Keertana Finserv Private Limited

Name of Policy	ASSET LIABILITIES MANAGEMENT (ALM) POLICY
Date of Last Approval/Review	NA
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Proposed By	Padmaja Reddy
Approving Authority	Board of Directors
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Contents

1. INTRODUCTION

Keertana Finserv Private Limited (‘Keertana” Or “Company”) is categorized under Middle Layer as per the RBI Master Direction Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023. Keertana is exposed to credit, market and liquidity risks in the normal course of business as part of its NBFC operations.

The abovementioned Master Direction has advised all the NBFCs above asset size of INR 1,000 Cr to follow the Guidelines on Liquidity Risk Management Framework prescribed.

Accordingly, it is proposed that the Company may adopt this ‘Asset Liability Management Policy’ (“ALM Policy”) with the approval of the Board of Directors.

2. PURPOSE OF POLICY

The purpose of the ALM policy is to define a Liquidity Risk Management framework covering the following aspects:

(a) Governance of Liquidity Risk Management framework.
(b) Liquidity Risk Management.
(c) Interest Rate Risk Management.
(d) Management Information System (MIS).
(e) Internal Controls.
(f) Maturity Profiling.
(g) Liquidity Risk Measurement- Stock Approach.
(h) Liquidity Risk Monitoring Tools.

3. GOVERNANCE OF LIQUIDITY RISK MANAGEMENT

The organizational framework for liquidity risk management will be as under:

3.1 Board of Directors

The Board will have the overall responsibility for management of liquidity risk. The Board will decide strategies, policies and procedures of the Company to manage liquidity risk in accordance with the Policy.

3.2 Risk Management Committee (“RMC”)

The RMC as constituted by the Board shall be responsible for evaluating the overall risks faced by the Company including liquidity risk.

3.3 Asset Liability Management Committee (“ALCO”)

The ALCO constituted by the Board shall be responsible for ensuring adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy of the Company.

Composition of ALCO

The Managing Director & CEO/ Chief Executive Officer shall be heading the committee. The Board of Directors may decide on the composition of ALCO and change it as and when needed.

Scope of ALCO

Broad scope of the ALCO shall be as under:

- To review the overall framework for management of Liquidity Risk, Market Risk (Interest Rate Risk, Currency Risk), and efficacy of controls for managing the same.
- To advise on the Business Plan of the Company from ALM and Liquidity management perspectives.
- To Review & Assess the ALM profile and liquidity position of the Company.
- To take decision on desired Maturity Profile and mix of Incremental Assets and Liabilities.
- To approve Sale of Loan Assets as a source of funding or to generate liquidity.
- To act on various matters covered under the charter/ terms of reference of the ALCO, as approved by the Board of Directors.
- To provide guidance to the Company on various matters which are referred to it by the Company's management

Meetings of ALCO

The meetings of ALCO shall be convened by Company Secretary or any designated person. The Chief Executive Officer shall be the Chairperson of the meeting and in the absence of the Chief Executive Officer, any designated person by CEO shall preside the meeting.

The Company Secretary (and his/ her office) shall be responsible for the preparation of agenda, minutes and other records pertaining to the meetings of the Committee. Meeting of the ALCO shall be conducted at least once a month.

3.3.1 Reporting to the ALCO

The ALCO shall review following reports/ information:

Monthly

i) Cashflows

ii) CAR & Debt/Equity

iii) Funding / Borrowings Plan for the month

Quarterly

iv) Statement of Dynamic Liquidity
v) Relevant ratios- CAR & Debt/Equity
vi) Compliance with Investments Policy
vii) Availability of Unencumbered Assets
viii) Ad-hoc reports (if any)
ix) Stock Ratios & Compliance with the same as defined in the policy

Semi-annually

i) Statement of Structural Liquidity
ii) Interest Rate Sensitivity Report
iii) Report on currency risk, if any.

The minutes of the ALCO Meeting shall be presented before the Board of Directors of the company for review and noting.

ALCO Support Group

The ALM Support Group shall consist of the officials from Treasury, Finance & Accounts, Business, Credit, and Data/Analytics etc. The ALM Support Group consisting of the operating staff shall provide required information data to the Treasury team which shall be responsible for analyzing, monitoring, and reporting the liquidity risk profile to the ALCO.

4. FUNDING STRATEGY - DIVERSIFIED FUNDING

The Company has a Board approved Resource Planning Policy as part of its Borrowing and Investment Policy to ensure effective diversification in the sources and tenor of funding. It shall be the endeavor of the Company to maintain an ongoing presence in its preferred funding avenues and also to maintain good relationship with various lenders to promote effective diversification of funding sources. The ALCO will regularly assess its capacity to raise funds quickly from each source and it would not rely on a single source of funding. The assessment of liquidity risk shall also factor liquidity risks relating to certain off-balance sheet exposures on account of special purpose vehicles, direct assignments, financial derivatives, and, guarantees and commitments etc.

5. LIQUIDITY RISK MANAGEMENT

Measuring and managing liquidity needs are vital for effective operation. A prudent and systematic approach towards managing liquidity helps sail through the adverse scenario. ALCO is responsible for determining the appropriate mix of available funding sources utilized to ensure Company liquidity is managed appropriately. For measuring and managing net funding requirements, the use of maturity ladder along with the computation of surplus/deficit of funds in different maturities or buckets is to be assessed. Further, there are few stock approaches to monitor the liquidity risk.

5.1 FLOW APPROACH – MATURITY PROFILING

5.1.1 Maturity Ladder

For measuring and managing net funding requirements, the use of a maturity ladder and calculation of cumulative surplus or deficit of funds at selected maturity dates will be adopted as a standard tool. The Maturity Profile will be used for measuring the future cash flows in different time buckets, which will be distributed as under:

(i) 1 day to 7 days

(ii) 8 days to 14 days

(iii) 15 days to 30/31 days (one month)

(iv) Over one month and up to 2 months

(v) Over two months and up to 3 months

(vi) Over 3 months and up to 6 months

(vii) Over 6 months and up to 1 year

(viii) Over 1 year and up to 3 years

(ix) Over 3 years and up to 5 years

(x) Over 5 years

The Company will classify various components of assets and liabilities into different time buckets for preparation of Liquidity Gap reports as may be prescribed/ amended by the RBI from time to time. The current method of classification is provided in the ***Annexure III***.

5.1.2 Investments

The Company would classify its investment portfolio, securities in the category of 'non-mandatory securities'. The listed non-mandatory securities will be placed in any of the "1 day to 7 days, 8 days to 14 days, 15 days to 30/31 days (One month)", over one month and up to 2 months" and "Over two months and up to 3 months" buckets depending upon the defeasance period. The unlisted non- mandatory securities (e.g., equity shares, securities without a fixed term of maturity etc.) will be placed in the "Over 5 years" buckets, whereas unlisted non- mandatory securities having a fixed term of maturity may be placed in the relevant time bucket as per residual maturity.

5.1.3 Statement of Structural Liquidity

The Statement of Structural Liquidity will be prepared by placing all cash inflows and outflows in the maturity ladder according to the expected timing of cash flows. A maturing liability shall be a cash outflow while a maturing asset shall be a cash inflow. The Company will follow the Return format prescribed by the RBI in this regard.

5.1.4 Prudential Limits

Within each time bucket, there could be mismatches depending on cash inflows and outflows. While the mismatches up to one year would be relevant since these provide early warning signals of impending liquidity problems.

The Company, will endeavor to maintain cumulative mismatches (running total) across all time buckets up to 1 year as per the following limits:

Liquidity Bucket	Limits As Per RBI	Limit As Per Company
1 to 7 days	10%	10%
8 to 14 days	10%	10%
Over 15 days to one month	20%	10%
Over one month to 2months	-	10%
Over 2 months to 3 months	-	10%
Over 3 to 6 months	-	10%
Over 6 months to 1 Year	-	10%

The Treasury function will monitor the above limits and present status of the same to the ALCO periodically. In case of any breach in the prudential limits, reasons for breach of the limits will be presented to the ALCO. The ALCO may review/ note the status along with reasons thereof and provide its guidance/ advice for any corrective, if any, as deemed fit by it.

5.1.5 Statement of Short-Term Dynamic Liquidity

In order to monitor its short-term liquidity on a dynamic basis over a time horizon spanning from 1 day to 6 months, the Company, for planning purposes, will estimate its short-term liquidity position on the basis of business projections and other commitments as per the format
prescribed by the RBI.

Company to also conduct back-testing periodically and present the same to ALCO for its noting

5.2 STOCK APPROACH – RATIO & OTHER PARAMETERS

Along with the flow approach of liquidity management, Keertana shall be monitoring the following parameters:

5.2.1 Concentration of funding

(a) By Counterparty- Dependence on a single counterparty for borrowings, to be monitored and company to ensure diversification by adding more counterparties to reduce dependence on any single lender. In case the any one counterparty exceeds 25% of lending exposure on the company, board to be notified in advance with justification.

(b) By Instrument- While the endeavor would be to diversify the borrowing among term loans, capital market, structured products or any other market, no limit has been proposed considering the small base and limited avenues of fund raising, as of now.

5.2.2 Stock Ratios

(a) Short term liability to total assets- Not to exceed 70%

(b) Short term liability having original maturity of less than 1 year to long term Assets- Not to exceed 20%.

(c) Commercial Papers to Total Assets- Not to exceed 20%.

In case of any breach of concentration of stock ratios, such instances shall be reported to the ALCO by Treasury with reasons thereof. The ALCO shall review such breaches along with the reasons thereof and advice/ guide the Company on further course of action if it deems fit. Such breaches, if any and reviews shall be documented by in the ALCO minutes.

The focus area for the liquidity management shall be diversification of the funding sources on an ongoing basis to tap the market including term loan, capital market and structured products. Within each market segment also, the thrust remains to diversify the counterparty risk by on-boarding new counterparties.

Further, as part of funding through structured products, collateral positioning will be assessed in terms of encumbered and unencumbered assets. The availability of unencumbered assets will be monitored and kept as consideration for overall liquidity planning to assess the expected and unexpected borrowing needs and potential increases in margin requirements over different timeframe.

6. MARKET RISK MANAGEMENT

Market risk is the risk arising out of the movements in stock prices, interest rates, exchange rates and commodity prices. It is defined as the risk arising from the changes or fluctuations in the market to which the company has exposure. In context of Keertana, market risk arises majorly on account of interest rate risk as it has no direct exposure to equity or commodity prices.

6.1 INTEREST RATE RISK MANAGEMENT

Interest Rate Risk is the risk where changes in market interest rates might adversely affect the Company’s financial condition as a NBFC. The changes in interest rates may affect the Company in a larger way. The immediate impact of changes in interest rates is likely to be on the Company’s earnings by impacting its Net Interest Income (NII). A long-term impact of changing interest rates could be on the Company's Market Value of Equity (MVE) or Net Worth as the economic value of the Company's assets, liabilities and off-balance sheet positions get affected due to variation in market interest rates.

The interest rate risk when viewed from these two perspectives is known as ‘earnings perspective’ and ‘economic value perspective', respectively. The risk from the earnings perspective can be measured as changes in the Net Interest Income (NII) or Net Interest Margin (NIM). There are many analytical techniques for measurement and management of Interest Rate Risk. In accordance with RBI guidelines, the Company will adopt Traditional Gap analysis to measure the Interest Rate Risk. As and when the Company acquires sufficient expertise and sophistication, it would move to the more evolved methodologies like Duration Gap Analysis, Simulation and Value at Risk, subject to the regulatory guidelines.

6.1.1 Traditional Gap Analysis

The Gap or Mismatch risk will be measured by calculating gaps over different time intervals as at a given date. Gap analysis measures mismatches between rate sensitive liabilities and rate sensitive assets (including off-balance sheet positions). An asset or liability is normally classified as rate sensitive if:

(a) Within the time interval under consideration, there is a cash flow.

(b) Interest rate resets/ reprices as a contractual obligation during the interval.

(c) It is dependent on changes in the RBI Policy Rates/ Bank Rate or other market factors.

(d) It is contractually pre-payable or withdrawal before the stated maturities.

6.1.2 Gap Report

The Report shall be generated by grouping rate sensitive liabilities, assets and off-balance sheet items into time buckets according to residual maturity or next repricing period, whichever is earlier.

All loans/ advances, investments, borrowings etc. that mature/ reprice within a specified timeframe are interest rate sensitive. Similarly, any principal repayment of loan is also rate sensitive if the Company expects to receive it within the time horizon. This includes final principal payment and interim installments. Some assets and liabilities including loans/ advances, which are benchmarked to a reference rate, will be repriced at certain triggers and are rate sensitive at the time of repricing.

6.1.3 Time Buckets

The Gaps will be identified in the following time buckets:

(i) 1 day to 7 days

(ii) 8 days to 14 days

(iii) 15 days -30/31 days (One month)

(iv) Over one month to 2 months

(v) Over two months to 3 months

(vi) Over 3 months to 6 months

(vii) Over 6 months to 1 year

(viii) Over 1 year to 3 years

(ix) Over 3 years to 5 years

(x) Over 5 years

(xi) Non-sensitive

Classification of various components of assets and liabilities into different time buckets for preparation of Interest Rate Sensitivity Gap reports should be as may be prescribed/ amended by the RBI from time to time. The current method of classification is provided in the ***Annexure II***.

6.1.4 Measurement of Interest Rate Risk (IRR)

The Gap is the difference between Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL) for each time bucket. The positive Gap indicates that it has more RSAs than RSLs whereas the negative Gap indicates that it has more RSLs than RLAs. The Gap reports would indicate whether the Company is in a position to benefit from rising interest rates by having a positive Gap (RSA > RSL) or whether it is in a position to benefit from declining interest rates by a negative Gap (RSL > RSA). The Gap can, therefore, be used as a measure of interest rate sensitivity.

6.1.5 Prudential Limits for measurement of IRR

Net Interest Income (NII) is the difference between total interest income and total interest expense. With a focus on maintaining consistent NII, the Company will endeavor to maintain the following prudential limits:

- Considering all time buckets cumulatively up to one-year horizon, 100 basis point upward or downward interest rate movement should not negatively impact NII by greater than 10%.
- To assess the 10% limit, gap in each bucket is assessed basis the risk sensitive assets (RSA) and risk sensitive liabilities (RSL). Upward movement by 100bps in Interest rate cost is assumed and basis the residual days in the year in each bucket, impact to be assessed on the projected NII of the year.

The Treasury function will monitor the above limits and present status of the same to the ALCO periodically. In case of any breach in the prudential limits, reasons for breach of the limits will be presented to the ALCO. The ALCO may review/ note the status along with reasons thereof and provide its guidance/ advice, for any corrective, if any, as deemed fit by it.

6.2 FOREIGN EXCHANGE RISK

Keertana has its operations based out of entire country and deals with INR as the functional currency. However, as part of day-to-day business, it might be exposed to currency risk in case any of the vendor does the billing/invoicing in currency other than INR or in case the company borrow in foreign currency.

It is the company's endeavor to keep its entire foreign exposure hedged and do not get exposed to any foreign exchange volatility.

Below mentioned matrix to be followed for any foreign exchange risk –

Foreign Exchange Risk		Parameters Triggers
1	Vendor Payment	Amount > 0.25 mn $ to be hedged is payable after 3 months
2	Liability/Borrowings	Entire exposure to be hedged unless specifically approved by ALCO and allowed as per regulatory guidelines

The above levels to work as guidance point and in case the regulator prescribes any limit in terms of minimum hedging, the same shall be followed by the company.

7. STRESS TESTING

As part of prudent risk management practices, stress testing plays a significant part in assessing the risk during stressed scenarios. Stress testing will form an integral part of the overall liquidity risk management framework of the Company. Stress testing to be conducted minimum once in a year. The Company will use the following scenarios for Stress Testing:

7.1 Stress testing for Liquidity Risk- Liquidity risk stress testing will be done based on the following scenarios which can get triggered in the adverse situation (even though probability of occurrence is quite low):

(a) Liquidity Deficit after adjusting the maturity of borrowings to optionality clause.

(b) Liquidity position with considering stressed position on recovery wherein the collection efficiency goes down to 90%, 85% and 80% for consecutive 3 months

7.2 Stress Testing for Interest Rate Risk- Impact on the Net Interest Income (NII) shall be the parameter to conduct stress testing. NII Shock due to parallel/ upward/downward shift of yield curve as under to be tested:

(a) Interest Rate movement up to 250 bps to be considered Baseline.

(b) Interest Rate movement up to 300 bps to be considered Medium.

(c) Interest Rate movement up to 400 bps to be considered Severe.

In case the stress scenario of 250bps yields the negative impact of more than 20% on NII, the same needs to be discussed in ALCO and deliberated for further action.

8. CONTINGENT FUNDING PLAN (CFP)

The Contingency Funding Plan (CFP) outlines the procedures that shall be followed when adverse market conditions arise that could disrupt the Company's ability to fund itself. In the normal scenario, there would not be any need of the CFP and business as usual will be followed with prudent decision making.

Contingency Plan will be triggered, in case of the following events:

a. Liquidity and credit lines of less than 1-month operating expenses
b. Collection efficiency of less than 90% for continuous 3 months period
c. DPD 30+ & 90+ crosses the threshold of 5% and 3% respectively
d. Negative Cumulative cash flows for less than 3 months bucket.

In case of any such limits are breached, the CFP will get activated and such event along with its reasons and repercussions will be presented to the ALCO, wherein CEO/MD of the company along with at least 2 members of ALCO must be present. The ALCO shall review the trigger event and decide on the strategy to be followed by the Company for appropriately managing any imminent liquidity risk due to the same. The ALCO may refer to the event to the Board with its recommendations, if deemed fit by it.

9. TRANSFER PRICING MODEL

The Company's resource raising program is managed directly by a centralized function and the cost of borrowing/ fund is approved by the committee/ officials authorized by the Board before raising of any resources. On the asset side, the Company is primarily into Gold loan, MSME Loans, JLG Loans and other lending business which is sourced through dedicated teams spread-out in the branches.

To ensure more effective transfer pricing mechanism, the Company has mechanism for fixing interest rates, charges etc. for its lending business after considering factors like cost of fund, credit spread, risk premium, operational expenses, expected interest margin etc., which is applicable for sourcing of business by the business teams at all locations.

Thus, liquidity risk and interest rate risks are assessed centrally which facilitate their effective control on such risks and their management.

10. LIQUIDITY RISK TOLERANCE

Keertana has a sound process for identifying, measuring, monitoring, and controlling liquidity risk. The risk tolerance specific to risks are defined in the Risk management policy of the company basis the business strategy and other factors. Liquidity risk is managed in accordance with such risk tolerance to ensure that sufficient liquidity is maintained at all the time.

11. MANAGEMENT INFORMATION SYSTEM (MIS)

The Company will present its liquidity position and other related parameters as prescribed in the Policy to the ALCO periodically. The ALCO, at its discretion, may refer any item to the Board for noting or guidance. Such information should capture key elements relating to liquidity risk management, status of adherence with the regulatory/ board approved limits, results of stress tests, if any, etc.

12. REPORTING TO BOARD

The minutes of the meeting of ALCO shall be presented to the Board of Directors in the next meeting for their consideration and approval.

13. INTERNAL CONTROLS

The Company shall ensure appropriate internal controls, systems and procedures to adhere with regulatory and internal policy requirements. It will be ensured that an independent internal audit, periodically, reviews and evaluates various components of the Company's liquidity risk management framework.

14. INTRA GROUP TRANSFERS

The Company will ensure compliance with various regulatory/ statutory requirements with respect to intra-group transactions, related party transactions and arm's length principle. The Company's transactions/ exposures with the any counterparty in its group will be aligned with its risk management framework and philosophy.

15. REGULATORY/ SUPVISORY REPORTING

The Company, based on its factual position, will submit reports/ returns to the RBI as per the format(s) prescribed by such authority from time to time.

16. PUBLIC DISCLOSURE

To enable market participants to make an informed judgment about the soundness of its liquidity risk management framework and liquidity position, the Company will disclose required information, as per the format enclosed as ***Annexure III*** or as amended by the RBI, on a quarterly basis on its website and in the Annual Financial Statement as Notes to Account.

Further, along with other disclosures required, the Company shall also provide disclosure on 'Maturity pattern of certain items of Assets and Liabilities' as per the format enclosed as ***Annexure IV*** or as amended by the RBI.

17. AMENDMENT / MODIFICATIONS

17.1 Revision

The Chief Finance Officer shall review the policy annually and shall recommend all necessary changes to the Board for consideration and adoption.

This policy is intended to be flexible to deal with rapidly changing conditions; therefore, this policy can be amended by the unanimous vote of the members of the ALCO. Any and all modifications of this policy are to be reported to the Board of Directors at its next regularly scheduled meeting.

17.2 Adoption

This Asset Liability Management Policy (ALM Policy) and any changes made during the annual reviews shall be adopted by resolution of the Board of Director

Annexure I

MATURITY PROFILE – LIQUIDITY

Head of Accounts	***Time Bucket Category***
A) OUTFLOWS	
1) Capital Funds	
a) Equity capital, non-redeemable or perpetual preference share capital, compulsory convertible preference shares, Reserves Funds and Surplus	*In the over 5 years' time bucket category.*
b) Preference Capital- redeemable non-perpetual	*As per the residual maturity of shares.*
2) Gifts, Grants, Donations and Benefactions	*The 'over 5 years' time-bucket. However, if such gifts,grants, etc. are tied to specific end-use, then these may be slotted in the time- bucket as per purpose/ end-use specified.*
3) Notes, Bonds and Debentures	
a) Plain Vanilla Bonds/ Debentures	*As per the residual maturity of the instruments.*
b) Bonds/ Debentures with embedded call/put options (including zero coupon/deep discount bonds)	*As per the residual period for the earliest exercise datefor the embedded option.*
c) Fixed Rate Notes	*As per the residual maturity.*
4) Deposit	
a) Inter-Corporate Deposit	*These, being institutional/wholesale deposits, shall beslotted as per their residual maturity.*
b) Commercial Papers	*As per the residual maturity.*
5) Borrowings	
a) Term money borrowings (Term loan)	*As per the residual maturity.*
b) Bank borrowings in the nature of WCDL, CC etc.	*Over 6 months and up to 1 years.*
6) Current Liabilities and Provision	
a) Sundry Creditors	*As per the due date or likely timing of cash outflows. A behavioral analysis could also be made to assess the trend of outflows and the amounts slotted accordingly.*
b) Expenses payable (other than interest)	*As per the likely time of cash outflow.*
c) Advance income received, receipts fromborrowers pending adjustment	*In the 'over 5 years' time-bucket as these do not involve any cash outflow.*
d) Interest payable on bonds/deposits	*In respective time buckets as per the due date of payment.*

e) Provisions for NPAs	*The amount of provision may be netted out from the gross amount of the NPA portfolio and the net amount of NPAs be shown as an item under inflows instipulated time-buckets.*
f) Provision for Investments portfolio	*The amount may be netted from the gross value of investments portfolio and the net investments be*
g) Other provisions	*shown as inflow in the prescribed time-slots. In case provisions are not held security-wise, the provision may be shown on "over 5 years" time bucket.* *To be bucketed as per the purpose/nature of the underlying transaction.*

B) INFLOWS	
1) Cash	*In 1 to 7 day time-bucket.*
2) Remittance in transit	*In 1 to 7 day time-bucket.*
3) Balances with banks (in India only)	
a) Current account	*The stipulated minimum balance be shown in 6 months to 1 year bucket. The balance in excess of the minimum balance be shown under Day 1-7 bucket.*
b) Deposit accounts/short term deposits	*As per residual maturity.*
4) Investments (net of provisions)	
a) Non- Mandatory Listed	*"1 day to 30/31 days (One month)" Over one month and upto 2 months" and "Over two months and upto 3 months" buckets depending upon the defeasance period proposed by the NBFCs*
b) Non- Mandatory unlisted securities (e.g. shares, etc.)	*"Over 5 years"*
c) Non-mandatory unlisted securities having afixed term maturity	*As per residual maturity*
d) Venture capital units	*In the 'over 5 year' time bucket.*
5) In case Trading book is followed	
a) Equity shares, convertible preference shares, non-redeemable/ perpetual preference shares, shares of subsidiaries/ joint ventures and units in open ended mutual funds and other investments.	*(i) Shares classified as "current" investments representing trading book of the NBFC may be shown in time buckets of "1 day 7 days, 8 days to 14 days , 15 days to 30 days (One month)""Over one month and upto 2 months" and "Over two months and upto 3 months" buckets depending upon the defeasance period proposed by the NBFCs .* *(ii) Shares classified as "long term" investments may be kept in over "5 years' time" bucket. However, the shares of the assisted units/companies acquired as part of the initial financing package, may be slotted in the relative time bucket keepingin view the pace of project implementation/time- overrun, etc., and the resultant likely timeframe for divesting such shares*
6) Advances (performing)	
a) Bill of Exchange and promissory notesdiscounted and rediscounted	*As per the residual usance of the underlying bills.*

b) Term loans (rupee loans only) *c) Corporate loans/short term loans*	*The cash inflows on account of the interest and principal of the loan may be slotted in respective timebuckets as per the timing of the cash flows as stipulated in the original/revised repayment schedule.* *As per the residual maturity.*
***7) Non-Performing Loans** (Net of provisions, interest suspense held)* *a) Sub-standard Assets* *(i) All overdues and instalments of principalfalling due during the next three years* *(ii) Entire principal amount due beyond thenext three years*	 *In the 3 to 5 year time-bucket.* *In the over 5 years time-bucket*
b) Doubtful and Loss Assets *(i) All instalments of principal falling due during the next five years as also all overdues* *(ii) Entire principal amount due beyond thenext five years*	 *In the over 5 year time-bucket.* *In the over 5 year time-bucket.*
8) Assets on lease	*Cash flows from the lease transaction may be slotted in respective time buckets as per the timing of the cash flow.*
9) Fixed assets (excluding leased assets)	*In the 'over 5 year' time-bucket.*
10) Other assets *a) Intangible assets and items not representingcash inflows.* *b) Other items (such as accrued income, other receivables, staff loans, etc.)*	 *In the 'over 5 year' time-bucket.* *In respective maturity buckets as per the timing of the cashflows.*
C) CONTINGENT LIABILITIES	
1) Letters of credit/guarantees (outflow throughdevolvement)	*Based on the past trend analysis of the devolvements vis-à-vis the outstanding amount of guarantees (net of margins held), the likely devolvements shall be estimated and this amount could be distributed in various time buckets on judgmental basis. The assetscreated out of devolvements may be shown under respective maturity buckets on the basis of probable recovery dates.*
2) Loan commitments pending disbursal(outflow)	*In the respective time buckets as per the sanctioneddisbursement schedule.*

3) Lines of credit committed to/by other Institutions (outflow/inflow)	*As per usance of the bills to be received under the linesof credit.*

Note:

Any event-specific cash flows (e.g. outflow due to wage settlement arrears, capital expenses, income tax refunds, etc.) shall be shown in a time bucket corresponding to timing of such cash flows.

a) All overdue liabilities be shown in the 1 to 7 days and 8-14 days days time buckets based on behavioural estimates

b) Overdue receivables on account of interest and instalments of standard loans / hire purchase assets/leased rentals shall be slotted as below:

Overdue for less than one month.	*In the 3-to-6-month bucket.*
Interest overdue for more than one month but less than seven months (i.e. before the relativeamount becomes past due for six months)	*In the 6-to-12-month bucket without reckoning thegrace period of one month.*
Principal instalments overdue for 7 months butless than one year	*In 1 to 3 year bucket.*

Annexure II

INTEREST RATE SENSITIVITY

Heads of accounts	*Rate sensitivity of time bucket*
A) LIABILITIES	
1) Capital, Reserves & Surplus	*Non-Sensitive*
2) Gifts, grants & benefactions	*Non-Sensitive*
3) Notes, bonds & debentures	
a) Floating rate sensitive	*Sensitive. Reprice the rollover pricing/ repricing date should be slotted in respective time buckets as per the repricing dates.*
b) Fixed rate (plain vanilla) including zerocoupons	*Sensitive; reprice on maturity. To be placed in respective time buckets as per the residual maturity of such instruments.*
c) Instruments with embedded options	*Sensitive; could reprice on the exercise date of the option particularly in rising interest rate scenario. To be placed in respective time buckets as per the next exercise date.*
4) Inter-corporate Deposits	*Sensitive; reprice on maturity. To be slotted as per the residual maturity in the respective time buckets.*
5) Borrowing	
a) Term-money borrowing	*Sensitive; reprices on maturity. To be placed as per residual maturity in the relative time bucket.*
b) Borrowings from others	
i) Fixed rate	*Sensitive; reprice on maturity. To be placed as per residual maturity in the relative time bucket.*
ii) Floating rate	*Sensitive; reprice on the roll-over/ repricing date. To be placed as per residual period to the repricing datein the relative time bucket.*
6) Current Liabilities & provision	
a) Sundry creditors	*Non-Sensitive*
b) Expenses payable	*Non-Sensitive*
c) Swap adjustment a/c	*Non-Sensitive*
d) Advance income received/ receipts fromborrowers pending adjustment	*Non-Sensitive*
e) Interest payable on bonds/deposits	*Non-Sensitive*
f) Provisions	*Non-Sensitive*
7) Repos/ Bills rediscounted/ Forex Swaps(Sell/Buy)	*Sensitive; reprices on maturity. To be placed as perthe residual maturity in respective buckets.*

B) ASSETS	
1) Cash	*Non-Sensitive*
2) Remittance in transit	*Non-Sensitive*

3) Balance with Banks in India	
a) In current account	*Non-Sensitive*
b) In deposit accounts money at call and shortnotice and other placements	*Sensitive (Except for fixed coupon instruments) reprices on maturity. To be placed as per residual maturity in respective time buckets.*
4) Investments	
a) Fixed income securities (e.g. govt. securities, zero coupon bonds, bonds, debentures, cumulative, non-cumulative, redeemable preference shares, etc.)	*Sensitive on maturity (Except for fixed coupon instruments). To be slotted as per residual maturity. However, the bonds/debentures valued by applying NPA norms due to non-servicing of interest, should beshown, net of provisions made, in:* *(i) 3-5 year bucket - If Sub-std. Norms applied.* *(ii) Over 5 year bucket- If Doubtful Norms applied.*
b) Floating rate securities	*Sensitive; reprice on the next repricing date. To beslotted as per residual time to the repricing date.*
c) Equity shares, convertible preference shares,shares of subsidiaries/joint ventures, venture capital units.	*Non-Sensitive.*
5) Advance (Performing)	
a) Bills of exchange, promissory notes discounted& rediscounted	*Sensitive on maturity. To be slotted as per the residualusance of the underlying bills.*
b) Term Loans/ Corporate Loans/ Short Term Loans (rupee loans only)	
i) Fixed Rate	*Sensitive on cash flow/ maturity.*
ii) Floating Rate	*Sensitive only when benchmark reference rate or risk premium would be changed by the Company. The amount of term loans should be slotted in time buckets which correspond to the time taken by the Company to effect changes in its benchmark rate in response to market interest rates.*
***6) Non-Performing Loans** (net of provisions, interest suspense and claims received from ECGC)*	
a) Sub-standard Assets	
i) All overdues and instalments of principal falling due during the next three years	*In the 3-to-5-year time-bucket.*
ii) Entire principal amount due beyond the next three years	*In the over 5-year time-bucket*
b) Doubtful and Loss Assets	

i) All instalments of principal falling due during the next five years as also all overdues	*In the over 5-year time-bucket.*
ii) Entire principal amount due beyond the next five years	*In the over 5-year time-bucket.*
7. Assets on lease	*The cash flows on lease assets are sensitive to changes in interest rates. The leased asset cash flows be slotted in the time-buckets as per timing of the cash flows.*
8. Fixed assets (excluding assets on lease)	*Non-Sensitive*
9. Other assets	
a) *Intangible assets and items not representingcash flows.*	*Non-sensitive*
b) *Other items (e.g. accrued income, other receivables, staff loans, etc.)*	*Non-sensitive*
10. Reverse Repo/Swaps (Buy/Sell) and Re-discounted	*Sensitive on maturity. To be slotted as per residual maturity.*
11. Other (interest rate) products	
a) *Interest rate swaps*	*Sensitive; to be slotted as per residual maturity irrespective time buckets.*
b) *Other derivatives*	*To be classified suitably as and when introduced.*

Annexure III

Public disclosure on Liquidity Risk by Keertana Finserv

I.	**Funding Concentration based on significant counterparty (borrowings)**		
S. N.	Number of Significant Counterparties*	Amount (₹ crore)	% of Total Liabilities*

Significant Counterparties* is defined as a single counterparty or group of connected or affiliated counterparties accounting in aggregate for more than 1% of Keertana's total liabilities.

II.	Funding Concentration based on significant instrument/product		
S. N.	Name of the instrument/product	Amount (₹ crore)	% of Total Liabilities
1	Term Loans		
2	Non-Convertible Debenture (NCD)		
3	Securitization		

III.	Top 10 borrowings (amount in ₹ crore and % of total borrowings)	
S. N.	Loan/NCD (₹ crore)	% of total borrowings
1		
2		
3		
4		
5		
6		
7		

IV. Top 20 large deposits (amount in Rs. crore and % of total deposits)- Not applicable as Keertana is a non- deposit taking NBFC.

V. Stock Ratios:

(a) Commercial papers as a % of total public funds, total liabilities, and total assets

(b) Non-convertible debentures (original maturity of less than one year) as a % of total public funds, total liabilities, and total assets

(c) Other short-term liabilities, if any as a % of total public funds, total liabilities, and total assets We do not have any borrowings in commercial papers, NCD of less than 1year maturity & Deposits

VI. Note on Institutional set-up for liquidity risk management at Keertana

Annexure IV

Assets Liability Management (Maturity pattern of certain items of Assets and Liabilities)

[₹ in crore]

Particulars	**1 day to 7 days**	**8 to 14 days**	**15 days to 30/31 days**	**Over 1-month up to 2 months**	**Over 2 months up to 3 months**	**Over 3 months to 6 months**	**Over 6 months to 1 year**	**Over 1 year to 3 years**	**Over 3 to 5 years**	**Over 5 years**	**Total**
LIABILITIES											
Deposits											
Borrowingsfrom banks											
Market Borrowings											
Foreign Currency Liabilities											
ASSETS											
Advances											
Investments											
Foreign Current Assets											