RELIANCE RETAIL FINANCE LIMITED

INVESTMENT POLICY/ PARAMETERS

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INTRODUCTION AND OBJECTIVE

In terms of Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998, the Board of Directors had approved the Investment Policy at its meeting held on March 31, 2003.

The Board of Directors of Reliance Retail Finance Limited (herein after referred to as “Company” or “RRFL”) reviewed the Investment Policy at its meeting held on December 12, 2012.

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:

1. Dividends,
2. Interest,
3. Capital appreciation or
4. Other benefits.

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 Banking Financial Companies (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 as amended upto date.
   - Guidelines for investments in unencumbered securities.
   - Clarifications as may be issued from time to time by RBI.

2. 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).

3 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 Managing Director, the Manager, the Company Secretary, Directors, Authorised Signatory, 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. 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.

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 subsidiary of Reliance Industries Limited intends to make only long term strategic Investments (and not for trading purpose) in securities of bodies corporate engaged in business operations which would be strategically synergistic with the Company's own business activities or the business activities of its Holding Company(ies), if any or the business activities of its Subsidiary Company(ies), if any.

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, 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 value[1], whichever is lower.

The investments shall be transferred scrip-wise, from long term investments to current investments, at cost or carrying amount[2], whichever is lower.

[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.

DEPRECIATION AND APPRECIATION

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.

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 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.

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.

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 in 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.

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.