INVESTMENT POLICY

BRIEF BACKGROUND OF THE COMPANY

Frontier Capital Limited [Erstwhile known as Frontier Leasing and Finance Ltd]. ("FCL" or "Company") was incorporated on June 13, 1984 under companies Act, 1956, as a Public Limited Company and it obtained the Certificate of Commencement of Business on July 5, 1984

FCL is registered with Reserve Bank of India (RBI) as Non-Deposit Accepting – Non Banking Financial Company (NBFC) vide RBI certificate of registration bearing no. 13.00211 dated March 3, 1998. FCL is a listed company and its shares are listed on BSE.

The Company is currently engaged in the business of hire purchase, financing of Commercial Vehicles and related insurance services. FCL aims to be a preferred consumer finance and vehicle finance company to cater to the needs of Indian consumers and corporate through high quality product and services. FCL has firm business plans for growth and capital infusion in the current financial year and aims to be one of the leading players in this space by operating in an Open Architecture format (i.e. financing products of all leading and established commercial vehicle manufacturers).

The Operational Committee of the Company hereby frames the broad guidelines for making investment decisions as well as to inculcate the operational efficiency for investments.

FCL being a registered Non-Banking Financial Company, the Board of Directors of the Company are required to formulate an Investment Policy in terms of Para 6 of Non-Systemically Important Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 ("the Directions").

Prepared By:	Sarika Shinde – Company Secretary	
Approved By:	Usha Iyengar - Director	

Frontier Capital Limited Mumbai

Meeting of the long-term investment goals of the Company is basically dependent on a number of factors, which not only includes the investment capital and rate of return, but also inflation and taxes. The key objective of investment is to optimize yield, taking care to ensure liquidity and safety of the Corpus invested. The cardinal principle to be followed in all types of investment – current or long term, is not to compromise on factors of safety and liquidity in pursuit of higher yield or returns. 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, including tax saving.

Guidelines

While making a investment decision, the following aspects should be considered.

1. Exposure in terms of total equity/debt portfolio should not exceed 25% of networth in any industry at the time of making of the investment or Rs. 5 crores, whichever is higher. However, there shall be no restrictions on the amount of investments in debt issued by the Central Government Undertakings, Public Sector Undertakings (PSUs) and Fixed Deposits with Banks.

3. Investment in equity shares of listed companies with a market capitalisation of less than rupees one crore should normally be avoided.

4. Investment should not be made in companies which are illiquid or trading whose trading volumes are abnormally low. However, with the permission of Board Company may invest funds in such companies after weighing pros & cons.

5. All transactions in listed shares are to be routed through approved intermediaries on BSE, NSE or any other recognized stock exchange, whether in India or abroad.

6. Within 30 days of receipt or validity period of transfer deed, whichever is earlier, all scripts must be lodged for transfer in the Company's name. the concerned operating personnel will be accountable for

(a) scrutiny of transfer deed and the scrip for any apparent irregularity
(b) proper filing in of the transfer deed
(c) stamping of the transfer deed with stamps of appropriate value
(d) ensure that a proper receipt is obtained from the transferring agency
(e) custody of transferred scripts after due scrutiny
(f) making appropriate entries for dividend/interest receipts and accounting for taxes deducted

Trading and derivatives:

The holding period for trading will normally be for one month to less than one year, the objective being to encash short term market fluctuations. In case of derivatives, the holding period will be short term as per the settlement cycle prescribed by the respective stock exchanges. The restriction in industry exposure will be calculated with reference to total investment made – whether long term, current, trading or in derivatives.

No restriction will be on the amount of investments which are made for the purpose of arbitrage operations.

Regulations:

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

• Non-Systemically Important Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015, as amended upto date or as may be modified or superseded from time to time.

• Clarifications as may be issued from time to time by Reserve Bank of India.

2. The Company will adhere to the provisions of the Companies Act, 2013. However being a Non- Banking Financial Company, registered with the Reserve Bank of India and engaged in the business of investing/ lending, provisions of Section 186 is not applicable to the company (except for layers of investment companies)

4. For disposal of any Investment long term or current investment or stock in trade, whether or not transferred in its name, by way of sale and /or creation of any encumbrance on such Investments by way of mortgage, pledge or otherwise in any particular company, which can be made by the Board of Directors subject to prior consent of the Board members by passing a Board resolution in a Board Meeting. However, Company shall obtain prior consent of members by passing special resolution in General Meeting of the Company if it is mandatory under any other law and/or rules prevalent at the time of such sale and /or creation of any encumbrance on such Investments.

5. 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).

6. The Company shall take all investment decisions only at the meetings of the Board of Directors of the Company. The Board of Directors of the Company, by way of a

resolution, may delegate the said power to any committee of directors, any of the directors, or the principal officer (hereinafter collectively referred to as the "delegate") of the Company. The said resolution should specify the total amount upto which the funds may be invested and the nature of the investments which may be made by the delegate.

Classification of Investments

The Investments, that the Company will 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 will 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 investment other than the aforesaid current investments will be construed as long term investment.

The Company may make investment in various securities of all kinds and description as may be deem fit, including Shares, 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 or Central Government enactment or a Government Company or any other Company incorporated under the Companies Act, 1956 or Companies Act, 2013 or other Bodies Corporate.

The Company will also make investments by exploring the money market and listed / unlisted securities segments and in Fixed/Term Deposit and Certificate of Deposits of Bank(s).

Transfer of Investments

The Company shall not make any inter class transfer on ad hoc basis. If the inter class transfer is warranted than it shall be effected only at the beginning of each half year, on 1st April or on 1st October, with the approval of the Board. The investments shall be transferred scrip-wise, from current investments to long-term investments or vice-versa, at book value or market value, whichever is lower. ?????

Valuation

A. **General**

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

2. 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.

3. 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.

4. 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.

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

6. The Company may 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.

B. Quoted Current Investments

The quoted investments will be grouped in the following headings for the purpose of the valuation:

- Equity Shares
- Preference Shares
- Debentures and bonds
- Government securities, including treasury bills
- Units of mutual funds and
- Others

The quoted current investments for each category shall be valued at cost or market value, whichever is lower. The investment in each category shall be considered scrip-wise and the cost and market value aggregated for all investments in each category. If the aggregate market value for the category is less than the aggregate cost for that category, the net depreciation shall be provided for or charged to the profit and loss account. If the aggregate market value for the category exceeds the aggregate cost for the category, the net appreciation shall be ignored. Depreciation in one category of investments shall not be set off against appreciation in another category.

C. Unquoted Investments

1. The unquoted equity shares in the nature of current investments shall be valued at cost or break-up value, whichever is lower. However, if required, the Company may substitute fair value for the break up value of the shares. Further, where the Balance sheet of the investee company is not available for two years, such shares shall be valued at one rupee only.

2. The unquoted preference shares in the nature of current investments shall be valued at cost or face value, whichever is lower.

3. The investment in unquoted Government securities or Government guaranteed bonds shall be valued at carrying cost.

4. Unquoted 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.

5. Commercial papers shall be valued at carrying cost.

6. Long-term investments are usually valued at cost. However, when there is a decline, other than temporary, in the value of a long term investment, the carrying amount is reduced to recognise the decline. The said decline shall be charged to the profit and loss statement. The reduction in carrying amount is reversed when there is a rise in the value of the investment, or if the reasons for the reduction no longer exist.

D. Depreciation And Appreciation

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 interclass transfer, even in respect of the scrips of the same category.

E. Stock in Trade

Stock in trade of securities shall be valued at lower of cost and market value/net realisable value, computed scripwise.

****