



TYGER CAPITAL PRIVATE LIMITED

ASSET/LIABILITY MANAGEMENT POLICY

POLICY NAME	ASSET/LIABILITY MANAGEMENT POLICY (ALM)
POLICY VERSION	1
RESPONSIBLE DEPARTMENT	TREASURY
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APPROVED BY	MANAGING DIRECTOR
PREPARED BY	TREASURY



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1. Preamble

The purpose of this Asset Liability Management (ALM) policy is to establish guidelines to ensure prudent management of assets and liabilities for Tyger Capital Private Limited. The objective is to measure the direction and extent of asset-liability mismatch through the funding or maturity gap. It is important to balance maturities as well as cash-flows and interest rates across various time buckets. The ALM policy will assess, monitor, remedy, mitigate liquidity risk and interest rate risk and protect the institution from any disastrous financial consequences arising from changes in market risk. These objectives would be pursued within the framework of written investment and risk management policies. These processes and procedures will result in liquidity and capital planning, investment decision, and will establish acceptable risk limits for the Company. The Board shall have overall responsibility for management of risks and shall set limits for liquidity, interest rate risks.

The responsibility of managing the asset/liability management procedures is entrusted to Asset/Liability Management Committee (ALCO).

2. Basis

This ALM Policy complies with the requirement of RBI Master Direction - Non-Banking Financial Company-Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, as amended from time to time and other Applicable Notification(s) and Circular(s) as may be issued by RBI.

3. Organization

The Asset Liability Management Policy falls under the authority of the Board of Directors, who in turn assigns authority for its formulation, revision and administration to the Asset Liability Management Committee (ALCO). The ALCO is responsible for recommending to the Board of Directors prudent asset/liability management policies and procedures that enable the organization to achieve its goals while operating in full compliance with all the laws, rules, and regulations. Ultimate responsibility for effective asset/liability management rests with the Board of Directors who will periodically review this policy with the company's management.

3.1. ALM Management Committee (ALCO)

The committee consists of the NBFC's senior management including MD/CEO shall be responsible for ensuring adherence to the limits set by the Board as well as for broadly deciding the business strategy of the NBFC (on the assets and liabilities sides) in line with the NBFC's business plan and risk management objectives.

3.2. Composition of ALCO

ALCO should be headed by the MD/CEO of TCPL



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Other ALCO members are

Chief Risk Officer
Chief Financial Officer
Head of Treasury
Head of Compliance (As a Secretary of the ALCO)
Head of Information Technology (optional)

Quorum required for ALCO meeting should be atleast 4 members of committee or their delegated authority.

The Committee shall meet 4 times in a year with a minimum of one meeting every financial quarter to discuss asset/liability management issues. Informal meetings may be held on an as needed basis. Minutes of the ALCO meetings will be placed before the Board of Directors /ALCO members for noting.

3.3. Responsibility

ALCO's role and responsibilities would be as under:

1. Identify and monitor the market risks faced by the Company including
 - a) Mismatch in interest rates
 - b) Mismatch in liquidity
2. Review any breach in limits and ratify/advise corrective measures.
3. Review the interest rate and liquidity limits for any changes required and determine the appropriate ALM risk level for the Company.
4. ALCO is responsible for ensuring adherence to the limits set for interest rate risk and liquidity risk.

ALCO should also consider the following business issues

5. Desired maturity profile and mix of the incremental assets and liabilities.
6. Borrowing cost (CPs, bonds) of peer NBFCs vis-a-vis TCPL's costs.
7. Articulate its view on the current interest rates to enable decisions on future business strategies.
8. Decide on the funding strategies; sources and borrowing mix and overall strategy (for e.g., fixed vs floating rate funds, money market vs capital market funding, etc).
9. Make suggestions on product (asset) pricing, desired maturity profile and mix of the incremental assets and liabilities.
10. Review results and progress in implementation of decisions made in previous meetings.
11. Review/approve ALM statements submitted to the RBI. Review breach in limits.



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In order properly assess the risks, and suggest appropriate course of action, the ALCO may review following information as may be relevant:

- Local and national economic forecasts;
- External and internal interest rate forecasts
- TCPL's cost of funds
- Mismatch levels in the balance sheet/ALM statements
- Anticipated funding needs
- Anticipated business disbursements projections
- Liquidity position
- Interest Rate Risk Measures
- Investment portfolio
- Current asset portfolio
- Any exceptions to this policy, action plan and timelines to bring the Company into compliance within policy limits.

The ALCO will get support from other committees and management of the Company to be able to effectively play its role.

ALM Support Groups- The ALM Support Groups consisting of operating staff shall be responsible for analyzing, monitoring and reporting the risk profiles to the ALCO. The staff shall 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 NBFC's internal limits.

4. Interest Rate Risk Management

Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustments within a specified period..

Interest rate risk management and reporting shall help in identifying potential risks to earnings and capital resulting from adverse fluctuations in market interest rates.

A statement of mismatches should be generated by grouping rate sensitive liabilities, assets and off balance sheet positions into time buckets according to residual maturity or next re-pricing period, whichever is earlier. All investments, advances, deposits, borrowings, purchased funds, etc. that mature/re-price within a specified timeframe are interest rate sensitive. The assets and liabilities with a floating rate returns are sensitive. These assets and liabilities are re-priced at pre-determined intervals and are rate sensitive at the time of re-pricing. The interest rates on debenture liabilities may be fixed but the loan/ investment portfolio may be at a floating rate.

The differences may be identified in the following time buckets:

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- (i) 0-7 days
- (ii) 8 days – 14 days
- (iii) 15 days-30/31 days (One month)
- (iv) Over one month to 2 months
- (v) Over two 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 year to 5 year
- (x) Over 5 years
- (xi) Non-sensitive

Interest rate risk will be managed through

- Investments- altering maturity profile
- Assets - altering pricing and/or profile/mix/structure
- Liability - altering pricing and mix
- Interest rate swaps

Asset/Liability policies and strategies to be formulated upon the examination of how interest rate risk affects overall business risk, i.e., capital risk, liquidity risk, credit risk, interest rate risk.

After reviewing the situation, the ALCO to devise various strategies to minimize risk while maximizing earnings and net worth. The following methods may be evaluated for managing the asset/liability mix will be reviewed:

1. Buying and selling assets;
2. Changing liability structure and mix;
3. Hedging.

The proper strategy will depend on the current level of risk, the time frame, and the current interest rate environment. If the Company determines that there is a good chance that interest rates will increase, the company may look to extend fixed-rate liabilities to longer maturities.

On the other hand if it is perceived that interest rates will decline, to the company may reduce fixed rate long tenor or increase floating rate liabilities. Liability profile will be managed suitably in accordance with the asset structure to maintain compliance within the regulatory ranges.



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4.1. Computation of Interest Rate Risk (Earnings at Risk (EaR) Approach)

The mismatch for each time bucket for all time buckets is the net difference between RSAs and RSLs. The EaR exposure shall be calculated by multiplying the interest rate gap of each time bucket with the following interest rate changes over the next 1 year time horizon. The interest rate changes may be suitably assumed, if required, based on evolving market conditions.

Upto 2 month	2- 6 months	6 months - 1 year
0.25%	0.50%	1%

The net EaR should not exceed 1 months budgeted Net Interest Income or Interest Surplus (NII) for the year and shall be monitored on a quarterly basis. The EaR methodology and sample working has been appended as Annexure 4.

The EaR should be monitored every quarter. Any breach of limits should also be communicated to all the ALCO members and should be presented in the next ALCO meeting for ratification. Corrective measures proposed to remedy the breach in terms of,

1. Alteration of liability (borrowing) maturity profile
2. Modification of Asset profile
3. Recommendation to management on MSME Finance and Corporate Finance product pricing

Should be presented to the management/ ALCO.

5. Liquidity Risk Management

Measuring and managing liquidity needs are vital for effective operation. In assessing the Company's liquidity position, consideration shall be given to:

- repayment from existing portfolio
- historical funding requirements
- current liquidity position
- anticipated future funding needs, and
- sources of funds.

Any mismatches should be addressed in the appropriate manner.

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In reviewing the liquidity position the committee should also note the actual recoveries against those anticipated during the month and those expected in the future (from existing portfolio). The details on the Deployment/ utilization of inflows and fixed deposits/cash balances for the month should also be reported.

For measuring and managing net liquidity 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 as given in Annexure 4 could be used for measuring the future cash flows. The format of the Statement of Structural Liquidity as provided by RBI may be used. The time buckets, may be distributed as under:

- (i) 0-7 days
- (ii) 8 days – 14 days
- (iii) 15 days to 30/31 days (One month)
- (iv) Over one month and upto 2 months
- (v) Over two months and upto 3 months
- (vi) Over 3 months and upto 6 months
- (vii) Over 6 months and upto 1 year
- (viii) Over 1 year and upto 3 years
- (ix) Over 3 years and upto 5 years
- (x) Over 5 years

The negative gap (i.e. where outflows exceed inflows) in the 1 to 30/31 days time-bucket shall not exceed the prudential limit of 15 % of outflows of each time-bucket and the cumulative gap upto the one year period shall not exceed 15% of the cumulative cash outflows upto one year period.

Short-term investments and excess cash shall be managed in a manner that is consistent with liquidity needs, asset/liability strategies and safety and soundness concerns and within the framework of relevant RBI guidelines

6. Reporting to RBI

ALM reports should be prepared in accordance with the RBI Master Direction- Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016, as modified from time to time. The ALM reports should be submitted by designated person on the webportal or as directed by RBI. The return will comprise of:

- I. Statement of short term dynamic liquidity [DNBS-4A]- Quarterly submission, to be submitted within 15 days after close of reporting period (Template - Annexure 1)
- II. Statement of structural liquidity and Statement of Interest Rate Sensitivity [DNBS-48] - Monthly submission, to be submitted within 10 days after close of reporting period.

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to the Regional Office of the Department in whose jurisdiction, the Company is registered. The submitted statements may be reviewed by ALM committee during scheduled ALCO meeting.

7. Updation and Revision

The policy should be reviewed periodically and necessary changes should be recommended to the Board for consideration and adoption.




This policy is intended to be flexible to deal with rapidly changing conditions; therefore, this policy can be amended by the unanimous vote of the members of the ALCO. Any and all modifications of this policy are to be reported to the Board of Directors at its next scheduled meeting.

Any deviations to the policy in regular course of business should be approved by the MD/CEO and ratified by ALCO at its next meeting.

8. Adoption

This asset liability management policy (ALMP) and any changes made will be approved by MD/CEO and the policy shall be adopted by resolution of the Board of Directors.

9. Annexures

Sr No	Document Name	Attachment
1	DNBS 4A- Statement of Short term Dynamic Liquidity	 DNBS4A.xlsx
2	DNBS 4B - Statement of Structural Liquidity & Interest Rate Sensitivity	 DNBS4B.xlsx
3	Methodology of measuring the future cash flows	 ALM Maturity Profile.pdf