

## **Risk Management Policy**

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

I. Public Deposits

II. Bonds/Other Liabilities

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

### **RISK MANAGEMENT COMMITTEE & CONSTITUTION**

a. The company has laid down broad guidelines in respect of liquidity risk management systems in the company, which form part of the Risk Management function. The initial focus of the Risk Management 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 Risk Management Committee) will be responsible for managing and directing the Risk Management policies and procedures.

c. The Risk Management Committee 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. Subhadra Jyothirmayi Alluri, Member

### **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. Risk Management Committee 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 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.

c. 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.

### **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**

Interest rate risk is the risk where changes in market interest rates might adversely affect an NBFC's financial condition. As such A V S R is into funding of loans which are always fixed rate loans. The company manages this risk by pricing its loan to group companies at a rate which covers interest rate risk. Measurement of such risk is done at the time of deciding rates to be offered to group companies. Once interest rate risk is measured, lending rates are finalized. The company has adopted a prudent risk mitigation strategy to minimize interest risk.