‘Risk Management Policy’

1. PURPOSE AND SCOPE OF THE POLICY

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the Company’s business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

The specific objectives of this Policy are:

- To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
- To establish a framework for the company’s risk management process and to ensure its implementation.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To assure business growth with financial stability.

2. LEGAL FRAMEWORK

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improvise the governance practices across the business activities of any organisation. The new Companies Act, 2013 and the Clause 49 of the Equity Listing Agreement have also incorporated various provisions in relation to Risk Management policy, procedure and practices.

The provisions of Section 134(3)(n) of the Companies Act, 2013 necessitate that the Board’s Report should contain a statement indicating development and implementation of a risk management policy for the Company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company. Further, the provisions of Section 177(4)(vii) of the Companies Act, 2013 require that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include evaluation of risk management systems. In line with the above requirements, it is therefore, required for the Company to frame and adopt a “Risk Management Policy” (this Policy) of the Company

3. APPLICABILITY

This Policy applies to all areas of the Company’s operations.

4. KEY DEFINITIONS

- Risk Assessment – The systematic process of identifying and analysing risks. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks.
- Risk Management – The systematic way of protecting business resources and income against losses so that the objectives of the Company can be achieved without unnecessary interruption.
- Risk Management Process - The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

5. RISK FACTORS

The objectives of the Company are subject to both external and internal risks that are enumerated below:-

- External Risk Factors

- Economic Environment and Market conditions

- Political Environment

- Inflation and Cost structure-

- Legal –
  i. Litigation-

    ✓ Delay more than normal in on going litigations of the Company may have risk on liquidity, higher cost and increase in liability if adverse orders are passed by the Courts.
    ✓ Litigation for recovery of assets taking more than normal time may impact on cost apart from impact on future strategy and planning with regard to real-estate development.

  ii. Indemnification- Company has given several Indemnifications under SPA any potential liability will have a bearing on profitability and liquidity as well.

- Modi Nagar Plant-

  Not deploying adequate safety and protective measures by OL in respect of Modi MTF plant will have risk on life and productivity of machines and also risk of becoming obsolescence. Replacement of machines will require higher Cost.

Investment-

- Funds not immediately required invested in marketable instruments may have risk of returns then estimated upon any government policy adverse to the market or instability in political climate of the country.

- Any dispute with Joint Venture partners may have risk of growth of business in JVC's and on returns as well.

- Internal Risk Factors

Apart from above business risk certain internal risk may also have bearing on future profitability of the Company like liability on any contractual non-compliance, not putting resources to the optimum use, delay in management decisions last but not the least, not proper deployment of human resources and assets for optimization of profit.

6. RESPONSIBILITY FOR RISK MANAGEMENT

Generally every departmental head of the Organization is responsible for identification of potential risk and the effective management of risk. Management is responsible for the implementation of risk mitigation plans and the of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

7. COMPLIANCE AND CONTROL

Over viewing management strategies, identifying, assessing and monitoring risk connected with the operations is the responsibility of Senior Executive of the Company with able guidance and directions of the Chairman and the Board of Directors. It is also the duty of all Senior Executives of the Company to exercise adequate control and protection on risks which have direct bearing in operations of the company.

In doing so, the Senior Executive considers and assesses the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposed resulting from those reports.

8. REVIEW

This Policy shall be reviewed at least every year to ensure it meets the requirements of legislation and the needs of organization.

9. AMENDMENT

This Policy can be modified at any time by the Board of Directors of the Company