MAX VENTURES INVESTMENT HOLDINGS PRIVATE LIMITED
CIN: U64990DL1988PTC030778
RBI Regn No:N14.03635

ASSET – LIABILITY MANAGEMENT (ALM) POLICY

Approved at the Board Meeting held on 3rd April, 2024

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BACKGROUND:

Max Ventures Investment Holdings Private Limited (MVIHPL) was incorporated in the year, 1988 and has obtained the Certificate of Incorporation as Core Investment Systemically Important Non Deposit Taking Company (CIC-ND-SI) under section 45 IA of the Reserve Bank of India Act 1934 vide certificate dated 19th November, 2024. MVIHPL is primarily engaged in the business activity of holding investments and other financial assets and matters incidental and ancillary thereto. As the Company is CIC-ND-SI, it is mainly investing in its group companies' shares and loans and advances to the group Companies.

As per the Guidelines of Liquidity Risk Management Framework for Non- Banking Financial Companies and Core Investment Companies issued by RBI vide notification RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated 4th November 2019, it will be the responsibility of the Board that the Guidelines on Liquidity Risk Management framework are adhered to.

ALM ORGANIZATION:

1. 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.

2. 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.

3. 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.

   - Mr. Sahil Vachani
   - Mr. Arvind Aggarwal
   - Mr. Biswajit Das

   The ALM Support Groups consisting of operating staff should be responsible for analysing, monitoring and reporting the risk profiles to the ALCO. The staff should also prepare forecasts (simulations) showing the effects of various possible changes in market conditions related to the balance sheet and recommend the action needed to adhere to the Company's internal limits.

4. The business issues that an ALCO would consider, interalia, will include desired maturity profile, mix of the incremental assets and liabilities,

prevailing interest rates offered by other peer NBFCs for the similar services/product, 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.

5. **ALCO shall provide guidance in following areas:**

- Monitor and discuss the status and results of asset/liability management strategies and tactics implemented.

- Review measurement reports on various risks (e.g., liquidity, market, interest rate changes etc.)

- Review parameters for the pricing and maturity distributions of loans and investments.

- Review of Asset Liability Management Model, if required.

- Monitoring market risk management systems, compliance with the asset liability management policy and prudent gaps and tolerance limits and reporting systems set out by the Board of Directors and ensuring adherence to the RBI Guidelines issued in this behalf from time to time.

- Review the source and mix of liabilities and need for sale of assets and other resource augmentation.

6. **Quorum:**

The Chairman and one member will constitute the quorum. In case Chairman is not available, Members' present will form the Quorum.

7. **Board of Directors Meeting 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.

8. The scope of ALM function can be described as follows:

- Liquidity risk management
- Management of market risks
- Funding and capital planning
- 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

9. **Liquidity Risk Management**

a. ALCO would measure not only the liquidity position of the Company on an ongoing basis but also examine how liquidity requirements 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: 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 shall 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 30/31 days (One month)
   ii) Over one month and up to 2 months
   iii) Over two months and up to 3 months
   iv) Over 3 months and up to 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

The Maturity Profile would be used for measuring the future cash flows of company in different time buckets mentioned as above.

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 maturity 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. Within each time bucket, there could be mismatches depending on cash inflows and outflows. While the mismatches upto one year would be relevant since these provide early warning signals of impending liquidity problems, the main focus shall 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, 8-14 days and 15-30 days would not exceed 10% of the cumulative cash outflows in the respective time buckets. The net cumulative negative mismatches in the statement of Structural Liquidity in the maturity buckets of over 1 to 2 months, over 2 to 3 months, over 3 to 6 months, over 6 months to 1 year, over 1 year to 3 years and over 5 years would not exceed 20% of the cumulative outflows in the respective time buckets. The Company will monitor their cumulative mismatches (running total) across all other time buckets upto 1 year by establishing internal prudential limits with the approval of the Board and will also adopt the above cumulative mismatch limits for their structural liquidity statement for consolidated operations.

In order to enable the Company to monitor their short term liquidity on a dynamic basis over a 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 issued by RBI for estimating Short Term Dynamic Liquidity will be used for the said purpose.

10. **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.

11. **Interest Rate Risk (IRR)**

The operational flexibility given to NBFCs in pricing most of the assets and liabilities imply the need for the financial system to hedge the Interest Rate Risk. Interest rate risk is the risk where changes in market interest rates might adversely affect an NBFC's financial condition. The changes in interest rates affect company in some way. The immediate impact of changes in interest rates is on company's earnings (i.e. reported profits) by changing its Net Interest Income (NII). Since the company is majorly into funding of loans to its group companies, which are always fixed rate loans and the loans borrowed from banks are mostly at floating rates hence the company manages this risk on NII by pricing its loan products to its borrowers at a rate which covers the interest rate risk. The risk from the earnings perspective can be measured as changes in the NII or Net Interest Margin (NIM). Measurement of such risk is done at the time of deciding rates to be offered to customers. Once interest rate risk is measured by the ALCO, lending rates of the new loans are finalized accordingly.

12. **Reporting To the Board**

Proceedings of the Assets Liability Management Committee needs to be placed before the Board.

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