

## UDAIPUR COTTON MILLS COMPANY LIMITED

### CONTINGENCY FUND PLAN

As per para the Guidelines on Liquidity Risk Management Framework of the Reserve Bank of India (Non-Banking Financial Company – Asset Liability Management) Directions, 2025, the Company is required to formulate a contingency funding plan (CFP) 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. Contingency plans should contain details of available/potential contingency funding sources and the amount/estimated amount which can be drawn from these sources, clear escalation/prioritization procedures detailing when and how each of the actions can and should be activated, and the lead time needed to tap additional funds from each of the contingency sources.

#### I. OBJECTIVE

Udaipur Cotton Mills Company Limited ("**Company**") has formulated this Contingency Funding Plan ("**CFP**" or "**Plan**") which outlines the mechanism for responding to severe disruptions which might affect the Company's ability to fund some or all of its activities in a timely manner. This Plan covers case of any contingencies/ adverse market conditions that could severely disrupt the Company's ability to meet some or all of its liquidity requirements.

This Plan also provides guidance to the senior management on procedures to be adopted when such conditions occur in order to:

- Ensure minimal disruptions in normal operations of the Company;
- Ensure that all possible means are utilized to mitigate, if not avoid, any losses from disruption of normal operations.

This CFP also contains details of available/ potential contingency funding sources and the amount / estimated amount which can be drawn from these sources, clear escalation / prioritisation procedures, detailing when and how each of the actions can and will be achieved, and the lead time needed to tap additional funds from each of the contingency sources.

#### II. LIQUIDITY CRISIS MANAGEMENT TEAM ("LCMT")

The Liquidity Crisis Management Team (LCMT) constitutes of the following persons:

- a) Sumedha Saraogi, Director & Chief Executive Officer
- b) Pooja Goenka, Director
- c) Seema Chandak, Director
- d) Jayesh Vora, Chief Financial Officer & Director

The LCMT shall be responsible for monitoring, implementing and managing this Contingency Funding Plan.



### III. ROLES AND RESPONSIBILITIES OF THE LCMT

The LCMT will be responsible for monitoring early warning signals to highlight emergence of any external or internal liquidity stress (early warning signal) in the Company. If the LCMT determines that there is an emergency in terms of liquidity, it shall be responsible for implementation and management of this Plan in consultation with the Asset Liability Management Committee. It shall also be responsible for ensuring that contingency plans, based on realistic and probable disruptive scenarios, are in place and tested;

### IV. EARLY WARNING SIGNALS

Early warning signals acts as an indicator to address major liquidity stresses that may arise in future. The Company shall continuously monitor early warning signals to predict emergence of any stress.

For this purpose, the management has identified the following as warning signals:

1. Premature Recalling of loans availed from Corporates unless mandated by any statute.
2. Gross Non-Performing Investment level of 5% (or higher) of the loan book at the end of the month for 3 (three) consecutive months.

If any of the above is triggered, it should be an early warning signal for the LCMT.

The Company shall maintain information on the above thresholds and report to the LCMT within 30 days of end of each calendar quarter or within 15 days of occurrence of the warning signal.

In case of occurrence of warning signal, the LCMT shall meet and discuss the following:

- a) Expected amount of collections from loans given in the next three months.
- b) List of receivables and investments that may be readily disposed of or sold to generate immediate liquidity.
- c) Details of loan sanctions in hand and under process. and
- d) Projected monthly fixed expenses for the next six months.

The Company shall also consider developments in external conditions to look for early warning signals. Some of the events which need to be considered to determine whether the warning signal needs to be activated are as follows:

1. Any present or imminent political / social upheaval or disorder that could compromise economic trust and confidence within the country and could potentially have a significant impact on the company's operations.
2. Domestic or Global financial crisis that could lead to serious concerns on the solvency of banks/ financial institutions (the contagion effect).
3. Regulatory or macro-economic developments which could result in severe adverse market sentiments in dealing with non-bank financial institutions from whom the Company has borrowed.
4. Natural calamities and pandemic which could potentially have a significant effect on the Company's operations.



## V. RISK MANAGEMENT MEASURES:

Identification of potential funding sources for shortfalls resulting from stress scenarios is a key component of adequate contingency funding plans. The most important and reliable funding source is a cushion of highly liquid assets. The Company's ability to withstand both temporary and longer-term crisis scenarios will depend on the adequacy of its Contingency Funding Plan.

This Contingency Funding Plan has accounted for the following factors:

- The Company needs to maintain strong relationships with creditors and borrowers, as relationships with these counterparties become crucial during adverse conditions. A fair, ethical and mutually beneficial relationships with counterparties during periods of relative calm can be highly effective in securing assistance from such counterparties during abnormal or crisis conditions (e.g. quick loan releases from lenders). Ascertaining that all the conditions and covenants for all the loan facilities have been complied with at all times to ensure unhampered and immediate availability of further credit facilities as and when need arises.

### The potential contingency funding sources available to the Company are

- a) Investments that may be readily disposed of or sold to generate immediate liquidity.
- b) Identify and prioritize non-essential expenses that can be temporarily postponed during a liquidity crisis.
- c) Directors of the Company related to the Promoters.

The amount and lead time needed to tap additional funds from each of the above contingent sources would be determined in consultation with the respective parties based on the then requirement and liquidity position. The time for execution of the processes may take weeks or months.

## VI. STEPS ON DETERMINATION OF AN EARLY WARNING SIGNAL:

The presence, or effect, of any or all the events mentioned in Section IV of this Plan, shall, be determined by the LCMT.

On determination of the occurrence or emergence of any of the above-mentioned events, the LCMT will meet and in consultation with Asset Liability Management Committee will prepare the proper course of action in this regard provided further that, the determination of these events and implementation of the course of action shall be notified to the Company's Board of Directors ("**Board**"). A Board Meeting of the Company shall be convened and any recommendations by the Board shall be taken into consideration by the LCMT.

In case a liquidity event is identified, the CFO shall provide the LCMT with updates on developments on a monthly basis until the liquidity problem is contained. Necessary resources shall be mobilized as may be necessary within or outside the Company, as may be deemed appropriate by the LCMT.



The Company shall adhere to the following guidelines and policies as directed by the LCMT. Depending on the type of thresholds breached or gravity of the situation, one or more of these steps will be followed:

- Liquidity shall be the utmost priority. The desired liquidity levels, as then determined by the LCMT shall be maintained by the Company.
- Treasury transactions shall be limited to collections, debt service and other commitments, if any. Efforts to be made to roll over all maturing short term credit lines to the extent possible. All cash outflows to be reduced to a minimum level.
- The members of the senior management team including the Directors shall regularly communicate with lenders and apprise them of the steps being undertaken.
- The CFO will provide LCMT with feedback regarding the developments and any problem with respect to funding some or all of its activities for proper action.

The members of the Board shall be kept informed of all actions being taken by the LCMT in this regard on a monthly basis till resolution of such early warning signal.

The LCMT shall be responsible for determining if the early warning signal which has triggered the implementation of the plan, has been adequately addressed and such indicators have returned to normal levels.

The LCMT shall then provide its recommendation to the Board that early warning signals have been withdrawn, basis which the Board shall determine whether the early warning signals have actually been withdrawn or not.

#### **VII. TESTING OF LIQUIDITY STRESS:**

The assessment of liquidity position of the company on a periodical basis will enable the company to identify the liquidity stress and determination of funding requirements under different circumstances. The intention behind conducting such test is to ensure that the company has sufficient liquidity for meeting its present and future obligations and to trace the potential funding sources available to the company if any liquidity crisis arises.

#### **VIII. REVIEW**

The Policy shall be reviewed annually and modified by the Board as may be necessary from time to time.

