



**TYGER CAPITAL PRIVATE LIMITED**  
**LIQUIDITY MANAGEMENT FRAMEWORK**

<b>POLICY NAME</b>	<b>LIQUIDITY MANAGEMENT FRAMEWORK</b>
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<b>RESPONSIBLE DEPARTMENT</b>	<b>TREASURY</b>
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<b>PREPARED BY</b>	<b>TREASURY</b>



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## TYGER CAPITAL PRIVATE LIMITED

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#### 1. Preamble

The assets and liabilities of Adani Capital Private Limited (ACPL) should be managed to meet the funding requirements of customers and lenders, protect institution from market variations/Black Swan events and maximize shareholder value. These objectives to be achieved through the framework of investment and risk management policies. These processes and procedures will result in liquidity and capital planning, investment decision procedures, and will establish acceptable risk limits for the Company. The management shall have overall responsibility for management of risks and shall set appropriate limits, systems and processes for liquidity management.

#### 2. Basis

The aim of this work instruction is to document the operating liquidity framework and liquidity contingency plan for ACPL to safeguard the liquidity for the company.

#### 3. Liquidity Risks

Liquidity risk or liquidity shortage occurs when the company is unable or not likely to be able to raise enough liquidity with a term corresponding to the organization's payment obligations and expected cash outflows in the short term (less than 1 month) using the usual funding instruments. Simply put,

Cash Assets (Investments) + Incoming portfolio repayments  $\leq$  disbursement + borrowing maturity

A liquidity shortage can have various internal and external causes. A liquidity shortage can originate both with and without negative events. In general, a liquidity shortage goes hand in hand with external factors, since internal liquidity shortages are met with approved credit lines from banks (overdraft facilities or short term loans from banks) and other sources of funding such as commercial paper.

A liquidity shortfall is generally detected based on the Operational Funds Planning file (prepared daily/weekly) or ALM statement of dynamic liquidity (prepared monthly) and communicated to the management team of ACPL. The management team may be represented by CEO/MD, CFO, Head - Strategy & Business Development, Head – Treasury and Head - Risk Management.

In case of liquidity stress, the team would evaluate the projected business commitment, funding channel availability, funding shortfall and would identify measures related to liquidity, funding and business (disbursals).

As a general rule a liquidity outlook report will be circulated with management on a fortnightly or monthly basis. Treasury/Finance will monitor the liquidity conditions on a daily basis.



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#### 3.1. Types of Liquidity risks

##### 3.1.1. Funding Risks

The risk associated with lack of availability of funds or from higher funding costs compared to projection/planning.

##### 3.1.2. Timing Risks

Unable to cover the borrowing requirement within the required timeframe (borrowing maturities of planned business disbursements) resulting in drawing of higher cost short term funding (bank overdraft lines).

##### 3.1.3. Rollover Risk

The maturing borrowings of the company cannot be rolled over due to external and/or internal factor of the company.

##### 3.1.4. Calling Funds Risks

This signifies unexpected large drawdown of the sanctioned loan commitments to clients (eg. Supply Chain Finance).

#### 3.2. Market Related Event

Market specific crisis arises when liquidity crisis impacts all the companies and the economy as such and not just a single company

Some examples for market related events are as follows,

- Minor Crises - Capital market program (CP and/or NCD) cannot be completed within the specified time due to liquidity squeeze in domestic capital markets; therefore liquidity cannot be raised in the capital market
- Moderate Crises - Event risks such as unexpected political events, significant terrorist attacks in India etc. Stepwise deterioration of the country rating to below investment grade (BBB-).
- Major Crises - Capital markets are unavailable to the ACPL for an indefinite period, overall macro-economic crisis, bank runs (financial crisis in Indian markets such as insolvency of a major bank / counterparty, collapse of money markets and inter-bank lending, financial crisis globally such as Lehman Brothers insolvency etc).

#### 3.3. Company Specific Event

Company specific crisis remains confined to the individual company and stems from a fundamental company specific reason



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Some examples for company related events are as follows,

- Minor Crises – On the back of an extremely successful range of financing products, the MSME financing portfolio grows above average/planned volume in a particular week compared to the funding tied up/liquidity available for the week.
- Moderate Crises – interest rate increase, Overdraft freeze/ non-rollover of commercial paper, covenant breaches, drawdown of committed facilities, above-average liquidity outflows on account of large portfolio disbursements compared to the funding tied up/liquidity available for the projected business volume.
- Major Crises – Prolonged difficulty in borrowings due to negative press such as reports of company being in serious economic difficulties, downgrade of credit rating etc.

The assumption to be made in case of institution and market specific crisis is that in case of an institution specific crisis, the institution may have the capacity to bridge the liquidity shortage by selling few less liquid assets. However in case of a market specific crisis, this capacity may fall off sharply since there would be fewer counterparties who are willing and are able to make cash purchases of less liquid assets.

In case of Minor Liquidity Crises, funding can be secured to an adequate extent, but possibly at higher costs (bank overdraft line) within existing borrowing program.

In case of Moderate Liquidity Crises, access to planned, low cost funding instruments may be restricted but the overall funding may be completed using temporary high cost but short term borrowings (Bank loans upto 1 month) which can be later be swapped with lower cost borrowings once market conditions normalize.

In case of Major Liquidity Crises, the access to funding sources may not be available for extended time. In such cases, immediate funding would be met through liquid investments (reducing/exhausting available liquidity buffer) and business disbursements may be slowed/halted till the time adequate funding is arranged.

## 4. Liquidity Measurement and Management

Treasury is responsible of the liquidity management of ACPL. Finance / Treasury should update and monitor the 'Funds Planning' report on a daily / monthly basis. Any short term funding mismatches will be appropriately highlighted in this report.



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The ALM – Statement of Short Term Dynamic Liquidity (STD L) (Annexure II) should be prepared on a quarterly basis. The analysis of STD L will summarize funding requirement over the following six months. Excesses in liquidity of ACPL will be invested as per the Investment policy. Any short fall in liquidity may be met by taking short term borrowings from banks or temporarily through ‘Liquidity Buffer’ - Investments.

As a general rule, ACPL should maintain adequate liquidity by way of Cash/Liquid Investments and undrawn Bank Lines to cover the business commitments - operating costs & capital market debt servicing obligations for atleast the following three months.

<b>Liquidity Buffer</b>	<b>Liquidity Obligations</b>
Liquid Investments (Cash/Bank Fixed Deposit/Mutual Fund Investment) and/or Committed Bank credit facility	3 months of Business obligation 1. Capital market instrument maturities 2. Operating expenses
Undrawn Bank Lines	

ACPL should regularly asses the business requirements over the next 6 months and accordingly enhance credit limits from existing banks and/or avail credit limits from new Banks. The company can also evaluate availing a committed overdraft facility from bank over the course of the year.

In the initial phase, ACPL may rely on the ‘Operational Funds Planning’ report and ALM statement of short term dynamic liquidity for analyzing liquidity outlook. However, deterministic and stochastic cash flow models may be developed based on the business experience gained.

Evaluating liquidity status for ACPL would depend in large measure on behavior of cashflow under different conditions over the following years. Analyzing liquidity entails laying out ‘what if’ analysis on an ongoing basis. As per RBI guidelines, such scenarios provide useful benchmarks to categorize situations as; Going Concern Scenario, Institution Specific Crises and Market Specific Crises.

**5. Liquidity Reserves**

The liquidity reserves of ACPL will consist of following,

- a) Short term investments – Cash / bank fixed deposits and mutual fund investment



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- b) Short term working capital facilities from banks
- c) Cash credit/overdraft facilities from banks
- d) Commercial Paper program

The company may also evaluate availing a committed overdraft facility from bank over the course of the year.

## 6. Going Concern Scenario

Going concern scenario establishes a benchmark for the “normal” behaviour of the balance-sheet related cash flows in the normal course of the business at ACPL. This scenario is useful in managing ACPL’s use of money through approved funding instruments (Bank lines and capital market instruments). By establishing such a benchmarks, ACPL can manage its net funding requirements effectively and thus avoiding the impact of temporary constraints on its ability to meet new business disbursements and/or roll over liabilities because of market disruptions or concerns about its condition.

A maturity ladder approach - Operational Funds Planning Report shall be prepared for assessing liquidity position over the liquidity scenarios - Going Concern Scenario, Institution Specific Crisis and Market Specific Crisis. A maturity ladder compares ACPL’s future cash inflows and outflows over a series of specified time periods (upto 1 month) over different liquidity scenarios. Maturity ladder should be prepared on a rolling monthly basis for the next one month.

Format for the maturity ladder is enclosed as Annexure 1.

## 7. Updation and Revision

The policy may be reviewed periodically and the policy may be fine-tuned / modified based developments in the first year of ACPL’s operations. Any deviations to the framework should be approved by CEO.



## 8. Annexures

Sr No	Document Name	Attachment
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1	Operational Daily Liquidity Planning Report	 Funds Planning Sample.xlsx
2	Report ALM 1 - Statement of Short Term Dynamic	 ALM_STDL.xlsx