
Liquidity Coverage Ratio

Liquidity Coverage Ratio (LCR) is aimed at promoting short-term resilience of banks to potential liquidity disruptions by ensuring that they have sufficient High Quality Liquid Assets (HQLA) to survive an acute stress scenario lasting for 30 days.

Minimum Requirement for Small Finance Banks (as per RBI circular RBI/2019-20/217 DOR.BP.BC.No.65/21.04.098/2019-20 dated Apr 17,2020) is 100%.

$$\text{LCR} = \frac{\text{Stock of High-Quality Liquid Assets (HQLAs)}}{\text{Total net cash outflows over the next 30 calendar days}}$$

Liquid assets comprise of high-quality assets that can be readily encashed or used as collateral to obtain cash in a stress scenario. There are two categories of assets included in the stock of HQLAs, viz. Level 1 and Level 2 (Level 2A and Level 2B) assets. While Level 1 assets attract 0% haircut, Level 2A and Level 2B assets are with 15% and 50% haircuts respectively. The total net cash outflows is the total expected cash outflows and less total expected cash inflows for the subsequent 30 calendar days. Total expected cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by the rates at which they are expected to run-off or be drawn down.

Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in up to an aggregate cap of 75% of total expected cash outflows.

The following is Liquidity Coverage Ratio statement of the Bank for quarter ended 30th Sep 2025:

(Rs in Crores)

		Total Unweighted Value	Total Weighted Value
High Quality Liquid Assets			
1	Total High Quality Liquid Assets (HQLAs)		766.85
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:	1,982.65	165.21
(i)	Stable deposits	661.19	33.06
(ii)	Less Stable deposits	1321.46	132.15
3	Unsecured wholesale funding, of which:	576.98	260.88
(i)	Demand and term deposits provided by SBC	-	-
(ii)	Operational deposits (all counterparties)	576.98	260.88
(iii)	Non-Operational deposits (all counterparties)	-	-
(iv)	Unsecured debt	-	-

4	Secured wholesale funding	184.87	-
5	Additional requirements, of which:	368.06	117.56
(i)	Outflows related to derivatives exposure and other collateral requirement	-	-
(ii)	Outflows related to loss of funding on debt products	-	-
(iii)	Credit and liquidity facilities	295.75	47.68
(iv)	Other contractual funding obligations	69.81	69.80
(v)	Other contingent funding obligations	2.50	0.08
8	Total Cash Outflows	3112.56	543.65
Cash Inflows			
9	Secured lending (e.g. reverse repos)	147.23	-
10	Inflows from fully performing exposures	79.67	47.45
11	Other cash inflows	1.90	1.90
12	Total Cash Inflows	228.80	49.35
13	TOTAL HQLA	766.85	766.85
14	TOTAL NET CASH OUTFLOWS	2883.76	494.30
15	LIQUIDITY COVERAGE RATIO (%)		155.14%

Bank's LCR comes to be 155.14% based on position as on 30th September 2025 and remained above minimum regulatory requirement of 100%. As on quarter ending 30th September 2025, HQLA held were ₹766.85 crore and Net Cash Outflows were ₹494.30 cr.

Liquidity Management is driven by the ALM policy of the bank based on regulatory guidelines applicable to Small Finance Banks. The ALCO of the Bank has been empowered by the Board to formulate the Bank's funding strategies to ensure consistent and well diversified sources of funding for the operational requirements of the Bank. Subsequently all major decisions of ALCO are being reported to the Banks's Board. Besides daily/monthly LCR reporting, Bank also prepares daily Structural Liquidity statements to assess the liquidity needs of the Bank on an ongoing basis. Management is of the view that the Bank has sufficient liquidity cover to meet its likely future commitments.

The Liquidity Coverage Ratio (LCR) is calculated through automated system. Relevant data inputs, including High-Quality Liquid Assets (HQLA) and Net Cash Outflows, are extracted directly from the CBS. The results are validated from the balance sheet.