

Tamilnadu Transport Development Finance Corporation Ltd., Chennai-2

LOAN AND INVESTMENT POLICY OF TDFC LTD.

Introduction :

Tamilnadu Transport Development Finance Corporation (TDFC) Ltd. commenced functioning on 25.03.1975 with the purpose of mopping up of funds from general public for Capital & Working Capital requirement of the STUs by way of mobilising deposits without depending upon the budgetary support from Government. TDFC Ltd. has been registered as a Non-banking Finance Company (Deposit taking) with the Reserve Bank of India.

TDFC was formed with an object of establishing an independent special purpose vehicle to meet the financial requirement (capital and working capital) of all the nationalized Transport Corporations situated and operated in Tamil Nadu without depending upon the budgetary support from the Government of Tamil Nadu. TDFC after examining various alternative for mobilizing funds it has decided upon the deposit mobilizing scheme which in the longer run will be of beneficial to the organization, unlike the issue of bonds, debentures, etc., where the repayment of loan and the payment of interest will be bulk and also on one particular day. Whereas in the case of deposits, the commitment is spread over the period of time and it will be easier for the finance company to plan to meet its commitment without any difficulty.

Vision:-

- TTDFC shall be an institute whose innovative financial strategies are designed to give State Owned Transport Undertakings a competitive edge.
- TTDFC shall be professionally managed and shall provide financial services that meet the expectation of Government of Tamilnadu, State Owned Transport Undertakings and Society at large.

Mission:-

- To adhere to the values of financial discipline, conservativeness, excellence, fairness and safety.
- To add value to the State economy.

Objective:

- To provide professional fund management service to Government of Tamilnadu Transport Undertakings.
- To create a win-win situation for the public depositors, exempted depositors, STUs and the Company.
- To safeguard the shareholder's (Government of Tamilnadu) Stakeholders (Depositors, Borrowers (STUs), Lender (Bank) Wealth through effective and efficient management of resources.

Loan Policy of TDFC Ltd.

The Board of Directors "Board" of the TTDFC Ltd., being the board of NBFC are required to formulate the Credit of Loan and Investment Policy in terms of Non-Banking Financial (Deposit Accepting) Companies Prudential Norms Directions. In pursuant to said directions, the Board hereby prescribes the broad guidelines for granting credit and taking investment decisions by the Joint Managing Director and to bring operational efficiency in the system.

Although TDFC primarily deals with management of its financial resources within the ambit of State Owned Transport Corporations only, its business activities may still be exposed to certain risk which are inherent to institutions involved in lending and investment activities. The likelihood of such event and its consequential impact on depositors, State form a devise a Credit and Investment policy with specific guidelines, to protect the interest of all the stakeholders and further financial discipline in the entire process.

TDFC accepts Deposits from State Entities, Public/Private Companies, Education Institutions, Societies, Government Departments, Govt. Companies, Trusts, Temples, Boards and public for a specific period of time from 1 year to 5 years and the interest are paid to the depositor at the time of maturity or in a specified intervals like monthly, quarterly and yearly. The funds received from the above are lending to T.N. Government owned Transport Corporations and the eligible entities are as follows:

1. Metropolitan Transport Corporation (Chennai) Ltd
2. State Express Transport Corporation Tamilnadu Ltd.
3. Tamilnadu State Transport Corporation (Villupuram) Ltd.
4. Tamilnadu State Transport Corporation (Kumbakonam) Ltd.

5. Tamilnadu State Transport Corporation (Coimbatore) Ltd.
6. Tamilnadu State Transport Corporation (Salem) Ltd.
7. Tamilnadu State Transport Corporation (Madurai) Ltd.
8. Tamilnadu State Transport Corporation (Tirunelveli) Ltd.

The basic objective of the TDFC is to provide finance (Both capital and working capital requirements) to the above eight Government owned Transport Corporations. This is generally provided at a nominal rate of interest.

Types of Loans:

Short Term Loan:

The loan upto one year are termed as Short Term Loan. This loans are repayable in instalments or by way of bullet repayment. This loan is used for short term needs of STUs like MV Tax Payment, Bonus payment and Working Capital Demand Loan obtained from Banks, etc.

Term Loan / Long Term Loan:

The loans for more than year are termed as Long Term Loan. These Loans repayable in instalments of more than 12 months to 50 months or by way of Bullet repayment. A moratorium period is provided for certain loans as per the request of TNSTC to suit their repayment Schedule and purpose of the loan. This loan obtained by STUs for Capital and working capital purpose.

H.P. Loan:

The loans given to STUs on the basis of hypothecation of Motor Vehicle including Heavy and light vehicle. Hypothecation agreement is entered and registered in RTO office. These loans are repayable in 100 instalments i.e. 100 months. These loans are given to STU on the basis of G.O.

Amount of Loan:

The TDFC gives loans to STUs within their borrowing power. The TDFC has been given exemption to RBI from Harmonization of different categories of NBFCs vide RBI Notification (RBI/2016-19/130 with effect from 23.02.2019).

Interest on Loans:

The rate of interest shall be floating and variable in nature. The rate of interest shall be determined, keeping in mind TDFC's cost of borrowing, administrative and other expenditure, other income of TDFC risk of interest rate volatility in future and nominal savings. TDFC is not charging any penal interest for defaulted principal and interest. Changes in the rate of interest would be retrospective / prospective in effect and intimation of change of interest rate would be communicated to STUs. The interest rate, Investments, demand for the month including interest and principal dues shall be communicated to the STUs.

TDFC shall create charge on assets of the STUs against the sanctioned loan. Charge created portion of loans is showed in the secured loan and remaining showed under unsecured loans. The interest rate shall be reviewed periodically and suitable change shall be made through the approval of the Board of TDFC Ltd.

The loan shall be sanctioned on receipt of the loan application from STUs. The Joint Managing Director of TDFC shall be the sanctioning Authority. The loan sanctioned is ratified in the Board of TDFC.

Asset Classification Norms

Standard Assets means the assets in respect of which no default in repayment of principal or interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business.

Non-performing Assets means an asset for which interest / principal payment has remained overdue for a period of 90 days or more. The overdue days are calculated from the due date of Loan. The Date past due is considered from the due date of the installment.

Investment Policy of TDFC Ltd.

TDFC Ltd. holds investments with motive to maintain liquidity of funds to ensure that any requirement of funds for disbursement to depositors are met by the Company without any difficulty so that the needs of the depositors are not affected due to unavailability of funds.

The motive of the Company to hold the investment is to get returns out of the investments and abide the Section 45IB of RBI Act, 1934.

Regulations

1. During the course of its operations, TDFC Ltd. will strictly adhere to various guidelines issued by RBI or may be stipulated by the Reserve Bank of India (RBI) from time to time in respect of investments made or to be made by the NBFCs.

- This Investment Policy shall be applicable to all investments made by the Company.
- Non-Banking Financial Companies Prudential Norms (Reserve Bank) Direction, as amended upto date.
- Clarifications as may be issued from time to time by Reserve Bank of India.

2. The Joint Managing Director, Chief Executive Officer of TDFC shall take all investment decisions, of the Company. The JMD, TDFC should specify the total amount up to which funds may be invested in approved securities etc. and the nature of the investment which may be made by under section 45 IB of RBI Act 1934.

3. Pursuant to any subsequent amendments or any statutory modifications or re-enactments in the above stated guidelines / norms / clarification 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).

Board Permitted Instruments

1. TDFC shall invest in the approved securities of RBI u/s 45IB of RBI Act, 1934.

2. TDFC will not make investments in instruments that have equities private or public as the underlying investments and shall not invest in Equity Shares.
3. TTDFC shall not invest in SDL of any State or Union Territory except Tamilnadu.
4. TTDFC shall not invest in Bonds and Debt instrument of Private Sector Corporates.

Classification of Investments

- The inter class transfer, if warranted shall be effected only at the end of the year.
- The investments shall be transferred scrip-wise from current to long term or vice-versa at the book value.
- Investment in unquoted Government Securities on Govt. guaranteed bonds shall be valued at carrying cost.

The current investments held with motive to maintain liquidity by parking temporary fund under RBI approved investments, shall be treated as the assets of the company. Current investments made by the company which are intended to be held for not more than one year from the date on which such investment is made and the maturity period is within one year is Current Investment.

TDFC intends to make current investments (and not for trading purpose) in public sector undertaking(s), Bank(s), Financial Institution(s), or by a corporation constituted by Government of Tamilnadu or Central Government enactment.

TDFC intended to be held for more than one year from the date on which such investments are made and the maturity period is more than a year is Long Term Investments.

4) Eligible Instruments:

- i) Government Securities
- ii) SDL
- iii) Bonds of Government of Tamilnadu Entities
- iv) Treasury Bills

i) Government Securities

Government Securities are securities issued generally for a tenor ranging from 5 years to 10 years. These borrowings form the crux of the Central Government's borrowing program aimed at financing the shortfall in fiscal balances. Since these are sovereign issuances, they carry no risk and, hence, are also referred to as risk-free gilt-edged instruments.

G-Secs qualify as SLR instruments and carry a coupon rate which is paid half-yearly and are redeemed at maturity at par value. G-Secs issuances are managed by RBI, which, on behalf of the Centre, regularly conducts G-Sec auctions.

Commercial banks, Schedules UCBs, Primary Dealers, Insurance Companies and Provident Funds, who maintain funds and securities account with RBI, are members of electronic platform used for issuances of G-Sec.

ii) Tamil Nadu State Development Loans (TNSDL)

State Development Loans (SDLs) are issuances of the respective states in order to manage their own finances. The structure and nature of SDL is broadly similar to that of a fixed rate dated G-Sec. These instruments are generally issued for maturity upto 10 years.

Generally, as SDLs have the backing and sovereign guarantee of the respective State Governments, depending on the fiscal health of the states and the consequent risk associated with such investments, SDLs are traded at a spread above the benchmark G-Sec security. Investment in SDLs is a good option for investors seeking to earn higher interest.

TDFC shall invest in SDLs of Tamilnadu State only.

iii) Bonds of Tamilnadu Government entities:

Bonds refer to securities issued by public sector corporates for a variety of business purposes. These securities are issued by Public Sector Enterprises, Public Sector Banks, etc. for their business activities. The tenor of such securities is generally in the range of 1-15 years. However, the tenor may vary depending upon the funding requirement of the issuer. Bonds are not sovereign and are services by the entity issuing them.

Bonds are non-SLR instruments and are priced at a spread over the corresponding government security, depending on the level of perceived risk. Frequency of interest payments could be yearly / half-yearly / quarterly / monthly, etc. Also, the face value of the security is specific to each issue.

TDFC shall invest in Bonds of Government of Tamilnadu entities only.

iv) Treasury Bills

Treasury Bills are money market instruments offered to finance Short Term debt obligation of the Government of India. These Short Term instruments aid in plugging in the short term liquidity mismatches of the Central Government. In simple words, it acts as the working capital of the Central Government.

Treasury Bills (T-Bills) are generally issued for a tenor of 91 days, 182 days and 364 days. These are discounted instruments i.e., they are issued at a discount to par value. On maturity, they are redeemed

at par value, with the difference between the discounted rate (at the time of issuance) and maturity value being the return earned on such investments.

Valuations:

Investments are classified either as Current or Long Term Investments. Long Term Investments are stated at cost less provision recorded to recognize any decline, other than temporary, in the carrying value of investments. Current Investments are carried at lower of cost and fair value.

The Board at the reasonable times and occasion shall review , introduce the changes if any , in the policy thereafter its adoption in case any change in investment policy is warranted.

Functions:-

The Joint Managing Director, Chief Executive Officer of TDFC Ltd. shall decide the funds to be placed in different approved securities after considering the return on investment. For any investment to be made the JMD should compare the interest rate and maturity periods.

Any surplus amount after meeting the 45IB requirement is to be parked in Interest Bearing SPL PD Account of RBI. **The existing Non-SLR investments purchased before the adoption of this Policy (i.e., before 29.07.2021) shall be held till maturity.** The JMD shall also review all the investments made earlier on quarterly basis to ensure proper deployment on maturity.

The Joint Managing Director should also ensure that the ideal funds kept in current accounts of the various bank are to be centrally pooled. The Joint Managing Director to ensure timely repayment of company's borrowings.

The Board may amend the provisions of this policy from time to time. Unless otherwise specified such amendment shall be effective from the date of the Board Meeting at which such amendments are approved.

(V. Venkatarajan)
Joint Managing Director