



## RISK MANAGEMENT POLICY

### 1. PREAMBLE

- 1.1. Risk is an integral and inseparable component of the business operations of a company. Risks with which a company may be faced include market risks, financial reporting risks, finance risk, fluctuations in foreign exchange, technological risks, human resource management and legal or compliance risks.
- 1.2. Pradeep Metals Limited (the '**Company**') believes that an effective and sustained risk management policy or plan ('**Policy**') identifying significant risks with which the Company is faced or may be faced with and devising risk assessment and mitigation procedures to tackle such risks would play an important role in protecting shareholder value, improving governance processes and meeting unforeseen exigencies in the cycle of conduct of business operations of the Company.
- 1.3. The Policy focuses on assessment and minimization of business risks incidental to protection of the environment, safety of operations and compliance requirements concerning emission, waste water and waste disposal.

### 2. LEGAL FRAMEWORK

- 2.1. The Company's business is exposed to various risks, arising out of internal and external factors. This document lays down the Risk Management Policy of the Company, which identifies and evaluates various risks and mitigating efforts to resolve such risks. This Policy is in Compliance with Clause 49 of the Listing Agreement, which requires a Company to lay down procedure for risk assessment and risk minimization.
- 2.2. The Board of Directors, Senior Management and the Audit Committee of the Company should periodically review the Policy and monitor its implementation to ensure risk minimization and smooth running of the business. This Policy will cover all the areas of operations of the Company.

### 3. RISK MANAGEMENT COMMITTEE

#### 3.1 Constitution

- 3.1.1 It shall consist of 4 directors, out of which 2 shall be independent directors.
- 3.1.2 The presently nominated members of the Risk Management Committee are :
  - (i) **Mr. Pradeep Goyal- Chairman and Managing Director**
  - (ii) **Dr. Kewal K. Nohria – Non- Executive Director**
  - (iii) **Mr. Raj Kumar Mittal- Independent Director**
  - (iv) **Mr. Rajeev Mehrotra- Independent Director**
- 3.1.3 The members of the Risk Management Committee to have a working familiarity with the fundamentals of finance, accounting and risk management and represent a range of

backgrounds, skills and experience due to the strategic, business, operational, financial and non-financial risk profiles of the Company.

### **3.2 Role**

- 3.2.1 The Risk Management Committee shall assist the Board with the identification and management of risks to which the Company is exposed.
- 3.2.2 The Risk Management Committee shall assist the Board with monitoring and review of the Policy.
- 3.2.3 The Risk Management Committee shall ensure effective implementation of the Policy of the Company. This shall include :
- (i) putting in place risk management frameworks and processes;
  - (ii) identifying risks and promoting a pro-active approach to treating such risks;
  - (iii) conducting regular risk assessments;
  - (iv) allocating adequate resources to mitigate and manage risks and minimize their adverse impact on outcomes;
  - (v) striving towards strengthening the risk management system through continuous learning and improvement;
  - (vi) delineating business continuity processes and disaster management plans for unforeseen exigencies and providing clear and strong basis for informed decision making at all levels of the organisation;
  - (vii) deploying strategies and methods to reduce the severity of risks;
  - (viii) complying with all relevant laws and regulations across its areas of operation;
  - (ix) communicating the Policy to the required stakeholders through suitable means and periodically reviewing its relevance in a dynamic business environment; and
  - (x) creating a favourable atmosphere for auditors to report and highlight any instances of non-compliance or non-adherence to the devised risk mitigation procedures and processes.

## **4. BOARD REPORT**

The report of the Board of Directors will include details about the development and implementation of Risk Management Policy and this will cover identification of various risks, arising out of internal and external elements, as faced by the Company and the mitigating efforts for tackling the same.

## **5. GUIDING PRINCIPLES**

### **5.1 Identification of Risks**

Risks identified by the Company include, but are not limited to the following areas :

#### **(i) Market Risks**

Fluctuations in the Indian financial markets may significantly influence the Company and its investment decisions.

#### **(ii) Financial Reporting Risks**

Laws, regulations and standards relating to accounting, corporate governance and public disclosure, Securities and Exchange Board of India and listing regulations are

evolving and creating uncertainty for companies. These laws are evolving and subject to varying interpretations. New rules enacted by regulatory and governing bodies result in uncertainty regarding compliance matters and higher costs of compliance.

The Company endeavours continuously to meet the requirements of evolving laws, regulations and accounting standards. The financial statements of the Company are prepared in accordance with the Generally Accepted Accounting Principles (GAAP) in India under the historical cost convention on an accrual basis, and are in conformity with mandatory accounting standards issued by the ICAI. The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

**(iii) Finance Risk**

The Company regularly provides financing to its subsidiaries and may face default risk in adverse economic conditions and in the event that the business of the borrowing entity does not perform satisfactorily.

**(iv) Fluctuations in foreign exchange**

Dealings by the Company in business transactions may result in exposure to substantial risk on account of adverse currency movements in global foreign exchange markets.

The Company aims to minimize risk arising from adverse currency movements by managing the uncertainty and volatility of foreign exchange fluctuations by hedging the risk to achieve greater stability.

**(v) Technological Risks**

The Company believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis.

**(vi) Human resource management**

The Company endeavours to ensure that the right person is assigned to the right job, equal opportunities are provided to every employee, a sense of belonging and commitment is inculcated in them and an atmosphere be created which would be conducive to efficient functioning of the employees.

**(vii) Legal or Compliance Risks**

The Company is exposed to legal risks.

The management encourages employees to place full reliance on professional guidance and opinion and discuss impact of all laws and regulations to ensure compliance by the Company. Advice and suggestions from professional agencies, industry bodies and independent directors, are carefully studied and acted upon where relevant.

## **6. MONITORING, IMPLEMENTATION AND AMENDMENT**

- (1) The Board or Audit Committee may also identify and establish risk management systems and operational and financial controls and conduct an evaluation of the same, from time to time, to give effect to the intent of this Policy and further the objective of good corporate governance.
- (2) The Policy will be continuously identified, analysed and monitored on a regular basis by the Risk Management Committee.
- (3) The Board reserves the right to amend, modify or review this Policy in whole or in part, at any point of time, as may be deemed necessary.

## **7. APPROVAL**

This Policy was approved by the Board of the Company at its meeting held on **3<sup>rd</sup> July, 2014**.