Sundaram Home Finance Ltd

Public Disclosure on Liquidity Risk for the quarter ended 31st December 2022 pursuant to RBI circular dated 17th February 2021 on Liquidity Risk Management Framework

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

S.No	Number of Significant Counterparties	Amount (Rs.in Cr)	% of Total Deposits	% of Total Liabilities
1.	21	6890.67	336.21%	73.36%

(ii) Top 20 large deposits

Amount – Rs.608.07 Cr

% of total deposits – 29.67%

(iii) Top 10 borrowings

Amount – Rs.5428.17 Cr

% of total borrowings – 57.79%

(iv) Funding Concentration based on significant instrument/product

Name of the Instrument	Amount	%
NCD	3031.61	32.4%
Refinance	2269.71	24.3%
Deposits	2049.53	21.9%
Term Loan from Banks	1261.58	13.5%
Commercial Paper	731.85	7.8%
Total	**9344.28**	

(v) Stock Ratios

S.No	Name of Instrument/Product	As a % of Total Public Funds	As a % of Total Liabilities	As a % of Total Assets
1	Commercial Paper	7.8%	7.8%	6.7%
2	Non-Convertible Debentures (original maturity < 1 year)	--	--	--
3	Other Short-term Liabilities	27.8%	27.5%	23.7%

Institutional Set up for Liquidity Risk Management

Board has set up the Asset Liability Management Committee (ALCO) and Risk Management Committee to manage various risks of the Company. ALCO meets on regular basis and is responsible for ensuring adherence to the risk tolerance/limits set by the Board including the Liquidity Risk of the Company. The performance of the ALCO is reviewed by Audit Committee/Board.

The Company has formulated a policy on Liquidity Risk Management Framework. Accordingly, the Company

- Performs stress testing on a quarterly basis which enables the Company to estimate the liquidity requirements as well as adequacy and cost of the liquidity buffer under stressed conditions.
- Formulated a contingency funding plan as a part of the outcome of stress testing results.
- Monitors liquidity risk based on Stock approach to liquidity by way of pre-defined internal limits for various critical ratios pertaining to liquidity risk.

The Company has diversified source of funding to ensure that there is no significant source, the withdrawal of which could trigger liquidity problems.

The Company monitors cumulative mismatches across all time buckets by establishing internal prudential limits. The Company maintains adequate liquidity buffer of readily marketable assets, to protect itself against any liquidity risk at the same time is mindful of the cost associated with it.

Notes:

1. As per the circular issued by RBI on Liquidity Risk Management Framework for Non- Banking Financial Companies and Core Investment Companies dated 04th Nov 2019, “Significant counterparty” is defined as a single counter party or group of connected or affiliated counter parties accounting in aggregate for more than 1% of the total Liabilities and "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 total Liabilities.

2. Total Liabilities represent 'Total Liabilities and Equity' as per Balance sheet less Equity.

3. Public funds are as defined in Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

4. Other Short-term Liabilities represents all short-term borrowings other than CPs.

Liquidity Coverage Ratio - Disclosure Q3 - FY22-23
Qualitative disclosure

As part of the Liquidity Risk Management Framework for NBFCs, RBI has mandated maintenance of Liquidity Coverage Ratio (LCR) effective Dec 2021. The Company is required to maintain adequate unencumbered High Quality Liquid Asset (HQLA) to meet its liquidity needs for a 30 calendar-day time horizon under a significantly severe liquidity stress scenario. Presently, the Company is required to maintain minimum HQLA of 50% of the LCR, progressively reaching 100% by December 1, 2025.

The LCR is calculated by dividing the company’s stock of HQLA by its total net cash outflows over a 30- day stress period. HQLA means liquid assets that can be readily sold or immediately converted into cash at little or no loss of value or used as collateral to obtain funds in a range of stress scenarios. Total Net cash outflows is defined as total expected cash outflows minus total expected cash inflows in the specified stress scenario for the subsequent 30 calendar days. The main drivers of LCR are adequate HQLAs and lower net cash outflow.

Major source of borrowings for the Company are NHB Refinance, Non-Convertible Debentures, Term loans from Banks, and Public deposits.

The average LCR for the quarter ended Dec 22 is 94.95% which is above the regulatory requirement of 60%.

Rs.in Cr

S.NO	Particulars	Total Unweighted (Average)	Total Weighted Value (Average)
1	**High Quality Liquid Assets**		219.62
	Cash Outflows		
2	Deposits (for deposit taking companies)	103.48	119.00
3	Unsecured wholesale funding	100.00	115.00
4	Secured wholesale funding	260.55	299.63
5	Additional requirements	-	-
6	Other Contractual Funding	340.45	391.52
7	Other contingent funding	-	-
8	**TOTAL CASH OUTFLOWS**	**804.47**	**925.15**
	Cash Inflows		
9	Secured Lending		
10	Inflows from fully performing exposures	149.23	111.92
11	Other Cash inflows	1065.34	799.01
12	**TOTAL CASH INFLOWS**	**1214.57**	**910.93**
13	**TOTAL HQLA**		219.62
14	**TOTAL NET CASH OUTFLOWS**		231.49
15	**LIQUIDITY COVERAGE RATIO %**		**94.95%**