

MANAPPURAM FINANCE LTD (MAFIL)

ASSET- LIABILITY MANAGEMENT POLICY

Version Control			
Version Number			
Version Number			

Effective Date : March .2026

Next Review Date : March, 2027

Policy Owner : Head – Treasury

Prepared by : ALM Support Group

Reviewed by : Board

Approved by : Board

Contents

- 1 Introduction 3
- 2 Objective and Scope 3
- 3 Governance of Liquidity Management 4
 - 3.1 Asset Liability Management Committee 4
 - 3.1.1 Responsibilities of ALCO 4
 - 3.1.2 Quorum of ALCO 4
 - 3.1.3 Periodicity of Meeting & Discussion Points 4
 - 3.2 Stress Testing 5
 - 3.3 Asset Liability Management Support Group 5
- 4 Liquidity Management 6
 - 4.1 Maturity Profiling 6
 - 4.1.1 Time Buckets 6
 - 4.1.2 Maturity Profiling for Cash Flows Under Investments 6
 - 4.1.3 Maturity Profiling for Trading Book 6
 - 4.2 Focus to Cashflow Mismatches 7
 - 4.3 Statement of Structural Liquidity 7
 - 4.4 Liquidity Monitoring Tools 7
 - 4.4.1 Concentration of Funding 7
 - 4.4.2 Available Unencumbered Assets 8
 - 4.4.3 Market Related Monitoring 8
- 5 Benchmark Rates and Interest Rate Sensitivity 8
 - 5.1 MAFIL Benchmark Lending Rate (MBLR) 8
 - 5.2 Risk Based Gradation of Interest Rates 8
 - 5.3 Interest Sensitivity 8
- 6 Liquidity Risk Measurement – Stock Approach 9
- 7 Maintenance of Liquidity Coverage Ratio 9
 - 7.1 Management of HQLAs 9

1. Introduction

Manappuram Finance Limited (MAFIL), a company registered as Systemically Important Non-Deposit taking NBFC (NBFC-ND-SI) with Reserve Bank of India, is predominantly engaged in the business of lending against house hold jewelry. MAFIL's funding consists of both short term and long term sources with different maturity patterns and varying rates of interest. Its Assets also are of varying duration and interest. Hence, maturity mismatches can occur which has an impact on the liquidity and profitability of the Company. It is therefore necessary that MAFIL constantly monitors and manages its Asset and Liability in such a manner that Asset Liability mismatches remain within reasonable limits. This is also a statutory obligation as RBI as the Regulating Agency for NBFCs has stipulated that NBFCs should have an effective Asset-Liability Management (ALM) system as part of their overall system for effective Risk Management.

2. Objective and Scope

This objective of this Policy is to create an institutional mechanism to compute and monitor periodically the maturity pattern of the various Liabilities and Assets of MAFIL to:-

- (a) ascertain in percentage terms the nature and extent of mismatch in different maturity buckets, especially the 1-7 days, 8-14 days, and 15-30 days bucket, which would indicate the structural liquidity,
- (b) the extent and nature of cumulative mismatch in different buckets indicative of short term structural liquidity,
- (c) the residual maturity pattern of repricing of Assets and Liabilities which would show the likely impact of movement of interest rate in either direction on profitability. This policy will guide the ALM system in MAFIL, and
- (d) maintaining High Quality Liquidity Assets to withstand a range of stress events, including those involving the loss or impairment of both Unsecured and Secured funding sources.

An efficient ALM needs (a) a good Information System (b) Internal Controls (c) a Policy for the Company setting limits for Liquidity, Interest Rate (d) liquidity planning under alternate scenarios/formal Contingent Funding Plan (e) a Committee of Senior functionaries for ensuring adherence to the limits approved by the Board of Directors and (f) a well-defined process.

MAFIL Head Office and Branches are networked under a Core System and accurate, adequate and real- time information is available on a centralized basis.

This Policy is to be read along with Liquidity Risk Management Policy.

3. Governance of Liquidity Management

3.1 Asset Liability Management Committee (ALCO): The ALCO consisting of MAFIL's Top Management shall be responsible for implementing its Liquidity Risk Management strategy. The MD / CEO shall head the Committee. The Committee shall consist of the following Officials.

Managing Director - Chairman

CFO – Member Secretary

CEO - Member

Group CFO – Member

CRO - Member

Head Credit - Member

Executive Director, Business Head, Group Treasury Head, Head Treasurer and

CTO – As Permanent Invitee

Based on the directions of the Board from time to time, one of the Independent Directors having expertise in Treasury may also attend the meeting as Invitee.

3.1.1 Responsibilities of ALCO: ALCO would also be responsible for ensuring adherence of Liquidity Risk limits set by the Board as well as deciding business strategies of MAFIL in line with the overall Budget and Risk Management Policy and shall review/decide the following:

- Review of Liquidity Mismatches.
- Review of Interest-Rate Sensitivity position.
- Review of Resource Raising and Deployment vis-a-vis Cost of Borrowings / Yields on Advances.
- Review the Product mix and Product pricing.
- Strategies for deployment of surplus funds.
- Decision on Entering into Interest Rate Derivatives contracts.
- Decision on hedging Currency Risk.
- Concentration of Funding.
- Availability of unencumbered Assets.
- Review movements in, Capital Gearing Ratio, Price to Book value, Market Price etc,
- Review coupon at which long term and short term Debts are raised vis a vis the Peers.
- Review of LCR requirements and maintenance of HQLAs.
- Review of Contingency Funding
- Review of any other directions from RBI relating to ALCO functions

The role of the ALCO with respect to Liquidity Risk shall also include, inter alia, decision on desired maturity profile and mix of incremental Assets and Liabilities, sale of Assets

as a source of Funding, the structure, responsibilities, and controls for managing Liquidity Risk, and overseeing the liquidity positions of all Branches.

3.1.2 Quorum of ALCO: One third of total members or Two members whichever is higher will constitute the Quorum.

3.1.3 Periodicity of Meeting and Discussion Points: The CFO will arrange for convening the meetings of ALCO once in a Quarter or as and when needed depending upon the necessity. Minutes of the meeting shall contain discussions in detail and shall be placed to the Board for noting.

The following areas of Liquidity Risks (Illustrative) should be deliberated by ALCO

- Compliance to Liquidity Risk tolerance levels
- Liquidity cost, benefits, and risks in internal Pricing
- Off Balance Sheet Exposures and Contingent Liabilities
- Funding and Capital planning
- Collateral position management
- Profit planning and growth projection
- Forecasting and analyzing 'What if scenario' and preparation of Contingency Plans.
- Adequacy of hedging of Forex Exposures.

(Please refer to para 4.5, 4.6, 4.7, 4.8, 4.9, 6 of Liquidity Risk Management Policy for more details).

3.2 Stress Testing: MAFIL shall perform Stress Tests or Scenario Analysis on a regular basis in order to identify and quantify its exposures to possible future liquidity stresses, analysing possible impacts on the Company's Cash Flows, Liquidity position, Profitability and Solvency. The active involvement of Senior Management is vital to the Stress Testing process. Illustrative assumptions for the Liquidity Stress Test are given below:

- A simultaneous drying up of Market liquidity in previously highly liquid Markets.
- Asset Market illiquidity and the erosion in the value of Liquid Assets. (E.g. Gold).
- Run-off of Retail Funding.
- Severe constraints in accessing Secured and Unsecured funding.
- Unavailability of Wholesale funding sources.
- Additional Margin Calls and Collateral requirements.
- Potential drawdowns on committed lines extended to Borrowers, Subsidiaries, and Associates.
- Budget for future Balance Sheet growth.
- Default / delay in realisation of Debt by the Borrowers, while compulsion to honour Repayment commitments to Lenders according to their contractual specifications.
- Changes in the maturity pattern of the Assets.
- Impact of Credit Rating triggers and financial triggers in Financing documents.
- FX convertibility and access to Foreign Exchange Markets.
- Movement in Interest Rates.

The results of these Stress Tests should be discussed thoroughly by ALCO and based on this discussion, should form the basis for taking remedial or mitigating actions to limit the Company's exposures, build up a liquidity cushion and adjust its Liquidity Profile to fit its Risk Tolerance. Results of the Stress Test should be placed to the Risk Management Committee of the Board.

(Please refer to para 5 of the Liquidity Risk Management Policy for more details)

3.3 Asset Liability Management (ALM) Support Group: The ALM Support Group consisting of the Operating Staff shall be responsible for analysing, monitoring, and reporting the Liquidity Risk profile to the ALCO. The Group shall consist of Head of Treasury and senior Operating Staff of Treasury and Accounts nominated by CFO. The Operating Staff shall 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 Company's Internal Limits. The Group shall also review the macroeconomic environment to provide key information to ALCO for taking critical decisions, if required.

4. Liquidity Management

4.1 Maturity Profiling: Measuring and managing Liquidity are vital for effective operation of MAFIL. By ensuring Company's ability to meet its Liabilities as they become due, Liquidity Management can reduce the probability of developing an adverse situation. Liquidity Management involves measuring Liquidity position on ongoing basis and also examine how Liquidity requirements are likely to evolve under different Assumptions. 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 bucket may be adopted as a standard tool, in line with RBI guidelines.

4.1.1 Time Buckets: The Maturity Profile should be used for measuring the future cash flows of the Company in different time buckets. The time buckets shall be distributed as under:

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

4.1.2 Maturity Profiling (Time buckets) for Cash Flows Under Investments: As MAFIL does not hold Public Deposits, all the Investment Securities would fall in the category of 'Non-mandatory Securities'. All Non-mandatory Securities may be kept in buckets of future time frame for the purpose of determining their cash flows based on maturity of such Security and intention of holding such Security till the time of such Maturity.

The Listed Non-mandatory Securities shall be placed in any of the "1 day to 7 days, 8 days to 14 days, 15 days to 30/31 days (One month)", "Over one month and up to 2 months" and "Over two months and up to 3 months" buckets depending upon the defeasance period proposed by NBFCs. (As these Liquid Securities are purchased to meet maturing borrowing obligations defeasance period will not normally exceed one month.)

The Unlisted Non-mandatory Securities (e.g.; Equity Shares, Securities without a fixed

term of maturity etc.) shall be placed in the "Over 5 years" bucket, whereas Unlisted Non-mandatory Securities having a fixed term of maturity may be placed in the relevant time bucket as per residual maturity. Unlisted securities may be valued as per Prudential Norms Directions.

4.1.3 Maturity Profiling for Trading Book: Alternatively, MAFIL shall also follow the concept of Trading Book for the Investments satisfying the following Regulatory guidelines:

- i. The composition and volume are clearly defined;
- ii. Maximum maturity/duration of the Portfolio is restricted.
- iii. The Holding period not to exceed 90 days.
- iv. Cut-loss limit prescribed.
- v. Defeasance periods (product-wise) i.e. time taken to liquidate the position on the basis of liquidity in the Secondary Market are prescribed;

'Trading Books' complying with the above standards shall be placed under "1 day to 30/31 days (One month)", "Over one month and up to 2 months" and "Over two months and up to 3 months" buckets on the basis of the defeasance periods.

Board / Financial Resources Management Committee /ALCO shall approve the volume, composition, holding/defeasance period, cut loss, etc. of the 'Trading Book'. The remaining Investments shall also be classified as Short-term and Long-term Investments as required under Prudential Norms.

4.2 Focus to Cash Flow Mismatches: 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 focus shall be on the short-term mismatches, viz., 1-30/31 days. As per Regulations 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. As a prudent liquidity management measure, MAFIL will strive to restrict the negative cumulative mismatch of maturity buckets up to one year to a maximum of 20% of the cumulative cash outflows.

4.3 Statement of Structural Liquidity: This Statement shall be prepared by placing all Cash Inflows and Outflows in the maturity ladder according to the expected timing of Cashflows. A maturing Liability shall be a Cash Outflow while a maturing Asset shall be a Cash Inflow.

In order to monitor Short-term Liquidity on a dynamic basis over a time horizon spanning from 1 day to 6 months, ALCO Supporting Group shall present Short-term Liquidity profiles on the basis of realistic Business projections and other commitments for planning purposes in the Short-term Dynamic Liquidity statement to RBI and ALCO. While estimating the Liquidity profile in a dynamic way, due importance may be given to the:

- i. Seasonal pattern of Loans; and
- ii. Potential Liquidity needs for meeting new Loan demands, unavailed Credit limits, devolvement of Contingent Liabilities, Investment obligations, Statutory obligations, Cash collateral for the Securitisation transactions, Margin calls from the Derivative Providers etc.

4.4 Liquidity Monitoring Tools: In addition to Statement of Structural Liquidity, the following tools shall be adopted for internal monitoring of Liquidity requirements:

4.4.1 Concentration of Funding: This metric is meant to identify those significant sources of funding, withdrawal of which could trigger Liquidity problems. In order to avoid Concentration Risks, guidelines for mix of Resources provided in the Policy for Resource Planning as given below may be followed:

- Share of Long-term financial resources shall be minimum 25% and maximum to be capped at 75%
- Share of Short term financial resources shall be minimum 10% and maximum to be capped at 40%
- %.
- In compliance of the SEBI guidelines to Large Corporate on raising borrowings through bonds issues, MAFIL shall raise minimum 25% of its incremental Borrowings of above 1 year in the form of NCDs.
- It is required that borrowings be spread out, and relying on a single Lender cannot account for more than 20% of the entire amount borrowed. This cap could be adjusted at the FRC's discretion depending on the resources that are available from other lenders and sources.
- Share of Commercial Paper (CP) and others in the total Borrowings shall not exceed 20%.
- Share of Foreign Currency Borrowing shall not exceed 40% of the total borrowings.

4.4.2 Available Unencumbered Assets: Unencumbered Assets, which have the potential to be used as Collateral to raise additional Secured funding from Financial Institutions and Markets have significant importance in Liquidity Risk Management. MAFIL as a prudent practice shall endeavour to maintain undrawn Lines of Credit and Unencumbered Assets to meet Contingencies. While the ALCO Supporting Group makes presentation to ALCO it shall include details of the available Unencumbered Assets and its potentials for raising Loans against it.

4.4.3 Market Related Monitoring Tools: Market related information can serve as early warning indicators in monitoring potential liquidity difficulties at the NBFCs. ALCO Support Group shall monitor on a monthly basis, the movements in their Book-to-Equity ratio for listed NBFCs and the Coupon at which Long-term and Short-term Debts are raised by them.

5. Benchmark Rates and Interest Rate Sensitivity

5.1 MAFIL Benchmark Lending Rate (MBLR): RBI has given operational flexibility to NBFCs for pricing most of the Assets and Liabilities. Following the practice of Banks in India to fix Benchmark Lending Rate based on the Weighted Average Cost of Funds (WACC) for the preceding quarter, we have adopted MBLR comprising, WACC for the preceding quarter, Operating Costs for the preceding quarter and Margin. %. ALCO shall review MBLR on a Quarterly basis.

5.2 Risk Based Gradation of Interest Rates: The Lending Rate will be different for different categories of Borrowers, considering Profile of the Borrower, Tenure of Borrower relationship, past repayment track record, Borrower segment, Market reputation, inherent Credit and Default Risk in the Products, Subventions and Subsidies available, Ancillary Business opportunities, future potential, Group strength and value to Lender Group, overall Borrower Yield, Loan-to Value (LTV) ratio, nature and value of Primary and Collateral Security etc. The Lending Rate is determined on a case to case basis.

Pricing of each Loan Product shall be derived from MBLR after considering the Credit Risks and Tenor Risks.

5.3 Interest Sensitivity: The major portion of MAFIL's Liabilities consists of Bank Borrowings which reprices without a perceptible time lag with changes in Market Interest Rates. Assets on the other hand trail behind slightly in repricing and are also bound by the ceiling stipulated by the Board. MAFIL's Net Interest Margin and Profitability therefore rises when Market Interest Rate decreases.

The Interest Rate Sensitive Assets and Liabilities will be clubbed into the following buckets for ascertaining the Gap in individual buckets and the cumulative Gap.

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

The Indicated template for Statement of Interest Rate Sensitivity will be used for computing the Gaps in each time bucket. (Please refer to Annexure 1). MAFIL has an positive mismatch in the short term buckets and also a positive cumulative Gap in all the buckets. If at any time a negative Gap were to arise ALCO will ensure that such Gap, cumulative do not exceed 20%.

The time buckets for Interest Rate Risk Gap not to be as above. Please recast it based on the Basel guidance for ICAAP. Also specify as to how to measure such risk in brief which has to be consistent with ICAAP framework.

Interest Rate Risk on the Banking Book (to mean Non-trading Book) can arise due to changes in Market Interest Rates might adversely affect MAFIL's financial position. The immediate impact of changes in interest rates is on NBFC's earnings (i.e. reported profits) by changing its Net Interest Income (NII). A long-term impact of changing Interest Rates is on NBFC's Market Value of Equity (MVE) or Net Worth as the economic value of NBFC's Assets, Liabilities and Off-Balance Sheet positions get affected due to variation in Market Interest Rates.

Interest Rate Risk in the Banking Book (IRRBB) under Pillar 2 shall be measured based

on the Method indicated in the Basel Committee on Banking Supervision (BCBS) Paper "Principles for the Management and Supervision of Interest Rate Risk" (July 2004) for computing the impact of the Interest Rate shock. The Risk from the Earnings perspective can be measured as changes in the Net Interest Income (NII) or Net Interest Margin (NIM). There are many analytical techniques for measurement and management of Interest Rate Risk. To begin with, the Traditional Gap Analysis is considered as a suitable method to measure the Interest Rate Risk in the first place.

The Policy proposes to measure the Risk based on the Master direction on SBR (latest being 19 Oct 23) para 7 and Master direction -Basel III Capital Regulations latest being dated 1 April 2024 para 13.5. The process is requiring preparation of Gap Statement as per the Format and Directions in the Master Direction SBR and calculating the Modified Duration as per the Basel Document of July 2004 annexure 4 para B

6. Liquidity Risk Measurement – Stock Approach

MAFIL has adopted a “Stock” approach to Liquidity Risk measurement and monitor certain critical ratios in this regard by putting in place internally defined limits as approved by the Board in the Investment Policy. The ratios and the internal limits are based on an MAFIL’s Liquidity Risk Management capabilities, experience and profile. Updated Tolerance Limits / Ratios envisaged by MAFIL for Liquidity Risk measurement are given below:

Description	Ratio (Times)	Remarks
CP to Total Assets (AUM)	0.25	Increase in the ratio is negative
CP to Public Funds	0.30	Increase in the ratio is negative
NCD maturing after one year to Total Assets (AUM)	0.10	Decrease in the ratio is negative
Short Term Borrowings (including Loans / NCDs maturing within a year) to Total Assets.	0.30	Increase in the ratio is negative
Long Term Asset to Total Assets (AUM)	0.25	Increase in the ratio is negative
Long Term Borrowings to Long Term Assets (AUM)	1.50	Decrease in the ratio is negative
Total Outside Liabilities to Net Worth.	5	Increase in the ratio is negative
Short Term Liabilities (excluding renewable facilities like Cash Credit / WCDL sanctioned by Banks) to Total Liabilities.	0.35	Increase in the ratio is negative.

ALCO shall measure the threshold ratios periodically to ensure that the ratios are maintained with a maximum variance of 10%.

7. Maintenance of Liquidity Coverage Ratio

The LCR standard aims to ensure that a Company maintains an adequate level of unencumbered HQLAs (Please refer to Para 3 of Part 2 of Liquidity Risk Management Policy for more details) that can be converted into Cash to meet its Liquidity needs for a 30 calendar day time horizon under a significantly severe liquidity stress scenario specified by Supervisors. At a minimum, the stock of Liquid Assets shall enable the Financial Institution to survive until 30 days of the stress scenario, by which time it is assumed that appropriate corrective actions can be taken.

The LCR requirement will apply to all NBFCs, and the company will be required to maintain a minimum LCR of 100% effective from December 1, 2020.

7.1 Management of HQLAs: All Assets in the stock of Liquid Assets shall be managed specifically by the ALCO Supporting Group and shall be subject to the following operational requirements:

- i. must be available at all times to be converted into Cash;
- ii. shall remain Unencumbered;
- iii. shall not be co-mingled/ used as hedges on Trading position; designated as Collateral or Credit enhancement in Structured Transactions or designated to cover Operational costs;
- iv. shall be managed with sole intent for use as a source of Contingent Funds; and,
- v. shall be under the control of ALCO.

As part of HQLA management, the company will invest in G-Secs, T-Bills, or any other instruments deemed eligible under the prevailing RBI guidelines.

Interest Sensitivity (Annexure)	
Heads of Accounts	Rate Sensitivity of Time Bucket
LIABILITIES	
1. Capital, Reserves & Surplus	Non-sensitive
2. Gifts, Grants & Benefactions	Non-sensitive
3. Notes, Bonds & Debentures :	
a) Floating Rate	Sensitive; reprice on the roll- over/repricing date, shall be slotted in respective time buckets as per the repricing dates.
b) Fixed Rate (plain vanilla) including zero coupons	Sensitive; reprice on maturity. To be placed in respective time buckets as per the residual maturity of such instruments.
c) Instruments with embedded options	Sensitive; could reprice on the exercise date of the option particularly in rising interest rate scenario. To be placed in respective time buckets as per the next exercise date.
4. Deposits	
a) Deposits	
i) Fixed Rate	Sensitive; could reprice on maturity or in case of premature withdrawal being permitted, after the lock-in period, if any, stipulated for such withdrawal. To be slotted in respective time buckets as per residual maturity or as per residual lock-in period, as the case may be. The prematurely withdrawable Deposits with no lock- in period or past such lock-in period, shall be slotted in the earliest /shortest time bucket.
ii) Floating Rate	Sensitive; reprice on the contractual roll-over date. To be slotted in the respective time- buckets as per the next repricing date.
b) ICDs	Sensitive; reprice on maturity. To be slotted as per the residual maturity in the respective time buckets.
5. Borrowings:	
a) Term-money Borrowing	Sensitive; reprices on maturity. To be placed as per residual maturity in the relative time bucket.
b) Borrowings from others	
i) Fixed Rate	Sensitive; reprice on maturity. To be placed as per residual maturity in the relative time bucket.
ii) Floating Rate	Sensitive; reprice on the roll-over/ repricing date. To be placed as per residual period to the repricing date in the relative time bucket.

6. Current Liabilities & Provisions	
Sundry Creditors Expenses Payable Swap Adjustment a/c. Advance Income Received / Receipts from Borrowers pending adjustment Interest payable on Bonds / Deposits Provisions)))) Non-sensitive)))
7. Repos/ Bills Rediscounted /Forex Swaps (Sell / Buy)	Sensitive; reprices on maturity. To be placed as per the residual maturity in respective buckets.
ASSETS:	
1. Cash	Non-sensitive.
2. Remittance in transit	Non-sensitive.
3. Balances with Banks in India	
a) In Current A/c.	Non-sensitive.
b) In Deposit Accounts, Money at call and short notice and other placements	Sensitive; reprices on maturity. To be placed as per residual maturity in respective time-buckets.
4. Investments	
a) Fixed Income Securities (e.g. Govt. Securities, Zero Coupon Bonds, Bonds, Debentures, Cumulative / Non-cumulative Redeemable Preference Shares, etc.)	Sensitive on maturity. To be slotted as per residual maturity. However, the Bonds/Debentures valued by applying NPA norms due to non-servicing of Interest, shall be shown, net of Provisions made, in: 3-5 year bucket - if Sub-std. norms applied. Over 5 year bucket - if Doubtful norms applied.
b) Floating Rate Securities	Sensitive; reprice on the next repricing date. To be slotted as per residual time to the repricing date.
c) Equity Shares, Convertible Preference Shares, Shares of Subsidiaries / Joint Ventures, Venture Capital Units.	Non-sensitive.
5. Advances (Performing)	
a) Bills of Exchange, Promissory Notes - Discounted & Rediscounted	Sensitive on maturity. To be slotted as per the residual usance of the underlying bills.
b) Term Loans / Corporate Loans / Short Term Loans (Rupee Loans only)	
i) Fixed Rate	Sensitive on cash flow/ maturity.

ii) Floating Rate	<p>Sensitive only when MBLR or Risk Premium is changed by the NBFCs.</p> <p>The amount of Term Loans shall be slotted in time buckets which correspond to the time taken by NBFCs to effect changes in their MBLR in response to Market Interest Rates.</p>
6. Non-Performing Loans: (net of provisions, interest suspense and claims received from ECGC)	
Sub-standard) Doubtful and loss)	To be slotted as indicated at item B.7 of Appendix I.
7. Assets on Lease	The Cash flows on Lease Assets are sensitive to changes in Interest Rates. The Leased Asset Cash flows be slotted in the time-buckets as per timing of the cash flows.
8. Fixed Assets (excluding assets on lease)	Non-sensitive.
9. Other Assets	
a) Intangible Assets and items not representing Cash flows.	Non-sensitive.
b) Other items (e.g. Accrued Income, Other Receivables, Staff loans, etc.)	Non-sensitive.
10. Reverse Repos/Swaps (Buy /Sell) and Bills rediscounted (DUPN)	Sensitive on maturity. To be slotted as per residual maturity.
11. Other (Interest Rate) Products	
a) Interest Rate Swaps	Sensitive; to be slotted as per residual maturity in respective time buckets.
b) Other Derivatives	To be classified suitably as per the residual maturity in respective time buckets

This changes in alignment with the proposed model from Basel

Maturity Profile – Liquidity (Annexure)

Head of Accounts	Time- Bucket Category
A. Outflows	
1. Capital funds	
a) Equity Capital, Non-redeemable or Perpetual Preference Capital, Reserves, Funds and Surplus	In the 'over 5 years' time-bucket.
b) Preference Capital - Redeemable / Non-perpetual	As per the residual maturity of the Shares.
2. Gifts, Grants, Donations and Benefactions	The 'over 5 years' time-bucket. However, if such Gifts, Grants, etc. are tied to specific end-use, then these may be slotted in the time-bucket as per purpose/end-use specified.
3. Notes, Bonds and Debentures	
a) Plain vanilla Bonds/Debentures	As per the residual maturity of the instruments
b) Bonds/Debentures with embedded call/put options (including Zero-Coupon/Deep Discount Bonds)	As per the residual period for the earliest exercise date for the embedded option.
c) Fixed Rate Notes	As per the residual maturity
4. Deposits:	
a) Public Deposits	As per the residual maturity.
b) Inter Corporate Deposits	These, being institutional/wholesale deposits, shall be slotted as per their residual maturity
c) Commercial Papers	As per the residual maturity
5. Borrowings	
a) Term Money Borrowings	As per the residual maturity
b) From the Reserve Bank, Govt. & others	-do-
c) Bank Borrowings in the nature of WCDL, CC, etc.	Over six months and up to one year
6) Current Liabilities and Provisions:	
a) Sundry Creditors	As per the due date or likely timing of cash outflows. A behavioral analysis could also be made to assess the trend of outflows and the amounts slotted accordingly.
b) Expenses Payable (other than interest)	As per the likely time of cash outflow.
c) Advance Income received, Receipts from Borrowers pending adjustment	In the 'over 5 years' time-bucket as these do not involve any cash outflow.
d) Interest payable on Bonds/Deposits	In respective time buckets as per the due date of payment.
e) Provisions for NPAs	The amount of provision may be netted out from the gross amount of the NPA portfolio and the net amount of NPAs be shown as

	an item under inflows in stipulated time-buckets.
f) Provision for Investments portfolio	The amount may be netted from the gross value of Investments portfolio and the net Investments be shown as inflow in the prescribed time-slots. In case Provisions are not held security-wise, the Provision may be shown on "over 5 years" time bucket.
g) Other provisions	To be bucketed as per the purpose/nature of the underlying transaction.
B. Inflows	
1. Cash	In 1 to 7 day time-bucket.
2. Remittance in Transit	---do---
3. Balances with Banks (in India only)	
a) Current Account	The stipulated minimum balance be shown in 6 months to 1 year bucket. The balance in excess of the minimum balance be shown under Day 1-7 bucket.
b) Deposit Accounts/Short Term Deposits	As per residual maturity.
4. Investments (net of Provisions)	
a) Mandatory Investments	As suitable to the NBFC
b) Non-mandatory Listed	"1 day to 30/ 31 days (One month)" Over one month and upto 2 months" and "Over two months and upto 3 months" buckets depending upon the defeasance period proposed by the NBFCs
c) Non-mandatory Unlisted Securities (e.g. Shares, etc.)	"Over 5 years"
d) Non-mandatory Unlisted Securities having a fixed term maturity	As per residual maturity
e) AIF units	In the 'over 5 year' time bucket.
5. In case Trading Book is followed	
Equity shares, Convertible Preference Shares, Non-Redeemable / Perpetual Preference Shares, Shares of Subsidiaries / Joint Ventures and Units in Open-Ended Mutual Funds and Other Investments.	(i) Shares classified as "current" investments representing trading book of the NBFC may be shown in time buckets of "1 day 7 days, 8 days to 14 days, 15 days to 30 days (One month)" "Over one month and upto 2 months" and "Over two months and upto 3 months" buckets depending upon the defeasance period proposed by the NBFCs .
(ii) Shares classified as "Long Term" Investments may be kept in over "5 years' time" bucket. However, the Shares of the Assisted Units / Companies acquired as part of the initial financing package, may be slotted in the relative time bucket keeping in view the pace of project implementation/time-overrun, etc., and the resultant likely timeframe for divesting such shares.	
6. Advances (Performing)	
a) Bill of Exchange and Promissory Notes - Discounted and Rediscounted	As per the residual usance of the underlying bills.

b) Term Loans (Rupee Loans only)	The cash inflows on account of the interest and principal of the Loan may be slotted in respective time buckets as per the timing of the cash flows as stipulated in the original/revised repayment schedule.
c) Corporate Loans / Short Term Loans	As per the residual maturity
7. Non-Performing Loans (May be shown net of the provisions, interest suspense held)	
a) Sub-standard	
i) All overdues and instalments of principal falling due during the next three years	In the 3 to 5 year time-bucket.
ii) Entire principal amount due beyond the next three years	In the over 5 years' time-bucket
b) Doubtful and loss	
i) All instalments of principal falling due during the next five years as also all overdues	In the over 5 year time-bucket
ii) Entire principal amount due beyond the next five years	In the over 5 year time-bucket
8. Assets on Lease	Cash flows from the lease transaction may be slotted in respective time buckets as per the timing of the cash flow.
9. Fixed Assets (excluding leased assets)	In the 'over 5 year' time-bucket.
10. Other Assets	
(a) Intangible Assets and items not representing cash inflows.	In the 'over 5 year' time-bucket.
(b) Other items (such as Accrued Income, Other Receivables, Staff Loans, etc.)	In respective maturity buckets as per the timing of the cashflows.
C. Contingent Liabilities	
(a) Letters of Credit/Guarantees (Outflow through devolvement)	Based on the past trend analysis of the devolvement vis-à-vis the outstanding amount of guarantees (net of margins held), the likely devolvement shall be estimated and this amount could be distributed in various time buckets on judgmental basis. The assets created out of devolvement may be shown under respective maturity buckets on the basis of probable recovery dates.
(b) Loan Commitments pending Disbursal (Outflow)	In the respective time buckets as per the sanctioned disbursement schedule.
(c) Lines of Credit committed to/by other Institutions (outflow/inflow)	As per usance of the bills to be received under the lines of credit.

Note:

Any event-specific cash flows (e.g., outflow due to wage settlement arrears, capital expenses, income tax refunds, etc.) shall be shown in a time bucket corresponding to timing of such cash flows.

- (i) All overdue liabilities be shown in the 1 to 7 days and 8-14 days time buckets based on behavioural estimates
- (ii) Overdue receivables on account of interest and instalments of standard loans / hire purchase assets / leased rentals shall be slotted as below:

(i) Overdue for less than one month.	In the 3 to 6 month bucket.
ii) Interest overdue for more than one month but less than seven months (i.e., before the relative amount becomes past due for six months)	In the 6 to 12 month bucket without reckoning the grace period of one month.
(iii) Principal instalments overdue for 7 months but less than one year	In 1 to 3 year bucket.