit.

Selection criteria

Fixed deposits should only be done with PSBs or large reputed private banks

Short / Medium / Long Term Funds/Fixed maturity Plans

With progress in Indian financial markets, there are various debt fund schemes available which cater to different needs of investor. It is proposed that debt funds can be evaluated depending on the nature of surplus funds and also increase the potential returns on the fund surplus.

Selection criteria

Predominately the mutual funds should be debt based and at least 80% of Debt mutual funds portfolio should be in AA+ or above rated papers.

iii) Return Objective

Past returns of funds should be considered to judge performance of the mutual fund for which outside expert's opinion may also be taken. Return should not be viewed on a standalone basis, rather the risk should also be simultaneously considered by considering the size of the fund.

b) Funds accumulated through Corpus

The funds set aside by the Company from profits will be deployed as per the following guidelines

(i) The following table outlines the period for which the portfolio will remain invested;

Proportion of investable	Investment horizon
20.00%	0 – 12 months
80.00%	> 12 months

(ii) Investment allocation of Corpus fund is outlined below and nature of scheme will be selected / decided by Internal Investment Team based on the prevailing market condition;

Equities (includes mutual funds, direct equities, PMS etc.)	Upto 35% of portfolio
Equities category sub-allocation	Mutual Funds – 10 % Maximum of 20% IPO/FPO – 5% PMS – 5% Direct Equity – 5%
Debt (includes debt funds, bonds/NCDs, debt PMS etc.)	Upto 50% of portfolio
Deposits (Fixed deposits with PSU banks or large reputed private banks)	Upto 5% of portfolio
Alternatives / Others	Upto 10% of portfolio

Alternatives as outlined below are to be looked at so as to balance the overall portfolio for the purpose of better revenue generation and the same is to be done with prior approval from the Committee.

Private Equity	Schemes will be selected by the Internal Investment team based on the prevailing market condition
Venture Capital Fund	
Market Linked debentures	
AIFs	
Real Estate	
Properties	
Other underlying under the purview of investments	

(iii) **Targeted Return from Portfolio** - This will also serve as a benchmark to measure portfolio performance

Equities – the return should outperform the broad-based benchmark index of the respective sector to which the investments are made

Debt - the return should be better by at least 100 bps p.a. relative to the FD rates offered by banks.

Deposits – the return should be better by 25 bps p.a. relative to the FD rates offered by Country's leading banks (like State Bank of India)

D. Risk Mitigation

In order to keep a check on the exposure of S. P. Apparels Limited portfolio, it is proposed that S. P. Apparels Limited should ensure that exposure should be properly diversified. Also, it should be ensured that sufficient liquidity of the investments with due consideration to the objectives of funds, prevailing and expected market conditions and fund size.

E. Internal control

Investment operations warrant elaborate control procedures not only as a regulatory requirement but also as a risk mitigating measure. Keeping this in view, the following guidelines shall apply for effective control of investment operations:

- Investment operations team shall be responsible for an independent check of the transactions entered into by the Investment Team. It shall also monitor various limits applicable to investments.
- Investment operations team shall ensure that the statements reflecting various deals entered are being received regularly.
- Investment Operations team shall verify the credit of security purchased and reconcile the securities held as per the books and as appearing in the statement by the custodian.

F. Investment decisions

All decisions in relation to investment of surplus funds in aforesaid investment vehicles should be done as per the guidelines depicted by the investment committee. Any deviations/ratifications if any from the selection criterion/ limits as mentioned against each investment vehicle would require approval of board. A review of the investment performance shall also be presented to the Board from time to time.

G. Policy Review

The committee will review the performance at regular intervals as stated elsewhere in this policy and appropriate action will be taken including the followings;

- a) Amend the policy accordingly
- b) Exit any investment if necessary
- c) Any other strategy