

# ART Venture Finance (India) Private Limited

## Asset Liability Management and Liquidity Policy

Version 1.0 | Effective Date: 1st July 2026 | NBFC-ICC (Non-Deposit Taking, B2B)

|                       |                                       |
|-----------------------|---------------------------------------|
| <b>Prepared By</b>    | Finance / Secretarial Department      |
| <b>Reviewed By</b>    | AVP — Risk Management (Sanchit Gupta) |
| <b>Recommended By</b> | Chief Investment Officer              |
| <b>Approved By</b>    | Board of Directors                    |

### Version History:

| Version | Date       | Description                                                                  | Next Review Date                            |
|---------|------------|------------------------------------------------------------------------------|---------------------------------------------|
| 1.0     | 01.07.2026 | First Version — B2B NBFC-ICC; no ALCO at current scale; CIO-led ALM function | Annually or upon material regulatory change |

### Disclaimer:

This document is confidential and intended solely for ART Venture Finance (India) Private Limited, its employees, officers, directors, and authorised representatives. It is available to the RBI and other regulatory authorities upon request.

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## 1. Introduction

ART Venture Finance (India) Private Limited ("AVF" or "the Company") is a Non-Banking Financial Company — Investment and Credit Company (NBFC-ICC) registered with the Reserve Bank of India. AVF is a non-deposit taking entity operating exclusively on a B2B basis, providing equity investments, convertible instruments, and alternative lending facilities to tech-enabled, innovative businesses in India.

Asset-Liability Management (ALM) refers to the process by which a company manages its balance sheet in order to allow for alternative interest rate and liquidity scenarios. In the normal course, NBFCs are exposed to credit and market risks arising from asset-liability transformation. As AVF grows its investment and lending portfolio, the need for a structured ALM framework becomes increasingly important to ensure financial stability, regulatory compliance, and the prudent deployment and protection of capital.

AVF's balance sheet has the following key characteristics that shape its ALM framework: liabilities consist primarily of equity capital and any institutional borrowings; assets consist of equity holdings (long-duration), convertible instruments (medium-duration), alternative lending facilities (12–36 months), and treasury investments (short-duration). There are no retail deposits and no retail borrowers. This structure means liquidity risk arises primarily from the timing mismatch between long-duration equity holdings and shorter-duration funding sources, and from committed but not-yet-drawn lending facilities.

This ALM and Liquidity Policy lays down the broad guidelines for AVF's interest rate and liquidity risk management, aligned with RBI's Liquidity Risk Management Framework for NBFCs (2019, as amended) and applicable Master Directions for Base Layer NBFC-ICCs.

## 2. Objectives

The objectives of this Asset Liability Management and Liquidity Policy are to:

- Maintain adequate liquidity at all times to meet AVF's financial obligations — including capital calls, loan disbursements, and operating expenses — as they fall due.
- Manage interest rate risk arising from repricing mismatches between AVF's assets and liabilities.
- Comply with RBI's Liquidity Risk Management Framework (2019, as amended) and applicable prudential norms for Base Layer NBFC-ICCs.
- Integrate ALM with AVF's business strategy, capital planning, and investment decision-making.
- Establish a structured framework for identifying, measuring, monitoring, and managing liquidity and interest rate risks as AVF's portfolio and funding structure grow.

The ultimate ALM goal is to ensure AVF's ability to meet all obligations at all times while managing profitability and risk within the parameters approved by the Board.

## 3. ALM Function and Three Pillars

AVF's ALM function rests on three pillars, consistent with RBI guidance:

| Pillar                  | Component                                                         | AVF Implementation                                                                                                 |
|-------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|
| ALM Information Systems | MIS; information availability, accuracy, adequacy, and timeliness | Monthly cash flow statements, portfolio MIS, and treasury position reports prepared by Finance and reviewed by CIO |

|                         |                                                                            |                                                                                                                                  |
|-------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| <b>ALM Organisation</b> | Structure and responsibilities; senior management involvement              | Board holds overall responsibility; CIO performs ALCO function at current scale; AVP Risk supports monitoring and reporting      |
| <b>ALM Process</b>      | Risk parameters; identification; measurement; management; tolerance levels | Maturity gap analysis, structural liquidity statement (ALM-II format), IRR gap (ALM-III format), and quarterly scenario planning |

The initial focus of the ALM function is to enforce risk management discipline — managing the balance sheet after systematically assessing the risks involved. As AVF scales, the ALM function will evolve into a strategic tool for balance sheet optimisation, funding mix decisions, and product pricing.

## 4. ALM Information Systems

The effectiveness of AVF's ALM function depends on the quality, accuracy, and timeliness of management information. The following information systems and reports shall form the basis of the ALM process:

- Monthly Cash Flow Statement — covering all expected inflows (loan repayments, interest receipts, exit proceeds, treasury maturities) and outflows (operating expenses, committed disbursements, debt servicing) across the maturity buckets defined in Section 6.2.
- Portfolio MIS Report — monthly report from all investee companies and borrowers covering revenue, burn rate, and covenant compliance, prepared by the investment team.
- Treasury Position Report — monthly statement of all treasury assets by instrument type, maturity, and market value.
- Structural Liquidity Statement (ALM-II format) — quarterly statement placing all cash inflows and outflows in the RBI-prescribed maturity ladder.
- Interest Rate Risk Gap Report (ALM-III format) — quarterly report computing interest-sensitive gaps in each time bucket.

All ALM reports shall be prepared by the Finance function and reviewed by the AVP Risk, with key metrics presented to the CIO monthly and to the Board quarterly. Adequate measures shall be taken to improve data quality and reporting automation on an ongoing basis, commensurate with the scale of operations.

## 5. ALM Organisation

The governance structure for AVF's ALM function is as follows:

### 5.1 Board of Directors

The Board holds overall responsibility for the management of liquidity and interest rate risks. The Board approves this Policy, sets the risk appetite and prudential limits, and reviews ALM performance at least quarterly. The Board is responsible for ensuring that AVF maintains adequate liquidity and capital at all times.

### 5.2 CIO — ALM Function at Current Scale

At AVF's current scale (Net Owned Funds below Rs. 50 Crore, no ALCO constituted), the Chief Investment Officer (CIO) performs the ALM oversight function. The CIO is responsible for:

- Monitoring liquidity position and gap limits on a monthly basis
- Reviewing the structural liquidity statement and interest rate gap report each quarter
- Deciding on funding mix, treasury deployment, and pricing of lending facilities in line with this Policy

- Escalating material liquidity concerns to the Board immediately

As AVF's AUM and balance sheet complexity grow, the Company shall constitute a formal Asset-Liability Management Committee (ALCO). The Board shall review this requirement at least annually. When constituted, the ALCO shall consist of appropriate senior officers — including the CIO and the head of Finance — and shall meet at minimum bi-monthly.

### 5.3 AVP Risk — ALM Support

The AVP Risk Management supports the ALM function by preparing the monthly cash flow statement, structural liquidity statement, and interest rate gap report; monitoring key liquidity ratios; and flagging early warning indicators to the CIO.

## 6. ALM Process

The scope of AVF's ALM function covers the following:

- Liquidity risk management — measuring and monitoring net funding requirements
- Interest rate risk management — managing repricing gaps between assets and liabilities
- Capital planning — integrating funding strategy with the business plan
- Scenario and stress planning — testing liquidity resilience under adverse conditions
- Contingency liquidity planning — identifying backup funding sources

### 6.1 Liquidity Risk Management

Measuring and managing liquidity is fundamental to AVF's financial stability. Liquidity risk arises from the mismatch between the timing of cash inflows from AVF's portfolio and the timing of its financial obligations. AVF shall measure and manage liquidity through two complementary approaches:

- Structural Liquidity — placing all assets and liabilities into the maturity buckets in Section 6.2 to identify cumulative gaps; monitored using the Statement of Structural Liquidity (ALM-II format).
- Dynamic Liquidity — monitoring short-term (1 day to 6 months) cash flow projections based on actual business activity, anticipated repayments, and committed disbursements; monitored using the Short-Term Dynamic Liquidity format (ALM-I format).

The primary liquidity management tool is the maintenance of a minimum High-Quality Liquid Asset (HQLA) buffer equivalent to 30 days of operating expenses and debt servicing requirements at all times. HQLA comprises bank balances, bank FDs, and liquid/overnight mutual fund units held in AVF's treasury portfolio.

### 6.2 Maturity Profile and Gap Analysis

All of AVF's assets and liabilities shall be classified into the following ten time buckets in accordance with RBI guidelines, for the purpose of computing structural liquidity gaps and interest rate risk:

| #   | Time Bucket           | Treatment for AVF                                                                                               |
|-----|-----------------------|-----------------------------------------------------------------------------------------------------------------|
| i   | 1 day to 7 days       | Short-term operational cash: bank balances, overnight FDs. Gap limit: negative mismatch $\leq$ 10% of outflows. |
| ii  | 8 days to 14 days     | Short-term treasury instruments maturing in this window. Gap limit: negative mismatch $\leq$ 10% of outflows.   |
| iii | 15 days to 30/31 days | Liquid mutual fund units, short-term FDs. Cumulative 1–30 day negative gap $\leq$ 15% of outflows.              |

|             |                           |                                                                                      |
|-------------|---------------------------|--------------------------------------------------------------------------------------|
| <b>iv</b>   | Over 1 month to 2 months  | Maturing lending facilities and expected repayment receipts in this window.          |
| <b>v</b>    | Over 2 months to 3 months | Anticipated disbursements and repayments; working capital facility drawdowns.        |
| <b>vi</b>   | Over 3 months to 6 months | Term loan repayments due; convertible maturity / conversion events in this window.   |
| <b>vii</b>  | Over 6 months to 1 year   | Medium-term lending book maturities; equity follow-on commitments if any.            |
| <b>viii</b> | Over 1 year to 3 years    | Core alternative lending book (12–36 month tenure); convertibles pending conversion. |
| <b>ix</b>   | Over 3 years to 5 years   | Growth equity and convertible holdings entering exit horizon.                        |
| <b>x</b>    | Over 5 years              | Long-duration equity holdings; strategic investments.                                |

Prudential Gap Limits (aligned to RBI guidelines for Base Layer NBFCs):

- Buckets i and ii (1–7 days and 8–14 days): Negative mismatch (outflows exceeding inflows) shall not exceed 10% of cash outflows in each bucket.
- Bucket iii (15–30/31 days): Negative mismatch shall not exceed 15% of cash outflows.
- Cumulative gap up to one year: Cumulative mismatch as a percentage of cumulative outflows for all buckets up to one year shall maintain a minimum 50% positive position.

Note on Equity Investments: Equity holdings are illiquid and shall be placed in buckets viii through x based on the expected exit timeline. They shall not be assumed to be liquid for gap analysis purposes unless a specific secondary sale or exit is contractually agreed.

Note on Convertible Instruments: Convertibles shall be placed in the bucket corresponding to the expected conversion or repayment date. Pre-conversion, they are treated as non-mandatory securities.

The Statement of Structural Liquidity (ALM-II format) shall be prepared quarterly and submitted to the CIO for review. The Board-approved policy note on the treatment of AVF's investment portfolio for ALM purposes shall be provided to the RBI Regional Office of the Department of Non-Banking Supervision as required.

### 6.3 Managing Interest Rate Risk

Interest rate risk (IRR) is the risk that changes in market interest rates adversely affect AVF's financial condition — specifically its Net Interest Income (NII) and net worth. For AVF, IRR arises primarily in the alternative lending book where AVF may borrow at floating rates while lending at fixed rates, or vice versa.

AVF shall manage IRR through the following:

- Repricing Gap Analysis — classifying interest-sensitive assets and liabilities into the same ten time buckets above (ALM-III format), measuring the gap in each bucket and the cumulative gap. The prudential limit on EaR (Earnings at Risk) shock shall be  $\leq 5\%$  of NII and  $\leq 10\%$  of Net Worth for a  $\pm 100$  basis point interest rate shock.
- Pricing for Risk — lending facilities shall be priced to cover AVF's cost of funds plus an appropriate risk premium, ensuring NII is protected under rate movements. Pricing decisions shall be reviewed by the CIO in line with the Interest Rate Policy.
- Fixed vs. Floating Mix — the CIO shall monitor the mix of fixed and floating rate assets and liabilities and maintain an appropriate balance to reduce repricing risk.

Currency Risk: AVF does not currently have any foreign currency exposure. All assets and liabilities are denominated in Indian Rupees. If foreign currency exposures arise in future, a hedging framework shall be developed and approved by the Board prior to any such exposure being undertaken.

## 6.4 Capital Planning

AVF shall develop an annual rolling 3-year business plan that includes a capital plan covering projected balance sheet growth, loss absorption requirements, dividend policy (if any), capital actions, and contingency options, linked to the business plan and Board-approved risk appetite statement.

Before significant new lending commitments are made, the CIO shall confirm that adequate funding sources are in place or committed. Treasury management — covering how surplus funds are held pending deployment — is governed by the Investment Policy (Part B).

The ALM function shall evaluate AVF's cost of funds relative to lending yields on a quarterly basis, to ensure that net interest margins remain positive and adequate to cover operating costs and provision for expected credit losses.

## 6.5 Scenario and Stress Planning

AVF shall conduct liquidity stress tests at least quarterly, covering the following scenarios:

- Sharp increase in NPAs — 20% of the lending book becoming non-performing, reducing expected cash inflows
- Market funding freeze — inability to raise new debt funding for 90 days
- Withdrawal of committed lines — key funding relationships withdrawn or unavailable
- Delay in loan repayments — 30% of borrowers requesting repayment extensions
- Concentrated portfolio stress — a key investee company fails, triggering write-down of equity and loss of monitoring fee income

The results of each quarterly stress test shall be reviewed by the CIO and presented to the Board. Where a scenario reveals a liquidity shortfall within a 30-day horizon, an immediate remediation plan shall be developed and implemented.

## 6.6 Liquidity Contingency Management

AVF shall identify and maintain a Liquidity Contingency Plan (LCP) setting out the actions to be taken in a liquidity stress event. The LCP shall identify:

- Primary contingency funding sources — the ART Group entities, banking relationships, and any committed credit facilities
- Secondary contingency measures — acceleration of treasury asset liquidation (FDs, mutual funds)
- Asset-side measures — acceleration of planned exits from convertible or equity positions where feasible

The CIO shall review and update the LCP annually and report its status to the Board. A test of the LCP's effectiveness shall be conducted at least once a year.

Securitisation — the conversion of a pool of lending assets into bonds sold to investors — is noted as a potential future liquidity management tool for NBFCs. AVF shall develop a Securitisation Policy if and when this becomes relevant at scale. It is not applicable at the current stage of operations.

## 6.7 Other Liquidity Monitoring Ratios

In addition to the gap analysis above, AVF shall monitor the following balance sheet ratios monthly, within Board-approved limits:

| Ratio                                  | Upper Limit | Monitoring Frequency |
|----------------------------------------|-------------|----------------------|
| Short-Term Liabilities to Total Assets | 5%          | Monthly              |

|                                                                 |                                  |           |
|-----------------------------------------------------------------|----------------------------------|-----------|
| <b>Short-Term Liabilities to Long-Term Assets</b>               | 10%                              | Monthly   |
| <b>Short-Term Liabilities to Total Outside Liabilities</b>      | 50%                              | Monthly   |
| <b>Long-Term Assets to Total Assets</b>                         | 90%                              | Monthly   |
| <b>Equity Investments to Total Assets (concentration check)</b> | 60%                              | Quarterly |
| <b>Alternative Lending Book to Total Assets</b>                 | 70%                              | Monthly   |
| <b>HQLA (liquid assets) to 30-day net cash outflows</b>         | ≥ 100% (30-day survival horizon) | Monthly   |

Note: The Liquidity Coverage Ratio (LCR) as prescribed by RBI is not applicable to Base Layer NBFC-ICCs. AVF will monitor its own HQLA-to-outflows ratio as an internal equivalent metric. As AVF's scale grows and if it becomes subject to LCR requirements, this Policy will be updated accordingly.

## 7. ALM Reporting

AVF shall comply with all scale-based ALM reporting requirements prescribed by the RBI for Base Layer NBFC-ICCs from time to time. Internal monitoring and reporting shall be as follows:

- Monthly: Cash flow position, treasury status, and HQLA buffer — reviewed by CIO.
- Quarterly: Structural Liquidity Statement (ALM-II), Interest Rate Gap Report (ALM-III), and liquidity ratio table — reviewed by CIO and presented to the Board.
- Quarterly: Liquidity stress test results — presented to the Board with remediation plans where applicable.
- Annually: Full ALM review including capital plan, cost-of-funds vs. yield analysis, and LCP effectiveness test — presented to the Board.

Key ratios tracked in each quarterly report:

- HQLA to 30-day net cash outflows (internal LCR equivalent)
- Cumulative mismatch ratios across the ten maturity buckets
- Funding concentration — proportion of funding from each source
- Cost of funds vs. weighted average lending yield (NIM)
- Short-term liabilities to total assets and total outside liabilities

## 8. Policy Review

This Policy represents ALM measures appropriate to the current scale of AVF's operations as a Base Layer NBFC-ICC. It shall be reviewed annually by the Board of Directors, or earlier if required due to:

- Material changes in AVF's balance sheet size, funding structure, or instrument mix
- Changes in RBI regulations applicable to NBFC-ICC ALM or liquidity risk management
- The constitution of a formal ALCO, which shall trigger a more detailed ALM framework update
- Any liquidity stress event or breach of the prudential gap limits

All amendments to this Policy require Board approval by resolution and shall be recorded in the version history. The amended Policy shall be provided to the RBI as required under applicable reporting obligations.

## Certification

This Asset Liability Management and Liquidity Policy has been reviewed by the AVP — Risk Management, recommended by the Chief Investment Officer, and approved by the Board of Directors of ART Venture Finance (India) Private Limited.

|                               |                      |
|-------------------------------|----------------------|
| <b>Authorised Signatory</b>   | [Name / Designation] |
| <b>Date of Board Approval</b> | [Date]               |
| <b>Place</b>                  | Gurugram, Haryana    |

*This document should be reviewed by qualified legal counsel before publication. It does not constitute legal advice.*