

MUTUAL INDUSTRIES LTD. ("MIL") TREASURY INVESTMENT POLICY STATEMENT

1. PREAMBLE

The purpose of this Treasury Investment Policy Statement is to assist and govern Management in effectively supervising, monitoring and evaluating the risk and return management of treasury investments of MIL's surplus Funds (Fund). The Fund's investment program is defined in the various sections of the Investment Policy Statement by:

- Stating in a written document the Management's attitudes, expectations, objectives and guidelines for the investment of all MIL Treasury investment assets.
- Setting forth an investment structure for managing all MIL investment assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long term.
- Providing guidelines for each investment portfolio that control the level of overall risk and liquidity assumed in that portfolio, so that all Foundation assets are managed in accordance with stated objectives.
- Encouraging effective communications between the Management and the Wealth Advisors and the Board of MIL.
- Establishing formalized criteria to monitor, evaluate and compare the performance results achieved by the Wealth Advisors on a regular basis.
- Complying with all applicable fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact Fund assets.

This Investment Policy Statement has been formulated, based upon consideration by the Management of the financial implications of a wide range of policies, and describes the prudent investment process that the Management deems appropriate.

2. OBJECTIVES

- To maximize the long-term investment returns within reasonable and prudent levels of risk.
- To control the costs of administering and managing the portfolio.
- A portion of the group portfolio is to be invested through MS/ Mudra Enterprise LLP.
- To generate additional income out of treasury operations by investing surplus cash accruals of the company generated over the years in

instruments with risk profile and time horizon as approved by the Board.

- In the normal course of business, the company has envisaged certain level of trade liabilities, bank liabilities and investment opportunities. Treasury Operations shall be governed considering those plans and obligations such that it optimises its Capital Gearing, Liquidity profile and Ratings.

3. Time Horizon

Long term investments:

The investment guidelines are based upon an investment horizon of greater than five years for long-term Investments, so that interim fluctuations should be viewed with appropriate perspective. Similarly, the Fund's strategic asset allocation is based on this long-term perspective.

Short term investments:

These investments are restricted to 50 % of average quarterly drawing power (working capital) of the Company and to the maximum tenor of six to twelve months and / or with exit options with minimal / nil costs.

4. Risk tolerance

- The Management recognizes the difficulty of achieving the Fund's investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Management also recognizes that some risk must be assumed if they are to attempt to achieve the long-term investment objectives.
- In establishing the risk tolerances of the Investment Policy Statement, the ability, to withstand short and intermediate term variability were considered.
- In summary, MIL's prospects for the future, current financial condition, and several other factors, suggest collectively that the Fund can tolerate some interim fluctuations in market value and rates of return in order to attempt to achieve long term objectives.
- For direct Investments done by MIL under its own discretionary code, Stop loss of 10 % of its original value of investment on equity exposure – Decision to be reviewed with the Authorizers.
- Mandatory exit at 15 % decline of its original value of investment on equity exposure. Board has the authority to further approve carrying on the position on case to case basis on investment rationale being substantiated by the Management.

Pledge / Guarantees

- No investments shall be pledged for giving third party loans / guarantee in favour of any bank or entity or for promoter borrowings. The Company shall maintain these investments free from any lien / encumbrances.
- Lien marking on any investment not permitted. Pledging of Debt Fund Investments can be done post availing the Board's approval and that too only for the limited purpose of availing loans to reduce its borrowing cost on a case to case basis for its own / subsidiary / associates companies / firms debt obligations.

5. Performance Expectations

The portfolio strives to achieve a return roughly equal to the Evaluation Benchmark. Note that the actual weighted return of the portfolio is after fees paid to investment / wealth advisors or mutual funds while the Evaluation Benchmark has no reduction for fees. Therefore, it is expected that the portfolio return will trail the Benchmark slightly over time.

6. INVESTMENT PORTFOLIO GUIDELINES POLICY

The policies mentioned in this document are intended to provide guidelines whenever necessary for ensuring that the investment portfolio is managed consistently in line with MIL's investment objective.

6.1. General information

Particulars	Details
Investment modes	Direct holding in the name of MIL and indirect holding through M/s MUDRA ENTERPRISE LLP
Risk Return profile	Balanced
Investment horizon	60 months +
Liquidity requirements	To be reviewed every quarter

6.2. Asset allocation strategy

Asset class	Strategic Asset Allocation	Allocation Range
Equity	40%	35%-55%
Fixed Income	45%	40%-65%
Alternates	10%	0%-20%
Cash & equivalent	5%	0%-10%
Total	100%	100%

6.3. Restricted Investments

Any investments that should not form part of your portfolio

Asset class	Restricted	Additional comments
Equity	Not restricted	Not specified
Fixed Income	Not restricted	Not specified
Alternates	Not restricted	Not specified

6.4. Prudential norms:

Fixed Income

For a fixed income portfolio, the aim is to maintain a portfolio which carries acceptable credit and interest rate risk. We propose the following metrics for evaluation.

Particulars	Criteria	Guidelines
A. Interest Rate Risk		
Exposure will be as per asset class views and preference for accrual or duration depending on interest rate strategy	Modified Duration	Upto 5.0 / Hold to Maturity
B. Credit Risk		
Portfolio allocation will be done to higher quality credit, typically AA and above.	AA and above rated instruments	75% of Portfolio
	Below AA rated instruments	25% of Portfolio

Equity

We define broad market cap limits for total equity portfolio. The same may be reviewed and modified periodically as per market outlook and regulatory directives for scheme classification

Classification	Market Cap	Guidelines
Large Cap	Top 100 companies in terms of market-cap	Above 50% of portfolio
Mid Cap	101st to 250th companies in terms of market-cap	Upto 40% of portfolio
Small Cap	251st onwards in terms of market cap	Upto 30% of portfolio

Portfolio Concentration

The idea is to have a reasonably diversified portfolio across investments and fund managers. The portfolio will be monitored as per the limits defined below

Particulars	Guidelines
1. Mutual Funds and Managed Accounts	
Single Manager	25% of portfolio
Single Scheme	15% of portfolio
2. Other Instruments	
Single Issuer	20% of portfolio
Single Instrument	15% of portfolio

Liquidity Risk

The portfolio should be liquid at all times, allocation to close ended investments is capped

Particulars	Guidelines
Allocation to Locked-In Investments (Close ended)	Upto 40% of portfolio

Rebalancing Mechanism

- The percentage allocation to each asset class may vary as per the table above depending upon market conditions and Management perceptions. Deviations of a portfolio from the customised Asset Allocation should be checked quarterly. If these deviations are beyond +/-10% for any asset class, then portfolio rebalancing would be recommended by Fund Managers to bring the asset allocation within each asset class limit.
- Financial reports should indicate when the portfolio is out of balance.
- Basis the recommendation, MIL shall rebalance the portfolio at the earliest available opportunity.
- Annually the Management will review the Investment Policy, including the asset allocation ranges.
- During construction/transition, the portfolio may not be aligned to the abovementioned allocation criteria. It may take some time to align to portfolio guidelines. However, every new investment will be aligned as per the norms.

7. SECURITIES SELECTION GUIDELINES FOR DIRECT INVESTMENTS BY MIL

The following securities and transactions are not authorized unless receiving prior Management approval:

- Unregistered Securities & Commodities; and short sales or margin transactions.
- Securities lending; pledging or hypothecating securities;

- Investments in the equity securities of any company with a record of less than three years' continuous operation, including the operation of any predecessor.
- Investments for the purpose of exercising control of management.

The policies mentioned in this document are intended to provide guidelines whenever necessary for ensuring that the investment portfolio is managed consistently in line with MIL's investment objective.

Domestic Equities:

Equity holdings in any one company should not exceed more than 5% of the market value of the Fund's equity portfolio [Exclusive of Index Funds, mutual funds, and exchange traded funds].

Fixed Income:

- Fixed Income investments include bond index funds, intermediate core bond mutual funds, short-term bond and money market funds, all of which are intended to be long-term investments. Allocations will be based upon the risk/return considerations and MIL cash flow needs.

8. GUIDELINES RELATED TO MONEY MANAGERS

8.1. SELECTION OF WEALTH ADVISORS

The Management may select appropriate Wealth Advisors to manage the Fund assets. Advisors must meet the following minimum criteria:

- Be a bank, insurance company, investment management company or investment adviser holding valid legal licence / Advisor of repute to operate as such.
- Provide detailed information on the key personnel, fee schedule, and support personnel.
- Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

The Management may also select appropriate mutual funds or index funds to manage a portion of MIL's assets. Mutual funds must meet the following minimum criteria:

- Funds must correspond to the asset classes outlined in the MIL's Investment Policy Statement.
- The fund's manager must have been in place for three years or more, or if a mutual fund has been in existence for less than three years, its manager(s) must have managed separate account assets or

another mutual fund in the identical discipline (as the fund being considered) for three years or more.

- The funds must have been following the same investment strategy for at least three years.

8.2. Duties and Responsibilities of the Money Managers / Wealth Advisors

The duties and responsibilities of each money manager / wealth advisors retained by the Committee include the following:

- Managing the Fund assets under its care, custody and/or control in accordance with the Investment Policy Statement objectives and guidelines set forth herein, and also expressed in separate written agreements when deviation is deemed prudent and desirable by the Committee.
- Exercising investment discretion [including holding cash equivalents as an alternative] within the Investment Policy Statement objectives and guidelines set forth herein.
- Promptly informing the Management in writing regarding all significant and/or material matters and changes pertaining to the investment of Fund assets, including, but not limited to:
 - Investment strategy
 - Portfolio structure
 - Tactical approaches
 - Ownership
 - Organizational structure
 - Financial condition
 - Professional staff
 - Recommendations for guideline changes
 - All legal material, RBI, SEBI and other regulatory agency proceedings affecting the firm
- Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Fund set forth herein. Each manager shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto.
- Utilize the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like Company Funds with like aims in accordance and compliance with applicable laws, rules and regulations from local, state, and federal entities as it pertains to fiduciary duties and responsibilities.
- Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire Investment Policy Statement set forth herein, and as modified in the future.

8.3. Performance Objectives

- Investment performance will be reviewed at least annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.
- It is not expected that the Investment Policy Statement will change frequently. In particular, short term changes in the financial markets should not require adjustments to the Investment Policy Statement though allocation ranges for particular class may change.

8.4. Monitoring of Wealth Advisors

- Quarterly performance will be evaluated to test progress toward the attainment of longer term targets. It is understood that there are likely to be short term periods during which performance deviates from market indices. During such times, greater emphasis shall be placed on peer performance comparisons with managers employing similar styles.
- On a timely basis, but not less than four times a year, the management will meet to focus on:
 1. Advisors adherence to the Investment Policy Statement guidelines;
 2. Material changes in the Advisor's organization, investment philosophy and/or personnel; and,
 3. Comparisons of the Advisor's results to appropriate indices and peer groups, as available in Public Domain
- The Management will meet at least quarterly to focus on:
 1. The Advisors' performance relative to their respective benchmarks.
 2. The Fund's investment performance results compared to the Advisor's overall composite performance figures to determine unaccounted dispersion between the Advisor's reported results and the Fund's actual results.
- The Management is aware that the ongoing review and analysis of money managers is just as important as the due diligence implemented during the Advisor selection process. Accordingly, a thorough Review and Analysis of a Wealth Advisor will be conducted should a Advisor perform below the assigned index for six consecutive quarters.

- Major organizational changes also warrant immediate review of the manager, including:
 1. Change in professionals
 2. Significant account losses
 3. Significant growth of new business
 4. Change in ownership

- The performance of the Management's Wealth Advisors will be monitored on an ongoing basis and it is at the Management's discretion to take corrective action by replacing the Advisor if they deem it appropriate at any time.

9. Authorization matrix

- Debt Fund Investments – CFO / Dpty CFO and Managing Director / Wholetime director
- Equity Fund and other Treasury Investments – Managing Director and One Wholetime Director; Must be seconded by CFO / Dpty CFO.
- Any Investment in single Instrument over Rs 15 Crores will require Board Approval.