

**Nahar****POLY FILMS LTD.**

**Regd. Office & Corporate Office :** 376, Industrial Area-A, Ludhiana - 141 003 (INDIA)  
**Phones :** 91-161-2600701 to 705, 2606977 to 980 **Fax :** 91-161-2222942, 2601956.  
**E-mail :** secnel@owmnahar.com **Website :** www.owmnahar.com  
**CIN No. :** L17115PB1988PLC008820

## **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 associated 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 Company is engaged in the manufacturing of BOPP FILMS i.e. Manufacture of Flexible Packaging Films both transparent & Metalized (including Value added oriented films for packaging, labels, lamination and industrial applications). The Company exports its products to several countries of the world.

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 Company has identified key risks and developed plans for managing the same.

#### **Organizational Objectives**

##### **Strategic:**

- Organizational growth
- Comprehensive range of products
- Sustenance and growth of strong relationships with customers
- Expanding presence in existing markets and penetrating new geographic markets.
- Continuing to enhance Industry expertise
- Enhancing capabilities through technology upgradation and in house technology developments.

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**Operations:**

- Consistent revenue growth
- Consistent profitability
- High level Productivity
- 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

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

External Risk Factors	Internal Risk Factors
Domestic and Global Economic Environment and Market conditions	Financial reporting risks
Fluctuations in polypropylene, crude oil prices and Foreign Exchange Market	Contractual Compliance
Regulatory Policies	Compliance with local laws
Competition	Quality and project management
Revenue Concentration	Environmental Management
Inflation and cost structure	Human Resource Management
Risk of Corporate Fraud	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, procurement and financial. Where required, separate evaluations of the risk management process could be carried out to address any special risk.

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### 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
- Production, process and productivity 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.
- Sufficient stock of raw materials is kept to ensure continuous production.
- Effective steps are being taken to reduce cost.
- Back-up Captive power generating capacity for uninterrupted production and use of Solar Power.
- 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.
- Cash Management services are availed from Bank to avoid any loss of interest on collections.
- Exposure to Foreign Exchange transactions are supported by LCs. Moreover to cover itself from exchange rate fluctuations the Company goes in for partial hedging by normal booking in the normal course of business.

#### 3) Credit Risks:

- Risks in settlement of dues by clients
- Provision for Bad and Doubtful Debts

#### Risks Mitigation Measures:

- The Company is exporting its products to overseas customers through Letter of Credit.
- Systems put in place for assessment of creditworthiness of Customers and credit period.

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- Provision for Bad and Doubtful Debts made to arrive at correct financial position of the company.
- Appropriate recovery management and follow up.

#### 4) Logistic Risks:

- Use of outside transport sources.

#### Risks Mitigation Measures:

- The Company has dedicated transport service providers.
- The Company is optimizing the operations, by having a combination of transportation through road/ rail and sea/ air are explored.
- Comprehensive transit risk insurance coverage for all incoming and outgoing goods across the organization.

#### 5) Market Risks/ Industry Risks:

- Global and Domestic Demand and Supply Risks
- Quantities, Qualities, Suppliers, Lead time, interest rate risks
- Raw material prices

#### Risk Mitigation Measures:

- The Company has a sound raw material procurement policy
- Raw materials are procured from different sources at competitive prices.
- Alternative sources are developed for uninterrupted supply of raw materials.
- Demand and supply are external factors on which company has no control, but the Company plans its production and sales from the experience gained in the past.
- The company tries to reduce the gap between demand and supply. Proper inventory control systems have been put in place.

#### 6) Human Resource Risks:

- Employee Turnover Risks involving replacement risks, training risks, skill risks, etc.
- Unrest risks due to Strikes and Lockouts.

#### 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.
- Labour problems are obviated by negotiations and conciliation.
- Activities relating to the welfare of employees are undertaken.

#### 7) Disaster Risks:

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

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### **Risk Mitigation Measures:**

- The properties of the company are insured against natural risks, like fire, flood, earthquakes, etc.
- Fire Hydrants have been installed at all manufacturing locations. 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/Workmen of the company are covered under ESI, EPF, etc., to serve their welfare.

### **8) 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.

### **9) 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
- Patent, Design and Copyright Infringement Risks

### **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 and industrial bodies, chambers of

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commerce etc., are carefully analyzed and acted upon whatever relevant.

- The Company has taken the Directors and Officers Insurance Policy to protect them from any legal liability.
- 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.

### **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.