AQUILA FINANCE LIMITED

INVESTMENT POLICY

AFL/POL/10/25-R004-11

History of the Document	Adopted by	Date of Adoption/Review
Originally Adopted	Board of Directors	10-06-2023
Review	Board of Directors	27-04-2024
Review	Board of Directors	01-04-2025
Review	Board of Directors	25-10-2025

1. TITLE AND COMMENCEMENT

This document shall be known as the "Investment Policy" of Aquila Finance Limited ("the Company"). It comes into effect from the date of its approval by the Board of Directors.

2. PREAMBLE & OBJECTIVE

Aquila Finance Limited, as a Non-Banking Financial Company (NBFC), has its primary business in lending activities. This policy governs the management of temporary surplus funds not immediately required for core operations.

The primary objectives of the investment portfolio, in order of priority, are:

1. Capital Preservation: To ensure the safety and security of the principal amount invested.
2. Liquidity Maintenance: To ensure that investments are sufficiently liquid to meet the Company's operational and contingent funding requirements.
3. Credit Quality: To minimize counterparty and credit risk by investing in high-quality instruments.
4. Portfolio Yield: To generate a reasonable return on surplus funds within the constraints of the primary objectives.

3. SCOPE

This policy applies to all short-term investments of the Company's surplus liquidity. It defines the permissible instruments, governance structure, risk parameters, and operational guidelines for the investment portfolio.

4. GOVERNANCE & DELEGATION OF AUTHORITY

4.1 Investment Committee (IC)

The Board of Directors hereby constitutes an Investment Committee (IC) to oversee and execute the investment activities as per this policy.

- Composition:
  - Managing Director
  - Chief Financial Officer (CFO)
  - One Independent Director
- Quorum: A minimum of two members, including the Managing Director or the CFO, shall constitute a quorum for an IC meeting.
- Roles & Responsibilities of the IC:
  - Approve the strategic allocation and investment strategy.
  - Select specific instruments and counterparties in compliance with this policy.
  - Review portfolio performance, risk, and compliance on a quarterly basis.
  - Recommend any changes to this policy for the Board's approval.

4.2 Execution & Administration

The Finance Department, under the supervision of the CFO, is responsible for the day-to-day execution of IC decisions, maintaining detailed records, monitoring credit ratings and maturities, and preparing performance reports.

5. PERMISSIBLE INVESTMENT INSTRUMENTS

The Company shall restrict its investments to the following high-grade, liquid instruments:

Instrument Category	**Description & Prerequisites**
Government Securities	Sovereign bonds, State Development Loans (SDLs), and Treasury Bills issued by the Central and State Governments.
Bank Fixed Deposits (FDs)	FDs placed with Scheduled Commercial Banks having a minimum credit rating of 'AA' or equivalent from accredited agencies (e.g., CRISIL, CARE, ICRA).
Certificates of Deposit (CDs)	CDs issued by high-rated Scheduled Commercial Banks and All-India Financial Institutions.

Commercial Papers (CPs) CPs issued by corporate entities with a minimum short-term rating of 'A1'.

Liquid Mutual Funds Direct plans of Mutual Fund schemes categorized as Liquid Funds, Overnight Funds, or Ultra-Short Duration Funds by AMFI. The underlying portfolio of these schemes must adhere to the credit quality standards of this policy.

Any other instrument expressly permitted by the Reserve Bank of India (RBI) for NBFC investments may be considered with prior approval from the IC.

6. PRUDENTIAL LIMITS & RISK CONTROLS

To mitigate concentration and market risks, the following limits shall be strictly adhered to:

- Maturity Profile: The portfolio's weighted average maturity (WAM) shall not exceed 12 months. The majority of investments should be in instruments with maturities of less than one year.
- Counterparty Exposure:

o Not more than 25% of the total investment portfolio shall be exposed to a single banking institution (across FDs and CDs).

o Not more than 15% of the total investment portfolio shall be invested in debt instruments (CPs, bonds) of a single corporate entity.

o Investments in a single Mutual Fund scheme shall not exceed 15% of the portfolio value.

- Credit Rating Requirement: No investment shall be made in any instrument that does not meet the minimum credit rating specified in Section 5. A continuous monitoring mechanism for rating migrations shall be established.

7. SAFEKEEPING, CUSTODY & OPERATIONS

- All physical securities, if any, shall be kept under strict dual custody in the Company's fireproof vault or a bank safe deposit locker.
- All dematerialized securities shall be held in a dedicated Demat account in the name of the Company.
- Robust internal controls shall be maintained, including segregation of duties transaction initiation, approval, execution, and reconciliation.

8. REPORTING & REVIEW MECHANISM

- Portfolio Review: The IC shall conduct a comprehensive review of the investment portfolio, its performance, and risk metrics on a quarterly basis.

- Board Reporting: A summary report detailing the portfolio composition, performance, compliance with policy limits, and any material exposures shall be presented to the Board of Directors on a half-yearly basis.
- Policy Review: This policy shall be reviewed annually by the IC and the Board to ensure its continued relevance and effectiveness. Amendments require formal approval by the Boar

BY THE ORDER OF THE BOARD OF DIRECTORS

For AQUILA FINANCE LIMITED