BEDMUTHA INDUSTRIES LIMITED

RISK MANAGEMENT POLICY

RISK POLICY & PROCEDURES

1. TERMS OF REFERENCE

A risk management policy serves two main purposes: to identify, reduce and prevent undesirable incidents or outcomes and to review past incidents and implement the necessary changes to prevent or reduce future incidents. Generally, this involves reviewing of operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence and then taking appropriate actions to address and cover the threats.

Regulation 4 (2)(f)(ii) of the Securities Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulation, 2015 states about functions of the Board of Directors which includes reviewing and guiding of Risk Policy..

These procedures shall be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework"

It has therefore become mandatory for the listed Companies to prepare a comprehensive framework of risk management for assessment of risks and determine the responses to these risks so as to minimize their adverse impact on the organization.

The Board of Directors of Bedmutha Industries Limited is responsible for risk management and for ensuring that robust internal controls are instituted to respond to the changes in the business environment.

2. RISK STRATEGY

Bedmutha Industries Limited recognizes that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner. The Company believes that the risk cannot be eliminated completely. However, it can be:

• Mitigated by transferring the risks to another party, say to insurance companies by buying insurance policies or entering into forward contract so as to hedge uncontingent or uncertain loss;

• Reduced by having good internal controls and measures;

• Avoided by not entering into risky businesses; however, the company takes utmost care while entering into risky businesses.

• Retained to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and;

• Shared by way of strategic alliance and by following a golden path between retaining and transferring risk.

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, Investments, retention of talent and expansion of facilities.

Business risk, inter-alia, further includes financial risk, political risk, fidelity risk, legal risk etc.

For managing risk more efficiently, the company would need to identify the risks that it faces in trying to achieve the objectives of the Company. Once these risks are identified, the Company would need to evaluate these risks to see which of them will have critical impact on the Company

3. 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,

Risk mitigation measures:

• The Company functions under a well-defined organizational 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.

• Proper framework is followed in relation to maintenance of inventories of raw materials, consumables, key spares and tools to ensure their availability for planned production programs.

• Effective steps are being taken to reduce cost of production on a continuing basis considering various changing scenarios in the market.

• The Company follows proper planning for production process.

2) Liquidity Risks:

• Financial solvency and liquidity risks

• Borrowing limits

•Cash management risks

Risk Mitigation Measures:

• Proper financial planning is put in place with detailed Annual Business Plans discussed at appropriate levels within the organization. Annual and quarterly budgets are prepared and put up to management for detailed discussion and an analysis of the nature and quality of the assumptions, parameters etc.

• The borrowings of the Company are well within the limits under various laws, rules and regulations and are placed before the Board on quarterly basis.

• Daily and monthly cash flows are prepared, followed and monitored at senior levels to prevent undue loss of interest and utilize cash in an effective manner.

3) Market Risks / Industry Risks:

The Company is engaged in wire and wire products and the business is associated with power, infrastructure and automotive projects. The products of the Company are required by major industry, which provides infrastructure facilities to the nation. The development in the facilities provided by the Government will enhance the growth of power and infrastructure facilities. The Company faces such Market Risks/ Industry Risks.

Risk Mitigation Measures:

• 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, however the Company plans its production and sales from the past experiences, an on-going study of the industrial pattern and appraisal of the market dynamics, movement by competition, economic policies and growth patterns of different segments of users of company's products.

• Proper inventory control systems have been put in place.

4) Human Resource Risks:

a) Labour Turnover Risks involving replacement risks, training risks, skill risks, etc.

b) 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.

• Workers are trained at regular intervals to upgrade their skills.

• Labour problems are obviated by negotiations and conciliation. Good relations are maintained with labour union by way of listening to their concerns.

• Employees are encouraged to make suggestions and discuss any problems with their superiors.

5) 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. with periodical review of adequacy, rates and risks covered under professional advice.

• First aid training is given to watch and ward staff and safety personnel.

• Workmen of the company are covered under ESI, EPF, etc., to serve the welfare of the workmen.

6) System Risks:

• System capability

• System reliability

• Data integrity risks

• Coordinating and interfacing risks

Risk Mitigation Measures:

• The concerned department of the Company 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.

7) Legal Risks:

These risks relate to the following:

• Contract Risks

• Contractual Liability

•Frauds

• Judicial Risks

Risk Mitigation Measures:

• A study of contracts with focus on contractual liabilities, deductions, penalties and interest conditions are undertaken on a regular basis.

• Internal control systems for proper control on the operations of the Company and to detect any frauds.

• The Company monitors the judicial cases with utmost care with the existing cases and further tries to avoid in legal matters.

8) Foreign Exchange and Interest Rate Risk Management:

Currency Risk:

Since, the company's exposure on foreign currency is more; the fluctuation in foreign exchange currency impacts the company to the extent. However, if there is any foreign currency risk on the liability side, it is fully hedged.

Interest Rate Risk:

The Company has judiciously managed the debt-equity ratio. It has been using a mix of loans and internal cash accruals.

9) Disclaimer Clause

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