RISK MANAGEMENT POLICY

(U/s 134 (3)(n) of the Companies Act, 2013 and Clause 49 (VI) of the Amended Listing Agreement)

1. BACKROUND:

This document lays down the framework of Risk Management at HIND SYNTEX LTD. (hereinafter referred as the Company or "HSL") and defines the policy for the same. This document shall be under the authority of Board of Directors of the Company and provides guidelines to define, measure, report control and mitigate the identified risk.

'Risk' in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. Every member of any organisation continuously manages various types of risks. Formal and systematic approaches to managing risks have evolved and they are now regarded as good management practice also called as Risk Management.

'Risk Management' is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realization of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

2. REGULATORY FRAMEWORK:

Section 134 (3)(n) of the Companies Act, 2013 requires every company to attach to its Board Report a statement indicating development and implementation of a Risk Management Policy for the Company including identification therein of element of risks, if any, which in the opinion of the Board may threaten the existence of the Company.

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Clause 49 (VI) of the Amended Listing Agreement between listed companies and the Stock Exchanges, inter alia, provides for a mandatory requirement for all listed companies to formulate 'Risk Management Policy'.

It has therefore become mandatory for the listed Companies to prepare a comprehensive framework of risk management for assessment of risks and determine the responses to these risks so as to minimize their adverse impact on the organization.

3. PURPOSE AND SCOPE:

This policy establishes the process for the management of risks faced by HSL. The aim of Risk management is to maximize opportunities in all activities and to minimise adversity. This policy applies to all activities and processes associated with the normal operations of HSL. Effective risk management allows the Company to:

- embed the management of risk as an integral part of its business processes;
- establish an effective system of risk identification, analysis, evaluation and treatment within all areas and all levels;
- make informed decisions;
- avoid exposure to significant reputational or financial loss;
- assess the benefits and costs of implementation of available options and controls to manage risk;
- have increased confidence in achieving its goals;
- strengthen corporate governance procedures.

Thus, it is the responsibility of all Board members, Senior Management and employees to identify, analysis, evaluate, respond, monitor and communicate risks associated with any activity, function or process within their relevant scope of responsibility and authority.

4. APPLICABILITY:

This policy shall come into force with effect from the date of approval by the Board of Directors.

5. DEFINITIONS:

a. "**Audit Committee or Committee**" means Committee of Board of Directors of the Company constituted under the provisions of Companies Act, 2013 and Listing agreement.

b. "**Board of Directors**" or "Board"in relation to a Company, means the collective body of

c. Directors of the Company.(Section 2(10) of the Companies Act, 2013).

d. "**Policy**" means Risk Management Policy.

6. POLICY:

Before proceeding to the policy attention is drawn to the roles that the Board and Risk and Audit Committee are required to play under the above regulations governing Risk Management:

The Board's role under both the regulations is to ensure framing, implementing and monitoring risk management plan, having in place systems for risk management as part of internal controls with duty being cast upon Independent Directors to bring unbiased angle to the Board's deliberations on making risk management systems more robust.

Risk and Audit Committee's role is evaluation of the risk management systems.

This policy shall complement the other policies of HSL in place to ensure that the risk if any arising out of any policies of Company are effectively mitigated.

A. BROAD PRINCIPLES:

HSL recognizes that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner. The Board has to review the business plan at regular intervals and develop the Risk Management Strategy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risks, both external and internal viz. Environmental, Business, Operational, Financial and others. Communication of Risk Management Strategy to various levels of management for effective implementation is essential.

B. RISKS SPECIFIC TO THE COMPANY AND THE MITIGATION MEASURES:

We have divided the risks into three broad categories, namely:-

No.	RISK	RISK MITIGATION MEASURES
(I)	**BUSINESS OPERATIONAL RISKS**	
A	**Business dynamics** include:-	
	• Organisation and management risks • Production, process and productivity risks • Business interruption risks consisting internal and external factors	➢ The Company functions under a well defined organization structure with focus on role clarity. ➢ Proper systems are in place in relation to maintenance of inventories of raw materials, consumables, key spares and tools to ensure

		their availability for planned production programmes. ➢ Selection of technology, standardization of processes, clear SOPs, training, upkeep of assets etc. ➢ Proper training and development, incentives and reward system for employees at all levels.
B	**Market Risks / Industry Risks** include:	
	• Raw material availability and movement of rates • Demand and Supply • Quality • Competition • Increase in commercial costs	➢ Tracking micro and macro economic level data, market trends and forecasts by expert agencies, internal review by team of experts. ➢ Tracking of movement of rates of raw material ➢ Alternative sources for uninterrupted supply of raw materials. ➢ Demand and supply are external factors on which company has no control. However based on experience gained from the past the Company is able to estimate the demand during a particular period and accordingly supply is planned and adjusted. ➢ Proper inventory control systems have been put in place. ➢ Increasing operational efficiency and continue to take initiatives to move up the quality control scale besides cost reduction and cost control initiatives. ➢ Effective steps are being taken to reduce cost of production on a continuing basis through focus on cost and realization, budgets, budgetary controls, management control system, close watch on market dynamics etc.

		➢ On competition side, keeping a close watch on competitor's strengths and weaknesses, competition dynamics etc.
C	**Logistics Risks:**	
	• Use of outside transport sources.	➢ Company has a dedicated transport group to handle all requirements relating to movement of cotton, finished goods, scrap etc.
D	**Political Environment Risks:**	
	• Any adverse change in the political environment of the country, govt. policies on textile industry etc can have an impact in growth strategies of the company.	➢ Reviewing and monitoring the country's textile related industrial, labour and other related policies and involvement in representative industry-bodies.
E	**Technological Obsolescence:**	
	• The Company strongly believes that technological obsolescence is a practical reality.	➢ Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.
F	**Disaster Risks:**	
	• Natural risks like Fire, Earthquakes, etc.	➢ The properties of the company are insured against natural risks, like fire, earthquakes, etc. with periodical review of adequacy, rates and risks covered.
(II)	**FINANCIAL RISKS**	
A	**Liquidity Risks** include:	
	• Financial solvency and liquidity risks • Cash management risks	➢ Preparation of annual and quarterly budgets ➢ Preparation & monitoring of daily and monthly cash flows ➢ Cash management services are availed from Bank to ensure efficient collection and utilization of funds
B	**Credit Risks** include risks in settlement of dues by dealers/customers	➢ Assessment of credit worthiness of dealers/ customers ➢ Provision for bad and doubtful debts

		➢ Appropriate recovery management and follow up
C	**Foreign Exchange Risks:**	
	• We face foreign currency exposure for our sales in other countries and from our purchases from overseas suppliers in U.S. dollars and other currencies and are exposed to substantial risk on account of adverse currency movements in global foreign exchange markets.	➢ Foreign currency exposures are recognized from the time an import/export order/ contract is signed and as per contractual maturity prior to opening of Letters of Credit and/or Purchase Orders by customers. ➢ Without venturing into the speculative aspects of dealing in currency derivatives, we aim to cover foreseeable fluctuations with a hedge cover as per policy.
D	**Financial Reporting Risks:**	
	• Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, Securities and Exchange Board of India (SEBI) rules, and listing regulations creates uncertainty for the Company.	➢ The Company is committed to maintaining high standards of corporate governance and public disclosure and to comply with evolving laws, regulations and standards.
E	**Risk of Corporate Accounting Fraud:**	
	• Corporate accounting fraud are business scandals arising out of misusing or misdirecting of funds, overstating expenses, understating revenues etc.	➢ Conducting risk assessments ➢ Enforcing and monitoring code of conduct for key executives ➢ Instituting Whistleblower mechanisms ➢ Deploying a strategy and process for implementing the new controls ➢ Adhering to internal control practices that prevent collusion and concentration of authority
(III)	**OTHER RISKS**	
A	**Human Resource Risks:**	
	• Labour Turnover Risks, involving replacement risks, training risks, skill	➢ Ensuring that the right person is assigned to the right job

	risks, etc. • Unrest Risks due to Strikes and Lockouts.	➢ Proper recruitment policy & appraisal systems ➢ Welfare activities for employees ➢ Efforts to keep cordial relations with employees at all level.
B	**Environmental Risk Management:**	
	• The legal exposure in this regard is when polluting materials are discharged into the environment by causing danger to fragile environmental surrounding is an offence.	➢ The Company endeavors to protect the environment in all its activities, as a social responsibility and focus on efficient operations of environment protection system and equipment.

C. REPORTING :

1. Internal Reporting

   a) Risk Management Committee;

   b) Board of Directors;

   c) Vertical Heads

   d) Individuals

2. External Reporting - To communicate to the stakeholders as required in the law.

7. AMENDMENTS:

This policy may be amended subject to the approval of Board of Directors, from time to time in line with the business requirement of the Company or any statutory enactment or amendment thereto.

8. DISCLAIMER CLAUSE:

The Management cautions that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

Date: 6th February, 2016