

## **RISK MANAGEMENT POLICY**

### **I. PREAMBLE**

Risk as defined by the Oxford dictionary is a chance or possibility of danger, loss, injury or other adverse consequences.

Risk management, by and large involves reviewing the operations of the organization, followed by identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.

The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 emphasize the requirement of Risk Management Policy for the Company. According to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company shall lay down procedures to inform Board members about the risk assessment and minimization procedures and the Board shall be responsible for framing, implementing and monitoring the risk management plan for the Company. This Policy is framed in compliance with the provisions of the Companies Act, 2013 read along with the applicable rules thereto and Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### **II. Definitions**

(i) "Audit Committee" shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 177 of the Companies Act, 2013

(ii) "Board" means Board of Directors of the Company.

(iii) "Company" means Sree Rayalaseema Hi-Strength Hypo Limited (SRHHL).

(iv) "Independent Director" means a Director referred to in Section 149(6) of the Companies Act, 2013.

(v) Policy or This Policy or Plan means "Risk Management Policy".

(vi) "Risk Management Committee" means the Committee constituted by the Board to monitor and review the risk management plan and such other functions as it may deem fit, majority of Committee shall consist of members of the Board of Directors. Senior executives of the Company may be members of the said Committee but the Chairman of the Committee shall be a member of the Board of Directors.

**III. INTERPRETATION** : Terms that have not been defined in this Policy shall have the same meaning assigned to them in the Companies Act, 2013 and/or any other SEBI Regulation(s) as amended from time to time.

### **IV. RISK MANAGEMENT PROCESS**

(i) Identification – Recognition / anticipation of the risks that threaten the assets and earnings of the Company

(ii) Evaluation / Assessment – Estimation of the likely probability of a risk occurrence and its likely severity, categorization of risk and rating of risk.

(iii) Prevention & Control – Measures to avoid occurrence of risk, limit its severity and reduce its consequences, selecting the risk management technique by category and individual risk

(iv) Financing – Determining the cost of risk likely to be and ensuring that adequate financial resources are available, implementing the selected technique

(v) Measure and Monitor effectiveness of controls and respond according to the results and improving the program

(vi) Reviewing and reporting on the Risk Management process at appropriate intervals, at least annually.

## **V. RISK MANAGEMENT TECHNIQUE**

The Company recognizes that the risk is an integral and unavoidable component of business and is committed to managing the risk in proactive and effective manner.

- Risk Transfer to another party, who is willing to take risk, by buying an insurance policy or entering into a forward contract;
- Risk Reduction, by having good internal controls;
- Risk Avoidance, by not entering into risky businesses;
- Risk Retention, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, strategy for small risks where the cost of insuring against the risk would be greater over time than the total losses sustained and;
- Risk Sharing, by retaining to the extent that can be retained and transferring the balance.

The Company is involved in manufacture of organic and inorganic chemicals, generation of power and coal trading activities. Company is exporting its products.

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 its objectives. Once these risks are identified, the risk manager would need to evaluate these risks to see which of them will have critical impact on the company and which of them are not significant enough to deserve further attention. As a matter of policy, these risks are assessed and steps as deemed appropriate are taken to mitigate the same.

## **VI.Risk Management and Risk Monitoring:**

In the management of Risk the probability of risk assumption is estimated with available data and information and appropriate risk treatments worked out in the following areas:

### **1. Economic Environment and Market Conditions:**

Economic slowdowns or factors that affect the economic health of our customers' countries and the said industry may increase risk to our revenue growth. Strategically, we seek to continuously expand the customer base to maximise the potential sales volumes and at the same time securing additional volumes from existing customers on the basis of our record of satisfactory performance in our earlier dealings. The efforts to enhance quality of products and upgrading their performance parameters are aimed at deriving optimum value from the existing customer base and targeting a larger customer profile.

Historically, the strength of our relationships has resulted in significant recurring revenue from existing customers. To counter pricing pressures caused by strong competition, the Company has been increasing operational efficiency and continued to take initiatives to move up the quality control scale besides cost reduction and cost control initiatives.

### **2. Political Environment:**

The Company has established its manufacturing units in the Andhra Pradesh State. However, it has the global presence and worldwide customer and suppliers. Any adverse change in the political environment in the State of Andhra Pradesh or in India or in any other country may have an impact in growth strategies of the company.

### **3. Competition :**

It is believed that the expertise of the company in the manufacture of Calcium Hypo , technical know-how within the company, the emphasis on high quality will also substantially minimise the impact of market fluctuations compared to other players. Additionally, efforts to bring down the cost of production are being implemented with a reduced workforce backed by high-end production technology, establishment of captive power generation in the factory area itself.

### **4. Inflation and cost structure**

The cost of revenues consists primarily of raw materials. The cost of revenues has a very high degree of inflationary certainty. To de-risk, the Company has established specific policies for procurement of long delivery and strategic raw materials and stores and those amenable to just-in-time inventories including contacts with suppliers of the raw materials and other requirements.

### **5. Technological 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.

## **6. Financial reporting risks :**

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, Securities and Exchange Board of India (SEBI) rules, and Indian stock market listing regulations are creating uncertainty for companies. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of on-going revisions to such corporate governance standards.

Our preparation of financial statements in conformity with Indian GAAP and in accordance with the Accounting Standards issued by ICAI.

## **7. Fluctuations in Foreign Exchange :**

While our functional currency is the Indian rupee, we transact a significant portion of our business in USD/Euro and other currencies and accordingly face foreign currency exposure from our sales in other countries and from our purchases from overseas suppliers in U.S. dollars and other currencies and are exposed to substantial risk on account of adverse currency movements in global foreign exchange markets.

We manage risk on account of foreign currency fluctuations as per the strategy adopted in Forex Policy. Our risk management strategy is to identify risks we are exposed to, evaluate and measure those risks, decide on managing those risks, regular monitoring and reporting to management.

**8. Legal Risk:** Legal risk is the risk in which the Company is exposed to legal action. 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. Advisories and suggestions from professional agencies and industry bodies, etc. are carefully studied and acted upon where relevant.

**9. Compliance with local laws :** The Company is subject to additional risks related to our international expansion strategy, including risks related to complying with a wide variety of national and local laws, restrictions on the import and export of goods and technologies and multiple and possibly overlapping tax structures. The Company put in place robust process with the help of consultants.

**10. Quality and Project Management :** Our Commitment towards total Quality Management is to forge the Human Resources of our organisation into a team that promotes continual improvement in quality of products and services and committed to maximise customer satisfaction and keep a clean and safe environment.

**11. Environmental Risk Management:** The Company endeavours to protect the environment in all its activities, as a social responsibility.

**12. Human resource management :** Human Resources Development (HRD) Department will add value to all its Units by ensuring that the right person is assigned to the right job and that they grow and contribute towards organisational excellence.

## **VII Amendments to the Policy**

The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

Date : 30-06-2021