



## **2. INVESTMENT AND CASH POLCIY**

### **Table of Contents**

2.	INVESTMENT AND CASH POLCIY .....	1
2.1	TIDCO's role .....	1
2.2	Objectives: .....	1
2.3	Nature of Investments .....	2
2.4	Process of Evaluation and Selection of Projects: .....	3
2.5	Equity Participation: .....	4
2.6	Disinvestment: .....	5

### **2.1 TIDCO's role**

Tamilnadu Industrial Development Corporation Limited (TIDCO) was established in May 1965 as a Government of Tamil Nadu enterprise. TIDCO is a premier industrial development agency that endeavors to achieve a balanced and continual industrial & economic growth by promoting medium and large industries in the state through joint ventures. TIDCO facilitates big industrial and infrastructure projects in Tamil Nadu involving large investments and huge employment potential.

### **2.2 Objectives:**

The investment policy is framed with the following objectives: -

1. To Ensure the primary objectives of TIDCO with regard to industrial development of the state of Tamil Nadu are met.
2. To Identify and effectively evaluate proposals and promote eligible and viable investments.
3. To Ensure TIDCO's investment is made only after proper financial appraisal and promoter complies with the relevant conditions of the JV agreement.
4. To participate in the equity/preference share investments as per the agreement at the discretion of TIDCO.



5. To effectively monitor and report to the management the physical and financial progress of the projects and investments.
6. To ensure disinvestment as per guidelines issued by government from time to time.
7. To ensure investments of surplus funds are done after following due diligence to provide optimum returns

### **2.3 Nature of Investments**

TIDCO's investments can be classified into the following categories

- A) Investments in equity/preference/debentures in new/ expansion industrial projects
- B) Portfolio investments and
- C) Investments and Deposits with Banks/Financial institutions.

#### **A) Investments for the purpose of promoting industrial development**

TIDCO has investments across manufacturing sectors such as chemicals, fertilizers, pharmaceuticals, textiles, iron and steel, auto components, food and agro, floriculture, engineering, petroleum and petrochemicals and infrastructure sectors such as IT/ITES Parks, Bio-tech parks, Special Economic Zones (SEZ), Road Development Projects and Agri Export Zones.

Further, TIDCO is focused on developing industrial corridors covering almost all districts of Tamil Nadu and new Airport to ensure balanced industrial and infrastructural growth across the state.

TIDCO identifies projects/develops concepts on its own or based on Government order and carries out implementation till such time a prospective co-promoter is identified or takes up projects which are brought to TIDCO by the promoters for joint implementation.

TIDCO also provides facilitation services for all investors who wish to launch new ventures in Tamil Nadu.

TIDCO's association with private sector enterprises may be separated into five categories viz. Subsidiary, Joint Sector, Associate Sector, Escort



Sector and Escort Services depending on the % stake held in the investee companies. The table below maps the category of investment with the % stake.

S.No	Category	% Stake
a)	Subsidiary	Above 50%
b)	Joint Sector	Above 11% to 50%
c)	Associate Sector	Upto 11%
d)	Escort Sector	Upto 1%

**B) Portfolio Investments** – TIDCO also invests in equity investments as directed by the government or as decided by Board.

#### **2.4 Process of Evaluation and Selection of Projects:**

1. Based on the primary and secondary data / information, TIDCO identifies opportunities and develops a preliminary concept report on various prospective project proposals followed by Techno Economic Feasibility Studies and DPR preparation to assess the viability of the projects
2. While identifying proposals appropriate analysis will be carried on the
  - i. market potentials and technological evolution
  - ii. Financial viability.
  - iii. Socio-economic impact.
3. Upon assessment of the financial strength and experience of the identified promoters for joint implementation, TIDCO undertakes further work on the project after approval from the Board/Government.
4. Thereafter, such projects are implemented by the new joint venture company wherein co-promoters take up day-to-day management both during implementation and operation of the project.
5. In cases where promoters bring projects to TIDCO seeking its assistance in equity and other facilitation, proper technical and economic appraisal shall be carried out for taking investment decision by TIDCO Board
6. After such evaluation, the proposal will be placed before the Board for approval. Necessary Government approval has to be obtained for certain proposals for investments and for selection of promoter, as per the delegation of powers. After this due process, TIDCO



executes formal Agreement and joins with the promoter for project implementation.

7. The Project managers shall monitor and report the project progress using standardized templates and dashboard capturing details such as project expenses incurred, % physical progress, % financial progress, status of the progress, any critical activities related to the project etc.

## **2.5 Equity Participation:**

1. The release of equity from the company will be done only after the project due diligence and financial appraisal after the project undergoes term loan appraisal by the banks/ financial institutions.
2. TIDCO decides the level of participation depending upon financial capability and ability of the co-promoter and releases the equity as per the agreed terms.
3. In case TIDCO has met its performance obligations and the promoter has failed to issue shares as agreed, TIDCO is entitled to initiate action as per Companies Act against the promoters. Agreements with promoters may include clauses to cover such eventuality on a case to case basis.
4. TIDCO enters into an agreement with the promoters, depending on the level of equity investment and it happens only after the promoters bring in their investment and submit the request along with the proof of their investment in the JV Company.
5. Further, TIDCO also obtains approval from the competent authority for such equity participation before making the investment.
6. The power to sanction equity participation and disinvestment is as per approval of TIDCO Board and as per guidelines of government.
7. The Project managers and Nominee Directors shall monitor the Investment with the help of standardized templates and dashboard that capture all key details such as investment made dividend received, capital appreciation, valuation details etc.

\*As per the Government directions dated 13.07.2020, following are the approval limits:



<b>S.No</b>	<b>Description</b>	<b>Board</b>	<b>Government</b>
1	Investment	UptoRs 10 Cr	Above Rs 10 Cr
2	Disinvestment	UptoRs 50 lakhs	Above Rs 50 Lakhs
3	Co-partnering/Co-promoters	UptoRs 2.5 Cr	Above Rs 2.5 Cr

## **2.6 Disinvestment:**

Disinvestment of shares will be done on a case-to-case basis when the board considers it appropriate to do so. Disinvestment would be done in accordance with the Disinvestment policy approved by the Government and as per JV agreement.

## **C) Investments and Deposits with Banks/Financial institutions**

TIDCO can deploy surplus funds in instruments to earn interest income. TIDCO shall carry out a commercial appraisal and due diligence before any investment decision is taken regarding deployment of surplus funds. Decisions on investment of surplus funds will be as per Delegation of Powers (DOP).

In carrying out such investments the following shall be considered:

1. An estimate of surplus availability (after considering operating expenses and investment commitments) shall be worked out for a period of one year at any given point of time to deploy funds at better yields at longer durations.
2. Surplus funds shall not be invested when TIDCO is borrowing for an equal or higher rate for the same period.
3. Eligible Instruments for deployment of surplus funds



- 3.1. Treasury bills and government of India securities.
- 3.2. Term deposits with operating banks/public sector undertakings.
- 3.3. Any other debt instrument (including commercial paper) of public sector entities, subject to highest credit rating from any two rating agencies approved by SEBI.
4. The period of maturity for any investment maybe upto five years from the date of investment.
5. The denomination of deposits shall be decided by TIDCO after considering the trade-off between higher interest rates for larger deposits and pre-closure charges.
6. Material amounts shall not be kept in sweep accounts for more than 2 months to ensure there is no loss of interest. However, under exceptional circumstances, TIDCO may keep funds in sweep accounts for more than two months and the reasons for the same shall be documented.
7. Operating Banks – TIDCO follows the seven-bank policy as per government guidelines and the performance of the banks shall be reviewed every three years for continuance of the existing accounts and while opening new accounts and depositing the surplus funds.
8. Audit Committee and Board shall every three years review the quality, cost and value of the services received from the operating banks. Factors such as competitive interest rates offered by the banks, number of active accounts maintained (Dormant accounts shall be periodically closed), quality of service offered by the banks, credit accommodation, working capital arrangements, cost effectiveness of the services offered by the banks and the long-term relationship with TIDCO.
9. TIDCO shall only operate with banks having branches near to TIDCO's premises.
10. TIDCO shall not invest the surplus funds in mutual funds/AMCs under portfolio management scheme.
11. Quarterly review on investment of surplus funds shall be done by the Audit Committee and Board.
12. Term deposits maybe opened/renewed with operating banks/financial institutions after obtaining quotations from them. Surplus funds shall be invested with the banks at the highest rate(H1).
13. The approval for opening, closing and renewing of deposits is as per Delegation of Powers (DoP).



14. Pre-closures are authorized by the CMD after considering applicable interest rate and pre-closure charges.
15. Deposits with single bank/financial institution shall not exceed 50% of TIDCO's total deposits.
16. Fixed deposits with private scheduled banks shall not exceed 5% of the bank's net worth.
17. Other eligible instruments can also be considered for investment after obtaining quotes from a minimum of three primary dealers registered with RBI.

#### **D) Cash Policy**

1. TIDCO shall hold a maximum of Rs. 1 lakh in cash for the purpose of payment of routine administrative expenses
2. As per Income Tax Act the maximum cash transaction per day per person shall not exceed Rs. 10,000/-.
3. Physical cash verification shall be made by JAO/AAO.
4. Verification and certification on cash balance shall be done by internal auditor on quarterly basis.

*(The policy will be reviewed every three years or as and when there are changes in RBI guidelines, whichever is earlier.)*