

GMR AIRPORTS LIMITED

Liquidity Risk Management Framework

1. Preamble

This document lays down the Liquidity Risk Management Framework of the Company, pursuant to the guidelines mentioned in Master Direction No. DNBR. PD. 003/03.10.119/2016-17 updated as on November 22, 2019 on Core Investment Companies (Reserve Bank) Directions, 2016 issued by Reserve Bank of India ("**RBI**") (hereinafter referred as "Master Directions").

As per this Master Direction the Board shall have the overall responsibility for management of liquidity risk and in order to do this, Board shall frame a liquidity risk management framework which ensures that the Company maintains sufficient liquidity, including a cushion of unencumbered, high quality liquid assets to withstand a range of stress events. As per RBI Master Directions, the following aspects shall be dealt under Liquidity Risk Management Framework.

- A. Liquidity Risk Management Policy, Strategies and Practices.
- B. Management Information System
- C. Internal Controls
- D. Maturity profiling
- E. Liquidity Risk Measurement- Stock Approach
- F. Currency Risk
- G. Managing Interest Risk
- H. Liquidity Risk Monitoring Tools

2. Governance of Liquidity Risk Management Framework

The following will be the Governance mechanism of the Liquidity Risk Management.

- (i) **Board of Directors:** The Board of Directors shall have the overall responsibility for management of liquidity risk, pursuant to the Liquidity Risk Management Framework. The Board of Directors periodically review the Reports on the liquidity and funding situation of the Company, with the support of the Risk Management Committee and Asset- Liability Management Committee.
- (ii) **Risk Management Committee:** The Risk Management Committee, which reports to the Board and consisting of CEO/MD, CFO and CRO shall be responsible for evaluating the overall risk faced by the Company including Liquidity Risk.
- (iii) **Asset – Liability Management Committee (ALCO) :** The Asset – Liability Management Committee (ALCO) consists of :
 - (a) CEO/MD,
 - (b) Chief Financial Officer,



- (c) Chief Risk Officer
- (d) Head Project Finance and Treasury (taking care of Credit, Fund Management/Treasury and;
- (e) Head Finance and Accounts (taking care of Resource, Planning & Investment in Group Companies)

The ALCO shall be responsible for the following :

- (a) Ensuring the adherence to the Risk tolerance/limits set by the Board and implementing the liquidity risk management strategy as defined in this Framework
 - (b) Decision on desired Maturity Profile and Mix of incremental assets and liabilities,
 - (c) Sale of Assets as a source of Funding
 - (d) Structure, responsibilities and controls for managing Liquidity Risk;
 - (e) Overseeing the Liquidity Position
 - (f) Such other matters, as required by the Board or the RBI in terms of any amendment in the Rules, Regulations, Master Directions, etc from time to time.
- (iv) **Asset Liability Management (ALM) Support Group:** The operating Staff from the Finance & Accounts Department and Project Finance & Treasury Department shall be responsible for analyzing, monitoring and reporting the liquidity risk profile and other information, reports to the ALCO.

3. Liquidity Risk Management Policy, Strategies and Practices

(i) Entity Level Liquidity Risk Tolerance :

The Liquidity Risk means inability of the Company to meet such obligations as they become due without adversely affecting the Company's financial condition.

Based on the nature of the Business, the Liquidity Risk Tolerance for the Company is twelve months (12 months), till this time Company is willing assume liquidity risk and prepare the strategy to fund the Liquidity gaps.

The Maturity Profiling as explained below in the Framework, could be used for measuring the future Cash Flow requirements of the Company and based on the Maturity Profiling of Liquidity requirement, Company arranges the Funds to meet its liabilities one month (1 month) before the same is due.



(ii) Liquidity Costs, Benefits and Risks in the Internal Pricing

As the Company is not in the business of providing any loans except to group companies. The Cost Benefit analysis of liquidity and internal pricing needs to be done to the extent of giving loans to Group Companies.

(iii) Off Balance Sheet Exposures and Contingent Liabilities

The Off Balance Sheet Exposures and Contingent Liabilities as required under this Master Directions, as may be applicable from time to time, to be reviewed as part of Cash Flow/MIS review by the ALCO.

(iv) Funding Strategies

Based on the Liquidity Risk Tolerance of 12 months, Business Plan, the Company's Funding Plan will be based on the 12 months Maturity Profiling of Cash Flow requirement of the Company. The Head Project Finance and Treasury and Head Finance and Accounts shall prepare, discuss and review the Cash Flow Statement with the CFO on regular interval and prepare the Strategy to Fund the shortfall in the next 12 months. The Funding Plan to be updated regularly through out the year to reflect changes in the Cash Flow requirements.

The same is to be presented to the ALCO in the periodical meetings for the review and final approval of the Board shall be sought once funding option is finalized pursuant to the provisions of Companies Act, 2013.

The Company may raise Funds in any form of Equity or Debt, depending on the requirement of the business, maturity profiling etc. The Company may also raise Funds by intra group fund transfers, new capital issues, new issues of short and long term debt instruments, sale of subsidiaries, joint ventures or lines of business, asset securitization etc.

The ALCO should regularly gauge the Company's capacity to raise funds quickly from various sources. There should not be any over reliance on single source of funding. The Company should diversify available funding sources in the short-medium and long term and the same to be aligned with the Budgeting and Business Planning process.

(v) Collateral Position Management :

The Company manages its collateral positions differentiating between encumbered and unencumbered assets. Further, the Company should keep sufficient collateral to meet expected and unexpected borrowing needs and potential increases in margin requirements over different



time frames. The ALCO as part of MIS reporting shall review collateral position from time to time.

(vi) Prudential Limits :

The Company shall follow the prudential limits as prescribed by RBI under CIC Regulations from time to time.

(vii) System for measuring, assessing and reporting/reviewing Liquidity :

The ALM support Group shall prepare the following Reports and give it to ALCO on periodical basis. The ALCO shall measure, assess and review the Liquidity position of the Company.

- Cash Flow Statement or Liquidity Projections (including projection on stress case)
- Maturity Profiling
- Funding Requirement and Funding Plans, if any finalized;
- Structural liquidity position in different time bucket and plan for fill in the mismatch if any;
- Short Term Liquidity Profile over a time horizon of 1 Day to 6 months on the basis of Business Projections;
- Stock Ratios as defined in the Framework
- Report on Liquid Assets, Surplus Invested as per Investment Policy
- Details of Unencumbered Collateral and Encumbered Collateral,

The Liquidity position of the Company may be presented to the Board along with the Financials.

(viii) Framework for Stress Testing :

The Company conducts stress tests on a regular basis for a variety of short term and protracted institution-specific and market wide stress scenarios to identify sources of potential liquidity strain and to ensure that current exposures remain in accordance with established liquidity risk tolerance. The Company should also be prepared to manage liquidity under stressed conditions. The Company should perform Stress Tests or Scenario Analyses on a regular basis in order to identify and quantify its exposures to possible future liquidity stresses, analyzing possible impacts on the company's cash flow, liquidity position, profitability and solvency on the expected cash in and outflow during the 12 month's time horizon.



Stress Testing Scenarios and Assumptions

The following scenarios, parameters, assumptions may be considered by the Company for Stress Testing. The list is an illustrative List.

- Nature of Company's business, activities, risks associates with its business
- Historical Events, if any;
- Severe constraints in accessing secured and unsecured funding, restrictions on currency convertibility, if any;
- Reduction in Market liquidity and constraint on Funding Liquidity;
- Asset market illiquidity and erosion in the value of liquid asset;
- Funding Tenors;
- Impact of Credit Rating Triggers;
- Ability to transfer liquidity across entities, sectors taking into account legal, regulatory, operational restrictions and constraints;
- Operational Ability of the Company to monetize assets, like non payment of Dividend by the Companies in which Funds have been invested;
- Estimates of future Balance Growth;

The results of these Stress Tests should be discussed by management/ALCO and based on this discussion should form the basis for taking remedial or mitigating actions to limit Company's exposures, build up a liquidity cushion, and adjust its liquidity profile to fit its risk tolerance.

(ix) Liquidity Planning under Alternative scenarios/Formal Contingent Funding Plan:

Based on the Stress Testing, if required, management/ALCO may plan for the Liquidity under Alternative scenarios or may plan for Formal Contingent Funding Plans, as per the Business requirements of the Company.

(x) Nature and Frequency of Management Reporting :

The frequency of the reporting of Reports as mentioned above in most of the cases be on monthly basis and in other cases, on quarterly basis.

(xi) Periodical Review of Assumptions used in Liquidity Projections :

The ALCO while reviewing the Liquidity Projections shall always review the assumptions of the Liquidity Projections, as part of its review.



(xii) Public Disclosure

The Public disclosure of the liquidity position and other details to be given on the Website of the Company, if any and in the Notes to Accounts as required by the Master Directions of the RBI.

4. Management Information System : The Company shall have reliable MIS designed to provide timely and forward looking information on liquidity position of the Company to ALCO and to the Board, both under normal and stress situation. The MIS should cover the Liquidity Risk and Contingent risks arising from the activities and should have ability to furnish more granular information for stress events.

5. Internal Controls :

The Management Assurance Group (MAG) of GMR Group, shall frame an appropriate internal control, system and procedures to ensure adherence to liquidity risk management framework, policies and procedures. The same also to be reviewed by the MAG as per defined intervals approved by the Audit Committee.

6. Maturity Profile:

For measuring and managing net funding requirements, the use of a maturity ladder and calculation of cumulative surplus or deficit of funds at selected maturity dates is adopted as a standard tool. The same should be used for measuring the future cash flows of the Company in different time buckets. The Maturity Profile could be used for measuring the future cash flows of GAL in different time buckets as under:

- 0 day to 7 days
- 8 day to 14 days
- 15 day to 30/31 days (One month)
- Over one month and upto 2 months
- Over two months and upto 3 months
- Over 3 months and upto 6 months
- Over 6 months and upto 1 year
- Over 1 year and upto 3 years
- Over 3 years and upto 5 years
- Over 5 years

The Company shall follow the Guidelines mentioned in the Master Direction for the Maturity Profiling and ALCO shall review the same on periodic basis.



7. Liquidity Risk Management – Stock Approach

The Company shall follow a “Stock” approach to liquidity risk measurement and monitor the following critical ratios with the defined limits.

Ratios	Internal Defined Limits (percentage)
- Short Term Liability (less than one year) to Total Assets	70%
- Short Term Liability to Long Term Assets	70%
- Non -Convertible Debentures (Original Maturity of less than one year) to Total Assets	70%
- Short Term Liabilities to Total Liabilities	90%
- Long Term Assets to Total Assets	Not less than 90%

The ratios to be calculated without considering the impact of revaluation of investments.

8. Currency Risk

The Company is doing business not only domestically but also on the international front. International investments are associated with significantly higher economic risks on one hand but also create opportunities and profits on the other hand. Exchange rate volatility is a new dimension to the risk profile of the Company’s Balance Sheet, as it has Foreign Assets and Liabilities. Such exposure also give rise to one of the Liquidity Risk. Currency Risk Management is important to help the Company to protect its cash flows, assets and liabilities from the adverse impact of foreign currency fluctuations.

Transaction exposure can be reduced with use of money market, foreign exchange derivatives such as forward contracts, options, future contracts and swaps. The company to ensure that it forms a suitable hedging strategy to appropriately cover its assets and liabilities against any foreign currency fluctuation, as required under applicable RBI guidelines and amended from time to time.



9. Managing Interest Rate Risk

Most of the investments of the Company are currently in Group's business through equity. Further, borrowings of the Company are generally on the Fixed Rate Negotiated Contracts. Hence, the Company is not much exposed to the Interest Rate Risk as defined under the RBI Guidelines. Any loans and advances contracted by the Company shall ensure coverage of its cost of borrowing and also keep the flexibility to manage the interest rate risk by making it subject to any regulatory changes. ALCO to follow the RBI Guidelines on Managing Interest Rate Risk, as applicable to the Company's Business, pursuant to the Master Directions of RBI.

10. Liquidity Risk Monitoring Tools

The review of MIS, Stock Ratios, Cash Flow, Funding Plans by the Management/ALCO, along with the Internal Audit are the Liquidity Risk Monitoring Tools.

Effective Date:

This policy is effective from the date of its approval from the Board.

