

Kiran Vyapar Ltd

Credit Risk Stress Test - on Capital Adequacy

Example - (Data as per 31st December 2023)

		Normal situation		Stress situation		Rs.Lacs
On Balance items	Risk weight	Exposure	RWA	Extent of down-grade (%)	Exposure	RWA
Cash & Cash equivalent	-	1,434.88	-	-	1,434.88	-
Investment in Group Cos (adjusted for CRAR Calculation)	-	9,464.80	-	-	9,464.80	-
Investment in External Cos (adjusted for CRAR Calculation)	100	58,712.66	58,712.66	100	58,712.66	58,712.66
Loans & Advances in Group Cos (adjusted for CRAR Calculation)	-	2,992.25	-	-	2,992.25	-
Loans & Advances in External Cos (adjusted for CRAR Calculation)	100	7,599.72	7,599.72	100	7,599.72	7,599.72
Fixed Assets	100	45.39	45.39	100	45.39	45.39
Advance Tax Paid	-	346.30	-	-	346.30	-
Others	100	94.62	94.62	100	94.62	94.62
(A)		80,690.62	66,452.39		80,690.62	66,452.39
Off Balance items						
Partly Paid up shares-Commitment due in Venture Capital Fund	100	5,331.51	5,331.51	100	5,331.51	5,331.51
Other Contingent Liability-Income Tax	50	2,149.03	1,074.52	100	2,149.03	2,149.03
(B)		7,480.54	6,406.03		7,480.54	7,480.54
Total Risk Weighted Asset (A+B)			72,858.42			73,932.93
Tier I-Capital Fund (Net Owned Fund)			61,401.71			61,401.71
Tier II-Capital Fund			89.56			89.56
Total-Capital Fund			61,491.27			61,491.27
CRAR			84.40%			83.17%



Example A: The regulatory provisioning requirement under a stress situation is assumed as 1% for all Standard; 25% for Sub-standard and 100% for all Doubtful categories.

Rs. in Lacs					
Asset Classification	Exposure	Normal situation		Stress situation	
		Rate of Provisioning (%)	Provision	Revised rate of provisioning (%)	Provision
Standard Assets	10,603.30	0.40	42.41	1.00	106.03
Sub-Standard Assets	10.00	10.00	1.00	25.00	2.50
Doubtful & Loss Assets	68.24	100.00	68.24	100.00	68.24
Total	10,681.54		111.65		176.77
Details					
		Normal situation		Stress situation	
Annual Profit (Provisional Total Comprehensive Income for the period ended 31st December of Financial Year 2023-24)			10,951.09		
Additional Provisions					65.12
Revised Annual Profit under Stress Situation					10,885.97
Impact on profits (%)					-0.59%
ROA			102.52%		101.91%
Total-Capital Fund					
		61,491.27		61,426.15	
RWA					
		72,858.42		72,793.30	
CRAR					
		84.40		84.38	

Example B: The downgrade from Standard to NPA (sub standard) is assumed to be 10% and the provisioning requirements under stress situation are assumed as 25% for Sub-Standard Assets & other as per example A above:

Rs. in Lacs						
Asset Classification	Exposure	Normal situation		Stress situation		
		Rate of Provisioning (%)	Provision	Exposure	Revised rate of provisioning (%)	Provision
Standard Assets	10,603.30	0.40	42.41	9,542.97	1.00	95.43
Sub-Standard Assets	10.00	10.00	1.00	1,070.33	25.00	267.58
Doubtful & Loss Assets	68.24	100.00	68.24	68.24	100.00	68.24
Total	10,681.54		111.65	10,681.54		431.25
Details						
		Normal situation		Stress situation		
Annual Profit (Provisional Total Comprehensive Income for the period ended 31st December of Financial Year 2023-24)			10,951.09			
Additional Provisions						319.60
Revised Annual Profit under Stress Situation						10,631.49
Impact on profits (%)						-2.92%
ROA			102.52%			99.53%
Total-Capital Fund						
		61,491.27		61,171.67		
RWA						
		72,858.42		72,538.82		
CRAR						
		84.40		84.33		



The following illustrations indicate a few methods of application of stress tests to assess the impact of interest rate risk from the earnings perspective.

Time buckets	1-7 days	8-14 days	15-30/31 days	> 1 to 3 Months	> 3 to 6 Months	> 6 mths to 1 year	> 1 to 3 yrs	> 3 to 5 yrs	> 5 yrs	TOTAL
Rate sensitive assets (RSA) – Value	4,766.37	-	770.13	1,469.16	1,469.16	2,128.36	-	-	0.10	10,603.28
Rate sensitive liabilities (RSL) – Value	5,561.44	-	-	-	-	-	-	-	-	5,561.44
Gap (RSA-RSL)	(795.07)	-	770.13	1,469.16	1,469.16	2,128.36	-	-	0.10	5,041.84

Annual Profit (Provisional Total Comprehensive Income for the period ended 31st December of Financial Year 2023-24) = 10,951.09

Scenario A : When interest rates increase by 1% across all time buckets both for assets and liabilities

Time buckets	1-7 days	8-14 days	15-30/31 days	> 1 to 3 Months	> 3 to 6 Months	> 6 mths to 1 year	> 1 to 3 yrs	> 3 to 5 yrs	> 5 yrs	TOTAL
Rate sensitive assets (RSA) – Value	4,766.37	-	770.13	1,469.16	1,469.16	2,128.36	-	-	0.10	10,603.28
Rate sensitive liabilities (RSL) – Value	5,561.44	-	-	-	-	-	-	-	-	5,561.44
Gap (RSA-RSL)	(795.07)	-	770.13	1,469.16	1,469.16	2,128.36	-	-	0.10	5,041.84
Interest On RSA	47.66	-	7.70	14.69	14.69	21.28	-	-	0.00	106.03
Interest On RSL	(55.61)	-	-	-	-	-	-	-	-	(55.61)
Impact on NII	(7.95)	-	7.70	14.69	14.69	21.28	-	-	0.00	50.42
Impact on profit										0.46%

Scenario B : When interest rates decrease by 1% across all time buckets both for assets and liabilities

Time buckets	1-7 days	8-14 days	15-30/31 days	> 1 to 3 Months	> 3 to 6 Months	> 6 mths to 1 year	> 1 to 3 yrs	> 3 to 5 yrs	> 5 yrs	TOTAL
Rate sensitive assets (RSA) – Value	4,766.37	-	770.13	1,469.16	1,469.16	2,128.36	-	-	0.10	10,603.28
Rate sensitive liabilities (RSL) – Value	5,561.44	-	-	-	-	-	-	-	-	5,561.44
Gap (RSA-RSL)	(795.07)	-	770.13	1,469.16	1,469.16	2,128.36	-	-	0.10	5,041.84
Interest On RSA	(47.66)	-	(7.70)	(14.69)	(14.69)	(21.28)	-	-	(0.00)	(106.03)
Interest On RSL	55.61	-	-	-	-	-	-	-	-	55.61
Impact on NII	7.95	-	(7.70)	(14.69)	(14.69)	(21.28)	-	-	(0.00)	(50.42)
Impact on profit										-0.46%

Scenario C : When interest rates increase by 1% for time buckets up to one year and decrease by 1% for time buckets beyond one year both for assets and liabilities

Time buckets	1-7 days	8-14 days	15-30/31 days	> 1 to 3 Months	> 3 to 6 Months	> 6 mths to 1 year	> 1 to 3 yrs	> 3 to 5 yrs	> 5 yrs	TOTAL
Rate sensitive assets (RSA) – Value	4,766.37	-	770.13	1,469.16	1,469.16	2,128.36	-	-	0.10	10,603.28
Rate sensitive liabilities (RSL) – Value	5,561.44	-	-	-	-	-	-	-	-	5,561.44
Gap (RSA-RSL)	(795.07)	-	770.13	1,469.16	1,469.16	2,128.36	-	-	0.10	5,041.84
Interest On RSA	47.66	-	7.70	14.69	14.69	21.28	-	-	(0.00)	106.03
Interest On RSL	(55.61)	-	-	-	-	-	-	-	-	(55.61)
Impact on NII	(7.95)	-	7.70	14.69	14.69	21.28	-	-	-0.00	50.42
Impact on profit										0.46%

Remarks: Where all assets and liabilities are linked to floating interest rates, any change in the interest rates would normally impact the interest rates pertaining to those assets and liabilities which are due for maturity/ re-pricing within the time horizon over which the stress is envisaged. Interest rate risk is a type of systematic risk that particularly affects fixed rate debt instruments like bonds and debentures. The value of the fixed-rate debt instruments generally decline due to rise in interest rates and vice versa. The rationale is that a bond is a promise of a future stream of payments; an investor will offer less for a bond that pays-out at a rate lower than the rates offered in the current market. A rising interest rate scenario also affects the Company's interest expenditure on borrowed funds. The Company monitors the interest rate scenarios on a regular basis and accordingly takes investments decisions as whether to invest in fixed rate debt instruments, shares and securities at a particular point of time. Further, the Company's borrowings are short-term in nature and carry a fixed rate of interest and the company is in a position to pass on the rise in interest rates to its borrowers.



Kiran Vyapar Ltd		
Equity Price Risk Stress Test		(in Lacs)
Price risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market traded price. It arises from financial assets such as investments in equity instruments, bonds, mutual funds etc. The Company is exposed to price risk arising mainly from investments carried at fair value through FVTPL or FVOCI which are valued using quoted prices in active markets (level I investments). A sensitivity analysis demonstrating the impact of change in market prices of these instruments from the prices existing as at the reporting date is given below:-		
Particulars	Carrying value as at 31st December 2023	
Investments carried at FVTPL or FVOCI valued using quoted prices in active market (i.e Quoted Equity & MF)	29,891.43	
Analysis on total comprehensive income upon fluctuation of market prices	Impact on total comprehensive income	
Increase by 10%	2,989.14	
Decrease by 10%	(2,989.14)	
Details	Normal situation	Stress situation
Annual Profit (Provisional Total Comprehensive Income for the period ended 31st December of Financial Year 2023-24)	10,951.09	-
Impact of negative fluctuation of market prices		2,989.14
Revised Annual Profit under Stress Situation		7,961.95
Impact on profits (%)		-27.30%
Total-Capital Fund	61,491.27	58,502.13
RWA	72,858.42	69,869.27
CRAR	84.40	83.73



	1-7 days	8-14 days	15-30/31 days	> 1 to 3 Months	> 3 to 6 Months	> 6 mths to 1 year	> 1 to 3 yrs	> 3 to 5 yrs	> 5 yrs	TOTAL
Normal										
Assets/Inflows:-										
Cash & Cash Equivalent	1,434.88	-	-	-	-	-	-	-	-	1,434.88
Investment in Listed Equity	19,405.31	-	-	-	-	-	-	-	2,899.55	22,304.86
Investment in Mutual Fund	7,586.57	-	-	-	-	-	-	-	-	7,586.57
Investment in Others	3,020.75	-	-	-	-	-	-	-	36,722.94	39,743.69
Investment in Venture Capital Fund	-	-	-	-	-	-	-	-	31,652.31	31,652.31
Advances Through Regular Payment Schedule	-	-	770.13	1,469.16	1,469.16	2,128.36	-	-	-	5,836.81
Advances Through Bullet Payment	4,766.37	-	-	-	-	-	-	-	0.10	4,766.47
Other Assets	94.61	-	-	-	-	-	-	10.00	113.63	218.24
Total Assets	36,308.49	-	770.13	1,469.16	1,469.16	2,128.36	-	10.00	71,388.53	1,13,543.83
Loans from Related Parties (including ICDs)	5,561.44	-	-	-	-	-	-	-	-	5,561.44
Other Liabilities	901.11	-	-	-	-	-	-	-	1,07,081.28	1,07,982.39
Total Liability	6,462.55	-	-	-	-	-	-	-	1,07,081.28	1,13,543.83
Gap	29,845.94	-	770.13	1,469.16	1,469.16	2,128.36	-	10.00	(35,692.75)	-
Cumulative Gap	29,845.94	29,845.94	30,616.07	32,085.23	33,554.39	35,682.75	35,682.75	35,692.75	-	-
Stress										
Assets/Inflows:-										
Cash & Cash Equivalent	1,434.88	-	-	-	-	-	-	-	-	1,434.88
Investment in Listed Equity	19,405.31	-	-	-	-	-	-	-	2,899.55	22,304.86
Investment in Mutual Fund	7,586.57	-	-	-	-	-	-	-	-	7,586.57
Investment in Others	3,020.75	-	-	-	-	-	-	-	36,722.94	39,743.69
Investment in Venture Capital Fund	-	-	-	-	-	-	-	-	31,652.31	31,652.31
Advances Through Regular Payment Schedule	-	-	385.07	734.58	2,588.81	2,128.36	-	-	-	5,836.81
Advances Through Bullet Payment	2,383.19	-	-	-	2,383.19	-	-	-	0.10	4,766.47
Other Assets	94.61	-	-	-	-	-	-	10.00	113.63	218.24
Total Assets	33,925.31	-	385.07	734.58	4,971.99	2,128.36	-	10.00	71,388.53	1,13,543.83
Loans from Related Parties (including ICDs)	5,561.44	-	-	-	-	-	-	-	-	5,561.44
Other Liabilities	901.11	-	-	-	-	-	-	-	1,07,081.28	1,07,982.39
Total Liability	6,462.55	-	-	-	-	-	-	-	1,07,081.28	1,13,543.83
Gap	27,462.76	-	385.07	734.58	4,971.99	2,128.36	-	10.00	(35,692.75)	-
Cumulative Gap	27,462.76	27,462.76	27,847.82	28,582.40	33,554.39	35,682.75	35,682.75	35,692.75	-	-
Assumptions :-										
1. The stress scenario is expected to last three months										
2. Advances Through Regular Payment Schedule:- 50% of Repayment scheduled to receive within 3 months delayed and received in 3 to 6 Months bucket										
3. Advances Through Bullet Payment:- 50% of Repayment scheduled to receive within 3 months delayed and received in 3 to 6 Months bucket										