Risk Management Policy

of

Samrat Forgings Limited

1. INTRODUCTION

Samrat Forgings Limited ("the Company") is engaged in manufacturing of closed die steel forgings and machined components. The business activities of the Company are such that they carry various internal and external risks which are inherent in all administrative functions.

'Risk' in literal terms can be defined as the effect of uncertainty on the objectives. Formal and systematic approaches to manage risks have evolved and they are now regarded as good management practice and also called as Risk Management.

'Risk Management' is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to monitor, minimize and control the probability and/or impact of uncertain events and 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.

In perspective of the Company effective risk management requires:

- A strategic focus,
- Forward thinking and active approach
- 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 Competition, Business risk, Regulations, Technology obsolescence, Return on Investments, Increase in price and costs, Limited resources, Retention of talent etc.

2. LEGAL FRAMEWORK

Section 134(3) of the Companies Act, 2013 ('the Act') requires the Board of Directors of a company, as part of the Board's Report, to give ***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 internal financial controls and risk management systems.

Further, as per Schedule IV [Part II-(4)] of the Act, Independent directors should satisfy themselves that financial controls and the systems of risk management of the Company are robust and defensible.

Additionally, SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015, across its different sections, invariably lays greater emphasis on Risk Management being one of the key functions of Board.

3. PURPOSE

The company shall lay down procedures to inform members of board of directors about the risk assessment and minimization procedures. The Board of Directors shall be responsible for framing, implementing and monitoring the risk management policy for the company.

Therefore, it becomes mandatory to prepare comprehensive framework of risk management for assessment of risks and determine the actions to be taken to minimize their adverse effect on the organization.

Being engaged in the manufacturing of components for Automobile, Industrial Machinery, Power, Construction & Mining Equipment, Railways and General Engineering, the Company is exposed to varying degrees of uncertainty both at the micro and macro levels which affects the economy as a whole and the sector as well. Effective risk management is, therefore, crucial for the Company to optimize its performance.

The specific objectives of this Policy are:

- To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed to ensure adequate systems for risk management.
- To establish a framework for the company's risk management process and to ensure its implementation.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To assure business growth with financial stability.

4. RISK STRATEGY

The company believes that properly implemented risk management has many potential advantages in the form of better decision making, increased likelihood of achieving corporate objectives, less chance of major problems in new and ongoing business operations etc.

The Company has established a robust risk assessment and minimization procedures, which are reviewed by the Board periodically. At Board meetings the general risks are reviewed, new risks if any are identified gets assessed and control measures are designed to put in place fixed timeline for mitigating the risk.

5. RISK MANAGEMENT

The Company has established a structure for managing the risks occurred in the day to day business activities. Following are the risks which can adversely affect the day to day business of the company:

- Competition,
- Technology obsolescence,
- Increase in price of raw material and other costs,
- Limited resources,
- Retention of talent

The key risk management practices include those relating to risk assessment, measurement, mitigation, monitoring, reporting and integration with strategy and business planning.

- Risk identification and assessment: Periodic assessment is carried out to identify significant risks for the Company and prioritizing the risks for action. In house internal audit findings at various levels also provide pointers for risk identification.

- Risk measurement, mitigation and monitoring: After identification of risks, the potential impact of the same is measured at department as well as by the management level. Mitigation plans are finalized and progress of mitigation actions are monitored and reviewed.

- Risk Reporting: Risk along with its potential impact and status of mitigation actions is discussed on a periodic basis at department level. In addition, in case of apprehension of any major risk, update is provided to the Board. Entity level risks such as project risks, account level risks are reported to and discussed at appropriate levels of the organization.

- Integration with strategy and business planning: Identified risks are used as one of the key inputs for the development of strategy and business plan.

6. RISK MANAGEMENT ROLES AND RESPONSIBILITIES:

Generally, every employee 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 Board of Directors has the responsibility to oversee that the management has developed and implemented a sound system of risk management and internal control system.

The Board of Directors is responsible for:

1. Approving and authorizing the policy.
2. Ensuring that a system is in place to identify the risk and best action is to be taken to mitigate that risk.

3. Reviewing the periodical and annual risk reports that identify the risk to the company and mitigation strategies in place.

7. REVIEW

This Policy shall be reviewed from time to time to ensure it meets the requirements of legislation and the needs of organization.

8. AMENDMENT

Any subsequent amendment/modification in the applicable laws in this regard shall automatically apply to this Policy.

Any change/amendments to this policy shall be approved by the Managing Director of the Company.