RISK MANAGEMENT POLICY:

BACKGROUND

This document lays down the framework of Risk Management at Polylink Polymers (India) Limited (hereinafter referred to as the 'Company' or 'PPIL') and defines the policy for the same. This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

OBJECTIVE

The objective of Risk Management at PPIL is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. An enterprise-wide risk management framework is applied so that effective management of risks is an integral part of every employee's job.

Strategic Objectives

1. Providing a framework that enables future activities to take place in a consistent and controlled manner

2. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats

3. Contributing towards more efficient use/ allocation of the resources within the organization

4. Protecting and enhancing assets and company image

5. Reducing volatility in various areas of the business

6. Developing and supporting people and knowledge base of the organization.

7. Optimizing operational efficiency

REGULATORY REQUIREMENT

Risk Management Policy is framed as per the following regulatory requirements:

A**. COMPANIES ACT, 2013**

1. Provisions of the Section 134(3) there shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include—

(n) 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.

2. Section 177(4) stipulates: Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include,—

(vii) Evaluation of internal financial controls and risk management systems.

3**. SCHEDULE IV**

[Section 149(8)]

CODE FOR INDEPENDENT DIRECTORS

II. Role and functions:

The independent directors shall:

(1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;

(4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;

B. CLAUSE 49 OF LISTING AGREEMENT.

Key functions of the Board

The board should fulfill certain key functions, including:

a. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestments.

g. Ensuring the integrity of the company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

PPIL being a listed company is required to adhere to the regulations made both by the Companies Act, 2013 and Clause 49 of the Listing Agreement governed by the Securities and Exchange Board of India (SEBI). Where any stipulation is common between the regulations, more stringent of the two shall be complied with.

APPLICABILITY
This Policy applies to all area of the Company.

KEY DEFINITIONS

RISK ASSESSMENT: -

The Systematic process of identifying and analyzing risk. Risk Assessment including in-depth research of threat and insecurity and resultant to Various Risk.

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.

RISK MANAGEMENT PROCESS

The Systematic application of management policies,procedureand practice to the tasks of establishing the context,identifying,analyzing,evaluating, treating, motoring and Communicating Risk.

6. RISK FACTORS

Risk Identification is obligatory on all vertical and functional heads that with the inputs from their team members are required to report the material risks to the Chairman along with their considered views and recommendations for risk mitigation

The Company is manufacturing various Compound of Power Cable, Telephone Cable and Engineering Plastics. Its presence in these segments exposes it to various risks which are explained below.

Risk of Competition and Price Pressure

The risk of competition from existing players as well as from new entrants remains high. However, the Company's strength in the market place, coupled with its continuous thrust on improving quality of its products and offering newer products in the Master Batch segment.
The Company supplies Various Compound both on National and International Market. Both Markets have their own nuances in terms of customer expectations, competition and pricing. However, the company is well focused on increasing its share in all segments through sound marketing strategy and a balanced approach.

Risk of fluctuations in prices of key inputs

Prices of the key ingredients used in the products manufactured and marketed by the Company remain volatile due to several market factors, including changes in government policies and fluctuations in the foreign exchange rates and the Speculators. However, the Company keeps a close watch on the prices, wherever feasible, to minimize the risk of fluctuations in the input prices.

Risk Management and Internal Control System

The Company has established a well-defined process of risk management, wherein the identification, analysis and assessment of the various risks, measuring of the probable impact of such risks, formulation of risk mitigation strategy and implementation of the same takes place in a structured manner. Though the various risks associated with the business cannot be eliminated completely, all efforts are made to minimize the impact of such risks on the operations of the Company. Necessary internal control systems are also put in place by the Company on various activities across the board to ensure that business operations are directed towards attaining the stated organizational objectives with optimum utilization of the resources. Apart from these internal control procedures, a well-defined and established system of internal audit is in operation to independently review and strengthen these control measures, which is carried out by a reputed firm of Chartered Accountants. The Audit Committee of the Company regularly reviews the reports of the internal auditors and recommends actions for further improvement of the internal controls.

External Risk Factors;

There are many other factors which impact the Smooth Running of a Polymers Industry basically known as Economic Environment and Market conditions, Competition through China, Inflation and Cost structure, Technology Obsolescence, Environmental Risk etc.

Legal Risk–

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.

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.

This policy shall complement the other policies of PPIL in place e.g. Related Party Transactions Policy, to ensure that the risk if any arising out of Related Party Transactions are effectively mitigated.

Broad Principles

The Board has to review the business plan at regular intervals and develop the Risk Management Strategy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risks, both external and internal viz. Environmental, Business, Operational, Financial and others.Communication of Risk Management Strategy to various levels of management for effective implementation is essential.

Analysis of all the risks thus identified shall be carried out by CMD through participation of the vertical/functional heads and a preliminary report thus finalized shall be placed before the Risk and Audit Committee.

Risk Evaluation:

After risk analysis, comparison of estimated risks against organization risk criteria is required. It is to be used to make decisions about the significance of risks and whether each specific risk to be accepted or treated.

Risk Estimation:
Can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences.

Impact level on performance/profit – Both Threats and Opportunities

Reporting

1. Internal Reporting
    a) Audit Committee
    b) Board of Directors
    c) Vertical Heads
    d) Individuals

2. **External Reporting**

To communicate to the stakeholders on regular basis as part of Corporate Governance

Development of Action Plan

The Board has constituted a Risk Committee consisting a perfect Mixture of Executive and Non Executive Directors, and defined the Committee’s role and responsibility. The Committee shall not only assist in implementation of the Risk Management Plan of the Board but also monitor its implementation and review. The members of the Risk Committee shall discharge the role of “Think Tank”, ideate and bounce off their collective suggestions to the Board for periodic updating of the Risk Management Plan to ensure that the same is in sync with changing macro and micro factors having bearing on all material aspects of the businesses of Polylink Polymers (India) Limited is engaged in or shall undertake.

Risk Committee shall critically examine the report of CMD and each identified risk shall be assessed for its likely impact vis a vis the resources at the Company’s disposal.

Board Approval

The Action Plan and guidelines decided by the Risk Committee shall be approved by the Board before communication to the personnel for implementation.

The Board shall approve the Risk Management (including Risk Treatment) strategy, control structure and policy guidelines and delegate authority and accountability for risk management to the Company’s executive team.

The guidelines shall include prescription on:

Risk Treatment

Treatment of Risk through the process of selecting and implementing measures to mitigate risks. To prioritize risk control actions in terms of their potential to benefit the organization. Risk treatment includes risk control/ mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for

a). Effective and efficient operations

b). Effective Internal Controls

c). Compliance with laws and regulations

Risk Treatment shall be applied at all levels through carefully selected validations at each stage to ensure smooth achievement of the objective.

ROLE OF RISK COMMITTEE

The following shall serve as the Role and Responsibility of the Risk Committee authorized to evaluate the effectiveness of the Risk Management Framework:

Review of the strategy for implementing risk management policy to examine the organization structure relating to Risk management

Evaluate the efficacy of Risk Management Systems – Recording and Reporting To review all hedging strategies/risk treatment methodologies vis a vis compliance with the Risk Management Policy and relevant regulatory guidelines To define internal control measures to facilitate a smooth functioning of the risk management systems Ensure periodic review of operations and contingency plans and reporting to Board in order to counter possibilities of adverse factors having a bearing on the risk management systems.

Integration of Risk Management Strategy

PPIL's risk management strategy is to be integrated with the overall business strategies of the organization and its mission statement to ensure that its risk management capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company's objectives.

Penalties

The penalties are prescribed under the Companies Act, 2013 (the Act) under various sections which stipulate having a Risk Management Framework in place and its disclosure.

Section 134 (8) (dealing with disclosure by way of attachment to the Board Report): If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

There are other provisions of the Act as well as SEBI Act which stipulate stiff penalties. Therefore, this Policy prescribes that violation of the provisions applicable to Risk Management Framework is something the Company cannot afford to risk

REVIEW

This policy shall evolve by review by the Risk Committee, Audit Committee and the Board from time to time as may be necessary. .

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company