

DHARA MOTOR FINANCE LIMITED
ASSET- LIABILITY MANAGEMENT POLICY
FY 2025-26

Introduction

Dhara Motor Finance Limited (DMFL), a company registered as Non deposit taking NBFC in category “Base Layer” with Reserve Bank of India, The Company provides personalized finance for the widest range of vehicles and on other assets also as AFC NBFC. DMFL’s funding consists of both short term and long term finance with different maturity patterns and varying rates of interest. Its assets loans 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 DMFL constantly monitor and manage its asset and liability in such a manner that asset liability mismatches remain within required limits of minimum (+/- 5%) for the respective time buckets ranging between (over 1 month to 3 years), whereas net cumulative negative mismatches in the maturity bucket 1-7 days, 8-14 days and 15-30 days shall not exceed 10 percent, 10 percent and 20 percent of the cumulative cash outflows in the respective time buckets. This is also a statutory obligation as RBI being 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.

Objective and Scope

The 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 DMFL to

(a) ascertain in percentage terms the nature and extent of mismatch in different maturity buckets, which would indicate the structural liquidity (b) the extent and nature of cumulative mismatch in different buckets indicative of short term dynamic liquidity and (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 DMFL.

An efficient ALM needs (a) a good information system (b) a policy for the company setting limits for liquidity, interest rate (c) a Committee of Senior functionaries for ensuring adherence to the limits approved by the Board of Directors and (d) a well-defined process.

DMFL, branches are networked under a core system and accurate, adequate and real- time information is available on a centralized basis.

Asset - Liability Management Co (ALCO): Asset- Liability Management will be overseen by a Committee consisting of the following officials.

Gajendra Singh - Chairman
G S Chauhan - Member
Sunil Dutt Srivastava - Member

Quorum: The Chairman and other two members will constitute the quorum.

Process: Reserve Bank of India has stipulated templates for reporting Structural liquidity (DNBS 04B). ALCO will use the Reports on DNBS 04B for reviewing the liquidity and interest rate risk.

Periodicity of Meeting: The Company Secretary will arrange for convening the meetings of ALCO **once a quarter** or as and when needed depending upon the necessity. Discussion paper covering the following areas will be deliberated by ALCO namely

- Liquidity risk management
- Management of market risk
- Funding and capital planning
- Profit planning and growth projection
- Forecasting and analysing 'What if scenario' and preparation of contingency plans Minutes of the meeting will be prepared and preserved.

Liquidity Risk Management:

ALCO will z maturing liabilities as and when they become due and ensure remedial measures against any adverse situation. ALCO will review on an ongoing basis how the situation is likely to develop under different assumptions. For measuring and managing net funding requirements, ALCO will use as a standard tool the maturity ladder and calculation of cumulative surplus at selected maturity dates. For this purpose, the templates (ALM-STD L) will be made use of. ALCO will use the same time buckets suggested by RBI (shown below) for measuring the net funding needs.

- i) 0 day to 7 days
- ii) 8 days to 14 days
- iii) 15 days to 30/31 days (up to 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

ALCO will also deliberate on the estimated short term dynamic liquidity profile based on the business projections and other commitments and plans of the Company.

Interest Rate Risk: RBI has given operational flexibility to NBFCs for pricing most of the assets and liabilities. The major portion of DMFL's liabilities consists of Bank/Financial institutions borrowings which reprices without a perceptible time lag with changes in market interest rates. DMFL's Net Interest Margin and Profitability therefore rises when interest rate of the lenders decreases.

The interest sensitive assets and liabilities will be clubbed into the following buckets for ascertaining the Gap in individual buckets and the cumulative Gap.

- a.) 0 day to 7 days
- b.) 8 days to 14 days
- c.) 15 days to 30/31 days (up to one month)

- d.) Over 1 month to 2 months
- e.) Over 2 months to 3 months
- f.) Over 3 months to 6 months
- g.) Over 6 months to 1 year
- h.) Over 1 year to 3 years
- i.) Over 3 to 5 years
- j.) Over 5 years

DMFL has a satisfactory 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, individual as well as cumulative, do not exceed.

Enclosures: RBI indicated templates DNBS 04B.

For and on behalf of the Board of directors

**Sd/-
Gajendra Singh
Managing Director**

**Sd/-
Ghanshyam Singh Chauhan
Whole Time Director**