DHARANI FINANCE LIMITED

PGP GROUP

Risk Management Plan

Risk Management Plan:

Risk Management is a process which involves proactively taking well defined steps that support better decision making by contributing to wider insight into risks and their impact on Companies. It is about identifying opportunities and avoiding losses. Adopting effective risk management techniques can help improving safety, quality and business performance in the Company.

Some of the advantages of implementing risk management policies are effective strategic planning, better cost control, enhancing shareholder value by minimizing losses and maximizing opportunities, increased knowledge and understanding of exposure to risk, a systematic, well informed and thorough method of decision making, increased preparedness for outside review, minimized disruptions, better utilization of resources strengthening culture for continued improvement creating best practices and quality organizations.

Risk Management is a potential strategic and operational business tool designed to help the organization in minimizing the risk of foreseeable losses and maximizing the opportunities.

Risk Management by an enterprise has to be defined as identification, assessment and economic control of those risks that endanger the assets and earning capacity of the enterprises business. Risk can either be tolerated if it is not severe and its occurrence is sufficiently remote, risk can be eliminated or reduced by changes in the processes or transferring all or part of the risk. Basic activities in any risk management system are –

i) Risk identification
ii) Risk assessment
iii) Risk control

The objectives of the Company's risk management framework comprise the following:

1) To identify, assess, prioritize and manage existing as well as new risks in a planned.

2) To develop a risk culture that encourages employees to identify risks and associated opportunities and respond to them with appropriate actions.

3) Integration of risk management into the Company's day-to-day operations

4) To increase the effectiveness of internal and external reporting structure

5) Continuous monitoring and management to an acceptable level of the potential impact

To manage the risk, Board has to regularly review the risks facing the Company. The risks might cover major areas like

- Pricing, cost pressures, loss of major supplier competitor activity growth, technological change, climate and weather changes, timely rainfall, Government action, developments in the world and other cane growing countries technological changes
- Analysing risks
- Identification of risk owners
- Setting of acceptable levels of risk
- Identification and implementation of controls
- Monitoring of residual risks and the effectiveness of controls

- Risk Management techniques to be appropriate to the context taking account cost and benefits

Reporting on key risks to the Board & Executives should be done on a regular basis and its frequency can be set up by Board.

Some of the major risks are as follows:

1. Political Risks

2. Business Risks: Client concentration, Credit Control, Geographical Risks, Economic Risks, Technology Risks

3. Financial Risks: Liquidity, Leverage, Foreign currency fluctuation

4. Legal & Statutory Risks: Contractual Liabilities, Statutory compliances.

5. Management Risks: Human Resources management and enhancement, Internal up-gradation, Internal control systems, Disaster recovery plans

Competition Risk affecting tariffs, prizes, revenues, etc, spiraling costs in an inflationary environment could blunt the Company's Competitive edge. The Company is optimistic that its competitive cost structure, contemporary technology and quality led cost effective manufacture will enable to enhance its presence in chosen markets.

Market Risks: These risks relate to market conditions, viz.

- Raw Material availability at Competitive Rates
- Quantity
- Quality
- Suppliers
- Interest Rate risks

A marginal drop in product quality can lead to client attrition dampening the Company's performance. Obsolescence in technology also could hamper productivity and product quality. Financial Risk. This comprises all risks with a financial implication, adverse movements in foreign exchange, capital expenditure and interest rates etc. Non-availability of adequate low cost resources will affect growth plans as well as repayment of external liabilities, and to make provision for bad and doubtful debts.

Human Resources Risk – Risks that are part of the personnel related process of the Company such as recruitment, performance assessment, attrition, turnover, compensation policy. It has a prudent mix of competent and experienced Board as well as an experienced and energetic operational team.

A meticulous disaster management plan prevents possibility of hazardous operations being managed by un-skilled persons.

Legal and Regulatory Risks: Risks arising out of non-fulfilment of / non-compliance with applicable compliance, legal and statutory requirements. The Company is committed to respecting all laws and regulations of the Company. The Company has an informed and proactive legal cell which ensures compliance with various statutes. The Board reviews the detailed compliance also recognizes the need for sustainability with minimal impact on the ecology and environment. The Company makes continuous investment in generating green energy and treating effluents. The Company has also developed suitable internal control tool for monitoring compliances on real time basis.

Political Risks: Political Risks relate to un-certainties like Elections, changes in Government, changes in statutes, Regulations, War, Strife risk, country/area risks, insurance risk like fires, strikes, riots, civil commotion, marine risks, cargo risks, fiscal and monetary policy risks including taxation risks.

The Company has a formal risk management structure with defined roles of responsibilities.

The formal authority, responsibility and accountability for designing, implementing and sustaining effective risk management processes rest with the Board of Directors.

The Audit Committee, Management and employees assist the Board of Directors in fulfilling this risk mitigating responsibility.

The Audit Committee ordinarily reviews risk management on a quarterly basis or earlier when required for urgent matters.

The Audit Committee monitors the progress of risk management initiatives and updates the Board of Directors with respect to the changes in the Company's key risk portfolio.

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