

CONTINGENCY FUNDING PLAN (CFP)



**The Sundargarh District Central Co-operative Bank Ltd.,
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The Sundargarh District Central Co-operative Bank Ltd.,
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RESOLUTION BY CIRCULATION OF THE PROCEEDINGS OF THE COMMITTEE OF MANAGEMENT MEETING OF THE SUNDARGARH DISTRICT CENTRAL COOPERATIVE BANK LTD., SUNDARGARH HELD ON DTD

Venue : Office Chamber

Date: 18-02-2026

Agenda No 1

To consider approval of the draft policy of

1. Revaluation Reserve Policy
2. Contingent Funding Plan as per prescribed guidelines of RBI/ NABARD / RCS (O).

Resolution

Discussed and approved the draft policy of

1. Revaluation Reserve Policy
2. Contingent Funding Plan as per prescribed guidelines of RBI/ NABARD / RCS (O).

Chief Executive Officer
Sundargarh DCC Bank Ltd.

PRESIDENT
Sundargarh DCC Bank Ltd.

Copy circulated to all members of the Committee of Management of the Bank for information and necessary action.

Chief Executive Officer

Introduction

This Contingency plan of The Sundargarh District Central Cooperative Bank Ltd. contains details of available/ potential contingency funding sources to face various liquidity stress scenarios.

Purpose

The contingency funding plan provides a framework for the company to evaluate increasingly severe illiquidity situations, and monitor the availability of funding over these scenarios. This plan incorporates hypothetical events that could rapidly affect liquidity. The plan outlines actions to be taken should circumstances warrant and provides for a reporting and communications program in the event of a liquidity crisis. The result of the stress tests or the company's Early Warning System may indicate a level of illiquidity prompting the execution of this Contingency Funding Plan.

Management's response to any stressed liquidity condition will be guided by the amount of calculated liquidity over the defined period regardless of individual events that produce the result. When prompted the management will activate the contingency funding plan at the level deemed appropriate.

We believe this plan outlines practical and realistic funding alternatives that can be implemented in the various scenarios. In assessing liquidity risk, it is natural to assume that funding will deteriorate in direct proportion to the company's financial condition and its credit quality as perceived by various constituencies. These constituencies may include shareholders, the media, regulators, and debt holders. Additionally, liquidity sources may become stressed due to local or national conditions outside of the company's financial condition.

Objective

- To outline strategies to manage a range of liquidity stress situations;
- To establish clear lines of responsibility;
- To provide an appropriate plan for the nature, scale and complexity of the company's operations and the company's role in the financial systems in which it operates.
- To provide a framework with a high degree of flexibility so that the company can respond quickly in a variety of liquidity stress situations.
- To determine available sources of contingency funding and an estimate of the amount of funds that can be obtained from each source;
- To provide clear procedures for escalation and prioritisation, setting out when and how each of the actions in the plan can and must be activated; and
- To determine lead time needed to obtain additional funds from each of the sources.

The contingency funding plan of The Sundargarh District Central Cooperative Bank Ltd. enables the management to:-

- a. **Identify stress events.** These are unexpected situations or business conditions that may create liquidity pressures. Stress events may occur for a variety of internal or external reasons, such as unexpected changes in credit risk, operational disruptions, or inability to access contingent funding facilities.
- b. **Identify early warning indicators and their monitoring system.** These indicators should signal any negative trends in the company's internal and external environment and, in case of a potential vulnerability, should trigger a response by the management mitigating the company's exposure to the emerging risk.
- c. **Define stress levels.** The various levels of stress severity should trigger different actions and contingency funding strategies.
- d. **Identify alternative funding sources.** Liquidity pressures may spread from one funding source to another during a stress event, and not all of the existing funding options may be available in all circumstances. Management should maintain on-going communications with alternative funds providers and regularly test its fundraising options to evaluate their effectiveness at providing liquidity in both the short and long term. Concentration tolerances should be set on the usage of alternative funding sources.
- e. **Define funding strategies.** Funding strategies should outline the available backup facilities under different stress scenarios, the circumstances under which the company might use them, and the anticipated sequence of use.
- f. **Outline the cash flow planning and stress testing process.** The CFP should outline the quantitative tools that will be used to measure, monitor, and control the company's liquidity position.

Early Warning Signals

Early warning signals acts as an indicator to address major liquidity stresses that may arise in future. The company should pay attention to these early warning signals. Such early warning signals consist of following:-

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

The company mainly depends on banks for meeting its short term as well as long term financial requirements. The accounts department shall monitor the funds available with these sources on an on-going basis and if 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 be immediately report to the board/ risk management committee of the company. The board or committee shall analyse the reason for such difficulties and also shall formulate corrective actions to overcome the same at the earliest.

2. Significant decrease in collection efficiency.

The Sundargarh District Central Cooperative Bank Ltd. is a District Central Cooperative Bank Ltd. While granting the loans to the customers all efforts shall be made to ensure that the interest/EMI and other charges are collected in a timely manner. Any significant decrease in collection efficiency may affect the overall liquidity of the company. Hence Loan, Accounts and collection department shall monitor the collection efficiency of the company and in case of any significant decrease it shall be communicated with board or committee. Monthly/quarter wise comparison of collection efficiency will enable the officials to understand any deviations easily.

3. Substantial Increase in the NPA level of the company.

There exists a negative relationship between the Level of NPA and collection efficiency. When NPA increases the collection efficiency will decrease and likewise when NPA decreases the collection efficiency will increase. Management shall take all the efforts to maintain NPA level to minimum. Such increase in NPA may lead to illiquidity issues in the company as the funds of the company will be blocked without deriving any income.

4. Socio/economic/political factors.

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

Potential Funding Sources

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. However, in a stress event, many of the liquidity sources may become unavailable or cost prohibitive. Therefore, effective stress tests typically assess the availability of contingent funding in stress scenarios.

Details of available Potential funding sources.

Internal Sources

1. **Liquidity Buffer:** Maintain a readily available pool of cash and highly liquid securities (e.g., government bonds, treasury bills) to meet short-term obligations. The target amount will be a multiple of average monthly cash outflows (e.g., 3 months).
2. **Deferral of Non-Essential Expenses:** Identify and prioritize non-essential expenses (e.g., travel, marketing) that can be temporarily postponed during a liquidity crisis. Estimate the potential cost savings achievable through deferral for a specific period.

3. **Accelerated Collection Efforts:** Implement strategies to expedite loan repayments and optimize receivables collection. These may include offering discounts for early payments, employing stricter collection procedures, and leveraging technology for automation.
4. **Sale/disposal of fixed assets:** If the company has surplus number of fixed assets, and during a liquidity stress situation the company can encash it by selling the surplus assets.

External Sources

1. Credit facilities extended by banks/ financial institutions (FI).

One of the major sources of funds for very company is credit facilities from banks and financial institutions. Banks/Fi will provide short term as well as long term financial assistance to the company which will be usually secured by the assets of the company. When the company faces liquidity stress the company may approach the banks for financing its need. But efforts shall be made by the management to ensure that such borrowings are made without contravening any of the provisions of acts, rules and regulations applicable to the company.

2. Issue of Shares by the company.

The main source of fund for the company is share capital contributed by the members. Whenever the company is in need of funds the company may resort to raise its share capital. The shares are bifurcated into

- a) **Equity Shares**
- b) **Preference Shares**

Whenever a company decides to raise fund by way of issue of shares consideration shall be given for matter like, right of existing shareholders, ability to pay dividend etc. raising of funds by way of issue of share capital is simplest and easiest way of raising funds for the company.

3. Issue of Subordinated Debt.

As per the Reserve Bank of India (RBI) master Direction NBFCs are permitted to accept the funds from the investors by way of subordinated Debts. Being an effective source of finance, the company may depend on subordinated debts. But the management shall ensure that the company has ability to pay the interest on such funds as when they due. The issue of the subordinated debt shall be in confirmation with prevailing enactments applicable to the company from time to time.

4. Issue of Non-Convertible Debentures (NCDs).

Debentures are issued by the companies as a long term source of funds. Issue of debentures will help the company to procure the required funds. Since the debenture holder is creditors of the company the same will not affect the right of the

shareholders and also the cost of debentures is comparatively cheaper while comparing with cost of capital.

5. Inter-corporate Borrowings.

The companies are permitted to borrow/lend money to or from other companies as per the provisions of the companies' act 2013. The company may depend on such inter-corporate loans for meeting their financial requirement, especially for meeting short term requirements.

Severe Disruption Sources

In addition to the above, for severe disruptions, A Limited will explore the following:

1. Market Disruptions:

- **Industry Support/Government Schemes:** Investigate potential emergency liquidity support programs offered by industry associations or government initiatives during severe market crises.
- **Distressed Asset Funds:** Cautiously explore opportunities to participate in distressed asset funds that invest in undervalued assets during market downturns. Carefully assess the risk-reward dynamics and potential impact on A Limited's investment portfolio.

2. Operational Disruptions:

- **Business Continuity Insurance (BCI):** Explore the possibility for BCI policies to recover financial losses incurred due to operational disruptions (e.g., natural disasters, cyberattacks).
- **Factoring:** Consider selling outstanding book debts to a factor at a discount to generate immediate cash flow. Evaluate the costs and benefits compared to other options.

Escalation and Prioritization Procedures:

The following procedures will guide the activation and prioritization of contingency funding sources:

- 1. Severity Level Assessment:** Define pre-defined trigger points based on liquidity ratios (e.g., Liquidity Coverage Ratio) or specific market conditions that will initiate the activation of contingency funding sources. The severity of the liquidity disruption will be further assessed based on factors like duration, impact on operations, and potential financial losses.
- 2. Activation Sequence:**
 - The plan prioritizes internal sources first (liquidity buffer, expense deferral) followed by readily accessible external sources (existing credit lines, asset sales).
 - For severe disruptions, additional sources like industry support programs or distressed asset funds will be explored, considering negotiation timelines and approvals needed.

3. **Management Approval:** Activation of any funding source exceeding a pre-defined threshold will require approval by the Board of Directors or a designated management committee.

Lead Time for Accessing Funds:

The estimated lead time for accessing additional funds from each source varies:

1. **Internal Sources:** Immediate access (liquidity buffer) or within a few days (expense deferral, collection efforts) except Sale/disposal of fixed assets which require more time.
2. **External Sources:**
 - Credit facilities extended by banks/ financial institutions (FI): 1-2 business days depending on pre-agreed terms.
 - Issue of Shares by the company: 1-3 months depending on different forms of regulatory and other approvals.
 - Other Borrowings: 2-4 weeks subject to negotiations and credit approvals.
3. **Severe Disruption Sources:** Lead times for these sources can be significantly longer and subject to external factors. Estimates will be made on a case-by-case basis.
 - Industry Support/Government Schemes: Negotiation and approval processes can take weeks or months.
 - Distressed Asset Funds: Investment decisions can take several weeks, and liquidity may not be immediate.
 - Business Continuity Insurance (BCI): Claim settlement timelines depend on policy terms and the nature of the disruption.
 - Factoring: Lead times typically range from a few days to a week depending on the factor and terms.

Available amount from funding sources

While pinpointing exact amounts can be difficult, the concerned management committee is authorised to estimate the size of funding sources from time to time as follows-

1. Quantifying Internal Sources (Estimates):

For internal sources, based on historical data and assumptions:

- Liquidity Buffer: Define a target amount for the readily available cash and highly liquid securities based on a multiple of average monthly cash outflows.
- Deferral of Non-Essential Expenses: Identify categories of non-essential expenses (e.g., travel, marketing) and estimate the potential cost savings from deferring them for a specific period during a liquidity crisis.

2. Transparency on External Sources (Ranges or Methodologies):

For external sources, especially those used during severe disruptions, providing specific amounts might be unrealistic. However, we can offer transparency through:

- Credit facilities extended by banks/ financial institutions (FI): By clearly stating the pre-approved limits on existing credit lines with banks or financial institutions.
- Issue of Shares by the company: Fund can be sourced based on the requirement subject to regulatory and other approvals.
- Other Borrowings: Indicate the estimated borrowing capacity based on historical relationships with lenders and current creditworthiness. Utilize a range (e.g., "up to X%" of total assets) or a methodology for calculating the estimated borrowing capacity.

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.

Amendment or Revision

The policy may be amended or revised by the board/committees as and when necessary.


Chief Executive Officer