

This Note is prepared, as a matter of business prudence, keeping in view the possibility of occurrence of Liquidity issues which may arise on account of unforeseen problems, both internal and external, on account of various factors which drives the economy as a whole and in the financial services sector in particular.

### **Possibility of Occurrence of Liquidity Problems**

#### **Internal**

- Mismatch in Cash Inflows & Outflows during the course of business
- Slowdown of Recovery or low Recovery Performance of the Company
- High Disbursal Commitments in anticipation of Inflows

#### **External**

- Liquidity Stress in the financial system as a whole
- Liquidity Stress on account of impaired earning capacity of the Borrowers due to slowdown of the economy in general and transportation sector in particular.
- Delay in getting the anticipated funds on time

### **Contingency Plan**

#### **Internal**

The following are the avenues available to the management to address the issue internally.

- Postponement of Disbursement schedules, to the extent possible
- Slowing down the pace of disbursements
- Intensive Recovery follow up to scale up the Recovery Performance
- Crystallization / Realization of Liquid Assets of the Company

#### **External**

The following are the possible means of committed lines of credits / borrowings to address the issue.

- Promoters / Directors personal means
- Inter Corporate Borrowings
- Request to the Company's Bankers for temporary enhancement of the sanctioned limits

### Effectiveness of the Contingency Plan

#### Internal

The following can be implemented, since the same are internal to the Company, effectively by the Management by taking appropriate steps without adversely impacting the long terms business plans of the Company.

- Postponement of Disbursement schedules, to the extent possible
- Increase of Credit filters to slowdown the pace of disbursements
- Intensive Recovery follow up to scale up the Recovery Performance
- Crystallization / Realization of Liquid Assets of the Company

#### External

The following can be implemented, in view of Management's / Promoter's / Director's credibility / standing and their time tested relationship with the Lenders / Bankers without adversely impacting the long terms business plans of the Company.

- Promoters / Directors personal means
- Inter Corporate Borrowings
- Request to the Company's Bankers for temporary enhancement of the sanctioned limits - *Banks are allowed to consider temporary enhancement to the tune of 10%-15% in case of liquidity stress, if any, to meet its short term commitments*

### Possible Occasions of resorting to such facilities

The possibilities of occurrence of such occasions are very remote in view of the previous experience of the Management and there were no such occasions for the last 2 - 3 years.

\*\*\*\*\*