SANTOSH INDUSTRIES LIMITED

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LIQUIDITY RISK MANAGEMENT POLICY

1. Introduction: Santosh Industries Limited ("**Company**"), being a middle layer Non-Banking Financial Company registered with RBI, recognizes the importance of maintaining adequate liquidity to meet its obligations as and when they fall due. This Policy has been formulated in accordance with the applicable provisions of the Reserve Bank of India (Non-Banking Financial Companies – Asset Liability Management) Directions, 2025 and establishes the framework for identification, measurement, monitoring and management of liquidity risk within the Company.

This Policy establishes the framework for identification, measurement, monitoring and management of liquidity risk.

2. Objective: The objectives of this Policy are to:

a) Ensure availability of adequate liquidity to meet the Company's obligations as and when they fall due;

b) Establish a framework for identification, measurement, monitoring and management of liquidity risk;

c) Ensure maintenance of adequate liquidity buffers to withstand normal and stressed conditions;

d) Comply with applicable RBI requirements relating to liquidity risk management and asset liability management.

3. Definition of Liquidity Risk: Liquidity Risk refers to the risk that the Company may be unable to meet its financial obligations as they become due without incurring unacceptable losses.

4. Governance Framework:

Board of Directors: The Board shall:

a) Approve the Liquidity Risk Management Policy and any amendments thereto;

b) Approve the Company's liquidity risk tolerance and internal limits for liquidity risk management;

c) Approve prudential limits for monitoring liquidity and interest rate risk, including maturity mismatch limits, as may be considered appropriate;

d) Periodically review the liquidity position of the Company;

e) Ensure that adequate systems are in place for effective management of liquidity risk.

Asset Liability Committee (ALCO): The Company shall constitute an Asset Liability Committee (ALCO). The ALCO shall:

a) Ensure implementation of the liquidity risk management strategy approved by the Board;

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b) Monitor compliance with Board-approved policies, limits and risk tolerance levels;

c) Review liquidity position, maturity mismatches and stress testing results;

d) Decide on the desired maturity profile and mix of assets and liabilities;

e) Review funding requirements and available liquidity sources;

f) Monitor liquidity risk under normal and stressed conditions.

The composition of the ALCO shall be determined by the Board from time to time having regard to the size and complexity of the Company's operations.

Senior Management: Senior Management shall:

a) Implement the liquidity risk management framework approved by the Board;

b) Monitor liquidity risk on an ongoing basis;

c) Prepare liquidity reports for ALCO and the Board;

d) Escalate material liquidity concerns to ALCO and the Board;

e) Ensure compliance with applicable RBI requirements.

5. Sources of Liquidity Risk: Liquidity risk may arise from:

- Asset-liability mismatches;
- Concentrated funding sources;
- Unexpected cash outflows;
- Delay in recovery of loans or investments;
- Market disruptions;
- Regulatory or operational events.

6. Liquidity Risk Management Framework: The Company shall maintain a Liquidity Risk Management Framework, that ensures maintenance of adequate liquidity, including appropriate liquidity buffers, to withstand a range of stress events. The framework shall, at a minimum, address:

a) Liquidity risk tolerance;

b) Funding strategy;

c) Prudential limits;

d) Liquidity measurement, monitoring and reporting systems;

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e) Stress testing framework;

f) Contingency Funding Plan;

g) Nature and frequency of management reporting; and

h) Periodic review of assumptions used in liquidity projections.

The Company shall consider the potential impact of premature withdrawal of liabilities and prepayment of assets while assessing liquidity risk.

7. Liquidity Risk Tolerance and Prudential Limits: The Company shall operate within liquidity risk tolerance levels approved by the Board.

The Board shall approve internal limits and prudential limits for monitoring liquidity and interest rate risk, including limits relating to maturity mismatches and other liquidity risk indicators, as may be considered appropriate.

8. Liquidity Risk Measurement and Monitoring: The Company shall establish systems and processes for measurement, monitoring and reporting of liquidity risk on an ongoing basis.

Liquidity risk shall be monitored through Asset Liability Management (ALM) processes and such other mechanisms as may be considered appropriate by the Company.

9. Maturity Profile: The Company shall prepare and monitor maturity profiles for measuring future cash flows in accordance with the requirements prescribed under applicable RBI directions.

10. Stress Testing: The Company shall periodically conduct liquidity stress testing to assess the impact of adverse scenarios on its liquidity position.

The results of stress testing shall be reviewed by ALCO and considered while assessing liquidity adequacy and contingency planning.

11. Contingency Funding Plan: The Company shall maintain a Contingency Funding Plan ("**CFP**") to address liquidity stress situations.

The CFP shall, at a minimum, identify:

a) Early warning indicators;

b) Escalation procedures;

c) Potential funding sources; and

d) Management actions to be undertaken during liquidity stress situations.

12. Management Information System and Reporting: The Company shall maintain appropriate Management Information Systems to provide timely and relevant information regarding its liquidity position under normal and stressed conditions.



Liquidity position and significant liquidity risk matters shall be reported periodically to ALCO and the Board.

13. Reporting: Liquidity position and significant liquidity risk matters shall be reported periodically to ALCO and the Board.

14. Review: This Policy shall be reviewed at least annually or earlier if required due to changes in applicable laws, business operations or risk profile of the Company.

SANTOSH INDUSTRIES LTD.

Director/Authorised Signatory