RISK MANAGEMENT POLICY

BACKGROUND

SUDAL INDUSTRIES LIMITED (herein after referred to as “the Company”) is a fast growing TQM Company, incorporated in the year 1979 and manufactures SOPHISTICATED ALUMINIUM EXTRUSIONS for a wide range of ENDUSERS. It has an installed capacity to produce 20,000 Tons of Aluminum Per Annum. The Business activities of the Company carry various external and internal risks.

Today across industries and organizations there is a new belief that risk is no longer a hazard that needs to be avoided; in fact in many cases, it is an opportunity which needs to be embraced. Risk therefore needs to be understood priced and managed. In this context, Enterprise Risk Management (ERM) has emerged as an important business trend. ERM provides a framework for risk management, which typically involves identifying particular events or circumstances relevant to the organization’s objectives (risk and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress.

LEGAL FRAMEWORK

The provisions of section 134(3)(n) of the Companies Act, 2013 (“the Act”) necessitate that the Board’s Report should include 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 as per 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 internal financial controls and risk management.

OBJECTIVE

The Main objective of this policy is to ensure sustainable business growth and to promote a pro-active approach in reporting, evaluating risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to risk management, in order to guide decisions on risk related issues.

The specific objectives of the Risk Management Policy are;

1. 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 system for risk management.
2. To establish a framework for the Company's risk process and to ensure its implementation.
3. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
4. To assure business growth and financial stability.

APPLICABILITY

This policy is applicable to all the areas of the Company.

RISK FACTORS

The objectives of the Company are both subject to internal and external risks that are enumerated below;

1. 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

2. EXTERNAL RISK FACTORS

    Economic environment and market condition
    Political environment
    Competition
    Inflation and cost structure
    Technology obsolescence
    Legal
    Fluctuation in foreign exchange
    Revenue concentration and liquidity aspect

RISK MANAGEMENT PROGRAM

The Company's Risk Management Program includes various strategies, processes, policies, guidelines which assist the Company to identify, assist, monitor and manage its business risk, including any material changes to its risk profile.

To achieve this, the company has clearly defined the responsibility and authority on the Company's Board of Directors, to oversee and manage the Risk Management Program, while conferring responsibility and authority on the Company's senior management to develop and maintain the risk management program in light to day to day needs of the Company. Regular communication and review of risk management practice provides the Company with important checks and balances to ensure the efficacy of its Risk Management Program.

The key elements of Risk Management Program are set out below;

1. RISK IDENTIFICATION

Risk are often described by an event, a change in circumstances or a consequence that may occur, and whose occurrence if it does not take place has a harmful or negative impact on the achievement of the Organizations business objectives.

It shall be the responsibility of the senior management to identify sources of risks, areas of impact, events and their causes with potential consequences. The aim is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate, or delay the achievement of objectives. Comprehensive identification is critical, because a risk that is not identified here will be missed from further analysis.

The Senior Management in consultation with the Board shall apply risk identification tools and techniques that are suitable to the Company's objectives and capabilities and to the risks faced. Relevant and up to date information including background information is important.

Key characteristics by which risk can be identified;

- Risks are adverse consequences of events or changed circumstances.
- Their occurrence may be identified by the happening of trigger events.
- Their occurrence is uncertain and may have different extents of likelihood

2. RISK ASSESSMENT

Risk assessment is fundamentally an important part of Risk Management Program. In order to achieve comprehensive risk management approach, it is the responsibility of the Senior Management and the Board to undertake suitable and sufficient risk assessments. The Company undertakes the following risk management techniques:

TECHNIQUE	BRIEF DESCRIPTION
Questionnaires and checklists	Use of structured questionnaires and checklists to collect information to assist with the recognition of the significant risks
Workshops and brainstorming	Collection and Sharing of ideas and discussion of the events that could impact the objectives, stakeholder expectations or key dependencies.
Inspections and Audits	Physical inspections of premises and activities and audit of compliances with established system and procedures.
Flowchart and dependency analysis	Analysis of processes and operations within the organization to identify critical components that are key to success
SWOT and PESTLE analyses	Strengths, Weaknesses, Opportunities and Threats (SWOT) and Political, Economic, Social, Technological, legal and Environmental (PESTLE) analysis

3. QUANTIFICATION OF RISK

All risk and opportunities emanating from the review shall be quantified for inherent impact and likelihood of using pre –defined scale of measurement and an inherent risk exposure will be worked out at the Company, division and business levels, as detailed below

Impact	Likelihood
Insignificant	Rare
Minor	Unlikely
Moderate	Moderate
Major	Likely
Catastrophic	Almost certain

All efforts will be made for mitigating risk between moderate and certain likelihoods and moderate and catastrophic impacts.

4. MONITORING/ REPORTING PROCESS

The Senior Management under the guidance of the Board of Directors of the Company shall be responsible for monitoring business risk and reporting the same.

A risk register providing all details of risk and action plan shall be maintained by the senior management so that tracking is done at the corporate level.

The senior management will develop reporting templates for reports to Board.

REVIEW OF RISK MANAGEMENT PROGRAM

The company periodically evaluates the effectiveness of its risk management program to ensure that its internal control systems and process are monitored and updated on an ongoing basis. The division of responsibility between the Board and the Senior Management aims to ensure specific responsibilities for risk management and clearly are communicated and understood. The reporting obligations of senior management ensure that the Board is regularly updated about material risk management issues and actions. This is supplemented by the evaluation of the performance of the Risk Management Program, Senior Management, and employees responsible for its implementation.

DISCLOSURE

This policy shall be placed on the website of the Company and any amendments made to this policy in consultation with the Board of Directors, shall be updated on the website.