

## **Asset Liability Management (ALM) Policy**

As the company is mainly engaged in the investment activities in group companies, 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, 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 following 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.

1. Sri Varagani Brahmaiah, Chairman

2. Sri Sri Harsha Varma Alluri, Member

3. Smt. Shyama Alluri, Member

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 in the market and investments in NCC Group Companies 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 from external sources, 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.