Guidelines for investment of Surplus funds by India Glycols Ltd., Treasury

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This Investment policy is applicable w.e.f. 1stJanuary, 2014. Any Deviation from this policy requires the approval from Finance Committee, whom Board of Directors has appointed through BOD resolution. However, this policy will not be applicable for the investments made by the Company before 1st January 2014 and renewals thereof.

India Glycols Ltd. is a company primarily engaged in the business of manufacturing and marketing of Bio-chemicals and has also diversified into multiple projects including liquor, sugar, industrial gases, natural gum, nutraceutical herbal extraction, etc. Sometimes due to timing differences in inflows & outflows of cash, Treasury enjoys the situation of surplus cash. In this regard, treasury is required to have guidelines for effective cash management ensuring liquidity, return, minimal risk and compliance with statutory guidelines. Keeping this in view, the following guidelines are proposed.

1. Utilization of Funds

Setting Priorities for utilization of funds of company is an important policy decision. This clause defines the policy for usage of funds for India Glycols Ltd. Keeping in view that the company may have surplus/idle funds (short term/ long term), such funds would be first utilized for the working capital / new projects of the company and surplus funds (may be out of own earning or fund brought for Project), if any, would be invested in the proposed investment vehicles set out under paragraph 1.2.

1.1 For deployment of the funds, the determination of surplus is an important prerequisite for cash management and investment of that surplus. To define in a broad sense, any surplus of funds over one month average cash flow from operations and three months projected net cash outflow can be treated as surplus to be invested in proposed investment vehicles mentioned in paragraph 1.2.

1.2 Proposed Investment Vehicles

Following investment options are proposed for investing of surplus funds by India Glycols Ltd.

A) <u>Inter-Corporate Deposits</u>

a) <u>ICD to Subsidiary Companies and Group Companies</u>

a) *Return objective*

Surplus fundsmay be invested with subsidiary companies and Group Companies at mutually agreeable rates not less than the rates specified by RBI from time to time as specified under the provisions of Section 185 of the Companies Act, 2013 for the appropriate duration as the guiding source on unsecured basis.

b) Allocation

At any point of time the total investment in ICD to Subsidiary companies &Group Companiesshould not exceed 50% of limits under Section 372A[1] of Companies Act 1956(corresponding Section 186 of Companies Act 2013) (limits specified is 60% of capital+free reserves or 100% of free reserves) whichever is higher, beyond this Shareholders approval through Special resolution is required).

However the individual limit to any subsidiary/ Group company should not exceed 10% of the limit specified as per section 372A[1]

c) Regulatory Requirements

The provisions of Section 185 (loans to Companies in which lender's Board or Director is interested) of The Companies Act, 2013 should be given due consideration while giving ICD to a Subsidiary Company or Group Companies. Also the allocation of funds to subsidiary companies and group companies is subject to regulatory limits under Section 186(yet to be made applicable) of The Companies Act 2013 & other applicable statutory regulations.

B) <u>ICD to Other Corporates</u>

ICD to corporate outside the group companies can be evaluated only on need basis and as last priority.

a) Allocation

At any point of time the total investment in ICD to Corporates (other than Subsidiary companies & Group Companies) should not exceed 10% of limits specified under Section 372A[1] of Companies Act 1956 (corresponding Section 186 of Companies Act 2013) (limits specified is 60% of capital + free reserves or 100% of free reserves) whichever is higherbeyond this Shareholders approval through Special resolution is required). subject to maximum Rs. 10 crores to any individual corporate,

b) Major Parameters

ICD to Corporates can be considered on secured / unsecured basis for a period not more than one year, at the interest rates, as applicable in the market from time to time.

The Company may give the unsecured ICD to the corporates who are having minimum AA rating from Fitch or equivalent rating from any other rating agency in India.

The Company may also give the secured ICD subject to the unmentioned conditions:

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[1]As per the special resolution passed by postal ballot by shareholders as on 27th September 2011 the maximum limit for investment u/s 372A is Rs. 873 crores (Based on audited financial statement as on 31st March 2013).

i. Consistent Net Profit in last three years of operations.
ii. Postdated cheques for principal and interest as security
iii. ICD Agreement.
iv. Minimum BBB+ rating from Fitch or equivalent rating from any other rating agency in India

C) <u>Liquid/ Liquid PlusMutual funds – Debt based / Fixed Deposit with Banks</u>

a) Investment of Surplus

The Company may invest its short term surplus into Liquid/ Liquid Plus mutual funds (Debt based) / Fixed deposits with banks for a period from 7 days to 6 months depending upon the availability of the funds.

It is proposed that investment in an individual liquid mutual fund can be considered subject to a maximum of 5% of the total corpus of the mutual fund or Rs. 25 crores whichever is lower.

It is proposed that investment in Fixed Deposits with individual Banks should not exceed 25%of limits under Section 372A[1] of Companies Act 1956. Any Fixed Deposit provided to the bank against the margin / lien on the credit facility will be outside the preview of the above limit.

b) 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. Moreover liquidity should be given equal priority as risk / return.

c) Selection criteria for liquid mutual funds

At least 80% of Debt MF portfolio should be in AA+ or above rated papers.

d) Fixed deposits with bank should only be done with PSU banks or large reputed private banks

D) <u>Short Term Debt Funds/Fixed maturity Plans</u>

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

It is proposed that investment in an individual mutual fund (Debt Fund) can be considered subject to a maximum of 5% of the total corpus of the mutual fund or Rs. 25 crores whichever is lower.

a) Fund selection criteria for mutual funds

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.

At least 60% of Debt MF portfolio should be in AA+ or above rated papers.

E) Investment in Equity MFs / Direct Equity (Listed)

No investment will be done in any Equity MFs / Direct listed Equity.

F) Investment through Subsidiary Company(s)

Same as applicable under (A) to (E)

2. Risk mitigation

In order to keep a check on the exposure of IGL's cash portfolio, it is proposed that IGL should ensure that exposure should be properly diversified.

3. Delegation of power for investment decisions

All decisions in relation to investment of surplus funds in aforesaid investment vehicles (as defined under paragraph 1.2) should be done under guidance from Group Treasury as per the limit as specified in the resolution dated September 29, 2012 passed by the Board of Directors.

Any deviations from the selection criterion/ limits as mentioned against each investment vehicle under paragraph 1.2 would require prior written approval of Finance Committee.

ICDs given and investments made etc. pursuant to the investment policy should be reported to the Finance Committee in the next meeting held immediately after investment made. Further, CMD & CEO will give disclosure that all investments made or ICDs given are reported truly and same are as per the policy approved by the Board of Directors.

4. Investment outside the Purview

Investments in Share Capital and Share Application Money in Subsidiary/Associates Companies for business purpose are outside the purview of the Policy which will be based on Business plan.