ART Venture Finance (India) Private Limited

Investment Policy

Version 1.0 | Effective Date: 1st July 2026 | NBFC-ICC (Non-Deposit Taking, B2B)

Prepared By	Secretarial Department / Investment Team
Reviewed By	[Name / Role]
Recommended By	Chief Investment Officer
Approved By	Board of Directors

Version History:

Version	Date	Description of Changes	Next Review Date
1.0	01.07.2026	First Version — covers primary B2B investment activity and treasury surplus fund policy	Annually or upon regulatory change

Disclaimer:

This document is the property of ART Venture Finance (India) Private Limited. It is intended for internal use by employees, officers, directors, and authorised representatives of AVF. It shall also be available to the RBI and other regulatory authorities upon request.

1. Introduction

ART Venture Finance (India) Private Limited ("AVF" or "the Company") is a Private Limited Company incorporated under the Companies Act, 1956, and registered with the Reserve Bank of India as a Non-Banking Financial Company — Investment and Credit Company (NBFC-ICC). AVF is a non-deposit taking entity, governed by the Department of Regulation (formerly DNBS) of the Reserve Bank of India.

AVF's principal business is the provision of risk-adjusted, innovation-focused financing to tech-enabled, innovative businesses in India. This encompasses three core investment instruments: equity and growth equity investments, convertible instruments used for bridge financing, and alternative lending facilities including working capital loans, term loans, and project finance. AVF operates exclusively on a B2B basis and does not engage in retail or consumer lending.

This Investment Policy has been formulated and approved by the Board of Directors to ensure that all investment and lending activities of AVF are conducted in a transparent, disciplined, and risk-conscious manner, consistent with RBI guidelines and AVF's fiduciary obligations to its stakeholders.

This Policy governs two categories of investment activity: (A) AVF's primary investment and lending activities — the core business of deploying capital into innovative B2B companies — and (B) the management of treasury and surplus funds held between primary deployments.

2. Investment Objectives

AVF's investment activities are guided by the following objectives, applied across both primary and treasury investments:

1. Risk-Adjusted Return: To generate superior risk-adjusted returns for AVF's stakeholders by deploying capital into innovative, tech-enabled businesses with strong growth potential, disciplined underwriting, and active portfolio management.
2. Capital Preservation: To protect AVF's capital base by maintaining disciplined investment standards, diversification across instruments, stages, and sectors, and robust due diligence and monitoring frameworks.
3. Liquidity Management: To maintain sufficient liquidity to meet AVF's operational requirements, regulatory obligations, and capital commitment timelines, through prudent management of treasury and surplus funds.
4. Strategic Impact: To support India's innovation economy by providing long-term, patient capital to companies that create durable economic value and contribute to India's technological and strategic growth.
5. Regulatory Compliance: To ensure all investment activities are conducted in full compliance with RBI guidelines, applicable law, and AVF's internal governance framework.

Part A — Primary Investment Policy (Core Business)

3. Investment Instruments

AVF deploys capital through three core instruments. Each instrument serves a distinct purpose in the innovation financing lifecycle:

3.1 Equity and Growth Equity

Direct equity participation in early-stage to growth-stage companies with a technology-enabled, disruptive business model. Equity investments are long-term, patient capital with an expected holding period of 4 to 7 years.

- Instrument types: Primary equity shares, compulsory convertible preference shares (CCPS), or other equity-linked instruments as permitted under applicable law
- Ticket size: Rs. 1.5 Cr and above (indicative)
- Target stage: Seed+ through Series B and growth stage
- Governance: Active board participation and information rights as agreed in the shareholders' agreement

3.2 Convertible Instruments — Bridge Financing

Convertible notes or Optionally Convertible Debentures (OCDs) used to bridge the capital gap between two equity rounds. Designed to protect founder valuation while providing immediate capital.

- Instrument types: Convertible notes or Optionally Convertible Debentures (OCDs)
- Ticket size: Rs. 1 Cr to Rs. 15 Cr (indicative)
- Conversion: At a pre-agreed discount to the next qualifying equity round
- Repayment: Converts at series close, or repaid with accrued interest if conversion conditions are not met within the agreed timeframe

3.3 Alternative Lending

Structured, cash-flow-based debt financing to support the cash runway and growth of venture-backed and innovative companies. Underwriting is based on underlying asset value and cash flow quality.

- Facility types: Working capital loans, term loans, and project finance
- Ticket size: Rs. 1 Cr to Rs. 5 Cr (indicative)
- Tenure: 12 to 36 months

- Interest: Determined per the Interest Rate Policy and disclosed in the term sheet
- Security: Based on underlying asset value and cash flow quality — not traditional collateral

4. Investment Criteria and Eligibility

All investments — across equity, convertibles, and lending — shall be evaluated against the following criteria. The weight applied to each criterion may vary by instrument type and stage.

4.1 Technology at the Core

The target company's business model must be fundamentally enabled by technology — not merely supported by it. AVF does not invest in digitised versions of traditional analogue businesses. The software, platform, algorithm, or proprietary technology must be the source of the company's competitive advantage.

4.2 Market Opportunity

The target company must be addressing a large and clearly defined market in India. The opportunity must be substantial enough to justify venture-style growth expectations, and the company must have a credible, articulated strategy for capturing meaningful market share.

4.3 Business Model Quality and Unit Economics

For equity and convertible investments: The business model must be coherent and scalable, with a credible path to strong unit economics even if currently loss-making. For lending: The company must demonstrate sufficient cash flow predictability or underlying asset value to support debt service over the facility tenure.

4.4 Founder and Management Quality

AVF places significant weight on the quality, integrity, and resilience of the founding and management team. Key indicators include: domain expertise relevant to the business, track record of execution, intellectual honesty about risks and weaknesses, and the emotional resilience to lead through adverse conditions.

4.5 Sector Focus

AVF maintains active investment coverage across the following focus sectors. Investments outside these sectors require specific Investment Committee approval:

- AI, SaaS, and Enterprise Technology
- Deeptech and Defense Technology
- Climate Tech and Sustainability
- Fintech and Financial Infrastructure
- Healthcare and MedTech

4.6 Stage Eligibility

- Seed+ / Pre-Series A: Venture debt alongside equity, or convertible bridge. Ticket: Rs. 50 L to Rs. 5 Cr.
- Series A / Series B: Core focus for all instruments. Ticket: Rs. 1 Cr to Rs. 15 Cr.
- Growth Stage (Post-Series B): Larger tickets and bespoke structures. Ticket: Rs. 5 Cr and above, subject to Board approval.

4.7 Legal and Regulatory Integrity

The target company must have a clean legal and compliance record. The cap table must be transparent and free of material disputes. There must be no undisclosed material liabilities, regulatory violations, or pending litigation that could adversely affect AVF's investment. Companies operating in sectors with fundamental legal or ethical concerns are ineligible.

5. Due Diligence Framework

All investment and lending decisions shall be preceded by a structured due diligence process comprising the following components:

5.1 Business Due Diligence

- Market sizing and competitive positioning
- Business model assessment and unit economics analysis
- Technology assessment — proprietary nature, defensibility, and scalability
- Founder and management team background verification
- Customer and revenue reference checks where applicable

5.2 Financial Due Diligence

- Review of audited financial statements (minimum 2 years where available)
- Analysis of MIS reports, cash flow projections, and burn rate
- Cap table verification and dilution modelling
- For lending: cash flow stress testing and asset value assessment
- Credit bureau checks (CIBIL and others) where applicable, with counterparty consent

5.3 Legal Due Diligence

- Verification of incorporation documents, shareholding structure, and corporate governance
- Review of existing investor agreements, shareholder agreements, and key contracts
- Verification of intellectual property ownership
- Assessment of pending or threatened litigation
- KYC and AML checks on founders, key management, and beneficial owners, as required under RBI KYC Master Directions

5.4 Sector and ESG Assessment

- Sector-specific regulatory environment and licensing requirements
- Environmental, social, and governance considerations relevant to the business
- Alignment with AVF's sector thesis and any applicable exclusion criteria

6. Approval Authority and Investment Committee

6.1 Investment Committee

AVF shall constitute an Investment Committee (IC) comprising the following members:

- Chief Investment Officer (Chairperson)
- AVP — Risk Management

- Legal and Compliance Officer
- At least one Board nominee (non-executive)

The IC shall meet as required to review and approve investment proposals within its delegated authority. Minutes of all IC meetings shall be maintained and placed before the Board at the next Board meeting.

6.2 Approval Matrix

Approval Level	Equity & Convertibles	Alternative Lending
Chief Investment Officer	Up to Rs. 1 Cr	Up to Rs. 50 L
Investment Committee	Rs. 1 Cr to Rs. 10 Cr	Rs. 50 L to Rs. 5 Cr
Board of Directors	Above Rs. 10 Cr	Above Rs. 5 Cr

All investments above Rs. 10 Cr (equity/convertible) or Rs. 5 Cr (lending) require Board approval by resolution. The IC may recommend but not sanction at these levels. All approvals shall be documented with full IC notes and due diligence reports on file.

7. Portfolio Concentration and Exposure Limits

To ensure adequate diversification and risk management, AVF shall maintain the following concentration limits across its primary investment portfolio:

Instrument / Exposure Type	Single Counterparty Limit	Sector Concentration Limit	Stage Concentration Limit
Equity & Growth Equity	25% of net owned funds	40% of total portfolio	60% of total portfolio
Convertible Instruments (Bridge)	20% of net owned funds	40% of total portfolio	No separate stage limit
Alternative Lending (Debt)	20% of net owned funds	35% of total portfolio	No separate stage limit
Single Counterparty (All Instruments Combined)	30% of net owned funds	—	—

These limits shall be reviewed annually by the Board and may be revised by Board resolution. Temporary breaches due to market movements or staged deployments shall be flagged to the IC and rectified within 90 days. Any proposed deviation from these limits requires prior IC approval and Board ratification.

8. Valuation of Primary Investments

8.1 Equity Investments

Equity investments are classified as long-term investments and are initially recorded at cost. Subsequent valuation shall be as follows:

- Listed equity: Valued at cost or market value, whichever is lower, in accordance with applicable RBI norms and accounting standards.
- Unlisted equity (the majority of AVF's portfolio): Valued at cost. Where there is a decline other than temporary in value — evidenced by a down-round, material adverse change, or significant deterioration in business fundamentals — the carrying amount shall be reduced and the impairment charged to the Profit and Loss Account. The reduction shall be reversed if and when the reasons for impairment no longer exist.
- Fair value assessments of unlisted equity may be conducted annually using applicable valuation methodologies (DCF, comparable transactions, last financing round) and shall be reviewed by the Board or an independent valuer at least every financial year.

8.2 Convertible Instruments

Convertible instruments are recorded at cost. Pre-conversion, they are treated as current or long-term assets depending on the expected conversion timeline:

- Where conversion is expected within 12 months: Classified as current assets and valued at cost.
- Where conversion is expected beyond 12 months: Classified as long-term assets and valued at cost, subject to the same impairment assessment as unlisted equity.
- Post-conversion: The converted equity holding is reclassified and valued as per Section 8.1 above.

8.3 Alternative Lending (Debt)

Debt facilities are treated as loans and advances and valued in accordance with RBI's Income Recognition and Asset Classification (IRAC) norms. Specifically:

- Performing facilities: Carried at outstanding principal plus accrued interest.
- Non-Performing Assets (NPAs): Classified and provisioned strictly in accordance with RBI's IRAC norms applicable to NBFC-ICCs, including the applicable NPA recognition period and provisioning percentages.
- Interest income on performing facilities is recognised on an accrual basis. Interest on NPAs is recognised only on actual receipt.

9. Monitoring and Portfolio Management

AVF shall maintain an active portfolio management framework for all investments:

- Monthly MIS Review: All portfolio companies and borrowers shall provide monthly MIS reports covering key financial and operational metrics. The investment team shall review these reports monthly and flag material deviations to the IC.
- Quarterly Portfolio Review: The IC shall conduct a formal portfolio review each quarter, covering performance against investment thesis, covenant compliance for lending facilities, and any material adverse developments.
- Annual Portfolio Report: A comprehensive annual portfolio report shall be prepared and presented to the Board, covering valuation updates, NPA status, exits, and the pipeline for new investments.
- Covenant Monitoring: For lending facilities, all financial covenants — including DSCR, leverage ratios, and minimum revenue thresholds — shall be monitored on the schedule specified in the loan agreement. Covenant breaches shall be reported to the IC immediately.
- Board Seat and Observer Rights: Where AVF holds board representation, the designated board nominee shall attend all board meetings of the investee company and report material developments to the AVF IC.
- Early Warning System: The investment team shall maintain an Early Warning List of portfolio companies showing signs of financial stress, operational deterioration, or governance concerns. Companies on this list shall be subject to enhanced monitoring and proactive engagement.

10. Exit Policy

AVF's exit strategy for each investment shall be considered at the time of investment and documented in the IC note. Acceptable exit routes include:

- Secondary sale to a strategic or financial investor
- Buyback by the investee company or its promoters, as agreed in the shareholders' agreement
- Initial Public Offering (IPO) or listing event
- Merger, acquisition, or change of control transaction
- Repayment at maturity for lending and convertible instruments

Exit decisions for equity investments shall be made by the IC and ratified by the Board where the exit value exceeds the approval thresholds in Section 6.2. AVF shall not undertake distressed or fire-sale exits without full IC review and Board awareness, except where required to protect capital from further deterioration.

Part B — Treasury and Surplus Fund Policy

11. Treasury and Surplus Fund Management

AVF will hold temporary surplus funds from time to time due to mismatches between capital availability and primary investment deployment timelines, or pending specific deployment decisions. These surplus funds shall be managed in accordance with this Part B.

In making treasury investments, AVF shall be guided by three considerations in the following priority order:

6. Safety: Preservation of capital is the primary objective. Treasury investments shall be made predominantly in low-risk, high-quality instruments.
7. Liquidity: Investments shall be structured to ensure funds are available when required for primary deployment, operational expenses, or regulatory requirements.
8. Return: Subject to safety and liquidity constraints, treasury investments shall be structured to maximise returns through interest income, dividends, or capital appreciation.

11.1 Permitted Treasury Instruments

AVF may invest surplus funds in the following instruments, as permitted under applicable RBI regulations:

- Fixed deposits with scheduled commercial banks rated A or above
- Units of SEBI-registered liquid or debt mutual funds — overnight, liquid, or low-duration categories
- Government securities and Treasury Bills
- Certificates of Deposit issued by scheduled commercial banks
- Any other instrument expressly permitted under RBI directions for NBFC-ICCs from time to time

Treasury investments in equity shares, unlisted securities, or instruments other than those listed above are not permitted under this Part B.

11.2 Approval Authority for Treasury Investments

- Treasury investments up to Rs. 50 L: Approved by the Chief Financial Officer or equivalent.
- Treasury investments above Rs. 50 L: Approved by the Chief Investment Officer.
- Treasury investments above Rs. 2 Cr: Reported to the Board at the next meeting.

12. Classification of Treasury Investments

Treasury investments shall be classified as follows, consistent with applicable accounting standards and RBI norms:

9. Current Investments: Investments intended to be realised within 12 months of the date of investment, or held for the purpose of meeting short-term liquidity requirements.
10. Long-term Investments: Investments intended to be held beyond 12 months. These shall be rare in the treasury portfolio and require specific IC approval.

13. Transfer of Investments Between Categories

11. AVF does not intend to make inter-class transfers of treasury investments as a general practice. Where absolutely necessary, such transfers shall be effected at the beginning of a half year — on 1st April or 1st October — with the prior approval of the Board.
12. Transfers shall be effected at book value or market value, whichever is lower.
13. Any depreciation in each instrument shall be fully provided for. Appreciation shall be ignored at the time of transfer.
14. Depreciation in one instrument shall not be set off against appreciation in another instrument at the time of inter-class transfer.

14. Valuation of Treasury Investments

14.1 Current Investments

- Quoted instruments (listed securities, government securities): Valued at cost or market value, whichever is lower. Valuation shall be done category-wise and scrip-wise. Net diminution per category shall be provided for in the P&L. Net appreciation per category shall be ignored.
- Mutual fund units: Valued at the Net Asset Value (NAV) declared by the relevant fund for the applicable scheme.
- Fixed deposits and Certificates of Deposit: Valued at carrying cost including accrued interest.

14.2 Long-term Investments

Long-term treasury investments are valued at cost. Where there is a decline other than temporary in value, the carrying amount shall be reduced and the impairment charged to the Profit and Loss Account. The reduction shall be reversed when the decline no longer exists.

15. Income Recognition and Asset Classification

Income from all investment activities — both primary and treasury — shall be recognised in strict accordance with RBI's Income Recognition and Asset Classification (IRAC) norms applicable to NBFC-ICCs, and in conformity with applicable Accounting Standards as amended from time to time.

- Interest income from performing lending facilities and treasury instruments: Recognised on accrual basis.
- Dividend income from equity investments: Recognised when the right to receive is established.
- Interest income from NPA accounts: Recognised on cash basis only.
- Capital gains from exits: Recognised upon completion of the exit transaction.

16. Policy Administration and Review

- Exception Handling: Any investment currently held that does not meet the guidelines of this Policy is exempt from its requirements on a grandfathered basis. At maturity, repayment, or realisation, the proceeds shall be redeployed only as provided by this Policy.
- Annual Review: The Board of Directors shall review this Policy annually. All changes made during the annual review shall be adopted by Board resolution and recorded in the version history.
- Regulatory Changes: In the event of changes to RBI regulations or applicable accounting standards that affect any provision of this Policy, the affected provisions shall be updated at the next Board meeting and the Policy republished accordingly.
- Reporting: The Chief Investment Officer shall present a quarterly investment report to the Board covering primary portfolio performance, treasury investment status, concentration limit compliance, and any material policy exceptions.

Declaration

This Investment Policy has been approved by the Board of Directors of ART Venture Finance (India) Private Limited. The Company shall conduct all investment and lending activities in accordance with the provisions of this Policy, the guidelines of the Reserve Bank of India, and applicable law.

Authorised Signatory	[Name / Designation]
Date of Board Approval	[Date]
Place	Gurugram, Haryana

This document should be reviewed by qualified legal counsel before publication. It does not constitute legal advice.