SREI EQUIPMENT FINANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED MARCH 31ST, 2020

39. Financial Instruments and Related Disclosures (continued)

(II) Public disclosure on Liquidity Risk as on March 31st, 2020
Disclosure on liquidity risk under RBI circular no. RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated November 4th, 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies

(i) Funding Concentration based on significant counterparty (both deposits and borrowings)

Sr. No.	Number of Significant Counterparties	Amount (₹ in Lakhs)	% of Total deposits	% of Total Liabilities
1	24	2,380,272	Not applicable	72%

(ii) Top 20 large deposits (amount in ₹ in Lakhs and % of total deposits) - Not Applicable

(iii) Top 10 borrowings (amount in ₹ in Lakhs and % of total borrowings)

Amount (₹ in Lakhs)	% of Total Borrowings
1,445,214	46%

(iv) Funding Concentration based on significant instrument/product

Sr. No.	Name of the instrument/product	Amount (₹ in Lakhs)	% of Total Liabilities
1	Term Loan from Banks		
a.	Rupee Term loans - Secured	262,900	8%
b.	Foreign currency Term loans - Secured	93,523	3%
c.	Foreign currency Term loans - Unsecured	56,108	2%
2	Working capital facilities	1,800,637	54%
3	Term Loan from Others		
a.	Rupee Term loans - Secured	164,813	5%
b.	Foreign currency Term loans - Secured	125,120	4%
4	Non-convertible debentures - Secured	247,143	7%
5	Subordinated Non convertible debentures (Tier II Capital)	212,630	6%

(v) Stock Ratios:

Sr. No.	Particulars	As at March 31st, 2020
1	Commercial Papers to Total Public Funds	0.96%
2	Commercial Papers to Total Liabilities	0.91%
3	Commercial Papers to Total Assets	0.81%
4	NCDs (Original Maturity < 1 yrs.) to Total Public Funds	NIL
5	NCDs (Original Maturity < 1 yrs.) to Total Liabilities	NIL
6	NCDs (Original Maturity < 1 yrs.) to Total Assets	NIL
7	Other Short Term Liabilities to Total Public Funds	NIL
8	Other Short Term Liabilities to Total Liabilities	NIL
9	Other Short Term Liabilities to Total Asset	NIL

(vi) Institutional set-up for liquidity risk management:
The Company has an Asset Liability Management Committee (ALCO), a management level committee to handle liquidity risk management. The ALCO meetings are held at periodic intervals. At the apex level, the Risk Committee (RC), a sub-committee of the Board of Directors of the Company, oversees the liquidity risk management.

c) Credit risk

The principal business of the Company is to provide financing in the form of loans to its clients primarily to acquire assets. Credit Risk is the risk of default of the counterparty to repay its obligations in a timely manner resulting in financial loss. The Company also provides Leasing services to its clients which result in accrual of Trade Receivables. The Company is exposed to credit risk to the extent of such Trade Receivables. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness as well as concentration risks. The Company has credit policies approved by the Board which lays down the credit evaluation and approval process in compliance with regulatory guidelines.

The Company uses the Expected Credit Loss (ECL) Methodology to assess the impairment on both loan assets and trade receivables. The Company has bucketed its portfolio according to Exposure Amounts, as the same reflects similar customer behaviour, and the Probability of Default (PD) of each of the buckets is computed basis such historical data. Basis the historical data, the company has computed the realisable value of the securities hypothecated to it and thus derived the Loss Given Default (LGD). The combination of the PD and LGD is applied on the Exposure at Default to compute the ECL provision, which is further adjusted for forward looking information, if any. Additionally, the Company reviews its large exposures on quarterly basis to identify cases where the expected credit loss is expected to be higher than that derived from the model and recognises such impairments additionally.

The Company’s Loans and Trade Receivables consists of a large number of customers, hence the Company is not exposed to concentration risk with respect to any particular customer.