THE

LIQUIDITY RISK MANAGEMENT FRAMEWORK

OF

ABHIYAN CAPITAL (INDIA) PRIVATE LIMITED

(Formerly Dowell Fiscal Services Private Limited)

CIN: U65999MH1995PTC289390

This Policy has been approved by the Board of Directors of Abhiyan Capital (India) Private Limited and shall remain effective until amended, revised, or superseded by the Board of Directors.

INTRODUCTION

In compliance with Regulatory Framework for NBFCs introduced by the Reserve Bank of India ('RBI'), Reserve Bank of India (Non-Banking Financial Companies – Asset Liability Management) Directions, 2025 read with relevant circulars, notifications as amended.

The said Master Directions provides that NBFC with asset size of Rs. 100 Cr as per its latest audited balance sheet and above shall frame a Board approved liquidity risk management framework

In accordance with the above the "Board of Directors" ("Board") of Abhiyan Capital (India) Private Limited ("the Company") has formulated a Liquidity Risk Management Framework.

APPLICABILITY OF THE POLICY

This Framework shall come into force upon approval by the Board and shall remain effective until modified or replaced by the Board.

MEANING OF LIQUIDITY RISK

- "Liquidity" means NBFC's capacity to fund the increase in assets and meet both expected and unexpected cash and collateral obligations at reasonable cost and without incurring unacceptable losses.

- "Liquidity Risk" means inability of an NBFC to meet such obligations as they become due without adversely affecting the NBFC's financial condition. Effective liquidity risk management helps ensure an NBFC's ability to meet its obligations as and when they fall due and reduces the probability of an adverse situation developing.

GUIDELINES ON LIQUIDITY RISK MANAGEMENT

The Board of ACIPL shall implement and adherence to the liquidity risk management guidelines. The internal controls are in place and supervisory review is done periodically. The guidelines deal with following aspects of Liquidity Risk Management framework.

- Liquidity Risk Management Policy, Strategies and Practices
- Management Information System (MIS)
- Internal Controls
- Maturity profiling
- Liquidity Risk Measurement – Stock Approach
- Currency Risk
- Managing Interest Rate Risk
- Liquidity Risk Monitoring Tools

LIQUIDITY RISK MANAGEMENT POLICY, STRATEGIES AND PRACTICES

In order to ensure a sound and robust liquidity risk management system in ACIPL, a liquidity risk management framework and LRM disclosure statement that maintains 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. It works on the entity-level liquidity risk tolerance; funding strategies; prudential limits; system for measuring, assessing and reporting/ reviewing liquidity; framework for stress testing; liquidity planning under alternative scenarios/formal contingent funding plan; nature and frequency of management reporting; periodical review of assumptions used in liquidity projection; etc.

GOVERNANCE OF LIQUIDITY RISK MANAGEMENT

Successful implementation of any risk management process has to emanate from the top management with the demonstration of its strong commitment to integrate basic operations and strategic decision-making with risk management. A desirable organizational set up for liquidity risk management is already in place:

- **Board of Directors:**

  The Board of ACIPL has the overall responsibility for management of liquidity risk. The Board of ACIPL decides the strategy, policies and procedures to manage liquidity risk in accordance with the liquidity risk tolerance/limits decided by it.

- **Risk Management Committee:**

  The Risk Management Committee (RMC) which reports to the Board, is responsible for evaluating the overall risks faced by the Company including liquidity risk.

- **Asset-Liability Management Committee (ALCO):**

  The ALCO consisting of the ACIPL's top management who are responsible for ensuring adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy of ACIPL.

  The role of the ALCO with respect to liquidity risk includes, 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.

- **Asset Liability Management (ALM) Support Group:**

  The ALM Support Group consisting of the operating staff of ACIPL who are responsible for analyzing, monitoring and reporting the liquidity risk profile to the ALCO. Such support group members are from Risk, Treasury and Finance functions of ACIPL. The staff prepare forecasts showing the effects of various possible changes in market conditions related to the balance sheet and recommend the action needed.

LIQUIDITY RISK TOLERANCE

The Company shall endeavour to maintain readily available liquidity (including cash, bank balances, unencumbered liquid investments and committed undrawn bank lines) sufficient to meet projected cash outflows over the next 60 days. As a prudential internal benchmark, available liquidity shall ordinarily not fall below 10% of total liabilities unless specifically approved by the Asset Liability Management Committee (ALCO), with reasons recorded.

The Company shall assess its overall liquidity position and asset-liability profile at least on a monthly basis and place the same before the ALCO in accordance with applicable regulatory requirements.

LIQUIDITY COST, BENEFITS AND RISK IN THE INTERNAL PRICING TOLERANCE

ACIPL endeavors to develop a process to quantify liquidity costs and benefits so that the same may be incorporated in the internal product pricing, performance measurement and new product approval process for all material business lines, products and activities.

OFF – BALANCE SHEET EXPOSURES AND CONTINGENT LIABILITIES

ACIPL recognizes that off-balance sheet exposures, while not reflected in the financial statements, may translate into actual funding obligations under stressed conditions and hence constitute a critical area of liquidity risk management.

Definition and Scope

For the purpose of this policy, off-balance sheet exposures shall include, but not be limited to:

- Funded or unfunded First Loss Default Guarantees (FLDGs) issued under co-lending or Business Correspondent (BC) arrangements;

- Credit enhancements such as fixed deposits or cash collateral placed with lending partners under securitization, DA, or co-lending structures;
- Undrawn sanctioned lines or loan commitments to customers which are non-cancellable and not subject to conditions precedent for fulfilment;
- Financial guarantees, letters of comfort, or any other contingent liabilities extended to third parties;
- Obligations under derivative contracts, if any.

Nature of Liquidity Risk

While most of ACIPL's FLDGs and credit enhancements are funded in advance through fixed deposits or escrow mechanisms, the following liquidity risks are still relevant:

Encumbrance of Funds: The fixed deposits created for FLDGs are not available for other uses and represent blocked liquidity. They shall not be considered as part of the available liquidity buffer.

Replenishment Risk: In the event of partial or full invocation of the guarantee or enhancement, ACIPL may be required to top-up the facility, resulting in fresh liquidity outflows.

Cumulative Exposure: As ACIPL scales its co-lending and BC relationships, the aggregate quantum of FLDG-linked deposits may become significant, impacting liquidity flexibility.

Recognition and Monitoring in ALM

To ensure accurate assessment of liquidity risk, ACIPL shall:

- Treat all deposits or funds placed against off-balance sheet exposures as encumbered and exclude them from liquid assets in internal liquidity calculations;
- Factor expected replenishment obligations into stress testing and liquidity forecasting;
- Disclose the status of such exposures in ALCO reports and periodic liquidity risk disclosures;
- Monitor the cumulative quantum of off-balance sheet exposures through a dedicated MIS.

Exposure Limits and Oversight

The cap on off-balance sheet exposures shall be as approved by the Board of Directors from time to time, based on evolving business strategy and risk appetite.

The current approved threshold is proposed to be 50% of total on-book AUM.

ALCO shall monitor adherence to this limit on a monthly basis and recommend corrective measures, including additional liquidity buffers, where necessary.

Since it may not be feasible to monitor adherence to the 50% AUM cap on a real-time basis, the Chief Financial Officer (CFO) shall have the authority to permit a temporary deviation of up to 10% beyond the approved limit, based on business exigencies and funding commitments. Any such deviation shall be placed before the next scheduled meetings of the ALCO and the Board for review and formal ratification."

FUNDING STRATEGIES – DIVERSIFIED FUNDING

ACIPL establishes a funding strategy that provides effective diversification in the sources and tenor of funding. It maintains an ongoing presence in its chosen funding markets and strong relationships with fund providers to promote effective diversification of funding sources. It regularly gauge its capacity to raise funds quickly from each source. There shall not be over-reliance on a single source of funding.

ACIPL will prudently diversify its funding sources using a mix of borrowing instruments viz. Term Loans, Debentures, Inter Corporate Deposits, PTCs and build strong relationships with fund providers, viz. Banks, NBFCs, Corporates, Institutional entities such as Funds and Insurance companies etc.

ACIPL will ensure diversification of its funding sources, and no single individual/entity will comprise of more than 30% of its total borrowings along with deviation of 10% of its total borrowings with approval of Chief Financial Officer.

COLLATERAL POSITION MANAGEMENT

ACIPL actively manages its collateral positions, differentiating between encumbered and unencumbered assets. It monitors the legal entity and physical location where collateral is held and how it may be mobilised in a timely manner. Further, it has sufficient collateral to meet expected and unexpected borrowing needs and margin requirements.

STRESS TESTING

Stress testing is an integral part of the overall governance and liquidity risk management culture in ACIPL. It conducts stress tests on an annual basis for a variety of short-term and specific and market-wide stress scenarios (individually and in combination) at the end of every financial year. In designing liquidity stress scenarios, the nature of its business, activities and vulnerabilities are taken into consideration so that the scenarios incorporate the major funding and market liquidity risks.

The stress scenario for LRM intends to cover a combined idiosyncratic and market-wide shock that will result in:

i. a partial loss of unsecured wholesale funding capacity;

ii. a partial loss of secured, short-term financing with certain collateral and counterparties;

iii. additional contractual outflows that will arise from a downgrade credit rating, including collateral posting requirements;

iv. increases in market volatilities that impact the quality of collateral or potential future exposure of derivative positions and thus require larger collateral haircuts or additional collateral, or lead to other liquidity needs;

v. unscheduled draws on committed but unused credit and liquidity facilities that has provided to its clients; and,

The potential need to buy back debt or honour non-contractual obligations in the interest of mitigating reputational risk.

CONTINGENCY FUNDING PLAN

Contingency plans shall contain details of available/ potential contingency funding sources and the amount/ estimated amount which can be drawn from these sources, clear escalation/ prioritisation procedures detailing when and how each of the actions can and shall be activated, and the lead time needed to tap additional funds from each of the contingency sources.

As part of its Contingency Plan, ACIPL will obtain OD / CC limits with its banking relationships in order to avoid any operational disruption and identify and maintain its borrowing pipeline with a visibility of its funding requirements for the next 60 days.

PUBLIC DISCLOSURE

As per the extant guidelines of RBI, ACIPL shall publicly disclose information (**Appendix I)** on a quarterly basis on the official website of the company (starting with the quarter ending September 30, 2025) and in the annual financial statement as notes to account that enables market participants to make an informed judgment about the soundness of its liquidity risk management framework and liquidity position.

MANAGEMENT INFORMATION SYSTEM

ACIPL has a reliable MIS designed to provide timely and forward-looking information on the liquidity position and ALM Support Group to the Board and ALCO, both under normal and stress situations. It shall capture 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.

INTERNAL CONTROLS

ACIPL has appropriate internal controls, systems and procedures to ensure adherence to liquidity risk management policies and procedure. Management shall ensure that an independent party regularly reviews and evaluates the various components of the liquidity risk management process.

MATURITY PROFILING

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 dates is adopted as a standard tool. The Maturity Profile shall be used for measuring the future cash flows in 10 different time buckets.

The time buckets shall be distributed as under:
(i) 1 day to 7 days ,
(ii) 8 day to 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

b) As ACIPL is not holding public deposits, all investments in securities will fall under non-mandatory securities.

c) Within each time bucket, there can be mismatches depending on cash inflows and outflows. While the mismatches up to one year will be relevant since these provide early warning signals of impending liquidity problems, the main focus shall be on the short-term mismatches, viz., 1-30/31 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. For all buckets over 1 month and up to 1 year, the net cumulative negative mismatch shall not exceed 20%.

d) 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.

e) In order monitor the short-term liquidity on a dynamic basis over a time horizon spanning from 1 day to 6 months, it shall estimate short-term liquidity profiles on the basis of business projections and other commitments for planning purposes.

LIQUIDITY RISK MEASUREMENT - STOCK APPROACH

As per the extant guidelines of RBI on liquidity risk management, ACIPL will adopt 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 their Board, depending on its risk management capabilities, experience and its overall organization profile. An indicative list of certain critical ratios and their limits are defined as:-

Particulars	Limits
Short-term Borrowings (original maturity of less than 1 year) to Total Borrowings	Upto 15%

In addition to Term Loans, ACIPL will diversify its borrowing by building the alternate resource pools including but not limited to arrangement through NCDs/ICDs/PTCs and report the same to the Asset Liability Management Committee on a quarterly basis.

CURRENCY RISK

Currency risk is the risk where change in conversion rate of one country's currency may adversely affect

The Company's financial condition.

The Company shall endeavour to maintain readily available liquidity (including cash, bank balances, unencumbered liquid investments and committed undrawn bank lines) sufficient to meet projected cash outflows over the next 60 days. As a prudential internal benchmark, available liquidity shall ordinarily not fall below 10% of total liabilities unless specifically approved by the Asset Liability Management Committee (ALCO), with reasons recorded.

The Company shall assess its overall liquidity position and asset-liability profile at least on a monthly basis and place the same before the ALCO in accordance with applicable regulatory requirements.

MANAGING INTEREST RATE RISK

ACIPL manage interest rate risk as per the extant regulatory prescriptions. Interest rate risk is the risk where changes in market interest rates might adversely effect on ACIPL financial condition.

As such ACIPL is into funding of loans which are always fixed rate loans. The Borrowings are either fixed or floating rate liabilities. The Company manages this risk by pricing its loan products to customers at a rate which covers interest rate risk. The risk from the earning perspective can be measured as changes in the Net Interest Income or Net Interest Margin (NIM). Measurement of such risk is done at the time of deciding rates to be offered to customers.

LIQUIDITY RISK MONITORING TOOL

The Statement of Structural Liquidity is currently one of the prescribed monitoring tools. In addition to this, the following tools shall be adopted for internal monitoring of liquidity requirements:

- ***Concentration of Funding***

  This metric is meant to identify those significant sources of funding which can trigger liquidity problems. The metric thus encourages diversification of funding sources and monitoring of each of the significant counterparty and significant product / instrument.

- ***Available Unencumbered Assets***

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

- ***Market Related Monitoring Tools***

1. This includes high frequency market data that can serve as early warning indicators in monitoring potential liquidity difficulties.

2. The Board / committee set up for the purpose shall monitor on a quarterly basis, the movements in the Debt-to-equity ratio for ACIPL and the coupon at which long- term and short-term debts are raised. This also includes information on breach/penalty in respect of regulatory liquidity requirements, if any.

REVIEW OF THE POLICY

The policy shall be amended or modified with the approval of the Board of Directors at a duly convened Board Meeting.

Appendix I

Public disclosure on liquidity risk

(i) Funding Concentration based on significant counterparty (both deposits and borrowings)

Sr. No.	Number of Significant Counterparties	Amount (₹ crore)	% of Total deposits	% of Total Liabilities

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

(iii) Top 10 borrowings (amount in ₹ crore and % of total borrowings)

(iv) Funding Concentration based on significant instrument/product

Sr. No.	Name of the instrument/product	Amount (₹ crore)	% of Total Liabilities

(v) Stock Ratios:

(a) Commercial papers as a % of total public funds, total liabilities and total assets
(b) Non-convertible debentures (original maturity of less than one year) as a % of total public funds, total liabilities and total assets
(c) Other short-term liabilities, if any as a % of total public funds, total liabilities and total assets

(vi) Institutional set-up for liquidity risk management