



Edel Finance Company Limited

Contingency Funding Plan

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1. Introduction

The volatility in the markets have highlighted both the importance of sound liquidity risk management practices and the fact that the Company can experience liquidity problems even during good economic times. As a result, Management's ability to adequately meet daily and emergency liquidity needs while controlling liquidity risk through risk identification, monitoring, and controls is receiving increasingly intense regulatory scrutiny.

A comprehensive Contingency Funding Plan (CFP) along with well-defined triggers provides a useful framework for meeting both temporary and long-range liquidity disruptions. The CFP emphasises on a reliable but flexible administrative structure, realistic action plans, ongoing communications at all levels, and a set of metrics backed by adequate management information systems.

2. Objectives of Contingency Funding Framework.

The objectives of CFP is as below:

- Forewarning any likely occurrence of stressful liquidity situation by measuring qualitative and quantitative early warning signals (EWS).
- Determining the level of stress based on the adversity of liquidity situation.
- Laying down action plan to be followed by various teams within the Company to manage liquidity crisis to ensure financial integrity of the Company.
- Providing guidelines for utilisation of liquidity buffers and sources of funds during contingency liquidity situations.

The CFP will be enacted whenever the liquidity position of the Company is adversely threatened by the entity-specific circumstances or financial market related stress.

3. Early Warning Indicators for CFP

The following qualitative and quantitative early warning signals will be considered for evaluation of potential liquidity risk before triggering the CFP.

Qualitative indicators are to be followed on the best judgment of ALCO Committee.

a) Qualitative Early Warning Indicators

- Downgrade or announcement of potential downgrade of rating of the Company, its subsidiaries and Group Companies by rating agencies.
- Overall economy experiencing tight liquidity position.

b) Quantitative Early Warning Indicators

Within each time bucket, there could be mismatches depending on cash inflows and outflows. 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 mismatches 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. The cumulative gap upto one year period should not exceed 15% of the cumulative cash outflows upto one year period. The Company, however, is expected to monitor their cumulative mismatches (running total) across all other time buckets upto 1 year by establishing internal prudential limits.

ALCO and Finance Team will monitor following Quantitative Indicators

Quantitative Early Warning Indicators

Bucket	1 to 7 days	8 to 14 days	Over 15 days to one month	Over one month to 2 months	Over 2 months to 3 months	Over 3 Months upto 6 months	Over 6 Months upto 1 year
Internal Limits	10%	10%	20%	15%	15%	15%	15%

Note: In case of adverse liquidity event, liquid assets placed with subsidiaries/Group Companies shall be used as line of defense. In case, liquid assets placed are not sufficient to cover the funding requirement as per stress testing, Finance Team shall provide the plan to augment funds to replenish the liquidity gap.

CFP Organization, Role and Action Plans in contingency

The CFP process of EFCL shall operate in the following hierarchical manner:

- ALCO
- Finance team shall be responsible for the implementation of CFP in case of the occurrence of liquidity stress.

The below action plan will be followed for effective implementation of CFP:-

Plan of action for CFP implementation

S. No.	Activity	Activity Description	Responsible team/Person
1	Monitoring of EWS	Publishing of EWS and stress test results to ALCO on quarterly basis	Finance Team
2	Evaluation/discussion	Evaluate whether there is a possibility of occurrence of liquidity stress due to company specific or financial market related stress.	ALCO, CFO
3	Escalation	Escalation to CFO/Finance Head in case of EWS exceeding permissible limits to trigger CFP.	Finance Team
4	Activation of CFP	CFO/Finance Head may take decisions appropriate to activate CFP based on likelihood of liquidity crisis. Activation of CFP will be communicated to ALCO on an immediate basis.	CFO/Finance Head
5	CFP Tracking post Activation	Finance Team will take appropriate decisions to implement CFP and report to ALCO about the progress report.	Finance Team

Funding Source, Limits, Approval process and Lead time.

Potential funding sources	Estimated amount which can be drawn from these sources	Lead Time to withdrawal
Funding support from Group	Group will evaluate	30 days -45 days
Funding support from sale of liquid assets	To the extent available	1 day/7 days/30 days /90 days/180 days