

## Risk Management Policy

Company recognises that every business decision inherits associated risks, no business transaction takes place without taking risk. As a matter of fact, the risk associated with every commercial transaction creates an opportunity for the organization since risk and opportunity are two sides of same coin. Since the Company is operating in textile segment which itself is vulnerable to certain kind of risks associated with cultivation of cotton and yield of cotton crop and its different constituents, it has adopted a detailed Risk Management policy.

Under the Policy, the Board of Directors of the Company and the Audit Committee of Directors shall periodically review the said risk management policy framed by the Company so that the risk is managed through properly defined structure.

The risks faced by the organisation change constantly with the changes in the business environment. The management has indentified 35 risks. Out of which 4 have been identified as critical, 14 as high risk, 11 as moderate risk and 6 as low risk. Company has framed **mitigation plans for the risk that matters ('RTM')** i.e. '**Top 10**' risks. The top ten risks indentified and their mitigation plans are as follows:

1. Price Fluctuations for Raw Materials
2. Currency fluctuation
3. Fluctuation in Borrowing cost
4. Inability to manage energy costs
5. Loss of business - Change in Demand Pattern & quality
6. Default by Credit customers
7. Inability to manage customer relationships
8. Breach of internal controls and guidelines
9. Unauthorized access to Applications and Databases
10. Inadequate IT recovery plan and system

### Risk Mitigation measures

Mitigation Plans	Primary Owner	Timeline for implementation
<b>1. Price Fluctuations for Raw Materials</b>		
➤ Enter in long term contract with suitable price formula to hedge fluctuations partly	Purchase Head	Ongoing
➤ Efficient procurement strategy in line with production and sales plan	...do...	...do...
➤ Develop loyalty with vendors	...do...	...do...
➤ Continuous effort to widen the supplier base & import of the cotton	...do...	...do...
<b>2. Currency Fluctuation</b>		

➤ Use of derivatives to hedge currency risk	CFO	Ongoing
➤ Monitoring the currency market consistently and act proactively for any development which can affect the currency rates	...do...	...do...
➤ Review and update the “Treasury Policy”	...do...	...do...
<b>3. Fluctuation in borrowing cost</b>		
➤ Regular update about the availability of best rate in the market	CFO	Ongoing
➤ Regular fund planning	...do...	...do...
➤ Avoiding keeping idle fund	...do...	...do...
<b>4. Inability to manage energy cost</b>		
➤ Preference to State Electricity Board power in the areas of non-continuous requirements	Director Works	Ongoing
➤ Use of alternative sources of energy	...do...	...do...
<b>5. Loss of business - Change in Demand Pattern &amp; Quality</b>		
➤ Focus on quality and services to customers	Sr. Vice President- Marketing	Ongoing
➤ Customer meet on a continuous basis to appraise on market development and change in demand pattern	...do...	...do...
➤ Loyalty discount to promote loyal customers	...do...	...do...
➤ Training, development and performance linked compensation to employees	...do...	...do...
<b>6. Default by credit customers</b>		
➤ Authorization process for credit limit including proper credit analysis and approval by a cross functional team	Sr. Vice President- Marketing	Ongoing
➤ Authorization levels to be defined for credit limits	...do...	...do...
➤ Cash discount policy to promote cash sales	...do...	...do...
➤ Age wise analysis of debtors and to initiate proactive legal action	...do...	...do...
<b>7. Inability to manage customer relationship</b>		
➤ Direct customer interaction to develop relationship	Sr. Vice President- Marketing	Ongoing

➤ Focus on quality and services to customers & implementation of the modernization plans	...do...	...do...
➤ Customer meet on a continuous basis to appraise on market developments and change in product pattern	...do...	...do...
➤ Loyalty discount policy to develop loyal customers	...do...	...do...
➤ Training, Development and performance linked compensation to employees	...do...	...do...
<b>8. Breach of internal control and guidelines</b>		
➤ Documentation of internal controls and guidelines and proper communication to process participants	CFO/ Head Internal Audit	Ongoing
➤ Develop the sense of responsibility and ethical standards among employees	HR Head	...do...
➤ Develop the sense of responsibility and ethical standards among employees	Head- Internal Audit	...do...
<b>9. Unauthorised access to Applications and Database</b>		
➤ Confidentiality agreement with service provider including penalty provisions	Sr. VP-Corporate & Legal Affairs	Ongoing
➤ Authorised Users to be communicated the importance of access control	GM - Technologies	...do...
➤ Adequate access control provided in line with authorisation matrix	...do...	...do...
➤ Audit of IT environment and access control on regular basis	...do...	...do...
<b>10. Inadequate IT disaster recovery plan and systems</b>		
➤ Develop , document and implement Disaster recovery plan	GM - Technologies	Ongoing
➤ Use of virus protection software wherever necessary	...do...	...do...
➤ Adequate backup maintenance of database at a remote location away from business premises	...do...	...do...
➤ Provision of physical security for key IT equipments	...do...	...do...

This ensures that risk management complements business objectives and strategies. The function assists in structuring technology, processes and assets in an advantageous manner. Integrated risk management will help Spentex to allocate resources to areas of highest risk and promote a more innovative and less risk averse culture. It ensures that business development at all times is within

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parameters and regulations and provides a sound basis for integrated risk management and internal control as components of good corporate governance.