

ASSET-LIABILITY MANAGEMENT POLICY
Gujarat State Investments Limited
(CIN. U64990GJ1988SGC010307)



Gujarat State Investments Limited
(CIN. U64990GJ1988SGC010307)

ASSET-LIABILITY MANAGEMENT POLICY

ASSET-LIABILITY MANAGEMENT POLICY

1. BACKGROUND

Gujarat State Investments Limited (“the Company” or “GSIL”) is an investment arm of the Government of Gujarat. GSIL is a Core Investment Company- Non-Deposit taking - Systematically Important (“CIC-ND-SI”) under section 45 IA of the Reserve Bank of India Act 1934. The primary objective of the Company is to make equity investments and to hold investments in its Subsidiaries and Group Companies in accordance with the directions of the Government of Gujarat.

In order to strengthen and raise the standard of the Asset Liability Management (ALM) framework applicable to NBFCs, Reserve Bank of India has revised the extant guidelines on liquidity risk management for NBFCs. All non-deposit taking NBFCs with asset size of ₹ 100 crore and above, systemically important Core Investment Companies and all deposit taking NBFCs irrespective of their asset size, shall adhere to the set of liquidity risk management guidelines stipulated by RBI.

The Company is a Non-Deposit taking Systemically Important Core Investment Company (CIC-ND-SI). The primary objective of the Company is to hold investments in its Group Companies. As per the Guidelines of Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies issued by RBI vide notification RBI/2019-20 / 88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated 4th November 2019, it will be responsibility of the Board that the Guidelines are adhered to this guidelines deals with various aspects of Liquidity Risk Management framework.

GSIL shall manage its assets and liabilities in a manner such that it is able to repay its obligations in a timely manner. This is also a statutory obligation as RBI, the regulating agency for CICs, has stipulated that CICs should have an effective Asset-Liability Management (ALM) system as part of their overall system for effective risk management.

2. BUSINESS MODEL OF GSIL

Gujarat State Investments Limited (“the Company” or “GSIL”) is making equity investments in accordance with the directions issued by the Government of Gujarat.

3. ASSET-LIABILITY MANAGEMENT COMMITTEE (ALCO)

The liquidity risk management of the Company has been delegated to Asset & Liability Management Committee (ALCO).

ALCO has been constituted with the following Members:

1. Managing Director who shall be the Chairman of the Committee
2. Chief Financial Officer- Member of the Committee
3. Company Secretary- Member of the Committee

Quorum: Any two of the above committee members will constitute the quorum.

The ALCO shall be responsible for ensuring adherence to the risk tolerance/limits set by the Board, if any, as well as implementing the liquidity risk management strategy in light of the directions issued by the Government of Gujarat. ALCO with respect to liquidity risk should include, inter alia, decide 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.

ALCO shall provide guidance in following areas:

- Monitor and discuss the status and results of asset/liability management strategies and tactics implemented.
- Review measurement reports on various risks (e.g., liquidity, market, interest rate changes etc.)
- Review parameters, in light of directions issued by the Government of Gujarat, for the pricing and maturity distributions of loans and investments
- Review of Asset Liability Management Model, if required.
- Monitoring market risk management systems, compliance with the asset liability management policy and prudent gaps and tolerance limits and reporting systems set out

ASSET-LIABILITY MANAGEMENT POLICY

Gujarat State Investments Limited
(CIN. U64990GJ1988SGC010307)

by the Board of Directors and ensuring adherence to the RBI Guidelines issued in this behalf from time to time;

- Review the effects of various possible changes in the market conditions related to the balance sheet and recommend the action needed to adhere to the Company's internal limits;
- Review the source and mix of liabilities and need for sale of assets and other resource augmentation.

4. MATURITY PROFILING

i) 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 of Company in different time buckets. The time buckets shall be distributed as under:

- a) 1 day to 7 days
- b) 8 day to 14 days
- c) 15 days to 30/31 days (One month)
- d) Over one month and upto 2 months
- e) Over two months and upto 3 months
- f) Over 3 months and upto 6 months
- g) Over 6 months and upto 1 year
- h) Over 1 year and upto 3 years
- i) Over 3 years and upto 5 years
- j) Over 5 years

The Maturity Profile as given in Appendix A would be used for measuring the future cash flows of GSIL in different time buckets mentioned as above

ii) The Company being a Non-Deposit taking Core Investment Company, all investments in securities shall fall in the category of 'non-mandatory securities'.

iii) Within each time bucket, the mismatches depending on cash inflows and outflows will be monitored. While the mismatches up to one year would 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

ASSET-LIABILITY MANAGEMENT POLICY

Gujarat State Investments Limited
(CIN. U64990GJ1988SGC010307)

mismatches in the Statement of Structural Liquidity in the maturity buckets 1-7 days, 8-14 days, and 15-30 days shall be kept as not exceed 10%, 10% and 20% of the cumulative cash outflows in the respective time buckets. Company shall endeavour to monitor the cumulative mismatches (running total) across all other time buckets upto 1 year by establishing internal prudential limits.

iv) However, in reference with RBI circular dated November 04, 2019, the company will monitor cumulative mismatches (running total) across all other time buckets upto 5 year and the cumulative negative mismatch in the maturity buckets upto 5 year shall not go beyond 15%.

b) The Statement of Structural Liquidity be prepared by placing all cash inflows and outflows in the maturity ladder according to the expected timing of cash flows. A maturing liability shall be a cash outflow while a maturing asset shall be a cash inflow.

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

5. STRESS TESTING AND FUNDING STRATEGY

A. Stress Testing

Gujarat State Investments Limited (GSIL) being CIC-ND-SI its' all investments, compliance with the CIC Master Directions, are in equity of Group Companies. The source of income of the Company derives from the dividend received from investee companies and the interest from the fund which are parked as per the directions of the Government of Gujrat.

The management conducts stress testing based on Company's stress text methodology to identify potential liquidity strain and to ensure exposures remain in accordance with the established liquidity risk tolerance. The testing is done on a frequency as deemed fit by the management, but at least once in a quarter.

Given the limited operation of the Company in terms of complexity, the stress Testing may be limited to assessing impact on liquidity position from (i) Change in interest rates

ASSET-LIABILITY MANAGEMENT POLICY

Gujarat State Investments Limited
(CIN. U64990GJ1988SGC010307)

i.e. +/- 0.5% to +/- 2.00%, (ii) unfavourable loan to value ratio, if granted, and (iii) reduction in market value of collaterals i.e. from 2% to 25%.

The stress test outcome are used to adjust its liquidity management strategies, policy positing and develop effective contingency plan by the ALCO / Board.

ALCO/Board also monitor its portfolio across different parameters and analyses the spread of risk among different asset classes. It also monitors portfolio at risk (PAR) which is an overdue portfolio (1 day overdue and more) and business lines to identify any impending stress, if any.

B. Funding Strategy

The company's funding strategy ensures adequate diversification of funding sources, with regular gauging of Company's capacity to raise fund quickly. The funding strategy has also considered aspects relating to contingency funding extreme stress scenarios.

The Company's funding strategy is as under;

- (i) The ALCO/Board shall access the fund requirements, if required, primarily write to the Government of Gujarat requesting to provide funding by way of loan, equity etc. as may deemed fit by the Government of Gujarat.
- (ii) The Company shall obtained written directions from Government of Gujarat to meet urgent fund requirements.
- (iii)** To meet immediate contingencies, the Company shall maintain `20.00 crore worth of cash / cash equivalent/ ICDs with GSFS

6. RISK MANAGEMENT COMMITTEE

The Risk Management Committee of the Board shall be responsible for evaluating and managing the overall risks faced by the Company including liquidity risk.

The Committee has been constituted with the following Members:

1. Managing Director who shall be the Chairman of the Committee

ASSET-LIABILITY MANAGEMENT POLICY

Gujarat State Investments Limited
(CIN. U64990GJ1988SGC010307)

2. Chief Financial Officer- Member of the Committee
3. Company Secretary- Member of the Committee

Quorum: Any two of the above committee members will constitute the quorum.

7. REPORTING TO THE BOARD

Proceedings of the Risk Management Committee and Assets Liability Management Committee to be placed before the Board.

Date: 07.11.2022

Place: Gandhinagar

ASSET-LIABILITY MANAGEMENT POLICY

Gujarat State Investments Limited
(CIN. U64990GJ1988SGC010307)

Appendix-A**Maturity Profile –Liquidity**

Heads of Accounts	Time-bucket category
A. Outflows	
1. Capital funds	
a) Equity capital, Non-redeemable or perpetual preference capital, Reserves, Funds and Surplus	In the 'over 5 years' time-bucket.
b) Preference capital - redeemable/ non-perpetual	As per the residual maturity of the shares.
2. Bonds	
a) Bonds/debentures	As per the residual maturity of the instruments
3. Borrowings	
a) Borrowings from Government of Gujarat	As per the residual maturity
4. Current liabilities and provisions	
a) Expenses payable (other than interest)	As per the likely time of cash outflow
b) Interest payable on borrowings	In respective time buckets as per the due date of payment.
c) Provision for Investments Portfolio	The amount may be netted from the gross value of investments portfolio and the net investments be shown as inflow in the prescribed time-slots. In case provisions are not held security-wise, the provision may be shown on "over 5 years" time bucket.
d) Other provisions	To be bucketed as per the purpose/nature of the underlying transaction.
4. Statutory Dues	As per residual maturity.
B. Inflows	
1. Cash	In 1-7-day time-bucket
2. Balances with banks	The balance be shown in 1 to 7 day time-bucket
3. Investments (net of provisions)	
a) Non- Mandatory Listed Securities	In the 'over 5 year' time bucket.
b) Non- Mandatory Unlisted Securities	In the 'over 5 year' time bucket.
c) Liquid Deposits	In 1-7-day time-bucket
d) Inter Corporate Deposits (ICDs)	As per the residual maturity
4. Interest to be received through regular schedule	As per the residual maturity
5. Fixed assets	In the 'over 5 year' time-bucket
6. Other assets	
a) Intangible assets and items, if any, not representing cash inflows.	In the 'over 5 year' time-bucket.
(b) Other items (such as accrued income, other receivables, staff loans, etc.)	In respective maturity buckets as per the timing of the cash flows

Note:

- a. Any event-specific cash flows (e.g. outflow due to wage settlement, arrears, capital expenses, income tax refunds, etc.) should be shown in a time bucket corresponding to timing of such cash flows
- b. Overdue liabilities, if any, be shown in the 1 to 30/31 days time bucket.