

SAKTHI FINANCE LIMITED

Disclosure on Liquidity Risk

Background

RBI has issued final guidelines on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies on 4 November 2019. As per the said guidelines, NBFC are required to publicly disclose the below information related to liquidity risk on a quarterly basis. Accordingly, the disclosure on liquidity risk as at 30 June 2020 is as under:

(i) Funding Concentration based on significant counterparty

Sl. No	No of Significant Counter Parties	Amount (Rs in Crore)	% of Total Deposit	% of Total Liabilities
1	7	160.94	86.51%	15.74%

Notes:

- A "Significant counterparty" is defined as a single counterparty or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the NBFC- NDSI's, NBFC-Ds total liabilities and 10% for other non-deposit taking NBFCs
- Total Liabilities has been computed as Total Assets less Equity share capital less Reserve and Surplus and computed basis extant regulatory ALM guidelines

(ii) Top 20 large deposits (amount in ₹ crore and % of total deposits)

Amount (₹ crore)	% of Total Borrowings
3.06	1.64%

(iii) Top 10 borrowings

Amount (₹ crore)	% of Total Borrowings
176.79	18.27%

Note:

- Total Borrowing has been computed as Gross Total Debt basis extant regulatory ALM guidelines.

(iv) Funding Concentration based on significant instrument / product

SI No	Name of the Product	Amount (Rs in Crore)	% of Total Liabilities
1	Sub Ordinated Debts	234.91	22.97%
2	Fixed Deposits	186.07	18.20%
3	Secured Redeemable Non- Convertible Debentures	287.65	28.13%
4	Unsecured Non-Convertible Debentures	59.79	5.85%
5	Cash Credit and Demand Loans from Banks	117.76	11.52%
6	Term Loans from Corporates	46.14	4.51%
7	Term Loans from Financial Institutions & Banks	20.21	1.98%
8	10% Redeemable Cumulative preference Shares	15.00	1.47%
Total		967.53	94.63%

Notes:

- A "Significant counterparty" is defined as a single counterparty or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the NBFC- NDSI's, NBFC-Ds total liabilities and 10% for other non-deposit taking NBFCs
- Total Liabilities has been computed as Total Assets less Equity share capital less Reserve and Surplus and computed basis extant regulatory ALM guidelines

(v) Stock Ratios:

SI No	Stock Ratio	%
1	Commercial papers as a % of total liabilities	NA
2	Commercial papers as a % of total assets	NA
3	Non-convertible debentures (original maturity of less than one year) as a % of total liabilities	6.24%
4	Non-convertible debentures (original maturity of less than one year) as a % of total assets	5.26%
5	Other short-term liabilities as a % of total liabilities	24.19%
6	Other short-term liabilities as a % of total assets	20.42%

Notes:

- Commercial Paper for stock ratio is the Gross outstanding (i.e. Maturity amount).
- Other Short-term Liabilities has been computed as Total Short-term Liabilities less Commercial paper less Non-convertible debentures (Original maturity of less than one year), basis extant regulatory ALM guidelines.

(vi) Institutional set-up for Liquidity Risk Management

The Board of Directors of the Company has an overall responsibility and oversight for the management of all the risks, including liquidity risk, to which the Company is exposed to in the course of conducting its business. The Board approves the governance structure, policies, strategy and the risk limits for the management of liquidity risk. The Board of Directors approves the constitution of the Risk Management Committee (RMC) for the effective supervision, evaluation, monitoring and review of various aspects and types of risks, including liquidity risk,

faced by the Company. The meetings of RMC are held at quarterly interval. Further, the Board of Directors also approves constitution of Asset Liability Committee (ALCO), which functions as the strategic decision-making body for the asset-liability management of the Company from risk- return perspective and within the risk appetite and guard-rails approved by the Board. The main objective of ALCO is to assist the Board and RMC in effective discharge of the responsibilities of asset-liability management, market risk management, liquidity and interest rate risk management and also to ensure adherence to risk tolerance/limits set up by the Board. ALCO provides guidance and directions in terms of interest rate, liquidity, funding sources, and investment of surplus funds. ALCO meetings are held as warranted from time to time. The minutes of ALCO meetings are placed before the RMC and the Board of Directors in its next meeting for its perusal/approval/ratification.