



EDC LIMITED

A Government of Goa Undertaking

ALM POLICY

SUMMARY OF POLICY:

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|---------------------------------|---|
| Policy Name | ASSET LIABILITY MANAGEMENT POLICY |
| Issue and Effective date | 09/07/2025 |
| Periodicity of Review | As decided by the Board of EDC |
| Owner/Contact | Accounts Department |
| Approver | Board of Directors (404 th Board meeting dated 09/07/2025) |

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| SR.NO. | PARTICULARS | PG. NO. |
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ALM (Asset Liability Management) Policy

1. Introduction

EDC Limited (hereafter referred to as "the Corporation") is a Government of Goa-owned Non-Banking Financial Corporation (NBFC) registered with the Reserve Bank of India (RBI). This policy shall outline the framework for managing liquidity and interest rate risks to ensure the financial stability of the Corporation. Effective ALM is critical for balancing assets and liabilities, optimizing interest rate exposure, and maintaining sufficient liquidity.

2. Objective

The ALM policy shall aim to:

- Manage liquidity to meet obligations as they arise.
- Minimize interest rate risks by aligning the maturity profiles of assets and liabilities.

Ensure compliance with regulatory guidelines on liquidity, capital adequacy, and funding sources.

3. ALM Governance Structure

ALM Committee (ALCO)

- **Composition:** The composition of ALCO shall be as decided by the Board.
- **Role:** The ALCO shall oversee all ALM-related activities and make key decisions on liquidity and interest rate management.
- **Meetings:** The ALCO shall meet at least once in 6 months.

4. Key ALM Processes

a) Liquidity Risk Management

- **Gap Analysis:** Major Assets and liabilities shall be segmented into different time buckets (1-30 days, 1-3 months, 3-6 months, 6-12 months, and above) to monitor mismatches.
- **Contingency Funding Plan:** Backup funding sources (e.g., short-term credit lines, market borrowings) shall be identified for use during liquidity shortfalls.

b) Interest Rate Risk Management

- **Interest Rate Sensitivity Analysis:** The Corporation shall measure the sensitivity of earnings and net worth to changes in interest rates.
- **Duration Gap Analysis:** Duration gaps between assets and liabilities shall be tracked to monitor exposure to interest rate changes as and when deemed fit by the ALCO

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- **Limits on Mismatches:** Mismatches within each time bucket shall be reviewed by the Committee in each meeting.

c) Funding and Capital Planning

- **Funding Mix:** The Corporation shall ensure diversified funding sources, avoiding over-dependence on any single source.
- **Capital Adequacy:** Sufficient capital shall be maintained to comply with regulatory norms, with extra buffers to absorb potential losses and support growth.

5. Risk Tolerance and Limits

The Corporation shall define risk tolerance levels for:

- **Maturity Mismatches:** Tolerance limits for maturity mismatches in each time bucket shall be set.
- **Single Borrower Limits:** Exposure to a single borrower or sector shall be limited to prevent excessive concentration risk.

6. Monitoring and Reporting

- **Regular Reporting:** ALM reports shall be prepared on at least 6-monthly basis and reviewed by the ALCO. Key metrics shall include cash flow gaps, interest rate sensitivity, and liquidity ratios.
- **Board Reporting:** The ALCO shall present six-monthly ALM summaries and key findings to the Board of Directors.

7. Policy Review and Revision

The ALM policy shall be reviewed when significant changes in the business environment, operations, or regulatory guidelines warrant it.

8. Regulatory Compliance

The Corporation shall comply with all applicable Reserve Bank of India (RBI) guidelines on liquidity risk, capital adequacy, and ALM. Any regulatory changes impacting the ALM process shall be promptly incorporated into this policy.
