

RELIANCE INDUSTRIES HOLDING PRIVATE LIMITED

INVESTMENT POLICY/ PARAMETERS

Reliance Industries Holding Private Limited
INVESTMENT POLICY/ PARAMETERS

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1. Introduction and Objective

Reliance Industries Holding Private Limited ('the Company/RIHPL') is a registered Core Investment Company ('CIC') with Reserve Bank of India (RBI).

In terms of paragraph 14 of the **Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016**, the Company is required to adopt an Investment Policy. Accordingly, the Board of Directors of the Company approved the Policy at its meeting held on August 21, 2020 and further reviewed and revised the same at its meeting held on January 6, 2023. The Investment Policy lays down the broad guidelines for making investment decisions.

The meeting of the long-term investment goals of the Company is primarily dependent on a number of factors which not only includes the safety of the investment, capital appreciation and reasonable rate of return, but also inflation and taxes.

The purpose of the Company to hold the investments is to get the returns out of the investments which can be in any of the following manner:

- A. Dividends,
- B. Interest,
- C. Capital appreciation or
- D. Other benefits.

2. Regulations

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

- ◆ **Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016,**
- ◆ Guidelines for investments in unencumbered securities.
- ◆ Circulars, Guidelines and Clarifications as may be issued from time to time by the Reserve Bank of India, as applicable to Middle Layer size of the NBFCs and extended to the CICs including but not limited to corporate governance, assurance functions and reporting requirements.

Any subsequent amendments or any statutory modifications or re-enactments in the above stated guidelines / norms / clarifications or in any other applicable acts / regulations shall prevail in the event of a conflict with this Investment Policy.

3. Mandatory parameters for investments by a CIC

The Company would always satisfy the following conditions as on the date of the last audited balance sheet, as stipulated by RBI: -

- i. it will hold not less than 90% of its net assets in the form of investment in equity shares, preference shares, bonds debentures, debt or loans in group companies;
- ii. its investments in the equity shares (including instruments compulsorily convertible into equity shares within a period not exceeding 10 years from the date of issue) in group

companies and units of Infrastructure Investment Trust (InvITs) only as sponsor shall constitute not less than 60% of its net assets as mentioned in clause (i) above;

Provided; that the exposure of the Company towards InvITs shall be limited to its holdings as sponsors and shall not, at any point in time, exceed the minimum holding of units and tenor prescribed in this regard by SEBI (Infrastructure Investment Trusts) Regulations, 2014, as amended from time to time.

- iii. it will not trade in its investments in shares, bonds, debentures, debt or loans in group companies except through block sale for the purpose of dilution or disinvestment;
- iv. it will not carry on any other financial activity referred to in Section 45I(c) and 45I (f) of the Reserve Bank of India Act, 1934 except
 - (a) investment in
 - (i) bank deposits,
 - (ii) money market instruments, including money market mutual funds that make investments in debt/money market instruments with a maturity of up to 1 year.
 - (iii) Government securities, and
 - (iv) bonds or debentures issued by group companies,
 - (b) granting of loans to group companies and
 - (c) issuing guarantees on behalf of group companies.

3.1 For the purpose of these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them in the RBI Act or the Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016. Words or expressions used and not defined in these directions but defined in the other Master Directions issued by the RBI, shall have the meanings respectively assigned to them under that Act or Directions. Any words or expressions used and not defined in these directions or in the Act or any of the Directions issued by the RBI, shall have the meanings respectively assigned to them under the Companies Act, 2013. Nevertheless, some of the terms critical to the periodic observance by a CIC are reproduced herein below:

- (i) "adjusted net worth" means –
 - (a) the aggregate, as appearing in the last audited balance sheet as at the end of the financial year, of Owned Funds as defined at (v) below.
 - (b) as increased by:-
 - (A) 50% of the unrealized appreciation in the book value of quoted investments as at the date of the last audited balance sheet as at the end of the financial year (such appreciation being calculated, as the excess of

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the aggregate market value of such investments over the book value of such investments); and

- (B) the increase, if any, in the equity share capital since the date of the last audited balance sheet.
- (c) as reduced by:-
 - (A) the amount representing any direct or indirect capital contribution made by one CIC in another CIC, to the extent such amount exceeds ten per cent of Owned Funds of the investing CIC;
 - (B) the amount of diminution in the aggregate book value of quoted investments (such diminution being calculated as the excess of the book value of such investments over the aggregate market value of such investments), and;
 - (C) the reduction, if any, in the equity share capital since the date of the last audited balance sheet.

-Further, the deduction requirement as provided at para 3.1(i)(c)(A) above shall be with immediate effect from August 13, 2020, for any investment made by a CIC in another CIC. In cases where the investment by a CIC in another CIC is already in excess of 10 percent as on this date, the CIC need not deduct the excess investment from owned funds for computation of its ANW till March 31, 2023.

- (ii) "Companies in the Group" means an arrangement involving two or more entities related to each other through any of the following relationships, viz. Subsidiary – parent (defined in terms of AS 21), Joint Venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18) Common brand name, and investment in equity shares of 20% and above).
- (iii) "market value of quoted investments" means the average of the weekly highs and lows of the closing price of the investments, on a recognized stock exchange where the investment is most actively traded, during the period of 26 weeks immediately preceding the end of the financial year at which date the last audited balance sheet is available.
- (iv) "net assets" means total assets excluding -
 - (i) cash and bank balances;
 - (ii) investment in money market instruments and money market mutual funds
 - (iii) advance payments of taxes; and
 - (iv) deferred tax payment.

- (v) "owned funds" means paid up equity capital, preference shares which are compulsorily convertible into equity, free reserves, balance in share premium account and capital reserves representing surplus arising out of sale proceeds of asset, excluding reserves created by revaluation of asset, as reduced by accumulated loss balance, book value of intangible assets and deferred revenue expenditure, if any.

4. Overseas Investment

The Company shall strictly follow the directions prescribed by Foreign Exchange Department for overseas investment. The following prescriptions shall also be adhered to by the Company:

- (i) The Company shall ensure that investments made overseas shall not result in creation of complex structures. In case the structure overseas requires a Non-Operating Holding Company, there shall not be more than two tiers in the structure.
- (ii) An annual certificate from statutory auditors shall be submitted by the CIC to the Regional Office of DoS where it is registered, certifying that it has fully complied with all the conditions stipulated under these Guidelines for overseas investment. The certificate as on end March every year shall be submitted by April 30 each year.

4.1 Investment in financial sector overseas

The Company shall, prior to investing in Joint Venture/Subsidiary/Representative Offices overseas in the financial sector, secure general approval from the RBI. Financial Sector for this purpose would mean a sector/ service regulated by a Financial Sector Regulator. The Company shall also ensure to comply with the following eligibility criteria for overseas direct investment (ODI):

- (1) The Adjusted Net Worth (ANW) of the Company shall not be less than 30% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items as on the date of the last audited balance sheet as at the end of the financial year. The Company shall continue to meet the requirement of minimum ANW, post overseas investment. For this purpose, the risk weights applicable shall be as provided for in these directions.
- (2) The level of Net Non-Performing Assets of the Company shall not be more than 1% of the net advances as on the date of the last audited balance sheet.
- (3) The Company shall generally be earning profit continuously for the last three years and its performance shall be satisfactory during the period of its existence.
- (4) The Company shall ensure that no direct investment is made in activities prohibited under FEMA
- (5) The total overseas investment shall not exceed 400% of the owned funds of the Company.
- (6) The total overseas investment in financial sector shall not exceed 200% of its owned funds.

- (7) Investment in financial sector shall be only in regulated entities abroad.
- (8) Entities set up abroad or acquired abroad shall be treated as wholly owned subsidiaries (WOS) / joint ventures (JV) abroad.
- (9) Overseas investments by the Company in financial /non-financial sector shall be restricted to its financial commitment. However with regard to issuing guarantees/Letter of Comfort in this regard, it is notable that the Company can issue guarantees / letter of comfort to the overseas subsidiary engaged in non-financial activity.

5. Authority to make Investments

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, the Company Secretary, Directors, Authorised Signatory, or the Principal Officer (hereinafter collectively referred to as the "delegatee") of the Company.

The Company shall invest not less than 60% of its net assets in equity shares or other equivalent instrument (as specified in the Master Directions or any other Guidelines issued by RBI from time to time) of group companies and not exceeding 40% of its net assets in equity shares, preference shares, bonds, debentures, non-convertible debt instruments of group companies. The investment in debt instruments including unlisted / unsecured debentures or OFCDs are required to be disclosed in the balance sheet under the head "Investment" as prescribed in Schedule III of the Companies Act, 2013, but for all other intents and purposes, these investments are to be treated as loans for the purpose of compliance with prudential guidelines of RBI and / or investment pattern prescribed under RBI (CIC) Directions. The Board or delegatee should specify the limits in the resolution upto which the funds may be invested / redeemed and nature/ rationale of such investment/ redemption as per the Company's objectives and RBI Guidelines.

The decisions taken by the authorised persons would have to be placed before the Board of Directors of the Company at periodic intervals for its noting and ratification.

6. Funding Programme

The Investment Department shall keep the Risk Management Department informed of its investment plans to facilitate the Liquidity Risk Management Process and the funding programmes to take into account lending, investment, and other activities, and ensure that adequate liquidity is maintained at the head and each constituent entity within the group.

7. 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, capital appreciation or for other benefits. The investments of the Company will be classified into the following two categories:

1. **Current Investments including Stock in trade** : The investments made by the Company which by its very nature are readily realisable and are intended to be held for not more than one year from the date on which such investment is made.

2. **Long term Investments** : Any other investment other than the aforesaid current investments will be construed as long term investment

The Company being a CIC may make long term strategic Investments (and not for trading purpose) in securities of its own subsidiaries / subsidiaries of the subsidiary companies / Joint Ventures, and associates i.e. bodies corporate (within the meaning of the "Companies in the same Group" as defined by RBI) engaged in business operations which would be strategically synergistic with the Company's own business activities or the business activities of its Subsidiary Company(ies), if any.

All listed / Unlisted Investments will be monitored by the Company Secretary under the supervision of the Board of Directors of the Company.

8. Transfer of Investments

The Company shall not make any inter class transfer on ad hoc basis. If the inter class transfer is warranted, then it shall be effected only at the beginning of each half year, i.e. on April 1 or October 1, with the approval of the Board.

The investments shall be transferred scrip-wise, from current investments to long term investments, at cost or fair value¹, whichever is lower.

The investments shall be transferred scrip-wise, from long term investments to current investments, at cost or carrying amount², whichever is lower.

9. Depreciation and Appreciation at the time of inter class transfer

The depreciation, if any, in each scrip shall be fully provided for and appreciation, if any, shall be completely ignored.

The depreciation in one scrip shall not be set off against appreciation in another scrip, at the time of inter class transfer, even in respect of the scrips of the same category.

¹ Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction. Under appropriate circumstances, market value or net realisable value provides an evidence of fair value.

² The carrying amount for current investments is the lower of cost and fair value.

10.Accounting for Investments and 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:
 - (i) As income, being the return on the investment.
 - (ii) Recovery of cost.

Where income receivable on investments has been accrued and has not been received for a period of 12 months beyond the due date, provision shall be made by debit to the revenue account for the income so accrued and no further accrual of income should be made in respect of such investment.

B. Quoted Investments

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

- (a) Equity Shares
- (b) Preference Shares
- (c) Debentures and bonds
- (d) Government securities including treasury bills
- (e) Units of mutual funds and
- (f) others

The quoted investments for each category shall be valued at cost or market value, whichever is lower. However, if the decline in the market value is of a temporary nature, the same shall be ignored. The investment in each category shall be considered scrip-wise and

the cost and market value aggregated for all investments in each category. In 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 statement. 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.
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. Long-term investments are usually carried 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.

Note: Unquoted debentures shall be treated as term loans or other type of credit facilities depending upon the tenure of such debentures for the purpose of income recognition and asset classification.

Accounting Standards and Guidance Notes issued by the ICAI shall be followed insofar as they are not inconsistent with any of these Directions. The Company shall adhere to the RBI directions / guidelines on Implementation of Indian Accounting Standards as amended from time to time.

D. Accounting policy for Financial Instrument:

1. Initial Recognition and measurement

All financial assets and liabilities shall be initially recognised at fair value. Transaction costs that are directly attributable to financial assets and financial liabilities, which are not at fair value through profit or loss, will be added to the fair value on initial recognition.

2. Subsequent measurement

a) Financial assets carried at amortised cost (AC):

A financial asset is subsequently measured at cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flow and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

b) Financial assets at fair value through other comprehensive income (FVTOCI):

A financial asset is subsequently measured at fair value through other comprehensive income if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Financial assets at fair value through profit or loss (FVTPL):

A financial asset, which is not classified in any of the above categories is subsequently fair valued through profit or loss.

d) Investment in Subsidiaries and Associates:

The Company has accounted for its investments in subsidiaries and associates at cost.

e) Other equity instruments

All equity investments are measured at fair value, with value changes recognised in statement of profit and loss, except for those equity investments for which the company has elected to present the value changes in "Other Comprehensive Income".

11. Acquisition / Disposal of Investments

Transactions for purchase or sale of investments shall be recognised as of the trade date and not as of the settlement date, so that the effect of all investments traded during a financial year are recorded and reflected in the financial statements for that year. Where investment transactions take place outside the stock market, for example, acquisitions through private placement or purchases or sales through private treaty, the transaction shall be recorded, in the event of a purchase, as of the date on which the scheme obtains an enforceable obligation to pay the price or, in the event of a sale, when the scheme obtains an enforceable right to collect the proceeds of sale or an enforceable obligation to deliver the instruments sold.

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Considering that Capital market is influenced by various factors viz, political, economics, natural calamities inland as well as global apart from financial strengths of individual companies, the Company would need to focus on risk identification, risk assessment, measurement, risk management, risk tolerance limits and risk mitigation plan.

On disposal of an investment, the difference between the carrying amount and the disposal proceeds, net of expenses, is recognised in the statement of profit and loss.

When disposing of a part of the holding of an individual investment, the carrying amount to be allocated to that part is to be determined on the basis of the average carrying amount of the total holding of the investment.

12. Review of the Policy:

This Policy will be reviewed as and when required but at least once in year.