



Treasury Management

I. GLOSSARY

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I. GLOSSARY

Acronyms

Acronym	Name
NAV	Net Asset Value
MF	Mutual Funds
AMC	Asset Management Company
FD	Fixed Deposit
FLDG	First Loss Default Guarantee
TDS	Tax Deducted at Source
RM	Relationship Manager
DH	Department Head
IP	Investment Policy
FH	Functional Head

Key for R-A-C-I Matrix

Particulars	Abbreviation
Responsible	R
Approver	A
Consulted	C
Informed	I

II. INTRODUCTION

Overview

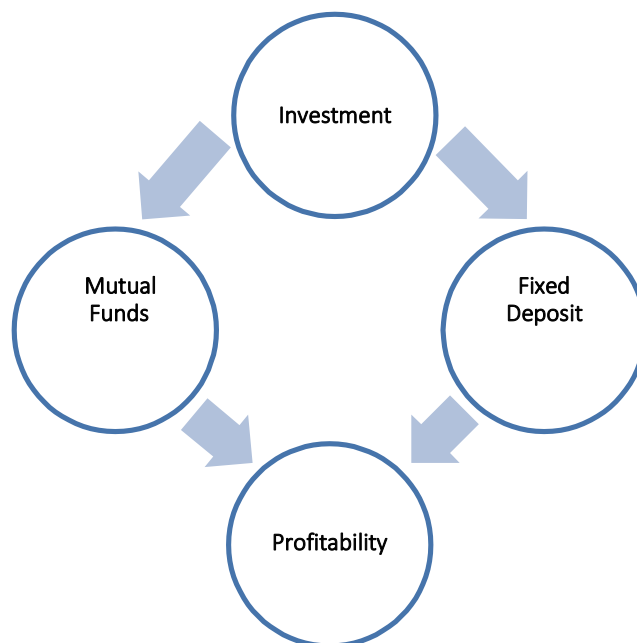
This document illustrates key guidelines and procedures required to be conducted with respect to identification, investment and reporting for management of surplus funds.

The document covers the following processes:

- Objectives
- Attitude towards investment risk
- Organisational Structure
- Investment Criteria
- Investment of Surplus Funds
- Reporting
- Security Policies
- Performance Management and Monitoring

Objective

- To ensure the most competitive returns on surplus cash balances with an agreed risk profile
- To ensure the availability of flexible competitively priced financing at all times
- To Identify and manage the risk arising from operational activities
- To ensure compliance with all banking covenants
- The objective of this process is to ensure excess funds should not remain idle and can be invested to increase the profitability of the company.
- To meet out the criteria's as mentioned in the Liquidity Management Framework given under the RBI directions.



1. Limit of Treasury Management

After analysing the treasury management of various companies as mentioned in the Annexure I, it has been decided that the overall treasury of the company at any point of time would not be more than 20% of its Gross Loan Portfolio (including on and off balance sheet and Asset Reconstruction Portfolio).

The company will review its limit in the Asset Liability Management Committee (ALCO) and will decide the maximum limit in order to ensure the parity with the industry norms considering the various external environmental factors and market conditions.

2. Purpose of Treasury Management

2.1 The principal purpose of the treasury function is to;

- a) Maintain liquidity
- b) Mitigate and manage risk
- c) Ensure a competitive return within an acceptable risk profile.

2.2 It is mainly restricted in relation to the sum of money it can keep in current accounts, investment in debt mutual funds, FDRs with banks and other instruments in order to balance the risk along with adequate returns.

3. Investment Criteria

The investment criteria broadly covers the various parameters that need to see at the time of maintaining the treasury of the company along with the various parameters that need to be considered for making the investment.

While taking the investment decision, Company may decide the tool of investments as mentioned below. Decision will depend upon the future requirement of funds.

3.1 Investment Criteria in FDRs

- a. The company has set the benchmark of maintaining the ratio of upto 100:25 for short term and long-term funds at any point of time. Further short-term fund means any funds which are realisable in a period of less than 12 months and funds with maturity of greater than equal to 12 months would cover under long term category.
- b. No FDR will be created under non-callable norms as non-callable FDR can't be premature except where Overdue limit has been taken against the FDR or FDR created in Systemically Important (SI) Banks i.e. ICICI Bank, State Bank of India and HDFC Bank. However, the same condition will not be applicable in case of the FDs have been created with the tenure of less than 6 months.
- c. Also, the proportion of investments in private banks would be maximum to 80%, whereas in public sector banks it would be upto 100%, provided that while making investments, banks giving higher rate of return would be preferred first in addition to the fulfillment of above-mentioned criteria.

d. Short term funds will further be bifurcated under below mentioned categories:

S.No.	Categories	Limit (% of total treasury)
1	0-3 months	Upto 100%
2	3-6 months	Upto 50%
3	6-12 months	Upto 25%

However, short term FD limits can be increased if the FDRs in the bucket of more than 12 months is lower than the approved limits.

e. At the time of making an investment in the FDR with bank, following table should also be considered:

Bucket of NPA	Amount of FD Annually
0-2%	2% of net worth of the bank
2-5%	1% of net worth of the bank
Above 5%	Short term FDs in Public Sector Banks only except Yes Bank.

f. No investment would be made in any of the cooperative Banks, as they are not governed by RBI.

g. FDR will be created in a bank that will offer maximum rate.

h. Investment in FDRs with a single bank should not be more than 20% of the total treasury of the company at any point of time including the FDRs placed as First Loss Default Guarantee (FLDG) except for Systemically Important banks.

i. Investment in FDRs with a single bank should not be more than 50% of the total treasury of the company at any point of time including the FDRs placed as First Loss Default Guarantee (FLDG) for Public Sector Banks.

j. It would be ensured that OD limit should be taken against the long-term FDs, so as to ensure that in case of long term blockage of funds OD can be used in case there is shortage of funds.

k. Make sure FD should be created before 12 o'clock. However, the applicability of the set timings would not be applicable in case of loans received after 12 pm.

3.2 Investment Criteria in Mutual Funds (MF):

a. Investment should be made only in liquid funds.

b. Investment should be made in overnight funds in case the market condition seems to be problematic.

c. Investment will be made in top 10 AMC on the basis of Asset Under Management of the previous month. However, the same would not be applicable if the investment is being done less than 5% of the total treasury amount.

d. Rating of the companies should be A/A+ rated where the funds are invested. In case of downgrading of the company where MF are invested, funds should be immediately withdrawn.

e. Investments where the returns are fluctuating should not be considered.

f. Investment in MF should be made before 1:30 pm.

g. Single exposure of a particular fund should not be more than 5% except investment made in Government Securities, T-bills and other government (state/central) funds.

h. Modified duration of the liquid funds should not be more than 1 month.

3.3 Government Securities

a. Examples of government securities.

Savings Bonds	<ul style="list-style-type: none"> • Fixed interest rate • Maturity time <12 months to >5 years
T-Bills	<ul style="list-style-type: none"> • Short term maturity • Higher interest rate
Treasury Notes	<ul style="list-style-type: none"> • Daily yields • More than 2 years of maturity
Treasury Bonds	<ul style="list-style-type: none"> • Maturity between 10 to 30 years • Fed control the money

b. Timing of bidding period

Government Security	Bidding Period Starts on	Bidding Period	Auction Date at RBI	Settlement Date
	NSE e-GSec	Ends on NSE e-GSec		
T-Bills (91 day, 182 day, 364 day)	(Monday)	(Tuesday)	(Wednesday)	(Thursday)
GoI Dated Securities	(Tuesday)	(Thursday)	(Friday)	(Monday)
SDL State Development Loans	(Monday)	(Monday)	(Tuesday)	(Wednesday)

3.4 Commercial Papers and Corporate Bonds

- Rating of the papers should be atleast A+ or more.
- The balance sheet size of the company should be more than INR 200 crores.
- No loss should be there in the balance sheet in the last 3 years.
- The long-term rating of the entity should not be less than A.
- The maturity of the paper should not be more than 3 months.
- The papers should be secured, rated and listed.
- There should be no negative news in the market for the concerned company.
- Investment should not be done in any group company or related party.

3.5 Inter- Corporate Deposits

- Rating of the papers should be atleast A+ or more.
- The balance sheet size of the company should be more than INR 200 crores.
- No loss should be there in the balance sheet in the last 3 years.
- The long-term rating of the entity should not be less than A.
- The maturity of the paper should not be more than 3 months.
- The papers should be secured, rated and listed.
- There should be no negative news in the market for the concerned company.
- Investment should not be done in any group company or related party.

4. Investment Limits

S.No.	Product Category	Limits
1.	Fixed Deposits (FDR)	Upto 100% of surplus funds/treasury limit
2.	Mutual Fund (Liquid/ Overnight Funds)	Upto 30% of surplus funds/treasury limit or INR 80 crores whichever is lower.
3.	Government Securities	Upto 100% of surplus funds/treasury limit
4.	Commercial Papers/ Corporate Bonds	Upto 10% of surplus funds/treasury limit or INR 60 crores whichever is lower.
5.	Inter Corporate Deposits	Upto 10% of surplus funds/treasury limit or INR 20 crores whichever is lower.

5. Investment of Surplus Funds

There would be effective method of monitoring daily cash position. Below mentioned format would be used for tracking daily cash requirement:

Date	Particulars	Amount
	Opening Balance	
Add:	Repayment from branches	
Add:	Maturity of FDs (Lien Marked)	
Add:	Maturity of FDs (Without Lien)	
	Sum of total balance available (a to d)	
Less:	Disbursement	
Less:	Vendor Payment	
Less:	Instalments Payment	
Less:	OD Clearance	
Less:	Any other Payment	
	Sum of total payments (f to j)	
	Net requirement/ surplus funds-(f)	

a. Procedure of Investment in MF:

Following procedure has been adopted Investment in MF:-

Process of Investment in MF (Key Roles & Responsibilities)

Sr No.	Process Steps	R	A	C	I
1.	Fund Planning: First step in investment in MF is Fund Planning. For managing the excess funds of the company, funds will be invested in the Form of Investment in MF to achieve their financial goal. Fund planning has to be done every day before 12 Noon.	RM- Accounts & Finance	FH- Accounts & Finance	-	DH- Accounts & Finance
2.	Calculation of Excess Funds A calculation sheet is prepared. After Calculating funds requirement for the day, rest of the funds will be invested.	RM- Accounts & Finance	FH- Accounts & Finance	-	-
3.	Approach to various MF companies Keeping in view the key guidelines, various MF companies will be analyzed and funds are invested into different AMC in order to reduce risk exposure.	RM- Accounts & Finance	FH- Accounts & Finance	-	-
4.	Selection of AMC & Fill Application Form for Investment in AMC After knowing the returns from Different AMC. AMC providing good returns will be selected for investment. Request for investment in MF will be submitted by FH to concerned AMC.	RM- Accounts & Finance	FH- Accounts & Finance	-	DH- Accounts & Finance

Sr No.	Process Steps	R	A	C	I
5.	Transfer of Funds Then Funds transferred to concerned Bank MF by NEFT.	RM- Accounts & Finance	FH- Accounts & Finance	-	-
6.	Information Mail to Concerned Department Information mail of investment in MF should be sent to the concerned departments.	RM- Accounts & Finance	-	-	-
7.	Entry of investment in Books of Accounts Entry of investment of funds in MF will be recorded in Books of Accounts	RM- Accounts & Finance	FH- Accounts & Finance	-	-
8.	Mail sent to AMC company for Statement Mail sent to concerned company on the first day of every month for the statement.	RM- Accounts & Finance	-	-	FH- Accounts & Finance
9.	Keeping the Hard copy of Statement of Accounts (Monthly Basis) Soft copy of Statements will be maintained in a proper folder for recording purposes. Soft copy of the same will be sent to concerned departments.	RM- Accounts & Finance	-	-	-
10.	Entry of Investment into Investment register In order to ensure that funds invested are safe and are providing good returns, regular monitoring is done. Investment register will be updated on monthly basis and all the transactions of investment are recorded.	RM- Accounts & Finance	FH- Accounts & Finance	-	-
11.	Redemption of Investment Redemption of Investment shall be made in two cases:- <ol style="list-style-type: none"> 1. Requirement of Funds:- In case of any requirement, funds will be withdrawn from MF either fully or partially. 2. Reduction in returns/ downgrading of rating/ problematic market conditions:- In this case funds should be immediately withdrawn, and can be invested to other MF or in overnight funds. 	FH- Accounts & Finance	FH- Accounts & Finance	!	-

Sr No.	Process Steps	R	A	C	I
12.	Mail of Redemption of MF sent to concerned department Mail of Redemption of MF sent to concerned department	RM- Accounts & Finance	-	-	-
13.	Entry of Redemption of MF in Books of Accounts Redemption entry of MF will be recorded in books of accounts	RM- Accounts & Finance	FH- Accounts & Finance	-	-
14.	Entry of redemption into Investment register Investment register will be updated on monthly basis and all the transactions of redemption are recorded.	RM- Accounts & Finance	FH- Accounts & Finance	-	-
15.	Receiving of funds After redemption, funds will be transferred back to account of Midland.	RM- Accounts & Finance	FH- Accounts & Finance	-	-

b. Procedure of Investment in FDRs (Key Roles & Responsibilities)

Sr No.	Process Steps	R	A	C	I
1.	Funds Planning: First step in FD creation is Funds Planning. For managing the excess funds of the company, funds will be invested in the Form of FD to achieve their financial goal. Funds planning has been done every day before 12 Noon.	RM- Accounts & Finance	FH- Accounts & Finance	-	DH- Accounts & Finance
2.	Calculation of Excess Funds After Calculating funds requirement for the day rest of the funds will be invested.	RM- Accounts & Finance	FH- Accounts & Finance	-	-
3.	Approach to Banks' After obtaining confirmation from DH, FH approach the concerned Banks to know the Interest rate.	RM- Accounts & Finance	FH- Accounts & Finance	-	-
4.	Selection of Bank & Fill Application Form for FD After knowing the interest rate from Different Banks. Bank giving the highest rate of interest on FD being selected for investment. Request Letter for the FD creation has been submitted by FH to concerned Bank.	RM- Accounts & Finance	FH- Accounts & Finance	-	-
5.	Transfer of Funds in Selected Bank Then Funds for the creation of FD will be transferred from MML account to concerned Bank account by NEFT.	RM- Accounts & Finance	FH- Accounts & Finance	-	-
6.	Creation of FD Then FD created by bank and scanned copy of FD receipt has been shared by Bank on the same day of fund transfer by MML.	RM- Accounts & Finance	-	-	-
7.	Entry of FD creation in Books of Account Entry of creation of FD recorded in Books of Account	RM- Accounts & Finance	FH- Accounts & Finance	-	-
8.	FD Creation Information Mail to Concerned Department After creation FD information mail of New FD will be send by FH to concerned departments.	RM- Accounts & Finance	-	-	-
9.	Collection of FD Receipt After creation of FD by bank, hard copy of FD receipt will be collected from bank.	RM- Accounts & Finance	-	-	-

Sr No.	Process Steps	R	A	C	I
10.	Kept the hard copy of FD Receipt in safe Custody Hard copy of FD will be kept in Locker for safe custody by FH.	RM- Accounts & Finance	-	-	-
11.	Entry of New FD in FD register New FD details will be filled by FH in FD Register for record purpose.	RM- Accounts & Finance	FH- Accounts & Finance	-	-
12.	Maturity of FD Last step is a closure of FD after definite period, Funds received in MML Account. *Most of the FD created on auto closure option. Maturity amount of FD received in same day of maturity.	RM- Accounts & Finance	FH- Accounts & Finance	-	-
13.	Entry of Maturity of FD in Books of Account After the receipt of FD Maturity Amount in MML account, Entry of FD Maturity is recorded in Books of Account	RM- Accounts & Finance	FH- Accounts & Finance	-	-
14.	Entry of Maturity of FD in FD Register Entry of FD Maturity is recorded in FD Register	RM- Accounts & Finance	FH- Accounts & Finance	-	-

c. Procedure of Investment in Other instruments: The investment in the other instruments would be done as per the guidelines subject to the approval of CFO only. No investment will be made except the approval of CFO for other instruments.

Procedure of Creating of FLDG for Term Loan (First Loss Default Guarantee): When company obtain loan from Banks/FI's, some Banks/FI's demand FD for the security purpose. Amount of FD depend upon the amount of Loan sanction by Banks/FI's. The borrower shall deposit and charge with Bank, duly discharged Term Deposit Receipt (TDR) issued by concerned Bank for an amount equivalent to __% (as per sanction letter) of the loan amount sanctioned by Bank/ FI's from time to time as security for the due repayment of the loan with interest.

TDRs shall be created by borrower out of its own funds and shall be free from all encumbrances/ lien of any kind whatsoever. The interest accrued on TDR's shall be payable periodically and the proceeds of the TDR's shall be payable on the date of maturity thereof or after the minimum lock- in period applicable from time to time whichever is later.

The date of maturity of TDRs shall cover the tenure of the loan.

6. **Liquidity Management Framework:** The guidelines mentioned in the liquidity management framework as specified will be followed under the ALCO and the reference and changes will accordingly accommodate in this policy. ALCO is having the right to review this policy time to time to make the necessary changes that are required.

7. **Reporting's**

For maintaining the control over the usage of funds, reports can be bifurcated into three categories as below:



7.1 **Daily reports include:**

1. Funds Requirement report (for assessing the daily requirement of funds)
2. Current Detail of Funds (for knowing the current status of funds available in different forms)

7.2 **Weekly Reports include:**

1. Exposure report (for knowing the trend of other companies regarding their utilisation of excess funds)
2. Net banking status of all bank current accounts
3. Updation of Signatory Details

Monthly Reports:

1. Funds Status report (for assessing the monthly funds maintained in different forms)
2. Funds requirement Report (for predicting the funds required for next month)
3. Balance Sheet size and Net Worth Report of Banks

7.3 **Reconciliations:**

- 1) Estimated end of day balances would be compared with actual next day, with investigation of significant variations from anticipated balances.
- 2) Bank reconciliations would be undertaken on a regular basis, preferably on a daily basis.
- 3) There would be effective method of monitoring the daily funds position and any variation from that of targeted balance would be noticed and dealt with accordingly.
- 4) All the bank accounts would be maintained in the registers.
- 5) Authorised bank signatories would be kept up to date and should also be reviewed on monthly basis in order to ensure that any kind of discrepancy should not be there.

8. **Exception Approvals**

Sr No.	P	R	A	C	I
1.	Breach in FDR Limit If there is a breach in limit of maintaining the short term and long term FDR ratio and also the breach in maintaining the FDR limit in private and public sector banks.	FH- Accounts & Finance	HOD- Accounts and Finance	-	

Review and Regulatory Supremacy

This Policy shall be reviewed at least once in every year or earlier, as may be required, to incorporate changes arising from applicable laws, regulatory guidelines, supervisory instructions, or evolving business and operational requirements.

In the event of any inconsistency between the provisions of this Policy and any applicable law, regulation, circular, guideline, or direction issued by a statutory or regulatory authority (including the Reserve Bank of India), such law or regulatory requirement shall prevail to the extent of such inconsistency, and this Policy shall be deemed to be amended accordingly.