VAMA SUNDARI INVESTMENTS (DELHI) PRIVATE LIMITED
(An HCL Group Company)

Corporate Office: A9, Sector 3, Noida - 201301, U.P, India
Registered Office: CP-3, Sector-8, IMT Manesar,
Gurgaon, Haryana-122051
Tel: +91 120 3667180
CIN: U65923HR2008PTC046947

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Vama Sundari Investments (Delhi) Private Limited

Liquidity Risk Management Framework

(Approved and adopted at the Board Meeting held on 17 th April, 2023 and reviewed on 12th April, 2024)

A. Background :

In order to strengthen and raise the standard of the Asset Liability Management (ALM) framework applicable to NBFCs, Reserve Bank of India has revised 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 stipulated by RBI.

The Company is a Non-Deposit taking Systemically Important Core Investment Company (CIC-ND-SI). The primary objective of the Company is to hold investments in its Subsidiaries/group Companies/entities and to support them financially for their day-to-day operation and proj ects being pursued by them.

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 is responsibility of the Board that the Guidelines are adhered to.

These guidelines deal with following aspects of Liquidity Risk Management framework:

a) Liquidity Risk Management Policy, Strategies and Practices
b) Management Information System (MIS)
c) Internal Controls
d) Maturity profiling
e) Liquidity Risk Monitoring Tools
f) Liquidity Risk Measurement — Stock Approach
g) Currency Risk
h) Managing Interest Rate Risk

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a. Liquidity Risk Management Policy, Strategies and Practices

This policy shall focus on ensuring maintenance of sufficient liquidity including a cushion of unencumbered, high quality liquid assets to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources.

Key elements of the liquidity risk management framework are as under:

i) Governance of Liquidity Risk Management

Successful implementation of any risk management process shall emanate from the top management with the demonstration of its strong commitment to integrate basic operations and strategic decision making with risk management. The Chief Risk Officer, shall be involved in the process of identification, measurement and mitigation of liquidity risks. The Company shall have the following set up for liquidity risk management:

a) Board of Directors

The Board shall have the overall responsibility for management of liquidity risk. The Board shall decide the strategy, policies and procedures to manage liquidity risk in accordance with the liquidity risk tolerance/limits decided by the Board.

b) Risk Management Committee

The Risk Management Committee of the Board shall be responsible for evaluating the overall risks faced by the Company including liquidity risk.

c) Asset-Liability Management Committee (ALCO)

The liquidity risk management of the Company has been delegated to Asset & Liability Management Committee (ALCO). ALCO has been re-constituted on 28th September, 2023 with the following Members:

1. Mr. Shikhar Neelkamal Malhotra, Executive Director, who shall be the Chairman
2. Mr. Shiv Nadar, Member
3. Ms. Roshni Nadar Malhotra, Member
4. Ms.Rita Gupta, Member
5. Mr.Pawan Kumar Danwar, Member

However, Ms. Rita Gupta, Chief Risk Officer and Mr. Pawan K Danwar, Company Secretary shall be the permanent Invitees on ALCO.

The ALCO shall be responsible for ensuring adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy. ALCO with respect to liquidity risk should include, inter alia, decide on desired maturity profile and mix of incremental assets and liabilities, sale of assets as a

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source of funding, the structure, responsibilities and controls for managing liquidity risk, and overseeing the liquidity positions.

i) Liquidity risk Tolerance

The Company shall have a sound process for identifying, measuring, monitoring and controlling liquidity risk to clearly articulate a liquidity risk tolerance that is appropriate for its business strategy and its role in the financial system. ALCO shall develop and monitor the strategy to manage liquidity risk in accordance with such risk tolerance and ensure that the Company maintains sufficient liquidity.

ii) Off-balance Sheet Exposures and Contingent Liabilities

The process of identifying, measuring, monitoring and controlling liquidity risk shall include a robust framework for comprehensively projecting cash flows arising from assets, liabilities and off-balance sheet items over an appropriate set of time horizons. The management of liquidity risks relating to certain offbalance sheet exposures on account of special purpose vehicles, financial derivatives, and, guarantees and commitments may be given particular importance due to the difficulties that many NBFCs have in assessing the related liquidity risks that could materialise in times of stress.

iii) Collateral Position Management

The 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. Further the Company should maintain sufficient collateral to meet expected and unexpected borrowing needs and potential increases in margin requirements over different timeframes.

iv) Intra Group transfers

The liquidity risk management processes and funding programmes shall take into account investment and other activities within the Group. Maintenance of adequate liquidity within the Group shall be ensured. Processes and programmes shall fully incorporate real and potential constraints, including legal and regulatory restrictions, on the transfer of funds among these entities and between these entities and the principal.

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b. Management Information System (MIS)

The Company shall have a reliable MIS designed to provide timely and forwardlooking information on the liquidity position of the Company to ALCO, both under normal and stress situations covering all sources of liquidity risk, including contingent risks and those arising from new activities, and have the ability to furnish more granular and time-sensitive information during stress events.

c. Internal Controls

The Company shall have appropriate internal controls, systems and procedures to ensure adherence to liquidity risk management policies and procedure.

d. Maturity Profiling

i) For measuring and managing net åmding 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:

a) 1 day to 7 days
b) 8 day to 14 days
c) 15 days to 30/31 days (One month)
d) Over one month and upto 2 months
e) Over two months and upto 3 months
f) Over 3 months and upto 6 months
g) Over 6 months and upto 1 year
h) Over 1 year and upto 3 years
i) Over 3 years and upto 5 years
j) Over 5 years

ii) The Company being a Non-Deposit taking Core Investment Company, all investments in securities shall fall in the category of 'non-mandatory securities'.

iii) 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 shall be on the short-term mismatches, viz., 130/31 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 shall not exceed 10%, 10% and 20% of the cumulative cash outflows in the respective time buckets.

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Company's, is expected to monitor the cumulative mismatches (running total) across all other time buckets upto I year by establishing internal prudential limits with the approval of the Board. Company's shall also adopt the above cumulative mismatch limits for their structural liquidity statement for consolidated operations.

iv) 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 shall be a cash outflow while a maturing asset shall be a cash inflow.

v)) In order to monitor the short-term liquidity on a dynamic basis over a time horizon spanning from I day to 6 months, the Company shall estimate its shorttenn liquidity profiles on the basis of business projections and other commitments for planning purposes.

. Liquidity Risk Monitoring Tools

The Statement of Structural Liquidity is currently one of the prescribed monitoring tools to asset liquidity risk.

In addition to this, the following tool shall be adopted by the Company for internal monitoring of liquidity requirements:

Available Unencumbered Assets

This metric shall provide significant information on available unencumbered assets, which have the potential to be used as collateral to raise additional secured funding in secondary markets, capturing the details of the amount, type and location of available unencumbered assets that could serve as collateral for secured borrowing in secondary markets.