CONTINGENCY FUNDING PLAN

Abans Finance Private Limited ("**Company**"/ "**Abans**") is registered as a non-deposit taking/accepting non-banking finance company ("**NBFC**") with the Reserve Bank of India ("**RBI**"), vide certificate of registration number B-13.02044 dated April 22nd, 2013, and is recognized as a middle-layer NBFC with effect from year ended March,24.

Pursuant to '*Master Direction – Reserve Bank Of India (Non-Banking Financial Company– Scale Based Regulation) Directions, 2023*', RBI/DOR/2023-24/106, an NBFC is required to formulate a contingency funding plan for responding to severe disruptions which might affect the NBFC's ability to fund some or all of its activities in a timely manner and at a reasonable cost.

This contingency funding plan of Abans ("**CFP**") contains details of available / potential contingency funding sources to various liquidity stress scenarios.

1. Objective of the CFP.

1.1. To outline strategies to manage a range of liquidity stress situations;
1.2. To provide a framework with a high degree of flexibility so that the company can respond quickly in a variety of liquidity stress situations;
1.3. To determine available sources of contingency funding and an estimate of the amount of funds that can be obtained from each source; and
1.4. To determine lead time needed to obtain additional funds from each of the sources.

2. Early warning signals that may invoke CFP.

Early warning signals act as indicators to address major liquidity stresses that may arise in the future. The Company shall pay attention to such early warning signals and undertake mitigation steps accordingly. The following are the early warning signals determined by the Company to assess liquidity stress:

2.1. Significant decrease in collection efficiency.

The Company engages in lending activity as well as treasury operations. The lending book of the Company involves loans within the group entities as well as outside. While granting the loans, all efforts shall be made to ensure that the interest and other charges are collected in a timely manner (i.e., at monthly intervals in case of loans to group entities). Any significant decrease in collection efficiency may affect the overall liquidity of the company. Pursuant to the same, the '*Loan, Accounts and Collection*' department shall monitor the collection efficiency of the Company and in case of any significant decrease in the same, it shall be communicated to the '*Asset Liability Management Committee*' ("**ALMC**"), constituted in the manner as provided for in the '*Risk Management Policy*' of the Company ("**Risk Policy**"), and the same shall be highlighted to the board of directors of the Company ("**the Board**"). Monthly / quarter wise comparison of collection efficiency will enable the officials to understand any deviations easily.

2.2. Difficulty in getting credit facilities or cancellation of existing credit facilities by the banks.

The Company mainly depends on the promoter, group entities and banks / financial institutions ("**FIs**") for meeting its short-term as well as long-term financial requirements. The '*Accounts and Banking Department*' shall monitor the funds available with these sources on an on-going basis. However, if there are any deviations or imposition of additional covenants or constraints by the lenders so as to make it difficult for the Company to procure funds from these sources or to utilise existing facility it shall immediately report to the Risk Management Committee (*as defined under the Risk Policy*) of the Company ("**RMC**") and highlight the same to the Board. The Board or RMC shall analyse the reason for such difficulties and also shall formulate corrective actions to overcome the same at the earliest.

2.3. Significant impairment or reduction in the fair value, market value, or realizable value of collateral security offered as security by borrowers, such that the security cover falls below the minimum threshold as per the loan agreement or internal policy.

While most of the lending by the Company is unsecured in nature, for those exposures that are secured, the recoverability of loans is significantly dependent on the enforceability and value of underlying security provided by borrowers. A decline in the value of these secured assets can lead to reduced loan recovery potential and increased provisioning requirements – all of which contribute to liquidity stress and financial instability. The key indicators are significant drop in the security cover ratio, downward revision in collateral valuation reports, negative sectoral developments, etc. The credit and risk monitoring teams shall periodically conduct revaluation of the charged assets for large exposures, review of borrowers' financial health, etc. Any identified risk should be put forth the RMC and the same shall be highlighted to the Board.

2.4. Substantial loss due to derivatives exposure.

The Company takes derivative positions to hedge the risk arising from issuance of MLDs. The derivative positions are taken in stock indices such as 'NIFTY' and blue chip stocks. Any loss due to derivative exposure may erode the net worth of the Company. Therefore, the RMC shall carry out an assessment of the potential loss positions.

2.5. Realization of contingent liabilities.

The Company has given corporate guarantees on behalf of group entities (being regulated entities) to banks. The Company has given these guarantees on the backing of its own fixed assets. The Company, as a precautionary measure ensures that the entities on whose behalf it gives the corporate guarantees, are of sound financial health, regulated by sector specific regulators and are in a position to service their own obligations. In the event wherein there arises a possibility of materializing this contingent liability, then the same shall be communicated to the Board. The ALMC shall analyse the reason for such difficulties and shall also formulate corrective actions to overcome the same at the earliest.

2.6. Substantial increase in the non-performing assets ("NPA") level of the Company.

Owing to the level of NPA being inversely proportional in nature to the collection efficiency of the Company, the management shall take all the efforts to maintain NPA level to minimum. Any increase in NPA may lead to liquidity deficit in the Company as the funds will remain blocked without deriving any income. Further, as a practice, the Company maintains a low proportion of lending to external parties beyond the group entities of the Company as there is a higher risk of default with such borrowers.

2.7. Socio-economic and political factors.

The socio-economic and political factors such as economic crisis, pandemics, wars, riots, etc. plays a vital role in maintaining liquidity in the overall economy. When such a situation arises the ALMC must be vigilant and shall ensure that the Company has adequate facility to cope up with the same.

3. <u>Potential funding sources.</u>

The most important and reliable funding source is a cushion of highly liquid assets. Pursuant to the same, the Company shall at all times until the occurrence of a stress scenario, keep such assets of the Company having an aggregate value of INR 1,41,00,00,000 (Indian Rupees One Hundred and Forty One Crores Only), unencumbered, to mitigate liquidity stress. However, in a stress event, many of the liquidity sources may become unavailable, cost prohibitive and/or may have their value deteriorated. Identification of potential funding sources for shortfalls resulting from stress scenarios is a key component of adequate contingency funding plans. Therefore, effective stress tests typically assess the availability of contingent funding in stress scenarios. The following are the funding sources that shall be available with the Company in a stress scenario:

3.1. Internal Sources.

3.1.1. Promoter lending / investment.

In the event a stress situation is triggered, the Company shall seek liquidity buffer from the promoter(s) of the Company. This will provide liquidity to the Company on a 'T+2' basis, wherein 'T' is the day on which the Company seeks additional capital from such promoter(s). Basis the audited financials of the promoter(s) and pursuant to consensus arrived at between the Company and such promoter(s), it is estimated that an amount aggregating up to INR 1,00,00,00,000 (Indian Rupees One Hundred Crores Only) may be sourced from the promoter(s) collectively during a stress situation.

3.1.2. Borrowing from group entities.

To tide over liquidity situation, the Company can raise funds from group entities through debt instruments. Upon review of the audited financial statements of the group entities and pursuant to consensus arrived at between the Company and such group entities, it is estimated that an amount aggregating up to INR 40,00,00,000 (Indian Rupees Forty Crores Only) may be sourced from such group entities collectively during a stress situation. Such amount shall also be subjected to the borrowing limit of the Company as approved by the members of the Company under section 180(1)(c) of the Companies Act, 2013.

3.1.3. Sale / Disposal of fixed assets.

If the Company has surplus number of fixed assets, during a liquidity stress situation the Company can encash it by selling the surplus assets. Basis the audited financial statements of the Company, it is estimated that a book value aggregating up to INR 1,00,00,000 (Indian Rupees One Crore Only) may be sourced from the sale of the surplus assets of the Company.

Such internal sources grant immediate access or within a few days except sale / disposal of fixed assets which require more time.

3.2. External Sources.

3.2.1. Credit facilities extended by banks / FIs.

The Company may approach banks/ FIs to avail short term and/or long term financial assistance, which may be secured by the assets of the Company. Efforts shall be taken to ensure that such borrowings are made without contravening any acts, rules and regulations applicable to the Company. The estimated lead time to access funds under this route is 1 (one) – 2 (two) business days.

The maximum amount that may be sourced from the credit facilities availed from banks and/or other FIs shall be subject to the credit sanctioned by such banks and FIs and the borrowing limit of the Company as approved by the members of the Company under section 180(1)(c) of the Companies Act, 2013.

Raising funds through fresh issuance of shares.

The Company may raise funds by the way of fresh issuance of shares including but not limited to equity shares as well as preference shares. This may approximately take 1 (one) – 2 (two) months depending on necessary regulatory approvals.

The maximum capital that may be raised by the way of issuance of shares shall be subject to the authorized share capital and the paid-up share capital of the

Company. As on date, the authorised and the paid-up share capital of the Company are as follows:

Authorised Capital	INR 163,50,00,000 (Indian Rupees One Hundred Sixty-Three Crore Fifty Lakh only)
Paid-up Capital	34,47,27,290 (Indian Rupees Thirty-Four Crore Forty-Seven Lakh Twenty-Seven Thousand Two Hundred and Ninety Only)

3.2.2. *Raising funds through issue of NCDs.*

Subject to the relevant provisions of the Companies Act, 2013 and the allied rules therein including but not limited to the Companies (Acceptance of Deposits) Rules, 2014, the Company may raise funds by the way of fresh issuance of rated/ unrated, secured/ unsecured, listed/ unlisted, senior/ subordinated non-convertible debentures. The same shall not affect the rights of shareholders and is also cost effective vis-à-vis share capital. The approximate lead-time to access funds under this route is 3-7 business days.

Subject to the borrowing limit of the Company as approved by the members of the Company under section 180(1) (c) of the Companies Act, 2013.The maximum amount that may be sourced under this route shall be contingent on the nature of the NCDs issued. Wherein the NCDs issued are secured in nature, the maximum amount that may be raised under this route shall be dependent on the valuation of the assets of the Company over which charge has been created to secure such NCDs.

4. **Escalation/ prioritization procedure.**

The Company shall ensure that the requisite resolutions of the Board and the members of the Company, approving the Company to avail the sources of funding as mentioned above, as may be required under Companies Act, 2013 and the allied rules therein, have been passed/ are timely passed, so as to enable the Company to readily access such funding routes in stress scenarios. Upon the occurrence of a stress scenario as identified by the Board and/or ALMC through early warning signals as prescribed under paragraph 2 of this CFP, the Board and/or ALMC shall immediately arrange for funds from such sources as identified under paragraph 3 of this CFP.