

INTEC CAPITAL LIMITED – ALM POLICY

Policy Information	
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Prepared By	Mr. Pradeep Kumar Bharti – Treasury
Recommended By	Ms. Radhika Rautela – Chief Financial Officer
Approved by	Mr. Sanjeev Goel, Managing Director
Approved by Board of Directors, if any	Approved by Board of Director on 10 th June 2021
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In order to strengthen and raise the standard of the Asset Liability Management (ALM) framework applicable to NBFCs, RBI has decided to revise the extant guidelines on liquidity risk management for NBFCs. All non-deposit taking NBFCs with asset size of ₹ 100 crore and above, systemically important Core Investment Companies and all deposit taking NBFCs irrespective of their asset size, shall adhere to the set of liquidity risk management guidelines given in the circular RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20. However, these guidelines will not apply to Type 1 NBFC-NDs1, Non-Operating Financial Holding Companies and Standalone Primary Dealers. It will be the responsibility of the Board to ensure that the guidelines are adhered to.

1. The ALM process rests on three pillars:

ALM Information Systems

Management Information Systems
Information availability, accuracy, adequacy and expediency

ALM Organization

Structure and responsibilities
Level of top management involvement

ALM Process

Risk parameters
Risk identification
Risk measurement
Risk management
Risk policies and tolerance levels

2. **ALM Information Systems**

2.1 ALM has to be supported by a management philosophy which clearly specifies the risk policies and tolerance limits. This framework needs to be built on sound methodology with necessary information system as back up. Thus, information is the key to the ALM process. There are various methods prevalent world-wide for measuring risks.

2.2 These range from the simple Gap Statement to extremely sophisticate and data intensive Risk Adjusted Profitability Measurement methods. However, though the central element for the entire ALM exercise is the availability of adequate and

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accurate information with expedience; and the systems existing. Adequate measures are to be taken to collect accurate data in a timely manner through full scale computerization.

3. ALM Organization

3.1 a) Successful implementation of the risk management process would require strong commitment on the part of the senior management in the company, to integrate basic operations and strategic decision making with risk management. The Board of Directors lead by Chairman and Managing Director will have overall responsibility for management of risks and should decide the risk management policy of the NBFC and set limits for liquidity, interest rate and equity price risks.

b) The Asset - Liability Committee (ALCO) consists following members

1. Mr. Sanjeev Goel - Managing Director
2. Ms. Radhika Rautela – Chief Financial Officer
3. Mr. Pradeep Kumar Bharti – Deputy Manager - Treasury

3.2 The ALCO is a decision making unit responsible for balance sheet planning from risk return perspective including the strategic management of interest rate and liquidity risks. The business and risk management strategy of the company will ensure that the company operates within the limits / parameters set by the Board.. In addition to monitoring the risk levels of the company, the ALCO should review the results of and progress in implementation of the decisions made in the previous meetings. .

The frequency of holding their ALCO meetings will be six monthly. However, if the need be for a meeting at a short notice, the ALCO meet at a shorter notice

3.3 Board of Directors Meetings and Review

The Board of Directors, in their board meetings, will oversee the implementation of the system and review its functioning periodically.

3.4 ALM Process:

The scope of ALM function can be described as follows:

Liquidity risk management

Management of market risks

Funding and capital planning

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Profit planning and growth projection

Forecasting and analyzing “What if scenario” and preparation of contingency plans

The guidelines given in this note mainly address Liquidity and Interest Rate risks.

4. Liquidity Risk Management

4.1 In order to ensure a sound and robust liquidity risk management system, the Board of the company shall frame a liquidity risk management framework which ensures that it maintains sufficient liquidity.

4.2 Company shall actively manage its collateral positions, differentiating between encumbered and unencumbered assets. It should monitor the legal entity and physical location where collateral is held and how it may be mobilised in a timely manner. Company shall have a reliable MIS designed to provide timely and forward-looking information on the liquidity position of the company to the Board and ALCO, both under normal and stress situations. 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 is adopted as a standard tool. The Maturity Profile should be used for measuring the future cash flows of company in different time buckets. The time buckets shall be distributed as under:

- (i) 1 day to 7 days
- (ii) 8 day to 14 days
- (iii) 15 days to 30/31 days (One month)
- (iv) Over one month and upto 2 months
- (v) Over two months and upto 3 months
- (vi) Over 3 months and upto 6 months
- (vii) Over 6 months and upto 1 year
- (viii) Over 1 year and upto 3 years
- (ix) Over 3 years and upto 5 years
- (x) Over 5 years

4.3 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 main focus should be on the short-term mismatches viz., 1-30/31 days. The net cumulative negative mismatches in the Statement of Structural Liquidity in the maturity buckets 1-7 days,

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8-14 days, and 15-30 days shall not exceed 10%, 10% and 20% of the cumulative cash outflows in the respective time buckets. Company, however, is expected to monitor its cumulative mismatches (running total) across all time buckets upto 1 year by establishing internal prudential limits with the approval of the Board. Company shall also adopt the above cumulative mismatch limits for their structural liquidity statement for consolidated operations.

4.4 The Statement of Structural Liquidity may 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. 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 their short-term liquidity profiles on the basis of business projections and other commitments for planning purposes.

5. Currency Risk

The company does not have any currency risk as of now as there are no transactions entered by the company which will involve currency risk. However, in future, if such transactions are entered into, the company will take appropriate steps to modify this policy and incorporate measures to check currency risk.

6. Interest Rate Risk (IRR)

Company shall manage interest rate risk as per the extant regulatory prescriptions.