

ASSET LIABILITY MANAGEMENT POLICY

As the company is mainly engaged in the investment activities, it does not have any kind of liability in respect of the following:-

- I. Public Deposits
- II. Bank Borrowings
- III. Bonds/Other Liabilities

Therefore, the need for formulating Asset Liability Management Policy was not there but to ensure due compliance with the guidelines related to Asset Liability Management System issued by Reserve Bank of India (RBI) for the NBFCs and keeping in view the future activities, the company has formulated a policy on Asset Liability Management which is enumerated as under.

ALM ORGANISATION

- a. The company has laid down broad guidelines in respect of liquidity risk management systems in the company, which form part of the Asset-Liability Management (ALM) function. The initial focus of the ALM function would be to enforce the risk management discipline i.e. managing business after assessing the risks involved.
- b. Successful implementation of risk management process would require strong commitment on the part of the senior management in the company. The Board of Directors believes that accepting some level of risk is necessary in order to achieve desirable results. The Asset Liability Management Committee (ALCO) will be responsible for managing and directing the Asset/Liability Management policies and procedures.
- c. The Asset-Liability Management Committee (ALCO) consisting of 3 members including Managing Director as Chairman and two Directors as Members would be responsible for ensuring adherence to the limits set by the Board as well as for deciding the business strategy of the company (on assets and liabilities sides) in line with the company's budget and decided risk management objectives.
- d. The business issues that an ALCO would consider, inter alia, will include desired maturity profile, mix of the incremental assets and liabilities, prevailing interest rates offered by other peer NBFCs for the similar services/product etc. In addition to monitoring the risk levels of the company, the ALCO will review the results of and progress in implementation of the decisions made in the previous meetings.

The frequency of holding the ALCO meetings will be half yearly.

BOARD OF DIRECTORS MEETINGS AND REVIEW

The Board of Directors, in their meetings, will oversee the implementation of the system and review its functioning periodically. The Board of Directors, if necessary, can modify the recommended policy which is in the best interest of the company.

LIQUIDITY RISK MANAGEMENT

- a. ALCO would measure not only the liquidity positions of the company on an ongoing basis but also examine how liquidity requirements are likely to evolve under different assumptions. Therefore, liquidity has to be tracked through maturity or cash flow mismatches. The format of the Statement of Structural Liquidity as prescribed by Reserve Bank of India (RBI) may be used for this purpose.
- b. The Maturity Profile based on **ALM – II** could be used for measuring the future cash flows of company in different time buckets. The time buckets, may be distributed as under:-
 - i) 1 day to 30/31 days (One month)
 - ii) Over 1 month and upto 2 months
 - iii) Over 2 months and upto 3 months
 - iv) Over 3 months and upto 6 months
 - v) Over 6 months and up to 1 year
 - vi) Over 1 year and up to 3 years
 - vii) Over 3 years and up to 5 years
 - viii) Over 5 years
- c. The **Statement of Structural Liquidity** shall be prepared by placing all cash inflows and outflows in the maturity ladder according to the expected timing of cash flows. A maturing liability will be a cash outflow while a maturing asset will be a cash inflow.

While determining the tolerance levels, the company may take into account all relevant factors based on their asset-liability base, nature of business, future strategy etc.

- d. In order to enable the company to monitor their short term liquidity on a dynamic basis over a time horizon spanning from 1 day to 6 months, company will estimate its short term liquidity process on the basis of business projections and other commitments for planning

purposes. An indicative format **ALM – I** issued by RBI for estimating Short Term Dynamic Liquidity will be used for the said purpose.

CURRENCY RISK

The company does not have any major currency risk as per investment pattern. However, in future, if investment pattern changed, the company will take appropriate steps to modify this policy and incorporate measures to check currency risk.

INTEREST RATE RISK

Since the company is not borrowing any funds for the current activities, there is no interest rate risk. However, in future, if company does such kind of business activity, it will take appropriate steps to modify this policy and incorporate measures to check interest rate risk.