

LIC PENSION FUND LIMITED
INTERNAL INVESTMENT GUIDELINES

S.No.	Particulars	Page No.	
		From	To
1	Guidelines for investment in Debentures, Bonds	2	7
2	Guidelines for Investment in Alternate Asset Class	8	9
3	Policy for churning of Debt Securities (Debentures and Bonds) and Strategies for Exit	10	11
4	Guidelines for investment in fixed deposits of Scheduled Commercial Banks	13	14
5	Guidelines for stock selection and Investment in equity shares	15	19
6	Policy for churning of Equity and Strategies for Exit	19	23
7	Guidelines for Investment in Government Securities and Related Investments	24	24
8	Guidelines for Investment in Short-term Debt Instruments and Related Investments	25	28
9	General Investment Guidelines	29	30
10	General Guidelines	31	31
11	IPO Policy	32	32
12	Asset Liability Management (ALM) Policy	33	34

Recommended by IC in its meeting dated 29.11.2024 & approved by Board on 23.01.2025.

[1] Guidelines for investment in Debentures, Bonds

The internal guidelines for investment in Non-convertible Debentures, Bonds & Related Investments shall be as under:

1. All investments in Non-Convertible Debentures and Bonds shall be strictly in accordance with the instructions issued by PFRDA which are contained in the IMA dated 30/03/2021 signed between NPS Trust and LIC Pension Fund Ltd., PFRDA Guidelines dated 20th July, 2021 and further amendments issued by PFRDA from time to time. The exposure limit under Debt Instruments & Related investment shall not exceed 45% of the amount to be invested for CG, SG, Corp.CG, NPS Lite and APY and 100% for C Tier I & II
2. The investment in listed (or proposed to be listed in case of fresh issue) debt securities issued by bodies corporate, including banks and public financial institutions (Public Financial Institutions as defined under Section 2 of the Companies Act, 2013) and term deposits of scheduled commercial banks shall not exceed 45% of the AUM of the respective fund in case of Government Schemes including NPS Lite, Corporate CG & Atal Pension Yojana. In C Scheme (Tier I and Tier II) the investment can go up to 100%.
3. Listed (or proposed to be listed in case of fresh issue) debt securities issued by body corporate, including banks and financial institutions (Public Financial Institutions as defined under Section 2 of the Companies Act, 2013) and Rupee Bonds issued by institutions on International Bank of Reconstruction and Development, International Finance Corporation and Asian Development Bank, the investments made in debt securities and Rupee Bonds with residual maturity period of less than 3 years from the date of investment shall be limited to 10% of the investments made in debt instruments (10% of the investments made in scheme/Asset Class C for Private Schemes) during the preceding 12 months in the concerned Scheme.
In case of securities where the principal is to be repaid in a single payout, the maturity of the securities shall mean residual maturity. In case the principal is to be repaid in more than one payout then the maturity of the securities shall be calculated on the basis of weighted average maturity of security.
4. All investment decisions shall be taken by the Chief Executive Officer based on the unanimous recommendation of the Internal Investment Committee taking into account the IMA, instructions issued by PFRDA, NPS Trust, Board of Directors of the Company and Investment Management Committee from time to time.
5. The Investment Committee, while deciding the securities for investment shall bear in mind all the associated risks as detailed in the Risk Management Policy, apart from the yield. The Internal Investment Committee of PFM will give utmost importance to safety and security aspects.
6. The borrower/issuer of the instrument under consideration should be a Regulator (NHB, NABARD, EXIM Bank etc) or a scheduled commercial bank or a Public Sector Undertaking or a Multinational Corporation or a large Financial Institution including NBFCs or a large corporate house.

7. In case of corporate borrowers, the company issuing the instrument should be a Public Limited Company and its shares should be listed in any one of the stock exchanges in India. In case, the shares of the borrowing company are not listed, at least, it should be a subsidiary of a listed holding company, whose holding in the borrower company should not be less than 51% of the paid up capital of the company. Nevertheless, the instrument under consideration should be listed/proposed to be listed in case of fresh issue in WDM segment of NSE/ BSE. The Investment Management Committee of the Board can under exceptional circumstances relax this condition for a specific company where the instrument is at least AA+ rated by two rating agencies.
8. LIC PFM shall invest the Trust funds only in companies, whose promoters /management are competent and have strong domain knowledge and track record. We shall avoid investment in companies, whose promoters/management do not have a good track record of being transparent to shareholders and have a history of not protecting the interest of small shareholders.
9. As far as possible, it should be ensured that the promoter/promoter group should not have got entangled in any corporate Governance issues.
10. The borrowing/issuing company should be a profit making one and should have earned a net profit in at least 3 out of 5 preceding accounting years, including the latest accounting year (This condition has been relaxed for bonds to be subscribed by NHA). Even in the years it has incurred a net loss, the company should have generated profit at PBDT level (PBDT level means Profit before Depreciation and Tax).^{*} This condition of PBDT level can be relaxed in case of a new company which has shown net profits continuously during the latest 3 years.
^{*}PBDT level means profit before Depreciation and Tax.

When the NCDs / NCBs are issued by a newly floated company whose Parent/Holding company is a listed entity belonging to BSE 100, the financials of the Parent / Holding company can be considered, if the instrument is Secured & rated AAA or AAA (SO) and any one of the following conditions is fulfilled.

- a) The issuer is a subsidiary of a holding company, with a holding of at least 75% of the equity share capital of the company.
- b) The promoter / holding company has given an irrevocable guarantee for the instrument issued by the company.

However, in an exceptional case when the instrument is unsecured & comes with an irrevocable guarantee/comfort letter from the promoter of holding company, specific approval of Investment Committee has to be sought before such investment is considered.

11. The net worth of the company should be not less than Rs.500/- Crore.
12. In case of manufacturing companies, financial institutions and other companies, the instrument should have been rated AA by at least two reputed and SEBI approved rating agency such as CRISIL, ICRA, CARE, etc. Apart from the ratings by agencies, proper due diligence for assessment of risks associated with the securities should be done before investments.
13. In case of non-banking financial companies, such rating should not be less than AA+ from at least two rating agency. Apart from the rating by agency,

proper due diligence for assessment of risks associated with the securities should be done before investments. If the securities have been rated by more than two rating agencies, the lowest rating of all the rating shall be considered.

14. In case of banking companies:
 - a. The bank should be a scheduled commercial bank as per RBI guidelines.
 - b. The rating of the instrument should not be less than AA.
 - c. The bank should have earned a net profit in the immediately preceding three financial years.
 - d. The Capital to Risk Weighted Assets Ratio should be at least 9%.
 - e. Net NPA as a percentage of net advances in the last financial year should be less than 4%
 - f. The net worth should be at least Rs.500 Crore.
15. In case of manufacturing companies, it is desirable that a minimum Interest Cover Ratio of two times and a Debt Equity Ratio of not more than 2 times is maintained by the company. However, if the instrument is a secured one and rated at least AA+, the Internal Investment Committee can waive the debt equity and interest cover requirements for reasons to be recorded in writing.
16. In case of Non-Banking Financing Companies, (other than Public Financial institutions), the capital adequacy ratio should be at least 15% and at least 12% for Housing Finance Companies and net NPA should be not more than 2%.. It is desirable that the instrument is secured. However, in exceptional circumstances, investment in unsecured instruments can be considered up to a residual period of 5 years with approval of the Investment Committee of the Board. For this purpose, the Investment Committee may grant relaxation for specific companies after considering the financials of the company and other risks.
17. If the company had issued a Non-Convertible Debentures/Bonds earlier and if we have subscribed to the same, the debt servicing track record should also be taken into account while taking the investment decision.
18. In case of privately placed Non-Convertible Debentures/Bonds, the LIC PFM shall subscribe only when there is a co-investor and LIC PFM's share is not more than 50% of their issue. For one to one placement of Non-Convertible Debentures and Bonds, we should have subscribed to any of the earlier issues of the company and our experience with the company in terms of debt servicing has been satisfactory.
19. All deals are to be done only at market levels. The yield should be compared with the FIMMDA rate and in the event the valuation is positive, decision can be taken on merits. However, this condition can be relaxed in case the rating of the instrument is "AAA" or "AA+".
20. All secondary market deals are to be done on case to case basis and all the criteria stated above should be fulfilled.
- 7
21. Investment in Zero Coupon Bonds with a residual maturity of not exceeding 5 years (Minimum of 3 years) can be considered, only if the issuer is a Bank or a Regulator or Public Sector Undertaking, provided that the instrument is rated at least AAA by two reputed Credit Rating Agencies.

22. Investment in listed/proposed to be listed Perpetual Bonds (Basel III compliant Tier I bond) of scheduled commercial banks in the Public sector as well as Private sector as permissible under all schemes by PFRDA Investment Guidelines and provided they fulfill the following conditions, at the time of investment :

- a) The Networth of the Bank is Rs.10,000 Crore.
- b) The rating of the instrument shall be AA or above. The rating has to be from at least two credit rating agencies.
- c) The investment shall be in the schemes as permitted by PFRDA Investment Guidelines
- d) The total Investment in any year in the Additional Tier I Bond compatible under Basel III shall not exceed more than 5% of the investment under Corporate Bond Category.
- e) The portfolio invested in Basel III Tier I bonds shall not exceed 2% of the concerned Scheme AUM at any point of time.
- f) The Bank should have maintained a minimum Capital to Risk weighted assets ratio of 9% consistently during the immediately preceding 3 years or as stipulated by RBO from time to time whichever is higher.
- g) The Bank should have earned a net profit after tax during the preceding 3 years (this condition has been relaxed for SBI).
- h) The Bank should have declared dividend for the preceding 3 years (this condition has been relaxed for SBI) .
- i) The Bank selected for Investment should not have regulatory or governance issues.
- j) The investment under such bonds can be made at a rate over and above of 100bps of Government Securities rate of the same tenure as prescribed by SEBI.
- k) No investment in this sub category in initial offerings shall exceed 20% of the initial offering. Further, at any point of time, the aggregate value of Tier I bonds of any particular bank held by the fund shall not exceed 20% of such bonds issued by that Bank.
- l) All such investment shall invariably is to be reported to the Investment Committee following –such investment in AT1 Bonds of scheduled commercial Banks.

Any relaxations sought in the above guidelines for subscription to AT1 Bonds of other banks (other than SBI) shall be put up to the Investment Committee on case to case basis.

23. Exposure and Prudential Norms:

- a. The investment exposure in an industry sector (classification as per Level - 5 NIC classification) for all classes of asset shall be restricted to 15% of all NPS schemes {Scheme E,C, CG, SG, NPS Lite, Corp CG& Atal Pension Yojana (APY)} portfolio taken together. Investment in Scheduled Commercial Banks FDs would be exempted from exposure to Banking sector.

b. 1. For CG,SG, Corporate CG, NPS Lite schemes and Atal Pension Yojana

NPS debt investments have been restricted to 5% of the net worth of all sponsor groups companies or 5% of total AUM in debt securities (excluding government securities) whichever is lower in each respective scheme and 10% of the net worth of all the non-sponsor

group companies or 10% of total AUM in debt securities (excluding government securities) whichever is lower, in each respective scheme.

2. Other than CG,SG, Corporate CG, NPS Lite schemes and Atal Pension Yojana

NPS debt investments have been restricted to 5% of the net worth of all sponsor group companies or 5% of Scheme AUM whichever is lower in each respective scheme and 10% of the net worth of all the non-sponsor group companies or 10% of Scheme AUM whichever is lower, in each respective scheme.

24. As and when there is a fall in the credit rating of the instrument, the exposure in the company shall be reviewed by the PFM. If the rating of the instrument falls to AA- or below "AA-", a separate note shall be put up to the Investment Management Committee of the Board along with the recommendations of the Internal Investment Committee for taking an appropriate decision to continue or exit this investment.
25. Investment can be made in 'AAA' rated Infrastructure Development Funds floated by reputed Financial Institution. Rating should be obtained from two rating agency. The total exposure in Infrastructure Development Funds can be upto a maximum of 1% of credit risk bearing fixed income instruments of individual government scheme and C scheme. The fund house should have experience in managing infrastructure funds. Investment can be considered after 50% of the Fund gets tied up.
26. NPS Funds shall not be used by the PF to buy securities/bonds held in its own investment portfolio or any other portfolio held by it or in its subsidiary or in its Sponsor.
27. Transfer of investments from one Scheme to another Scheme in the same PF, shall be allowed only if:
 - Such transfers are made at the prevailing market price for quoted Securities on spot basis (Explanation: spot basis shall have the same meaning as specified by Stock Exchange for spot transactions)
 - The Securities so transferred shall be in conformity with the investment objective of the Scheme to which such transfer has been made.
 - Such transfers may be allowed to meet liquidity requirement in a scheme in case of unanticipated redemption pressure or to adjust securities received through corporate action.
28. Investment in the Units of Debt Mutual Funds as regulated by SEBI. These Debt Mutual Fund Schemes shall exclude schemes of mutual funds having investment in short term debt securities with Macaulay Duration of less than 1 year.

Provided further that the portfolio invested in such mutual funds shall not exceed 5% of the total debt instruments portfolio in the concerned scheme (5 % of the AUM under scheme/Asset Class C for Private Schemes) at any point of time.

29. Investment in following infrastructure related debt instruments:

- a. Listed (or proposed to be listed in case of fresh issue) debt securities of Body Corporates engaged mainly in the business of development, or operation and maintenance of infrastructure, or development, construction or finance of affordable housing as defined under Government of India's harmonized master-list of infrastructure sub-sectors.
 - b. Infrastructure and affordable housing Bonds issued by any scheduled Commercial bank which meet the conditions specified in 14 above.
 - c. Listed (or Proposed to be listed in case of fresh issue) securities issued by infrastructure debt funds operating as a Non- Banking Financial Company and regulated by RBI.
 - d. Listed (or Proposed to be listed in case of fresh issue) units issued by infrastructure Debt Funds operating as a Mutual Fund and regulated by SEBI.
30. Investment in units of Debt ETFs issued by Government of India specifically meant to invest in bonds issued by Government owned entities such as CPSEs, CPSUs/CPFIs and other Government Provided that the portfolio invested in such Debt ETFs shall not exceed 5% of the total debt instruments portfolio in the concerned scheme (5% of the AUM under Scheme/Asset Class C for Privates Schemes) at any point of time
31. Investments have been allowed by PFRDA in Corporate Debt Securities with a minimum 'A' rating or equivalent in the applicable rating scale subject to a cap on investments between A to AA- rated Bonds to be not more than 10% of the overall Corporate Bond Portfolio. PFMs will submit a quarterly statement on the investments made in securities which have a minimum rating of 'A' and their performance including downgrades in this category, if any to NPS Trust for monitoring of such investments. This revision is applicable to both the referred investment guidelines for NPS Schemes viz. CG, SG, Corporate CG, NPS Lite, APY and C Tier I & II schemes. LIC PFL will continue to invest in papers with minimum credit rating AA by two rating agencies (AA+ in case of NBFCs).
32. "In case any of the existing conditions laid down in these Guidelines, needs to be relaxed, the matter may be put to Investment Committee on case to case basis, for its approval provided all the PFRDA Guidelines are being followed in the process and there is no violation of the PFRDA Guidelines with respect to the relaxation being sought"
33. Government of India fully serviced bonds issued by PSU's shall be classified under Government Securities and related Investment / Asset Class –G

These guidelines shall be reviewed periodically, at least on half - yearly basis.

[2] Guidelines for Investment in Alternate Asset Class

1. Investment in Asset Backed, Trust Structured and Miscellaneous Investments is allowed upto 5% of corpus (under scheme CG, SG, NPS Lite, Corp CG and APY) in the following cases:

- a) In Commercial mortgage Backed Securities or Residential mortgage backed Securities.
 - b) Units issued by Real Estate Investment Trusts regulated by the Securities and Exchange Board of India.
 - c) Asset Backed Securities regulated by the Securities and Exchange Board of India.
 - d) Units of Infrastructure Investment Trusts regulated by the Securities and Exchange Board of India. Investment under this category shall only be in listed instruments or listed issues that are proposed to be listed. Investment under the above said category shall be made only in such securities which have minimum AA or equivalent rating from at least two rating agencies registered by SEBI and for clause (b) and (d) “the rating shall relate to the rating of the sponsor entity floating the trust” ,the minimum rating shall be AAA or equivalent rating from at least two credit rating agencies registered with SEBI. The sponsor floating the trust should have rating of AA or equivalent from at least two credit rating agencies registered with SEBI. If the securities/entities have been rated by more than two rating agencies, the two lowest of the rating shall be considered.
2. A separate asset class – A (for Alternate Investments) was created for Private sector NPS subscribers in addition to E, C and G, where investment upto 5% can be made. Investment in Asset Class A consists of the following:
- a) Commercial mortgage Backed Securities or Residential mortgage backed Securities.
 - b) Asset Backed Securities regulated by the Securities and Exchange Board of India.
 - c) Units issued by Real Estate Investment Trusts regulated by the Securities and Exchange Board of India.
 - d) Units of Infrastructure Investment Trusts regulated by the Securities and Exchange Board of India.
 - e) Alternate Investment Fund (AIF Category I & II) as defined under the SEBI (Alternate Investment Fund) regulations 2012.
 - f) Basel III Tier-1 bonds issued by scheduled commercial banks under RBI guidelines.
- The investment by Pension Fund by a single issuer shall not exceed 10% of the AUM of the scheme.
- Investment in category (f), shall fulfill the condition specified under point 22 of Guidelines for Investment in Debentures/Bonds except sub clause (d) & (e).
3. Investment under this category shall only be in listed instruments or listed issues that are proposed to be listed.
 4. Investment under this category (from (a) to (d) & (f) above) except (b) and (d)) shall be made only in such securities which have minimum AA or equivalent rating from at least two rating agencies registered by SEBI under SEBI (Credit Rating Agency) Regulations 1999 and if the securities/entities have been rated by more than two rating agencies, the lowest two of the rating shall be considered and for clause (c) and (d), the minimum rating shall be AA or equivalent rating from at least two credit rating agencies registered with SEBI. The sponsor floating the trust should have rating of AA or equivalent from at least two credit rating agencies registered with SEBI.

Further, in case of sub category (a) & (b) rating from only one rating agency will be sufficient.

5. The investment in category (e) (i.e. AIF – Cat I & II) is allowed subject to satisfaction of the following conditions:
- a) The permitted funds under category I are Infrastructure Funds, SME Funds, Venture Capital Funds and social venture capital funds as detailed in Alternative Investment Funds Regulations 2012 by SEBI.
 - b) For AIF-category II as per Alternative Investment Funds Regulations 2012 by SEBI, at least 51% of other funds of such AIF shall be invested in either infrastructure entities or SMEs or venture capital or social welfare entities.
 - c) Pension Funds shall invest only in AIFs whose corpus is equal to or more than Rs. 100 cr.
 - d) The exposure to a single AIF shall not exceed 10% of the AIF size.
 - e) Pension Funds to ensure that funds are not invested in securities of the companies or Funds incorporated and operated outside India in violation of section 25 of PFRDA Act. 2013.
 - f) The sponsors to the AIF should not be promoter in Pension fund or the promoter group of the pension fund.
 - g) The AIF shall not be managed by investment manager who is directly controlled or managed by Pension fund or promoter group of pension fund.

For investment in category (f), please refer to point 22 of Guidelines for Investment in Debentures/Bonds for further investment guidelines.

6. This asset class is available only under Tier I for private sector subscribers.

7. The exposure norms for investment in InvITs/REITs are as under :

- i. The cumulative Investments in Units and Debt Instruments of InvITs and REITs shall not exceed 3% of total AUM of the Pension Fund at any point of time.
- ii. The Pension Fund shall not invest more than 15% of the Outstanding Debt Instruments issued by single InvIT/REIT issuer.
- iii. The Pension Fund shall not invest more than 5% of the Units issued by single InvIT/REIT issue.

These guidelines shall be reviewed periodically, at least on half- yearly basis.

[3] Policy for Churning of Debt Securities-(Debentures & Bonds) and Strategies for Exit

The Investment Guidelines is embodied in the Investment Management Agreement (IMA) provides for churning of securities.

If any of the instruments the rating falls below “AA”, as confirmed by one credit rating agency, the option of exit shall be considered and exercised, as appropriate, in a manner that is in the best interest of the subscribers.

Though, Corporate Bonds/Debentures investments relating to pensions funds are generally viewed as long-term investments, it is essential to manage the portfolio risk in a dynamic manner to keep pace with the changing Interest rates pursuant to the policy of Government and Reserve Bank of India from time to time. This can be achieved only if the fund manager exits the investments from the portfolio at the most appropriate time and churns his investment regularly in order to maximize his yield.

While considering the exit option, especially in case of debt instruments the fund manager shall bear in mind the following:

- a) The Liquidity for debt instrument as compared to equity is usually very thin, since most instruments are rarely traded in the stock exchanges.
- b) When a company starts losing its Net worth, unless the fund manager takes the right action at the appropriate time, it may be too late for him to get back the money invested by him.
- c) The valuation of debt instruments is done on MTM basis as per Regulatory requirements. This means, the subscribers are being allowed to exit at the NAV calculated on the basis of market value. If the fund manager fails to realize the capital appreciation on the debt instruments at the right time, he will get back only the face value at the time of maturity of the instrument.
- d) The value of a debt instrument usually fluctuates up and down depending upon the external factors like global interest rates, monetary and fiscal measures taken by the Government of India/RBI and socio - economic factors.
- e) A prudent fund manager will always exit the instrument when the valuation is high and enter again when the valuation is low and favourable.
- f) Some of the instruments may provide for put or call option or both. These options virtually restrict the tenor of the instruments as either of the two i.e. the buyer or seller will always be exercising the option, in which case, such instruments will not have life beyond this date. A prudent fund manager will avail the put option as and when due and come out of the instrument, if it is in the larger interest of the fund.

Exit of an investment under debt category may become necessary under the following circumstances:

- 1. To comply with the regulatory requirement and exposure norms.
- 2. Sometimes it may become necessary for PFMs to compulsorily come out of the investment even at a loss to protect the Fund from further losses on the investment.
- 3. It may also become necessary to exit from investment to realize the capital appreciation on the investment.
- 4. Re-Balancing the portfolio may also be required to match the assets of the fund with their liabilities. At times, the fund manager may even have to

liquidate some of his short-term investments and substitute it with long-term investments or vice a versa.

Under the following circumstances /situations, LICPFM shall put in their best efforts to exit the respective investments from the portfolio even if such a transaction results into loss:

- a) Avenues for exit shall be explored if the rating of any investment falls to AA- or below.
- b) When the company gets involved in criminal, legal, regulatory or accounting issues, which are likely to create a dent in the market valuation of its shares and thereby enhancing its credit risk.
- c) When the norm for investment prescribed for a company or a promoter group/industry group has been breached.
- d) When the company has applied to CDR or BIFR or any other forum for debt restructuring or for compromising its dues.
- e) When the Net worth of the company is likely to fall below zero due to adverse financials.
- f) When there is a change in the promoter or management of the company, which is not conducive to the growth of the company.
- g) When the company defaults regularly in payment of interest and installment dues.
- h) In case of secured instruments, when there is a significant adverse change in the crucial ratios like Debt Equity, Interest Coverage Ratio etc.
- i) In case of secured debentures/ bonds, when the company fails to create the security within the prescribed/extended time limit as per Information Memorandum (IM).

In all the situations narrated above, the decision to exit shall be taken by the CEO with the unanimous recommendations of Internal Investment Committee duly recording the reasons for the exit in writing. The matter shall thereafter be placed before the Investment Management Committee of the Board for their information, in the immediately succeeding meeting.

Under the following circumstances / situations, LICPFM will consider exiting the relevant investment with the prior approval of Investment Management Committee where disposal of the securities may result into losses:

- a) When the credit rating of an investment falls down by at least by 3 notches in case of secured investments and 2 notches in case of unsecured investments as compared to the one which was prevailing at the time of investment

In case, the investment is issued by a Nationalized Bank or a PSU or a Corporate with the guarantee/ letter of comfort by Govt. of India/ a Nationalized Bank, exit option may be considered only when the rating of the investment goes falls to AA- or below. However, the fund manager can consider disposing off these investments at any time, for realizing capital appreciation.

- b) When the financials of the company have been consistently falling and it may become essential for the fund to come out of the investment, in the larger interest of the subscribers.
- c) When there is a put option for an investment and the IIC considers coming out of the investment as the best option taking into account the financials of the

company, prevailing interest rates for comparable securities and other relevant aspects. However, the fund manager can consider this option for realizing the capital appreciation.

- d) Exit out of an investment can be considered for trimming and re-balancing the portfolio and to match the assets of fund with its liabilities.

Please refer clause 27 under Guidelines for Investment in Debentures/Bonds

Methodology for disposal of Debt Instruments:

When a fund manager decides to dispose of a particular security under the circumstances narrated above the following procedure shall be followed:

- a) Offer to sell securities shall be given to at least 3 brokers / arrangers / counterparties giving full details of securities.
- b) While concluding the deal, the fund manager shall study the market levels for comparable traded securities, FIMMDA debt market benchmark rates etc used for valuation purpose. In case of thinly traded securities, lower rated securities and junk bonds appropriate margin may be allowed over and above the benchmark spread in order to dispose off the securities at the earliest by recording the reasons thereof by the IIC.
- c) Based upon the quotations received from the counterparties, the Internal Investment Committee shall unanimously decide on the sale of security. Deal shall be concluded with the counterparty offering the highest price.
- d) All secondary market transactions/deals shall be routed either through the NSCCL or ICCL platform of NSE and BSE respectively to avoid counterparty/settlement risk and to also comply with the guidelines given NPS Trust in this regard.
- e) These guidelines shall be reviewed periodically, at least on half - yearly basis.

[4] Guidelines for Investment in Fixed Deposit of Scheduled Commercial Banks.

Following guidelines are to be followed while investing in term deposit of Scheduled Commercial Banks:

1. While investing NPS Trust funds in Scheduled Commercial Banks, Investment guidelines as specified in Schedule II of the Investment Management Agreement has to be adhered.
2. All investments in debt securities (Public & Private) including term deposit of Scheduled Commercial Banks (issued as per the guidelines of RBI) should not exceed 45% of the total AUM under each fund at any given time.
3. All investment decisions shall be taken by CEO (Chief Executive Officer) of LICPF Limited on the basis of unanimous recommendation of Internal Investment Committee, which shall comprise of a minimum of three members approved by the board.
4. Investment in term deposits of Scheduled Commercial Banks shall be for a period of not less than one year. (As per IMA all deposits with a maturity term of less than 1 year shall be classified as a money market instrument).
5. The Scheduled Commercial Public Sector Bank selected for investment of term deposits should qualify the following criteria:
 - a) The Bank should have earned a net profit after tax consistently during the immediately preceding three financial years.
 - b) The Bank should have maintained a minimum Capital to Risk Weighted Assets Ratio of 9% consistently during the immediately preceding 3 year.
 - c) Net NPA as a percentage of net advances in the last financial year should be less than 4%
 - d) The net worth of the Bank should be at least Rs 500crore.
6. The Scheduled Private Sector Commercial Bank selected for Investment in term deposits should qualify the following criteria:
 - a) The Bank should have earned net profit after tax consistently during the immediately preceding three years.
 - b) The Bank should have maintained a minimum Capital to Risk Weighted Assets Ratio or Capital Adequacy Ratio of 9% consistently during the immediately preceding 3 year.
 - c) Net NPA as a percentage of net advances in the last financial year should be less than 4%.
 - d) The Net worth should be not less than Rs. 500 Crore.
 - e) The maturity tenure should not be more than 5 years.
 - f) The Bank selected for Investment should not have regulatory or bank governance issues (CDR Etc).
7. Any Investment in term deposit in any Schedule Commercial Bank by the respective fund manager will be based on the mandate approved by the Internal Investment Committee. Such mandate shall be reviewed at least once in a year. However, it should be ensured that the prescribed criteria for investment in fixed deposit are fulfilled in each case before taking the investment decision. The mandate approved by the Internal Investment Committee shall remain valid till it is replaced by a fresh mandate.
8. While preparing the mandate, all scheduled banks as defined in second schedule of Reserve Bank of India (RBI) Act, 1934. (RBI includes only those banks in this Schedule which satisfy the criteria laid down vide section 46(6)(a) of the Act) may be considered for Investment.
9. As and when investment in term deposit is considered by the fund manager, he shall call for quotes from at least three banks listed in the mandate, including scheduled banks from private sector. The final Investment decision

shall be based on the highest interest quote, received from such banks. If the Internal Investment Committee feels that the exposure in any bank has to be minimized taking into account the risk and other factors, the Committee can decide to distribute the proposed amount among two or three banks or even ignore the quotation of a bank which has given higher rate. In all such circumstances the reasons for doing so has to be recorded in writing.

10. Exposure and Prudential Norms:

- a) Exposure in term deposits of any scheduled commercial bank shall not exceed 5% of the total AUM of that Fund.
 - b) Investment in term deposits of all the scheduled commercial banks shall not exceed 10% of the total AUM of that Fund. In case of C Scheme, the limit shall not exceed 20% of the total Fund.
 - c) It is to be ensured that the gross investments under all classes of assets i.e. long term and short term in a Company or a Bank or any Entity including State Govt. shall not exceed 5% of the AUM of the fund calculated on market value basis. Prior approval of IMC has to be obtained for breaching this limit and shall be brought to the notice of NPS trust as per prescribed format. Investment in Fixed deposit in a single bank shall not exceed Rs.250 Crore for all schemes taken together.
11. In case of investment in fixed deposit already made, further renewal of the investment shall not be considered if the bank fails to fulfill any of the conditions stated above in the quarterly review and the bank has been removed from the panel list. In case of private sector banks, the option of premature exit can also be considered if situation so warrants.
12. Premature exit of an investment in fixed deposit can be considered if the re-investment options are very attractive and will bring in substantial increase in future cash flow, taking into account the pre closure charges/ penalty.
13. These guidelines shall be reviewed periodically, at least on half - yearly basis.

[5] Guidelines for Stock Selection & Investment in Equity Shares.

While considering investment of NPS Trust funds in equity shares and selecting the sector/ stock for investment, the LIC PFM shall ensure the following:

1. All investments in equity shares are to be made in accordance with the provisions contained in the IMA (Investment Management Agreement).
2. Investment of NPS Trust Funds in equity shares of body corporates listed on Bombay Stock Exchange (BSE) or National Stock Exchange (NSE), which are in top 200 stocks in terms of full market capitalization as on date of investment.
3. The investment in equity shall not exceed 15% of the AUM (Asset under Management) of the respective fund on any given date. While this limit shall be strictly maintained at the end of the financial year. For E Scheme Tier I & II the same can be up to 100%.
4. The stock being considered for investment shall form part of top 200 stocks in terms of full market capitalization as on date of investment.
5. LIC PFM shall invest the Trust funds only in companies, whose promoters /management are competent and have strong domain knowledge and track record. We shall avoid investment in companies, whose promoters/management do not have a good track record of being transparent to shareholders and have a history of not protecting the interest of small shareholders.
6. The company selected for investment should have earned net profit after tax consistently during the preceding three years and also should have paid dividend on equity shares during those three years. In the event, the stock do not meet the above stipulation but forms a part of NIFTY200, it can be considered for investment based on company fundamentals and future prospect.
7. While the zone of selection of stock shall be shares of body corporate listed on Bombay Stock Exchange (BSE) or National Stock Exchange (NSE), which are top 200 stocks in terms of full market capitalization as on date of investment as approved and published by NPS Trust on half yearly basis. The main focus will be on Nifty stocks.
8. All investment decisions shall be taken by CEO (Chief Executive Officer) on the basis of the unanimous recommendation of Internal Investment Committee, which shall comprise of a minimum of three members approved by the Board.
9. Investment in equity shares shall be made by the respective fund managers only based on the mandate approved by the Internal Investment Committee. Such mandate shall be reviewed frequently; at least once during a month. The mandate approved by Internal Investment Committee shall remain valid till it is replaced by another fresh mandate.

10. While preparing the mandate, the Internal Investment Committee shall consider all the associated risks as contained in the risk management policy approved by the Board.
11. The Internal Investment Committee, among other things shall consider all the fundamental aspects and also the performance of the company vis-à-vis the Sector/ Industry group.
12. As every sector has its own ups & downs, the sector selected for Investment under Government Schemes shall be one which has outperformed/ likely to outperform the diversified Index i.e. BSE 200. Investment in stocks under E-Scheme should be made in stocks based on performance and proper shifting of investment between the stocks are to be made to protect the NAV. Entry and exit should be on dynamic basis. A research note will be prepared for fresh entry in any stock. Entry at higher level within 30 days of sale is required to be justified if it is within the same scheme. Stocks not performing in medium to long term can be exited after approval of Internal Investment Committee
13. For the purpose of evaluating the performance of a sector, the performance of that sector during the immediately preceding month shall be compared in relation to the diversified Index (BSE 200). Only those sectors, which have outperformed during the preceding month and those sectors which are likely to outperform during the month under review, (based on changes in the investment environment) shall be considered for investment. While selection of sector will be based on evaluation of performance of that sector during the latest month, the performance of the sector in the long term say one year shall also be evaluated to rule out any wind fall gain for that sector. However, if the political, economic and environmental factors have made a positive influence in any sector and that sector is likely to grow by leaps and bounds in near future, that sector can be considered for investment by Internal Investment Committee irrespective of the performance of the sector during the one year period.
14. Selection of a stock within a sector shall be based on the performance of that stock as compared to the performance of the sector as a whole. While the latest performance during the preceding month shall be the main criteria for selection, the performance of that stock during the immediately preceding 52 weeks shall also be considered for evaluating the consistency of performance of that stock.
15. Stocks which are extraordinarily volatile and have a beta of more than 2 shall be avoided as far as possible.
16. The Company selected for investment should not have entangled in any legal, regulatory or corporate governance issues (CDR etc.) which will have an impact on the market valuation of the stock of the Company.
17. No part of the NPS Trust fund shall be invested in the Equity shares/ Equity oriented investments of a private limited company.

18. The fund shall subscribe Initial Public Offering (IPO), Follow on Public Offer (FPO) and Offer for Sale (OFS) of companies, approved by SEBI under NPS and other pension schemes regulated/administered by the Authority.
 1. Investment shall be made in Equity Shares which are proposed to be listed through IPO.
 2. Investment shall be made in Equity Shares of such Companies through IPO where the full float market capitalization, calculated using the lower band of the issue price of the IPO, is higher than the market capitalization of 200th company of the list of the Top 200 stocks of body corporates listed on Bombay Stock Exchange (BSE) or National Stock Exchange (NSE) as provided by the NPS Trust (last published) for investment into equity shares.
 3. The Internal Investment Guidelines of the Pension Funds shall have a detailed policy in respect of investment in IPOs duly approved by their Board and investment team can take decisions on day to day basis subject to compliance of the policy.
 4. The investment in Equity Shares through Follow on Public Offer (FPO)/Offer for Sale (OFS) shall be made in the shares of body corporates listed on BSE or NSE, which are in top 200 stocks in terms of full market capitalization. The Pension Fund would require to adopt the last published list of stocks prepared by NPS trust from time to time.
 5. The Investment in Equity Shares through IPO/FPO/OFS should comply with prudential and exposure norms as prescribed in the Investment Guidelines-2021 for Government Sector schemes and Private Sector schemes.
 6. The details of Investment in Equity Shares through IPO/FPO or OFS shall be reported to NPS Trust within 30 days of making such Investments.
 7. The purpose of IPO should be considered while taking exposure in IPO.
 8. The major Anchor Investor should be from the Mutual Fund Investors.

The fund also shall not purchase any shares through private placement or bulk or block deals. All purchase shall be through recognized stock exchanges only.

19. The Company shall not invest any part of its funds in convertible instruments and preference shares.
20. The Company also shall not consider any investment in derivative instruments like futures & options.
21. While the mandate shall be reviewed on monthly basis, during the currency of the mandate, if it comes to the notice of Internal Investment Committee that any particular stock which is currently undervalued, is likely to show an exceptional growth due to change of events like split, bonus, tax reliefs etc. These stocks may be added to the mandate with the unanimous approval of Internal Investment Committee after clearly recording the reasons in writing for such inclusion.

22. Exposure and Prudential Norms

a) For CG,SG, Corporate CG, NPS Lite schemes and Atal Pension Yojana

NPS Equity investments have been restricted to 5% of the 'paid up equity capital' of all the sponsor group companies or 5% of the total under Equity portfolio AUM whichever is lower, in each respective scheme and 10% in the paid up equity capital of all the non sponsor group companies or 10% of the total AUM under Equity portfolio whichever is lower, in each respective scheme.

b) Other than CG,SG, Corporate CG, NPS Lite schemes and Atal Pension Yojana

NPS Equity investments have been restricted to 5% of the paid up equity capital of all the sponsor group companies or 5% of Total AUM managed by the Pension Fund, whichever is lower in each respective scheme and 15% of the paid up equity capital of all the non-sponsor group companies or 15% of Scheme AUM whichever is lower, in each respective scheme

- c) The investment exposure in an industry sector (classification as per NIC classification) for all classes of asset shall be restricted to 15% of all NPS schemes (Scheme E,C, CG, SG, NPS Lite, Corp CG) portfolio taken together.
- d) Units of Equity Schemes of mutual funds regulated by SEBI, which have minimum 65% of their investment in shares of body corporate, Exchange Traded Funds(ETFs)/Index Funds regulated by the SEBI that replicate the portfolio of either BSE Sensex or NSE Nifty 50 Index, ETFs issued by SEBI regulated Mutual Funds constructed specifically for disinvestment of shareholding of the Government of India body corporates, Exchange traded derivatives regulated by the SEBI having the underlying of any permissible listed stock (list of top 200 stocks prepared by NPS Trust) or any of the permissible indices with the sole purpose of hedging. Any investment in Equity Mutual funds / ETFs will be made in a manner that the aggregate portfolio invested in such mutual funds shall not be in excess of 5% of the total equity portfolio in the concerned scheme (5% of the AUM under Scheme/Asset Class E for Private Schemes) at any point of time and the fresh investment in such mutual funds shall not be in excess of 5% of the fresh accretions invested in the year.
23. Stocks with low P/E, high dividend yield and other good fundamental may be considered for averaging if the stock has outperformed the corresponding sectoral index.
24. The list of top 200 stocks in terms of full market capitalization would be circulated by NPS Trust and the same would be updated every six months based on the data as on end of June and December of each year, The data shall be circulated by NPS Trust within 5 days from the end of the 6 months period. Portfolios to be rebalance in line with the updated list, within a period of six months
The decision to hold such stocks in the portfolio shall have to be approved by the Investment Committee of the Pension Fund and also to be informed to the Board of Pension Fund.
25. These guidelines shall be reviewed periodically, at least on half - yearly basis.

[6] Policy for Churning of Equity Shares and Strategies for Exit

The Investment Guidelines which is embodied in the Investment Management Agreement (IMA) provides for churning of securities.

Though, equity investments relating to pensions funds are generally viewed as long-term investments, it is essential to manage the portfolio risk in a dynamic manner to keep pace with the changing market conditions and give optimum returns to the subscribers of the pension fund. This can be achieved only if the fund manager partially / fully exit from stocks considering segment disruption, industry disruption, regulatory aspects, corporate governance and market intelligence at the most appropriate time and it is also prudent to churns investment regularly in order to maximize yield.

Partially / Fully Exit of an investment may become necessary under three circumstances:

- a) A situation may arise warranting the fund manager compulsorily to come out of an investment, even at a loss.
- b) The necessity for the partially / fully exit may also arise when the overall limits prescribed by IMA or Internal Investment Policy is breached. This may happen in case of an individual company or for the industry group or for the promoter group.

Partially / Fully Exit option may also be considered by the PFM on voluntary basis for profit booking, trimming the stock and to weed out unwanted stocks.

The following are the circumstances / situations under which, LICPFM shall compulsorily exit the respective investment from the portfolio:

1. As per PFRDA guidelines, PFM can invest only in the stock being considered for investment shall form part of top 200 stocks in terms of full market capitalization as on date of investment. Exit option shall be considered in respect of an existing investment when this condition is breached at any point of time.
2. Whenever the exposure in a company exceeds the permissible limits due to fluctuation in market value or otherwise, exit option shall be considered.
3. When the company gets involved in criminal, legal, regulatory or accounting issues, which are likely to create a dent in the market valuation of its shares.
4. When the company has come out with a proposal for delisting its shares from BSE and NSE. As per SEBI guidelines delisting of shares are to be done through the Reverse Book Building Mechanism through the stock exchanges or Tender Route. In the Reverse Book Building mechanism, the company specifies a floor price at which it will buyback its shares and the period of time for which it will keep the offer open. Shareholders are then invited to submit their shares for repurchase, specifying the price, which should be above or equal to the floor price. In case of delisting as per Tender Route, action is initiated by Fund Manager either based on the Public announcement made in the newspapers or based on the letter received from SHCIL/other Custodian. As delisting of shares of a company arrest the liquidity of the shares, the fund manager should explore the exit option.

5. Continuous monitoring of the equity portfolio & keeping track of the fundamentals of the company is undertaken for all stocks. MAT (Management Action Trigger threshold) would be triggered, in case of significant price corrections in a stock price, where the closing security price has fallen more than 10% from the average cost of holding.

In such a case, the fund manager shall compare performance of stock with the performance of corresponding sectoral index. If the fall in the value of stock is at least 10% more than the fall in the value of corresponding index, stop loss mechanism will be triggered.

Performance of sectoral index is to be calculated as a difference between its 52-week high level and current closing level expressed as a percentage to its current closing level.

When the published financials of a company have revealed a consistent decline in the revenue and profitability and as a result, the market valuation of the shares is likely to suffer in the long run. It is prudent to exit / reduce the holding from the fundamentally weak companies to avoid fall in market value due to further downfall in the price of the stock.

Once a stop loss mechanism is triggered, based on internal research report and market condition, the Internal Investment Committee (IIC) would evaluate the following criteria:

- Operational & sectoral outlook of the stock.
- Fundamental of the stock considering percentage of decline in consolidated revenue, EBIDT & PAT on quarter (q-o-q) basis.
- Gross NPAs & Net NPA's position on quarter on quarter (q-o-q) basis in case of stock in the financial sector.
- Whether recovery is possible in the near term.

Bases on the findings, the Internal Investment Committee (IIC) may take a view to hold on the Investment subject to further review or partially / fully exit the stock within a period of 15 days from the date of trigger of stop loss.

All stop loss cases to be reported to the upcoming Investment Committee and Board.

6. When the market valuation of the shares of a company is likely to register a steep fall due to :
- a) The technology used by the company is becoming outdated.
 - b) The products of the company becoming obsolete in the market due to environmental and other factors.
 - c) There is a change in the Government policy on exports/imports, taxation etc.
 - d) The business of a company is declared as illegal/unlawful.

7. Where the debt instruments issued by the company have been rated below investible grade(BBB-) by at least by one reputed credit rating agency and the same is likely to have severe impact on the market valuation of the company.
8. When the company applies to CDR or any other forum for debt restructuring and if it is not likely to come out of the financial difficulties in the near future.

LICPFM shall consider exit option under all the above mentioned circumstances. The decision to exit shall be taken by the CEO with the unanimous approval of Internal Investment Committee by specifically recording the reasons in writing for arriving at such a conclusion. The company shall also report the matter to the Investment Management Committee of the Board in the immediately succeeding meeting.

Under the following circumstances, LICPFM may consider exiting the respective investment from the portfolio with the unanimous approval of Internal Investment Committee and thereafter report the same to the Investment Management Committee.

- a) Whenever the fund has received a buyback offer from the company. The companies usually buy back its shares through open market operation or tender method. Open market purchases are made in secondary market through stock exchanges. This can be done over a given period of time and up to a maximum price. Buyback offer can also be through tender method, wherein, the company specifies the fixed price at which it will buy back the shares, the number of shares it intends to purchase and the period of time for which the offer will remain open. In this mechanism also PFM can dispose off shares. In both the cases, Shareholders are invited to tender their shares through the buy Back Offer. On receipt of such offer, the Internal Investment Committee will review the respective stocks with reference to its fundamentals and price pattern. If the price offered is attractive in relation to its market price and is more than our average book cost, the Internal Investment Committee may decide to dispose off the whole or part of its holding. On the other hand, if the price offered is below our book cost and the company's market valuation has been falling down consistently, the Internal Investment Committee may decide to dispose off the whole or any part of its holding even at a loss. In such circumstances, the reasons for taking such decision shall be recorded clearly in writing.
- b) The promoter or any other acquirer of a company may come out with an open offer specifying the offer price, time limit and the quantum of shares to be purchased. If the price offered for purchases is as per the price determination formula of SEBI and it is more than our average book cost, the Internal Investment Committee may decide to dispose the whole or any part of its holding. On the other hand, if the price offered is below our book cost and the company's market valuation has been falling down consistently, the Internal Investment Committee may decide to dispose off the whole or any part of its holding even at a loss. In such circumstances, the reasons for taking decision shall be recorded clearly in writing.
- c) Trimming the portfolio may also be considered to weed out the non-performing or thinly traded stocks. These stocks shall be identified based on the performance of the stocks in relation to diversified index/sectoral index. Prior approval of the Investment Management Committee shall be obtained if the disposal will result in a loss to the fund.
- d) The Internal Investment Committee, for regular profit booking, can also consider sale of equity shares. This exercise should be undertaken on a

regular basis to ensure that higher returns do not remain only on paper to be wiped off by subsequent fall in indices. Realizing gains on regular basis and waiting for opportune time to re-enter this stock at lower levels will enhance the returns to the subscribers. LIC PFM will :

- i. Review the performance of each sector on regular basis and identify the sector/s, which are likely to stagnate or under perform in future. The fund will also identify those stocks which had under-performed the sector and exit the same, provided the disposal will result in a profit as compared to the average book-cost and replace them with best performing stocks of some other best performing sector at the most appropriate time.
 - ii. A stock, which has outperformed the benchmark index /sectoral index, may also be selected for profit booking when the level of appreciation reaches 50% as compared to the average book cost. The fund manager may consider disposing off around 25% of its holding initially and consider further disposal of 25% when the appreciation crosses 75% on the basis of average book cost and consider disposal of further 25% when the appreciation reaches 100% on the basis of average book cost. Under all such circumstances, he may also consider re-entering the stock at appropriate level on a future date in accordance with the policy for investment approved by the board.
- e) Wherever the investment in a particular Industry Group/ Promoter Group has crossed the limit prescribed by the IMA/Internal Investment Policy, the fund can consider reducing its exposure by disposing of appropriate number of shares relating to that industry group/ promoter group. While considering such disposal, the guidelines stated at clause (i) & (ii) of (d) above shall be followed to the extent possible to ensure that the fund does not suffer a loss on such disposal.

General policy for disposal of Equity Holdings:

1. Except when the stocks are offered for sale in response a delisting /buyback/open offer all other disposals are to be made through recognized stock exchanges only. No disposal shall be made through private offer or block or bulk deals.
2. Sale of investments from one scheme to another scheme with the same PFM shall be allowed only if :
 - a. Such transfers are made at the prevailing market price for quoted securities on spot basis (Explanation: spot basis shall have the same meaning as specified by the Stock Exchange for spot transactions).
 - b. The securities so transferred shall be in conformity with the investment objective of the scheme to which such transfer has been made.
3. No part of the investments of a fund shall be purchased from /disposed off to the sponsor or any of its subsidiaries or associates except with the written approval of NPS Trust/PFRDA.

These guidelines shall be reviewed periodically, at least on half- yearly basis.

[7] Guidelines for Investment in Government Securities & Related Investments

The maximum exposure in Govt. Securities & Related Investments is 65% for NPS Schemes for Govt Sector and for Private Scheme G (Tier I & II) upto 100%

- 1) Investment in the Units of Mutual funds set up as dedicated funds for investment in Government securities and regulated by the Securities & Exchange Board of India will be considered for investment in Govt Securities with in the overall limit of 65% .

Provided that investment in such mutual funds shall not exceed 5% of the total Govt. Securities portfolio in the concerned Scheme (5% of the AUM under Scheme/Asset Class G for Private Schemes) at any point of time.

- 2) Other securities { Securities as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956} the principal whereof and interest whereon is fully and unconditionally guaranteed by the Central government or any state Government.

- 3) Investments made in Other Securities {Securities as defined in section 2(h) of the Securities Contracts (Regulation) Act 1956} the principal whereof and interest whereon is fully and unconditionally guaranteed by the Central Government or any State Government and also includes "Govt. Of India-Fully Serviced Bonds" issued by the Public Service Undertakings under Extra Budgetary Resources (EBR) after 3rd June 2020.

Provided that investments under this sub category shall not exceed of 10% of the total Govt. Securities portfolio in the concerned Schemes (10% of the AUM under Scheme/Asset Class G for Private Schemes) at any point of time.

The internal investment committee will select the securities based on the following aspects:

- a) Prevailing interest rate movement
- b) Liquidity condition
- c) Active Duration management of the portfolio

Accordingly, churning and trading of the portfolio has to be carried on to boost the fund performance in the interest of the subscribers

These guidelines shall be reviewed periodically, at least on half - yearly basis.

[8] Guidelines for Investment in Short-term Debt Instruments and Related Investments

While investing NPS Trust funds in Money Market Mutual Fund Schemes, LICPFM shall be guided by the provisions of Investment Management Agreement (IMA). Accordingly, investments in Money Market instruments including units of liquid/Overnight mutual funds shall not exceed 10% of the Asset Under Management (AUM) of the respective Pension Fund under Government Schemes {including NPS Lite, Corp. CG Scheme and Atal Pension Yojana (APY)}, E, C, G & A (Tier I) and 20% of the Asset Under Management (AUM) of the respective Pension Fund under private schemes viz Scheme E, C & G (Tier II) and Tax Saver II.

The following instruments shall be classified as money market Instruments:

1. Liquid Fund Schemes of Mutual Funds
2. Commercial Papers
3. Short Term Fixed Deposits with Banks

Liquid Fund Schemes of Mutual Funds:

As per IMA, every PFM shall invest their funds as soon as the same are made available to them by the trustee bank. LICPFM shall ensure that the funds received from NPS Trust and other sources are invested either on the same day or on the next working day when investment options are available. When the conditions prevailing in the Capital /Money Market are not conducive for investment in equity or long-term bonds, the funds available shall be parked temporarily in Liquid Fund Schemes as per the criteria given below. However, the funds can be allowed to be retained in the bank account till the next working day for deploying the same in securities where decision has already been taken.

Criteria for selection of Liquid Fund Schemes of Mutual Funds:

1. The Mutual Fund (SEBI regulated) shall have an Average total assets under management {AUM (Debt & Equity)} for the most recent six-month period of, at least Rs.5,000 Crore.
2. The Mutual Fund should have completed a minimum of 3 years of existence. Relaxation can be considered in exceptional cases by the IMC where the fund house is sponsored by a Nationalized Bank or PSU provided that the fund house has completed at least 1 year.
3. The Scheme selected for investment shall belong to Liquid Fund Category only. Under liquid fund category preference shall be given to Institutional (includes Super Institutional) Plan- Growth Option. Retail Plan- Growth Option may be opted only when the funds available for investment are less than the minimum investment amount required under Institutional Plan. Under no circumstances, investment shall be made under daily/ weekly dividend / dividend re- investment option plan etc.
4. No funds shall be invested in liquid fund schemes through New Fund Offer (NFO). All investments shall be done in existing schemes where sufficient data is available to study the portfolio and performance of the schemes.
5. The scheme selected for investment should be rated and should have earned the highest rating for e.g. "ICRA A1+ mfs" or "CRISIL AAAmfs" by at least two rating agencies namely ICRA/ CRISIL/ Fitch/ CARE.
6. The performance of the scheme shall be studied for a period of 3 months, 6 months and 1 year.

7. The portfolio of the scheme shall also be studied, and due care shall be taken to ensure that appropriate mix of assets namely CD/ CPs/ Treasury Bills/ Cash and Cash Equivalents etc. are maintained. Schemes investing heavily on riskier assets shall be avoided.
8. The average maturity of the fund portfolio should not be more than 91 days. SEBI has mandated 91 days average maturity for liquid fund schemes.
9. A mandate shall be prepared taking into account the parameters such as the fund size of the scheme, return on the scheme for the time frame of 3 months, 6 months and 1 year, Avg. maturity of the portfolio, etc. These funds shall be ranked based on the performance of during last 1 year. Due regard shall also be given to qualitative aspects such as the management of the Fund House, quality of services rendered by them to us, if already enrolled with us etc.
10. A performance list of all the empaneled mutual funds will be prepared on half yearly basis and reviewed.
11. The limits for placement of funds in liquid/overnight mutual funds has been increased to Rs.1500 crore per mutual fund house, by Circular Board Resolution dated 01.06.2022.
12. The performance list as per 10 above shall be placed before the Internal Investment Management Committee for approval. The list will be reviewed on a half yearly basis, based on their performance.
13. LICPFM will open an account/folio with eligible Mutual Fund for investments as and when they approach us for the same or on our own as per our requirements.
14. Overnight Schemes' as 'Liquid Schemes and /or Overnight Schemes' in our Investment Guidelines as Specified now in PFRDA Circular dated 20.07.2021"

Investment of funds in Liquid Fund Schemes on a day-to-day basis:

1. On a daily basis, funds will be placed depending upon the exposure available from the short-listed mutual fund schemes as determined in the latest half yearly assessment and place our funds accordingly.

Redemption of funds from Liquid Fund Schemes:

1. Circumstances under which funds are to be redeemed:

- a) When there is a fall in the credit rating of the Fund or any of the conditions listed above are breached.
- b) When the limits for exposure given in these guidelines are exceeded or likely to be exceeded.
- c) When opportunity for investment in equity or other long-term assets have come and thereby a need has arisen for redemption of funds from liquid Fund schemes.

2. Criteria for withdrawal of funds:

On a daily basis, withdrawal of funds will be made as per the requirement of funds as stated above.

3. Competent Authority for investments and Redemption of funds:

On a daily basis, decision for investment and redemption of funds from within the approved Mutual Fund schemes shall be taken by the Fund Manager and Deputy Chief Investment Officer/Chief Investment Officer on the basis of the half yearly review.

Exposure Norms

The exposure of LICPFM in all Money Market Mutual Fund schemes shall not exceed 10 % of the AUM of the Scheme for Govt. Sector NPS.

The exposure of LICPFM in all Money Market Mutual Fund schemes shall not exceed 10 % of the AUM of the Scheme for Tier I of Private Sector of NPS i.e. E-Tier-I, C Tier--I, G Tier--I & A Tier--I and 20 % of the AUM of the Scheme for Tier II schemes of Private Sector of NPS i.e. E Tier-II, C Tier-II, G Tier-II & Tax Saver II.

Overall exposure to any Fund House under liquid scheme and overnight scheme shall not exceed 5% of the AUM of the respective schemes managed by them or Rs.1500 crore whichever is lower.

In case of sudden flow of huge funds, the Internal Investment Committee may exceed the prescribed limit for temporary parking of funds by a day or so after duly recording reasons for the same to avoid idling of funds, in the best interest of the subscribers.

In case of fund inflow exceeds available Liquid or Overnight Mutual fund exposure as per Investment policy, balance may be placed in short term Fixed Deposits with the banks complying the PFRDA guidelines at the prevailing rate.

Investment in TREPS :

As per PFRDA vide PFRDA/2022/09/REG-PF/01, PFRDA/2022/10/REG-PF/02 and PFRDA/2023/13/REG- PF/01 circulars, the money under the respective Schemes may be invested in Government Securities as Lender in Triparty Repo (TREPS), conducted over the TREPS Dealing system provided by RBI. The margin requirements for TREPS shall be on similar lines as applicable for settlement of Government securities

Commercial Paper (CP):

When there is high volatility in yields offered by MFs and the market condition for CDs are not attractive, investment in CPs of financially sound companies can be considered, if the yield offered by them is attractive.

Criteria for investments of funds in Commercial Papers:

1. The tangible net worth of the Company issuing the CP shall not be less than Rs. 500 Crore as per the latest Balance Sheet.
2. The equity shares of the Company should be listed in NSE and/ or BSE.
3. The Company should have a good financial track record and should have earned a net profit after tax (PAT) continuously for the last three financial years.
4. The Interest cover ratio shall not be less than 2 times. Current ratio shall not be less than 2.
5. The CP shall be rated by at least two a reputed rating agencies and the rating shall be P1+ or its equivalent (i.e. highest rating under Short term Category). For investment in CP the lowest of the two rating shall be considered.
6. Long term rating of the Company shall not be less than AA by any reputed rating agency.

7. CP can either be issued against working capital limits or on a standalone basis. However, CP carved out of working capital limits of the Corporate shall be preferred over CP issued on a standalone basis.
8. Purchase of CP will be done in dematerialized form only.
9. CP can be purchased from either Primary market or Secondary Market.
10. The outstanding/ residual tenure of CP shall be between 1 month to 1 year.
11. The minimum yield on CP shall be:
 - a) 2.00% above the Avg. performance of Liquid Fund schemes for the corresponding period and;
 - b) 1% above the fixed deposit rates of corresponding tenure OR;
 - c) 2% above the treasury bill yield of corresponding term OR;
 - d) 2.50% above the CBLO/ REPO rate; as on the date of deal.
 - e) In case of CP issued by NBFCs higher yield differential may be asked for, depending on the market conditions.
12. The decision to invest in CP of a particular Company shall be taken on a case to case basis after studying the Company in detail about its financials, promoters background, promoters holding, key ratios, nature of business etc. Due care to be taken to ensure that the Company has not defaulted in any of its debt obligations or the Company should not have been admitted in CDR (Corporate Debt Restructuring Cell).
13. Valuation of the CP shall be done for the purpose of NAV calculation in accordance with the market practices and as per SEBI guidelines.
14. Rollover of CP shall not be permitted. The issuer shall honour the redemption on due date.
15. It shall be ensured that the issuer shall appoint a Scheduled Bank as an Issuing and Paying Authority (IPA).

Exposure Limit for Investment in CPs:

- a) Exposure to a particular Company under CP shall be restricted to 2% of the AUM of the respective Scheme.
- b) Overall exposure to any Company under CP for all schemes put together shall be restricted to 5% of the net worth the Company.

Competent Authority for taking investments decision

The Internal Investment Committee shall unanimously decide on the investment proposal having regard to the guidelines set therein.

Short Term Fixed Deposits of Banks:

Investments in Short term Fixed Deposits can be considered only when the interest rates offered by the Banks are at least 1% more than the average returns on the Liquid Funds for comparable tenure. The term shall range from 7 days to 1 year depending upon the market conditions and our need for future investments. This option can be exercised when investments in other money market instruments are not possible due to delayed receipts of funds, especially at the close of the financial year.

Further, in a situation, where cut off time for investment in Mutual Fund is over, idle fund may be invested in Fixed Deposit with Trustee Bank (for smooth transfer of fund) for short term period.

Criteria for investment in Short term Fixed Deposits upto 1-year tenure:

The criteria approved by the Board for investment in long term fixed deposits shall be made applicable for investments in short term deposits with tenure of less than 1 year.

The above guidelines shall be reviewed periodically, at least on half - yearly basis

[9] General Investment Guidelines

1. For CG,SG, Corporate CG, NPS Lite schemes and Atal Pension Yojana

The following restrictions/ filters/exposure are being imposed for Government NPS schemes (Applicable to Government Sector, Corporate CG and NPS Lite schemes of NPS and Atal Pension Yojana) to reduce concentration risks in the NPS investment of the subscribers.

- a. NPS Equity investments have been restricted to 5% of the paid up equity capital of all the sponsor group companies or 5% of the total AUM managed by the Pension Fund, whichever is lower, in each respective scheme and 10% in the paid up equity capital of all the non-sponsor group companies or 10% of the Total AUM under Equity exposure whichever is lower, in each respective schemes.
- b. NPS debt investments have been restricted to 5% of the net worth of all sponsor groups companies or 5% of total AUM in debt securities (excluding government securities) whichever is lower in each respective scheme and 10% of the net worth of all the non-sponsor group companies or 10% of total AUM in debt securities (excluding government securities) whichever is lower, in each respective scheme.
- c. Investment exposure to a single Industry has been restricted to 15% under all NPS Schemes by each Pension Fund Manager as per Level-5 of NIC classification. Investment in scheduled commercial bank FDs would be exempted from exposure to Banking Sector.
- d. If the Pension Fund makes investments in Equity/Debt instruments in index funds/ETF/Debt MF, the exposure limits under such index funds/ETF/Debt MF shall not be considered for compliance of the prescribed the Industry Concentration, Sponsor/Non Sponsor group norms under these guidelines.

2. Other than CG,SG, Corporate CG, NPS Lite schemes and Atal Pension Yojana

The following restrictions/ filters/exposure norms would be applicable to reduce concentration risk. It would, however, not be applicable to any of the schemes under private sectors (Scheme E/C/G) till the scheme AUM reaches Rs. 5 crores and to Scheme A, till the scheme AUM reaches Rs. 15 crores.

- a. NPS Equity investments have been restricted to 5% of the paid up equity capital of all the sponsor groups companies or 5% of Total AUM managed by the Pension Fund, whichever is lower in each respective scheme and 15% of the paid up equity capital of all the non-sponsor group companies or 15% of Scheme AUM whichever is lower, in each respective scheme
- b. NPS debt investments have been restricted to 5% of the net worth of all sponsor groups companies or 5% of Scheme AUM whichever is lower in each respective scheme and 10% of the net worth of all the non-sponsor group companies or 10% of Scheme AUM whichever is lower, in each respective scheme.
- c. Investment exposure to a single Industry has been restricted to 15% under all NPS Schemes by each Pension Fund Manager as per Level-5 of NIC classification.

d. If the Pension Fund makes investments in Equity/Debt instruments, in addition to the investments in index funds/ETF/Debt MF, the exposure limits under such index funds/ETF/Debt MF shall not be considered for compliance of the prescribed the Industry Concentration, Sponsor/Non Sponsor group norms under these guidelines.

[10] General Guidelines

1. Broker Limit

There is a limit of 5% of the business done through empaneled broker during the financial year. Any deviation of 5% limit shall be reported to NPS Trust/PFRDA with proper justification in the prescribed quarterly compliance certificate.

2 Investment Audit

Internal audit is to be conducted on quarterly basis. The minimum scope of audit for scheme accounts shall be strictly as per Annexure A of the PFRDA (Appointment of Internal Auditor) Guidance Note 2013, as amended from time to time available on PFRDA website. The list of scope is only indicative and not exhaustive and PFM/ auditor may include more parameters, in addition to the minimum scope specified in Annexure 'A', based on their requirements. The Internal Auditor will submit the Audit report. The Audit report should be signed by the partner of the firm in his/her own name along-with membership number. The report should be considered by the Board and thereafter the same, along with the observations of the Board and relevant extract of the Board minutes, should be forwarded to NPS Trust.

In addition to the quarterly Internal Audit reports, every half year i.e. 30th Sep & 31st March, the Internal Auditor should submit the half yearly certification (as per Annexure B) to the Board and after its consideration by the Audit Committee and the Board, it should be forwarded to PFRDA and NPS Trust.

The statutory auditor appointed by NPS Trust has to audit the Scheme Accounts pursuant to the requirements of the PFRDA Act 2013 and the NPS Trust recommended Detailed Audit Report Checklist. The statutory auditor is responsible to submit a "NPS Scheme – Detailed Audit Report" ("NPS-DAR") along with the scheme audit report / scheme accounts. The DAR has to be placed before the Audit Committee and the Board for consideration and then forwarded to NPS Trust

IPO Policy

As per the Investment Guidelines of PFRDA, Pension Fund is permitted to invest in equity shares of any company through an IPO.

Following guidelines are required to be adhered to while investing through IPO.

1. Investment shall be made in Equity Shares which are proposed to be listed through IPO and approved by SEBI..
2. Investment shall be made in Equity Shares of such Companies through IPO where the full float market capitalization, calculated using the lower band of the issue price of the IPO, is higher than the market capitalization of 200th company of the list of the Top 200 stocks of body corporates listed on Bombay Stock Exchange (BSE) or National Stock Exchange (NSE) as provided by the NPS Trust (last published) for investment into equity shares.
3. The Investment in Equity Shares through IPO should comply with prudential and exposure norms as prescribed in the Investment Guidelines-2021 for Government Sector schemes and Private Sector schemes.
4. Minimum IPO issue size shall be Rs. 1000 Crs.
5. EBIDTA (Earning before interest, depreciation tax and amortization margin in the last Financial year) shall be at least 10%.
6. The details of Investment in Equity Shares through IPO shall be reported to NPS Trust within 30 days of making such Investments.
7. The past track record of the Company, post issue promoters stake shall be taken into consideration.
8. The purpose of IPO should be considered while taking exposure in IPO.
9. The major Anchor Investor should be Mutual Fund and/or Institutional Investors.
10. After allotment of equity shares of any company through an IPO and if the equity shares do not fulfill the market capitalization condition prescribed under Investment Guidelines post listing, a time period of maximum one year shall be provided for making decision for selling/holding such stock. At the time of completion of one year, if no decision to sell such stock was made by the Pension Fund, the stock should be sold by the Pension Fund if it does not fall in the last list of Top 200 stocks published by the NPS Trust.
11. After allotment in IPO, Pension Fund can acquire fresh shares of the same company as long as investment meets the condition in the prescribed Guidelines/Circulars issued in this regard.
12. Detailed analyses of the IPO on various parameters are to be done by the Pension Fund before investing and place before the Investment Committee for approval.

Asset Liability Management (ALM) Policy

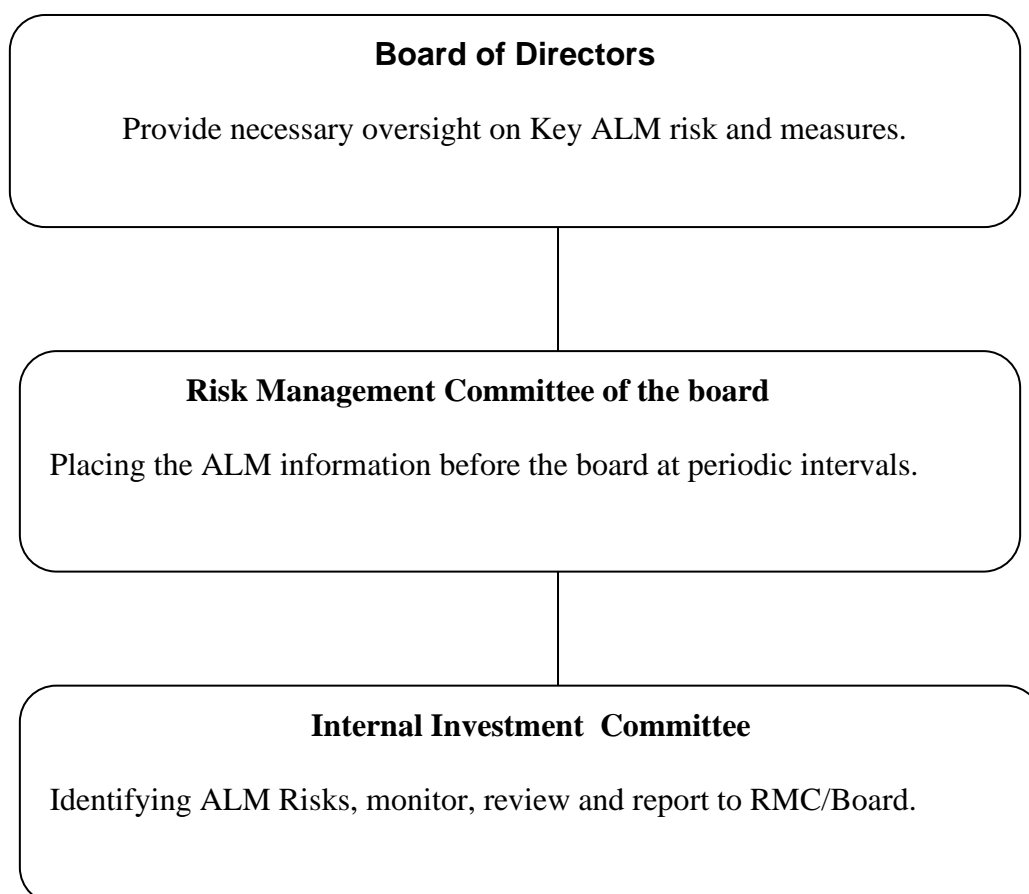
The key objective of this asset liability management policy is to set out the process and overall the measures that the Company will adopt to ensure that sufficient assets of appropriate nature and duration are held by the company and sufficient assets and cash flow are available to meet liabilities as and when they arise and become due for payment.

The process involves strategic management of assets of the Company to meet the liabilities of the NPS Architecture with the aim of achieving sustained business growth while maintaining an optimal balance between risk and return ensuring that the unit holder's reasonable expectations are taken care of and the liabilities are fulfilled as and when they arise.

The Company, as Pension Fund Manager (PFM), manages funds received through Central Record Keeping Agencies and invest the same as per Guidelines issued by the Pension Fund Regulator (PFRDA).

ALM Organisation

Flow chart below depicts the organizational structure envisaged for the Asset Liability Management of the Company.



For the time being, on quarterly basis, the following method will be adopted for Asset Liability Management.

1. The PFM shall call for details of liabilities (scheme-wise, year wise details) from all the CRAs.
2. The PFM shall also classify all its assets (scheme-wise, year-wise) in accordance with its maturity.
3. Compare assets with liabilities (bucket-wise) duration in the following format

Year-wise (Buckets)	Assets in Crs	Liabilities in Crs	Net Cash Flows in Crs
< 1 year			
1-2 year			
2-3 year			
3-5 year			
5-10 year			
10-15 year			
15-20 year			
20-25 year			
>25 year			
Equity			

4. The PFM will review the data on the basis of above table and will take appropriate action to match the assets in the buckets which are short than the liabilities.
5. Present the same to RMC and Board periodically.