



RISK MANAGEMENT POLICY

ZEAL HOLDINGS PRIVATE LIMITED



Documents Details

Particulars	Details
Title	Risk Management Policy
Classification	Public
Approved Date	23 rd of August 2024
Last Review Date	23 rd of August 2024
Approved by	Board of Directors
Custodian	Operation

Zeal Holdings Pvt. Ltd.

“RISK MANAGEMENT POLICY”

TABLE OF CONTENTS:

SR. NO.	PARTICULARS	PAGE NO.
1.	Definition	3
2.	Purpose	3
3.	Responsibility	3
4.	Implementation	3
5.	Primary Objectives	4
6.	Scope	4
7.	Liquidity Risk Management	4
8.	Currency Risk	5
9.	Interest Rate Risk	5

1. Definition

This Risk Management Policy outlines the framework for managing risks arising from the mismatch between assets and liabilities of Zeal Holdings Private Limited (ZHPL) and its balance sheet. It is designed to support sustained growth, profitability, and solvency by encompassing strategic goals, liquidity risk, interest rate risk, and market risk management. This policy includes a set of actions and procedures to control financial risks and ensure the safety and soundness of ZHPL, balancing the need for consistent earnings with growth and service objectives.

2. Purpose

The purpose of this policy is to:

1. Define the Scope and Responsibilities of the Risk Management Committee and Asset/Liability Management Committee (ALCO), which is formally overseen by the Finance & Audit Sub-Committee.
2. Measure and manage various risks consistently.
3. Establish guidelines to comply with applicable regulatory rules and statutes.
4. Align with other policies (investments, lending, operations, etc.) to form a cohesive risk management approach.

3. Responsibility

The Board of Directors holds the ultimate responsibility for effective risk and asset/liability management. Authority for formulation, revision, and administration of this policy is delegated to the Risk Management Committee. Responsibilities of the Risk Management Committee include:

1. Overseeing balance sheet planning from a risk-return perspective, including interest rate and liquidity risks.
2. Developing and implementing asset/liability management processes and procedures.
3. Establishing and maintaining monitoring and reporting systems.
4. Developing asset/liability strategies and tactics.
5. Submitting quarterly written reports to the Board.
6. Ensuring the management information system provides timely and relevant data for effective asset/liability management.

4. Implementation

Successful implementation requires strong commitment from senior management to integrate operations and strategic decision-making with risk management. The Board is responsible for establishing, reviewing, and ensuring compliance with this policy, while the Risk Management Committee will:

1. Review the policy annually with management.
2. Review funds management activities quarterly, including:
 - Rate sensitivity analysis summary.
 - Liquidity position analysis.
 - Financial results comparison with budget and previous periods.
 - Adherence to risk parameters and tolerance limits.

5. Primary Objectives

The primary objectives of this policy are to:

1. Achieve consistent earnings and maintain a Net Capital to Assets ratio within acceptable levels.
2. Manage four main risks:
 - **Interest Rate Risk (IRR):** Risk that changes in prevailing interest rates will adversely affect the company's earnings, including interest income and expenses.
 - **Price Risk (Market Risk):** Risk that changes in interest rates and market factors will impact the value of assets, liabilities, and capital.
 - **Liquidity Risk:** Risk of insufficient cash flow to meet obligations or capitalize on opportunities.
 - **Credit Risk:** Risk of loan defaults or investment losses affecting capital and asset quality.

6. Scope

The Risk Management Function will cover:

- Liquidity Risk Management
- Currency Risk Management (if applicable)
- Interest Rate Risk Management
- Funding and Capital Planning
- Profit Planning and Growth Projection

7. Liquidity Risk Management

- 7.1 Effective liquidity management is crucial to ensure ZHPL can meet its obligations as they arise. Liquidity needs are assessed using a maturity ladder and cumulative surplus/deficit calculations based on the RBI's prescribed format.
- 7.2 The Maturity Profile will be categorized into time buckets as follows:

- 1 day to 30/31 days
- Over 1 month and up to 2 months
- Over 2 months and up to 3 months
- Over 3 months and up to 6 months
- Over 6 months and up to 1 year
- Over 1 year and up to 3 years
- Over 3 years and up to 5 years
- Over 5 years

7.3 The investment portfolio policy, recorded and approved by the Board, will be communicated to the RBI's Regional Office as required.

7.4 The Statement of Structural Liquidity will account for all cash inflows and outflows in the maturity ladder, considering assumptions based on asset-liability profiles and future strategies.

7.5 Short-term liquidity profiles will be monitored dynamically from 1 day to 6 months, using business projections and commitments.

8. Currency Risk

Currently, ZHPL does not have currency risk due to the absence of currency-related transactions. Should such transactions occur in the future, this policy will be updated to incorporate measures for managing currency risk.

8. Interest Rate Risk

Interest rate risk affects ZHPL's financial condition through changes in market interest rates. This risk impacts earnings (Net Interest Income) and long-term equity value (Market Value of Equity).

- **Earnings Perspective:** Measured through Net Interest Income (NII) or Net Interest Margin (NIM). Techniques such as Gap Analysis, Duration Gap Analysis, Simulation, and Value at Risk will be used for measurement and management.
- **Economic Value Perspective:** Assesses changes in the economic value of assets, liabilities, and off-balance sheet positions due to interest rate fluctuations.

This policy aims to address interest rate risk through both traditional and modern techniques, ensuring effective management as ZHPL develops its expertise and systems.

Note: This policy should be reviewed annually and updated as needed to reflect changes in the regulatory environment or ZHPL's business model.