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POLICY ON RISK MANAGEMENT

1. BACKGROUND

'Risk' in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. Every member of any organisation continuously manages various types of risks. Formal and systematic approaches to managing risks have evolved and they are now regarded as good management practice also called as Risk Management.

'Risk Management' is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realisation of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

Effective risk management requires: -A strategic focus, - Forward thinking and active approaches to management -Balance between the cost of managing risk and the anticipated benefits, and - Contingency planning in the event that critical threats are realised. 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, return on investments, business cycle, increase in price and costs, limited resources, retention of talent, etc.

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 Companies Act, 2013 and the Securities Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015 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:

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

4. APPLICABILITY

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

5. KEY DEFINITIONS

(i) ***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
(ii) ***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.
(iii) ***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:-

(i) ***External Risk Factors***

(ii) **Economic Environment and Market conditions**

(iii) **Political Environment**

(iv) **Competition**

(v) **Revenue Concentration and liquidity aspects-**

Each business area of products such as pumps, turbines, motors, generators, switchgears and turnkey projects has specific aspects on profitability and liquidity. The risks are therefore associated on each business segment contributing to total revenue, profitability and liquidity. Since the projects have inherent longer time-frame and milestone payment requirements, they carry higher risks for profitability and liquidity.

(vi) ***Inflation and Cost structure-***

Inflation is inherent in any business and thereby there is a tendency of costs going higher. Further, the project business, due to its inherent longer time- frame, as much higher risks for inflation and resultant increase in costs.

(vii) ***Technology Obsolescence –***

The Company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.

(viii) ***Legal –***

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 law, the Company is exposed to legal risk.

(ix) ***Fluctuations in Foreign Exchange-***

The Company has limited currency exposure in case of sales, purchases and other expenses. It has natural hedge to some extent. However, beyond the natural hedge, the risk can be measured through the net open position i.e. the difference between un-hedged outstanding receipt and payments. The risk can be controlled by a mechanism of "Stop Loss" which means the Company goes for hedging (forward booking) on open position when actual exchange rate reaches a particular level as compared to transacted rate.

(x) ***Internal Risk Factors-***

- Project Execution
- Contractual Compliance
- Operational Efficiency
- Hurdles in optimum use of resources
- Quality Assurance
- Environmental Management
- Human Resource Management
- 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.

The Risk Management Committee shall have power to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary.

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 in identifying, assessing, and monitoring risk associated with Organisation'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.

And, the Board of Directors shall define the role and responsibility of the committee and may delegate monitoring and reviewing of the risk management plan to committee and such other functions as it may deem fit such functions shall specifically cover cyber security. Provided that the roles and responsibilities of the Committee shall mandatorily include the performance of function specified in Part D of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015.

9. MEETING AND QUORUM

The Quorum for a meeting of the committee shall be either two members or one third of the members of the committee, whichever is higher, including at least one member of the board of directors in attendance**.** The meeting of the risk management committee shall be conducted in such a manner that on a continuous basis not more than two hundred and ten days shall elapse between any two consecutive meetings.

10. MEMBERS OF STAKEHOLDERS RELATIONSHIP COMMITTEE

Sr No.	Name	Designation
1.	Mr. Shishir Kumar Saha	Chairperson
2.	Mr. Avinash Purushottam Mool	Member
3.	Ms. Dipti Jain	Member

11. EVIEW

This Policy shall be reviewed at least twice in a year to ensure it meets the requirements of legislation and the needs of organization.

12. LIMITATION & AMENDMENT

In the event of any conflict between the provisions of this Charter and of the Companies Act or SEBI Listing Regulations or any other statutory enactments, rules, the provisions of such Companies Act or SEBI Listing Regulations or statutory enactments, rules shall prevail over this Charter. Any subsequent amendment / modification in the SEBI Listing Regulations, Companies Act and/or applicable laws in this regard shall automatically apply to this Charter.

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