

Arka Fincap Limited

Public 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 November 04, 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 September 30, 2020 is as under.

(i) Funding Concentration based on significant counterparty

Sr. No.	No. of Significant Counterparties	Amount (₹ crore)	% of Total Deposits	% of Total Liabilities
1	11	539.78	N.A.	96.86%

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.
- As per definition, above data includes the funding from significant counterparties only. There is 1 more NCD outstanding subscribed by Mr. Vimal Bhandari amounting to INR 1.5 Crs.
- Total Liabilities has been computed as Total Assets less Equity share capital less Reserve & Surplus and computed basis extant regulatory ALM guidelines.

(ii) Top 20 large deposits (amount in ₹ crore and % of total deposits)– Not Applicable

(iii) Top 10 borrowings

Amount (₹ crore)	% of Total Borrowings
519.78	96.02%

Note:

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

(iv) Funding Concentration based on significant instrument / product

Sr. No.	Name of the product	Amount (₹ crore)	% of Total Liabilities
1	Commercial Papers	48.67	8.73%
2	Private NCD	156.50	28.08%
3	Term Loan	219.25	39.34%
4	CC	26.86	4.82%
5	WCDL	90.00	16.15%
	Total	541.28	97.12%

Note:

- A "significant instrument/product" is defined as a single instrument/product of group of similar instruments/products which in aggregate amount to 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 & Surplus and computed basis extant regulatory ALM guidelines.

(v) Stock Ratios:

Sr. No.	Stock Ratio	%
1	Commercial papers as a % of total liabilities	8.73%
2	Commercial papers as a % of total assets	4.27%
3	Non-convertible debentures (original maturity of less than one year) as a % of total liabilities	0%
4	Non-convertible debentures (original maturity of less than one year) as a % of total assets	0%
5	Other short-term liabilities as a % of total liabilities	37.87%
6	Other short-term liabilities as a % of total assets	18.50%

Note:

- Commercial Paper for stock ratio is the Net outstanding (as per the books of accounts)
- 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.
- Short-term liabilities include CC, WCDL & term loan payable in next 12 months.

(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 held at regular 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. The main objective of ALCO is to assist the Board in effective discharge of the responsibilities of asset-liability management, market risk management, liquidity and interest rate risk management. ALCO provides guidance and directions in terms of interest rate, liquidity, funding sources, and investment of surplus funds.

The company's liquidity and funding approach documented through its various plans and policies including the Assets Liability Management policy, Treasury Deployment policy is to ensure that funding is available to meet all market related stress situations.

The company's liquidity management set up is assessed periodically to align same with regulatory changes int the economic landscape or business needs.