

KOTHARI INDUSTRIAL CORPORATION LIMITED

RISK MANAGEMENT POLICY

1. BACKGROUND:

The Securities and Exchange Board of India (“the SEBI”) has notified SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI (LODR) Regulations”) vide notification no. SEBI/LAD/NRO/GN/2015-16/013, dated 2nd September, 2015, which was effective from 2nd December, 2015 (90 days from the publication in official gazette).

In accordance with Section 134(3)(n) of the Companies Act, 2013, a company is required to include 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 and further as per Regulation 17 of the SEBI (LODR) Regulations, the board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

Accordingly, to mitigate and manage risk at “**Kothari Industrial Corporation Limited**” (hereinafter referred to as the “Company”), the Company has formed the policy (the “Risk Management Policy”) for the same. This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in the operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

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. 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:

- a. 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.
- b. To establish a framework for the company's risk management process and to ensure its implementation.
- c. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- d. To assure business growth with financial stability.

4. APPLICABILITY:

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

5. KEY DEFINITIONS:

a. 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.

b. 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.

c. 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.

6. RISK FACTORS:

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

a. External Risk Factors

- i. Economic Environment and Market conditions
- ii. Political Environment
- iii. Competition
- iv. Revenue Concentration and liquidity aspects
- v. Inflation and Cost structure

vi. Technology Obsolescence

vii. Legal

b. Internal Risk Factors

i. Project Execution

ii. Contractual Compliance

iii. Operational Efficiency

iv. Hurdles in optimum use of resources

v. Environmental Management

vi. Human Resource Management

vii. Culture and values

7. RESPONSIBILITY FOR RISK MANAGEMENT:

Generally every staff member of the Organisation 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 indentifying, 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 at least every year to ensure it meets the requirements of legislation and the needs of organization.

10. AMENDMENT:

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