



ADHUNIK
INDUSTRIES
LIMITED

RISK MANAGEMENT
POLICY

Regd. Office:
14, Netaji Subhas Road
Kolkata – 700 001
CIN: L65921WB1979PLC032200



1. BACKGROUND:

Adhunik Industries Ltd. (the “Company” or “AIL”) is engaged in the manufacturing of steel related rolled products such as TMT, Wire Rod, H. B. Wire etc. Thus, the business activities of the Company carry various internal and external risks.

‘**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 organization 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 efforts to minimize, monitor and mitigate/control the probability and/or impact of unfortunate 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.

Effective risk management requires:

- A strategic focus,
- Forward thinking and active approaches to management
- Balance between the cost of managing risk and the anticipated benefits, and
- Contingency planning in the event that critical threats are realized.

In today’s challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks *inter alia* are: Regulations, competition, Business risk, Technology obsolescence, return on investments, business cycle, increase in price and costs, limited resources, retention of talent, etc.

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 organization. The new Companies Act, 2013 and Listing Regulations, 2015 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 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.



Also, as per Regulation 17(9)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

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. OBJECTIVE:

The objective of Risk Management Policy at AIL is to create and protect shareholder value by carefully identifying the strategic, operational, financial, legal, environmental and other perceivable risks and minimizing threats or losses, and identifying and maximizing opportunities. An enterprise-wide risk management framework is applied so that effective management of risks is an integral part of every employee’s job.

Strategic Objectives:

-) Providing a framework that enables future activities to take place in a consistent & controlled manner.
-) Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats.
-) Contributing towards more efficient use / allocation of the resources within the organization

-) Protecting and enhancing assets and company image.
-) Reducing volatility in various areas of the business.
-) Developing and supporting people and knowledge base of the organization.
-) Optimizing operational efficiency.
-) Developing a “Risk Reporting” system on an on-going basis.
-) Setting up suitable internal processes/systems to control and monitor ‘Action Plans’.
-) Focusing on the risks relevant in respect of the organization or typical to it.

4. APPLICABILITY:

This Policy came into force with effect from 1st December, 2015 and applies to all areas of the Company’s operations.



5. KEY DEFINITIONS:

Risk Assessment –

The systematic process of identifying and analyzing 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, analyzing, evaluating, treating, monitoring and communicating risk.

6. 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**
- **Competition**
- **Revenue Concentration and liquidity aspects-**

Each business area of products such as TMT, Wire Rod, H. B. Wire and other rolled products etc. has specific aspects on profitability and liquidity. The risks are therefore associated on each business segment contributing to total revenue, profitability and liquidity. Since the steel is basically a commodity market which is very much volatile in terms of pricing and it is totally depend on the demand and supply condition of the market, it requires special attention.

- **Cost structure-**

Cost structure is very much inherent in any business and thereby there is a tendency of change every time. Since, the prices are very much volatile, the cost structure are very much vulnerable to change.

- **Technology 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.

- **Legal –**

Legal risk is the risk in which the Company is exposed to legal action. As the Company is governed by various laws and the Company has to do its business within four walls of law, the Company is exposed to legal risk.

- **Fluctuations in Foreign Exchange-**

The Company has limited currency exposure in case of sales, purchases and other expenses. Also, It has natural hedge to some extent. However, beyond the natural hedge, the risk can be measured through the net open position i.e. the difference between un-hedged outstanding receipt and payments.

The risk can be controlled by a mechanism of “Stop Loss” which means the Company goes for hedging (forward booking) on open position when actual exchange rate reaches a particular level as compared to transacted rate.

□ **Internal Risk Factors**

- Project Execution
- Contractual Compliance
- Operational Efficiency
- Hurdles in optimum use of resources
- Quality Assurance
- Environmental Management
- Human Resource Management
- Culture and values

7. RESPONSIBILITY FOR RISK MANAGEMENT:

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

8. COMPLIANCE AND CONTROL:

All the Senior Executives under the guidance of the Chairman and Board of Directors has the responsibility for over viewing management’s processes and results in identifying,



assessing and monitoring risk associated with Organization's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk. 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.

9. REVIEW:

This Policy shall be reviewed by the Audit Committee and the Board from time to time as may be necessary to ensure that it meets the requirements of legislation and the needs of organization.

The Policy will be communicated to all vertical/functional heads and other concerned persons of the Company.

10. AMENDMENT:

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