

# ASSET LIABILITY MANAGEMENT (ALM) POLICY

(For Base Layer NBFC – Investment and Credit Company)

## 1. Objective

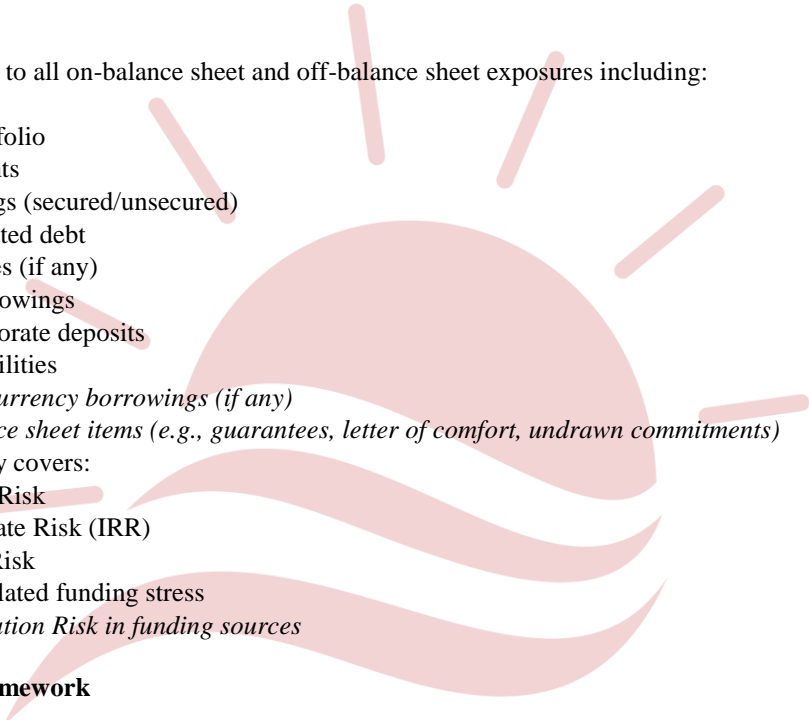
The objective of this Asset Liability Management (ALM) Policy is to establish a structured framework for:

- Managing liquidity risk
- Managing interest rate risk
- Monitoring structural mismatches between assets and liabilities
- Ensuring adequate funding at all times
- Maintaining financial stability and solvency

This Policy ensures compliance with RBI's Liquidity Risk Management Framework for NBFCs, *the Companies Act, 2013*, and other applicable prudential norms under the Scale Based Regulation (SBR) framework as applicable to Base Layer NBFCs.

## 2. Scope

This Policy applies to all on-balance sheet and off-balance sheet exposures including:

- Loan portfolio
  - Investments
  - Borrowings (secured/unsecured)
  - Subordinated debt
  - Debentures (if any)
  - Bank borrowings
  - Inter-corporate deposits
  - Other liabilities
  - *Foreign currency borrowings (if any)*
  - *Off-balance sheet items (e.g., guarantees, letter of comfort, undrawn commitments)*
  - The Policy covers:
  - Liquidity Risk
  - Interest Rate Risk (IRR)
  - Funding Risk
  - Market-related funding stress
  - *Concentration Risk in funding sources*
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## 3. Regulatory Framework

This Policy is framed in accordance with:

- RBI Guidelines on Liquidity Risk Management Framework for NBFCs (*November 2019, as amended*)
- *Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023 (as amended up to 2025)*
- RBI Prudential Norms for NBFC-ICC
- *Relevant provisions of the Companies Act, 2013, including Section 134(3)(n) regarding the Board's responsibility for risk management, and Section 177 regarding the Audit Committee's evaluation of risk management systems.*
- *Applicable Accounting Standards (e.g., Ind AS 107 for Financial Instruments: Disclosures).*
- As an NBFC-Base Layer entity, the Company adopts proportionate but effective ALM controls.

## 4. Governance structure

### 4.1 Board Oversight

The Board of Directors shall, *in accordance with Section 179 of the Companies Act, 2013*:

- Approve the ALM Policy *and review it annually*
- Define *the overall* risk appetite and tolerance levels
- Review ALM reports quarterly

- Monitor liquidity stress indicators
- Ensure compliance with RBI regulations *and statutory requirements*

#### **4.2 Asset Liability Management Committee (ALCO)**

##### *Constitution of ALCO*

The ALCO shall comprise:

- Managing Director – Chairperson
- Chief Financial Officer
- Head of Risk / Compliance Officer (*or Chief Risk Officer, if appointed*)
- Other senior executives as required (*e.g., Head of Treasury/Resource Mobilization*)

#### **4.3 Role and Responsibilities of ALCO**

The ALCO shall:

1. Formulate and review *the* ALM strategy
2. Monitor liquidity gaps and interest rate gaps
3. Set prudential mismatch limits *in line with RBI directives*
4. Review *the* funding profile and *ensure adequate* diversification
5. Monitor stress testing results *and macroeconomic indicators*
6. Ensure compliance with RBI LCR norms (*if applicable in the future due to scale-up*)
7. Report to the Board *and the Audit/Risk Management Committee* periodically

#### **4.4 Frequency of Meetings**

ALCO shall meet at least quarterly, and more frequently during stress situations *or material market volatility*.

### **5. Liquidity risk management**

Liquidity Risk refers to the risk that the Company may not be able to meet its financial obligations as they fall due *without incurring unacceptable losses*.

#### **5.1 Maturity Bucket Framework**

Assets and liabilities shall be classified into the following time buckets *based on their residual maturity*:

- 1 day to 7 days
- 8 days to 14 days
- 15 days to 30/31 days
- Over 1 month to 2 months
- Over 2 months to 3 months
- 3 months to 6 months
- 6 months to 1 year
- Over 1 year to 3 years
- Over 3 years to 5 years
- Over 5 years

Residual maturity shall be considered *for behavioral adjustments where applicable*.

#### **5.2 Structural Liquidity Statement (SLS)**

The Company shall prepare a Structural Liquidity Statement showing:

- Cash inflows
- Cash outflows
- Cumulative mismatch

Mismatch limits (internal prudential limits *mandated by RBI for NBFCs*):

- *1 to 7 days: Net cumulative negative mismatch shall not exceed 10% of cumulative cash outflows.*
- *8 to 14 days: Net cumulative negative mismatch shall not exceed 10% of cumulative cash outflows.*
- *15 to 30/31 days: Net cumulative negative mismatch shall not exceed 20% of cumulative cash outflows.*
- 1–90 days: Controlled within Board-approved limits

Breaches shall be reported to ALCO immediately.

### 5.3 Liquidity Coverage Ratio (LCR)

While the statutory LCR mandate applies primarily to Middle and Upper Layer NBFCs under the SBR framework, the Company, as a prudent Base Layer NBFC, shall endeavor to maintain:

- A Minimum prescribed *internal* LCR
- Adequate High Quality Liquid Assets (HQLA) (e.g., cash, bank balances, unencumbered approved securities)
- Even if LCR is not mandatorily applicable, the Company shall maintain an internal liquidity buffer equivalent to at least one month of expected outflows to withstand short-term liquidity shocks.

### 5.4 Cash Flow Projections

- Monthly rolling cash flow statements
- 3-month and 12-month liquidity projections
- Scenario-based projections under stress (e.g., severe market disruption, specific counterparty default)

### 5.5 Contingency Funding Plan (CFP)

The Company shall maintain a documented Contingency Funding Plan including:

- Emergency credit lines with banks
- Liquidation of liquid investments
- Promoter support (if available)
- Curtailment of disbursements
- Repricing of liabilities

Triggers for activation:

- Sudden funding withdrawal
- Credit rating downgrade (if externally rated)
- Market disruption or macroeconomic shock
- Significant NPA spike causing cash flow delays

## 6. Interest rate risk management

Interest Rate Risk (IRR) arises due to repricing mismatches between assets and liabilities.

### 6.1 Interest Rate Gap Analysis

Assets and liabilities shall be classified into repricing buckets to assess:

- Rate sensitive assets (RSA)
- Rate sensitive liabilities (RSL)
- Repricing gap

### 6.2 Earnings at Risk (EaR)

ALCO shall assess the impact of interest rate shocks (e.g.,  $\pm 100$  bps and  $\pm 200$  bps) on:

- Net Interest Income (NII)
- Profitability

### 6.3 Economic Value of Equity (EVE)

Where applicable, long-term interest rate sensitivity impact on net worth shall be evaluated.

### 6.4 Risk Limits

ALCO shall define:

- Maximum acceptable repricing gap
- Maximum decline in NII under stress
- Capital impact threshold

## 7. Funding Strategy

### 7.1 Diversification of Funding

The Company shall diversify funding sources across:

- Banks
- Financial institutions

- Non-convertible debentures
- Subordinated debt
- Inter-corporate deposits

Over-reliance on a single lender shall be avoided *in compliance with RBI concentration risk guidelines*.

### **7.2 Tenor Management**

Balanced mix of:

- Short-term borrowings
- Medium-term funding
- Long-term funding

Avoid excessive short-term borrowings funding long-term assets *to prevent severe asset-liability mismatches*.

## **8. Capital Adequacy & Buffer**

The Company shall:

- Maintain CRAR as prescribed by RBI (*minimum 15% for NBFC-ICC*)
- Maintain *an* internal capital buffer above *the* regulatory minimum
- Align growth with capital availability

Capital planning shall consider:

- Asset growth
- Stress scenarios
- Potential provisioning shocks

## **9. Stress Testing Framework**

### **9.1 Liquidity Stress Testing**

Scenarios may include:

- 20–30% funding withdrawal
- Delay in borrower repayments
- Increase in NPAs
- Market-wide liquidity crunch

### **9.2 Interest Rate Stress Testing**

Simulate:

- 100 bps / 200 bps rate increase
- Rate decrease scenarios
- Yield curve flattening

Stress results shall be presented to ALCO and *the* Board.

## **10. Monitoring & Reporting**

### **10.1 Internal Monitoring**

Monthly review of:

- Liquidity gap statements
- Cumulative mismatch
- Cost of funds
- Funding concentration

### **10.2 Board & Regulatory Reporting**

Quarterly ALM report shall include:

- Liquidity position
- Interest rate sensitivity

- Stress testing results
- Compliance status
- Corrective measures

· *Ensure timely submission of ALM returns (e.g., DNBS4B) to the RBI through the XBRL portal as per the prescribed calendar.*

## 11. ALM Information Systems

The Company shall maintain:

- Reliable MIS *capable of granular data extraction*
- Automated maturity classification
- Repricing analytics
- Accurate data reconciliation *with general ledger*

Data integrity shall be reviewed periodically *by internal audit.*

## 12. Escalation Mechanism

If internal *or regulatory* limits are breached:

· Immediate reporting to ALCO

- Corrective plan within *a defined timeframe*
- Board notification if material *or if regulatory thresholds are crossed*

## 13. Review of Policy

This Policy shall be:

- Reviewed annually
- Updated upon regulatory change *or business model shift*
- Approved by the Board *based on ALCO/Risk Management Committee recommendations*

## 14. Effective Date

This **ASSET LIABILITY MANAGEMENT (ALM) POLICY** has been approved by the Board of Directors of THIRUKOCHI FINCAP LIMITED at its meeting held on 12/03/2026.

Effective Date: 12/03/2026

Version:1