



KARNATAKA STATE BEVERAGES CORPORATION LIMITED

Head Office, Bengaluru – 560 027

Ref: KSBCL/ED(F&A)/INV/2022-23

Date: 14th February 2023

CIRCULAR NO. 271

**Sub: Revised Guidelines on Investment of Surplus Funds
of the Corporation**

Ref: 1) Circular No. 207 dated 11.09.2022

**2) Minutes of the 92nd Board Meeting held on
13th January, 2023, vide subject No. 92/13**

The Revised Investment policy of the Corporation framed in accordance with the Investment Guidelines issued by the Finance Department, GOK vide Circular No. FD 91 TAR 2022 dated 02.07.2022 was placed before the 92nd Board of Directors meeting held on 13.01.2023 for approval.

The Board of Directors have approved the Revised Investment Policy for Investment of Surplus Funds of the Corporation in Fixed Deposits & Mutual Funds. All the investment of the Corporation shall be made in accordance with the above said Revised Investment Policy approved by the Board of Directors,

The Revised Investment policy, incorporating the modifications as approved by Board will supersede all the existing Investment policies of the Corporation and shall be operational with immediate effect. The copy of the Approved Revised Investment Policy of the Corporation is enclosed herewith for ready reference.

(Dr. P.C. Jaffer)
Managing Director

To:

All the Officers/Officials of the Corporation

Copies:

- a) Company Secretary
- b) Consultant(Audit)

KARNATAKA STATE BEVERAGES CORPORATION LIMITED

INVESTMENT GUIDELINES

1. NATURE OF FUNDS AVAILABLE :

The funds available in the Corporation falls into the following three categories:-

- a. Corporation's Margin accumulated during the course of the year.
- b. Operational Funds comprising of amount payable to distilleries towards sale of IML and spirit, and
- c. Reserves & Surplus and unutilized Capital Funds available

2. CRITERIA FOR INVESTMENTS :

The main criteria for Investment of surplus Funds shall be:-

- a) Safety and security of funds
- b) Returns on investments
- c) Transparency in investments
- d) Liquidity of investments

3. GUIDELINES ISSUED BY GOVERNMENT OF KARNATAKA & THE BOARD OF DIRECTORS :

While investing the surplus funds of the Corporation, the Guidelines issued by Finance Department, Government of Karnataka on the Investment of Funds and directions issued by the Board of Directors of the Corporation from time to time shall be followed.

4. INVESTIBLE FUNDS OF CORPORATION :

4.1 Margin Money :

The margin amount accumulated during the course of the year, after meeting the expenses, shall be invested profitably and the following norms are to be followed scrupulously in this regard.

ASSET ALLOCATION OF FUNDS FOR MARGIN AMOUNT

ASSET ALLOCATION OF FUNDS FOR MARGIN AMOUNT			
Asset Type	Category of Preference	Investment limit in %	Available Yield
Liquid/Ultra Short Term Funds/Overnight Funds	III	20	Higher than II
Govt. Securities-Residual maturity value < 1 year			
Certificate of Deposits	II	20	Higher than I
Treasury Bills			
Karnataka Govt. Securities			
Fixed Deposits-Discretionary	I	40	Higher than II & III
Fixed Deposits-Mandatory		60	Mandatory
Investment in Mutual Funds can go up to 50% of the surplus in case there is a clear advantage over FD			



4.2 Operational Funds :

The Corporation is operating with large amount of funds in its daily operations. Since the payment to the suppliers happen at intervals, the funds remain unutilized for a short time.

- Operational Funds are these Funds which are temporarily available with the Corporation for a short period of time for investment.
- These Funds could be invested in Short term Fixed Deposits, Ultra short term Funds, Liquid Funds & Overnight Funds

The allocation of funds shall be as under:-

ASSET ALLOCATION FOR OPERATIONAL FUNDS

Asset Type	Category	Investment limit %	Available Yield
Short term Fixed Deposits	I	20	Higher than II
Overnight, Liquid & liquid plus schemes (ultra short term Funds)	II	Not less than 80	Mandatory
Investment in Mutual Funds under category II assets can go up to 100% if there is a clear advantage against Fixed Deposits			

4.3 Reserves & Surplus and Capital Funds :

- The Reserves and surplus funds are funds that are continued to be available on account share capital and accumulated profit over the years. These funds are to be invested taking into consideration the safety of the funds and also the returns on the investments.
- The guidelines stated in the preceding paragraphs for investment of Funds meant for Corporation's Margin amount shall also be applicable while making these Deposits, wherever relevant.

ASSET ALLOCATION FOR RESERVES & SURPLUS AND CAPITAL FUNDS

Asset Type	Category	Investment limit %	Available Yield
Certificate of Deposits	III	20	Higher than II
Treasury Bills			
Overnight/Liquid Funds			
Karnataka Government securities	II	20	Higher than I
Ultra Short Term Funds			
G-Secs-residual maturity			
Fixed Deposits-Discretionary		40	Higher than II & III
Fixed Deposits-Mandatory	I	60	Mandatory
Investment in Mutual Funds under category II assets can go up to 50% if there is a clear advantage against Fixed Deposits			

5. INVESTMENT OPTIONS AVAILABLE FOR THE CORPORATION :

The Investment options available are; a) Fixed Deposits with the scheduled Banks, b) Certificate of Deposits (CDs) c) Government Securities d) GOK Bonds & Treasury Bills e) Overnight/Liquid/Ultra Short Term Debt Funds.

The Investment will be made as per the Investment Guidelines of Finance Department GOK issued vide Circular No. FD 91 TAR 2022 dated 02.07.2022 and Corrigendum to Circular No. FD 91 TAR 2022 dated 17.11.2022.

Further Modifications /Amendments to the above Circulars of the FD, GOK if any will be incorporated in the Investment Policy of the Corporation from time to time in accordance with the future Guidelines/Circulars received from GOK.

6. INVESTMENT COMMITTEE :

The Investment committee shall consists of the following :-

Sl. No.	Designation	Committee
1	Managing Director	Chairman
2	Executive Director (F&A)	Member
3	Executive Director (Operations)	Member
4	Executive Director(MI&I)	Member
5	Manager(Banking & DP)	Convener

7. COMPLIANCE OFFICER :

The Manager(Banking & DP) shall be the Compliance officer.

8. RESEARCH WING, DEALER AND BACK OFFICE :**8.1 The Corporation shall have the following two distinct sections viz.,**

- 1) Research wing and
- 2) Dealer & Back office

8.2 The Research wing :

The duties of the Research wing includes:-

- a) Preparation of cash flow statement,
- b) Analyzing macro economic factors,
- c) To select the asset class of investment ,
- d) To collect yields for various securities,
- e) Preparation of investment note to committee,
- f) Collate and analyze the market data including fund data and monitor the performance of assets,
- g) Analyze and evaluate, how the investments are performing,
- h) Collection of data on Corpus of the scheme under AMC and Net-worth of the Banks



8.3 Dealer & Back Office :

The designated official in the Investment section is entrusted with the dealer responsibilities of execution of the decisions taken by the investment committee. He will give instructions to the concerned Banks in respect of the amount to be invested and follow up with Banks for the execution of the deal. He shall also ensure collection of all the documents like FD receipts, statement of accounts etc., for safe keeping.

9. RESPONSIBILITIES OF THE INVESTMENT COMMITTEE :

- Report the Investments & performance to the Board from time to time.
- Provide a declaration to the Board that the Investment confirm to Investment Guidelines issued by various authorities from time to time and the Investment Management policy as approved by the Board of Directors.
- Approve Banks/AMCs/Funds where the investment can be made.
- Review/Make changes in the list of shortlisted Banks & AMCs if required.
- To review the business given to the Banks
- To periodically review the investment performances of surplus Funds and take corrective actions, if required.
- Report any violation / irregularities in the investment management process to Board.
- Recommend to the Board any process, policy etc., changes / amendments etc.,

Surplus Funds available with the Corporation must be invested in a prudent and commercial basis. The fund management should be in a manner consistent with best practices for portfolio management and by aiming to optimize return without undue risk to the capital

Responsible investing is an evolving process and the Investment Committee must take lead in communicating KSBCL's needs including review of the policies and practices periodically to the KSBCL Board and endeavor to stay abreast with the evolving best practices in Investment Management.



10. DUE DILIGENCE AND CODE OF CONDUCT :

The cash flows generated by the Corporation should be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent individual would exercise in his own investment decisions.

- Corporation employees / other personnel associated with the investment process shall refrain from personal business in a similar line to avoid conflict of interest. Conflict of interest hinders execution of the investment program and can impair investment decisions.
- Investment Research / Investment Committee Members / dealer / back office personnel shall not accept any pays, fee, commission or other reward from investees (such as AMC of the Mutual Fund houses, banks, broker, etc.,)
- No fee, commission or other reward shall be paid to spouse or close family member of investment manager / Investment committee members in respect of any investment made by the Corporation
- The offer of best interest rates on an investment must be considered with the degree of risk involved to both the Mutual fund house and the investment instrument concerned.

11. TRAINING AND ENHANCEMENT OF SKILLS :

Investment management being a specialized activity and requires certain basic infrastructure to support the function. Access to periodicals and journals and short term training in relevant areas are expected to go a long way in enhancing the skill of the investment team. Interaction with market participants like Mutual Fund AMCs, Primary dealers, subscribing to the research reports and presentation by their team etc., shall be organized to keep updated on the market happenings.

12. GENERAL

- 1) All Investments shall be in the name of the Corporation
- 2) All Investments shall be approved by the Investment Committee
- 3) The details of investments, redemptions and maturity shall be reported to the Board periodically for their information and ratification.

