RISK MANAGEMENT POLICY AND PROCEDURES

INTRODUCTION

Risk management is an integral component of good corporate governance and fundamental in achieving the company's strategic and operational objectives. It improves decision-making, defines opportunities and mitigates the risks associates with the Company's business.

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: financial markets, regulations, competition, business environment, technology, investments, retention of talent and expansion of facilities. As a matter of policy, these risks are assessed and steps as appropriate, are taken to mitigate the same.

The Company's primary business activities are investment activities comprising of long term investment activities i.e. Long Term capital and Strategic Investments and Short Term Investment activities i.e. Trading Investment. The Company's business activities also include real estate business and lending activities. The Company makes investments in Primary and Secondary Market directly as well as through, Mutual Funds and Portfolio Management Services etc. The Company is also into real estate development activity directly as well as through local developers, which includes the development of land, construction of building for commercial and residential purpose, development of business centers, townships, and infrastructure facilities etc.

The Company's Risk Management Policy provides the framework to manage the risks associated with its activities. It is designed to identify, assess, monitor and manage risks. The aim of the policy is to identify, evaluate, manage, monitor and mitigate all types of risks and maximize the returns.

RISK MANAGEMENT FRAMEWORK

The Company adopts the systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues and regulations. We believe that this would ensure mitigating steps proactively and help achieve stated objectives. The entity's objectives can be viewed in the context of four categories: (i) Strategic (ii) Operations (iii) Reporting and (iv) Compliance. We consider activities at all levels of the organization in our risk management framework. Risk Management Policy focuses on three key elements, viz. (1) Risk Assessment; (2) Risk Management; (3) Risk Monitoring.

- **RISK ASSESSMENT**

To meet the stated objectives, it is imperative to make effective strategies for exploiting opportunities and as a part of this, the Company has identified key risks and developed plans for managing the same.

Organizational Objectives

Strategic:

- Organizational growth
- Diversification of investment into different categories
- Continuing to enhance Industry expertise
- Enhancing capabilities through technology alliances and in house technology developments.

Operations:

- Consistent revenue growth
- Consistent profitability
- Developing culture of innovation
- Attracting and retaining human talent and augmenting their training
- Maintaining high standards of corporate governance and public disclosure
- Ensuring stricter adherence to policies, procedures and laws/regulations/standards

The objectives of the company are subject to risks that are external and internal as enumerated below.

External Risk Factors	Internal Risk Factors
Economic Environment Financial Market and Interest Rate Scenario Fluctuations in Foreign Exchange Market Regulatory Policies Competition Inflation Technology obsolescence Risk of Corporate Fraud	Financial reporting risks Contractual Compliance Compliance with local laws Environmental Management Human Resource Management Credit and Liquidity Management

- **RISK MANAGEMENT AND RISK MONITORING**

In principle, risk always results as consequence of activities or as consequence of non-activities. Risk Management and Risk Monitoring are important in recognizing and controlling risks. For risk management to be effective, all operations must apply the following processes:

- **Risk response** is a process by which the management evaluates and adopts mitigation measures. This should also involve assessment of costs versus benefits of the proposed measures and degree to which the response will reduce impact and/or likelihood of risk events.

- **Control activities** are the policies and procedures in place to ensure that risk mitigation measures agreed are implemented.
- **Information & communication activities** ensure that all staff are familiar with risks Identified and mitigation measures and plans. This helps in successful implementation of risk responses.
- **Monitoring** helps determine the effectiveness of the processes, technologies and personnel executing risk management. The monitoring should be in-built to on-going monitoring activities, operational and financial. Where required, separate evaluations of the risk management process could be carried out to address any special risk.

Risks Specific to the Company and the mitigation measures adopted

1) Business Operations Risks: These risks relate broadly to the company's organization and management, such as planning, monitoring and reporting systems in the day-to-day management process namely:

- Organization and management risks
- Business interruption risks
- Profitability risks

Risk Mitigation Measures:

- The company functions under a well-defined organization structure.
- Flow of information is well defined to avoid any conflict or communication gap between two or more departments.
- Second level positions are created in each Department to continue the work without any interruption in case of non- availability of functional heads.
- Effective steps are being taken to reduce cost.
- Strong HR Department to maintain excellent and cordial relations at all levels of employment.

2) Liquidity Risks :

- Financial Solvency and liquidity risks
- Borrowing limits
- Cash Management risks

Risk Mitigation Measures :

- Proper financial planning is put in place.
- Annual and Quarterly Budgets and Variance Analysis are prepared to have better financial planning.
- Daily, monthly cash flows are prepared.
- Maturity Grouping of financial liabilities
- Financial arrangements are availed from Bank to avoid any difficulty in meeting financial liabilities.

3) Credit Risks :

- Risks in settlement of dues by customers
- Default in repayment of loan by the counter party

- Provision for Non-Performing Assets (NPA)

Risks Mitigation Measures :

- The company extends Loans, secured as well as unsecured, mainly to individuals and entities associated with Nahar Group. Interest rate and security will be main considerations, while extending such loans.
- For Real Estate Business, the Company follows very stringent and high safety norms for selecting the property besides higher profit margin and lease rentals available.
- Ageing Analysis of financial asset
- Systems put in place for assessment of creditworthiness of Customers.
- Provision for Non-Performing Assets (NPA) made to arrive at correct financial position of the company.
- Appropriate recovery management and follow up.

4) Financial Market Risks :

- Market Volatility Risks
- interest rate changes

Risk Mitigation Measures :

- The Company shall hold its existing investment for Long Term in the Promoter Stake of Group companies which provide the right of management of the Group Companies, irrespective of volatility in the capital markets. In respect of investments other than group companies, the Company is following medium risks and medium returns policy.
- The Company shall be making investments in an optimum blend of securities consisting of Equity Shares, Preference Shares, and Debt Instruments like Corporate Bonds, Mutual Funds, and Debt Securities etc. However, the actual composition of securities will depend upon the prevailing market conditions, opportunity available and risk factors associated with those securities.
- The Company shall be making investments in Mutual Fund Schemes of different maturity periods ranging from one to five years. Before making the investment whether short term or long term, the scheme is duly scrutinized by the Investment Committee considering all the pros and cons of the scheme and only after its approval the investment is made.
- The Company will try to diversify its investment in different regions within India and also out of India to have better returns with lesser risk, as per the opportunities available in the market.

5) Human Resource Risks :

- Employee Turnover Risks involving replacement risks, training risks, skill risks, etc.

Risk Mitigation Measures :

- Company has proper recruitment policy for recruitment of personnel at various levels in the organization.
- Proper appraisal system to give yearly increment is in place.
- Employees are trained at regular intervals to upgrade their skills.
- Activities relating to the welfare of employees are undertaken.

6) Disaster Risks :

- Natural risks like fire, Floods, Earthquakes, etc.

Risk Mitigation Measures :

- The properties of the company are insured against natural risks, like fire, flood, earthquakes, etc.
- Fire Hydrants have been installed at office location. Other apparatus like extinguishers filled with chemical, Foam etc. have been placed at fire sensitive locations and regular fire safety drills are carried out.
- First aid training is given to watch and ward staff and safety personnel.
- Employees of the company are covered under ESI, EPF, etc., to serve their welfare.

7) System Risks :

- System Capability
- System Reliability
- Data Integrity risks
- Coordinating and interfacing risks

Risk Mitigation Measures :

- IT/EDP Department maintains repairs and upgrades the systems on a continuous basis with personnel who are trained in software and hardware.
- Password protection is provided at different levels to ensure data Integrity.
- Licensed software is being used in the systems.
- The Company ensures "Data Security", by having access control/restrictions.

8) Legal Risks:

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 laws, where the Company is exposed to legal risk exposure. These risks relate to the following :

- Contract Risks
- Contractual Liability
- Frauds
- Judicial Risks Insurance

Risk Mitigation Measures :

- The Company engages professionals, advisors who focus on evaluating the risks involved in a contract, ascertaining our responsibilities under the applicable law of the contract, restricting our liabilities under the contract, and covering the risks involved, to meet the general and specific requirements so that they can ensure adherence to all contractual obligations and commitments.
- Management places and encourages its employees to place full reliance on professional guidance and opinion and discuss impact of all laws and regulations to ensure company's total compliance. The suggestions and recommendations from professional agencies, are carefully analyzed and acted upon whatever relevant.

- The company has established a compliance management system in the organization and Secretary of the company ensures the submission of the quarterly compliance reports by functional heads for placing the same before the Board supported by periodical Secretarial Audit Reports by Practicing Company Secretaries.

SECTORAL LIMITS:

The Company has a disciplinary approach for sectoral investments/lending having the exposure to (i) Real Estate, housing sector other than for own use and/or business activity Up to 15% of Owned Funds, (ii) un-quoted shares Up to 5% of Owned Funds, (iii) Lending Activities up to 20% of Owned Funds and (iv) any other sectoral limit prescribed by Reserve Bank of India for our company.

DISCLAIMER CLAUSE:

The Management cautions readers that the risks outlined above are not exhaustive and are of information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and in having a complete / proper management's perception of risks. Readers are therefore requested to exercise their own judgement in assessing various risks associated with the company.

REVIEW:

The Board shall, review this Policy as may be deemed necessary and in accordance with new developments and market conditions.