

VEEJAY LAKSHMI ENGINEERING WORKS LIMITED

RISK MANAGEMENT POLICY

PREAMBLE

Risk Management is a key aspect of the “Corporate Governance Principles” which aims to improve the governance process across the Company’s activities. The objective of the policy is to enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

The policy is in compliance with Clause 49 of the Listing Agreement which requires the Company to lay down procedure for risk assessment and risk minimisation.

The policy has been approved by the Board of Directors of the Company on July 03, 2015.

OBJECTIVE

The Company is prone to business risks. The objective of the Policy is to safe guard against probable business risks and ensure achieving planned business targets with stability. In order to achieve this key objective the policy establishes a structured and disciplined approach to Risk Management in all the spheres of business activities which are susceptible to unforeseeable and unfavourable risk exposures. The Policy lays down the guidelines for decisions, which are proactive and against unforeseen sudden occurrences as well.

APPLICATION

This policy applies to all areas of Company’s operations.

IDENTIFICATION OF AREAS PRONE TO RISKS

The areas of activity that are prone to risks vary from business to business, depending on the product, nature of process, materials used in the production process, machinery and tools used, nature and volume of inventory, location of its storage, geographical location of the factory and warehouse, personnel employed, transportation needs, market potential etc.

CONSTITUTION OF RISK MANAGEMENT COMMITTEE

Risk Management Committee shall be constituted by the Company consisting of such number of Directors (executive or non-executive) as it thinks fit.

The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring & reviewing of the risk management plan to the committee and such other functions as it may deem fit.

GUIDELINES AND ACTION PLAN

AREA OF ACTIVITY	NATURE OF RISK EXPOSURE	RECOMMENDED ACTION FOR MITIGATION
Fixed Assets (excl. Land & motor vehicles).	Fire and other natural calamities.	Insurance cover for risks from fire and other natural calamities.
Inventory (Raw material, Stores and spares)	Theft, fire and other natural calamities.	Insurance cover for all risks.
Transport of Materials – Inward and outward	Marine risks	Insurance cover for all risks.
Motor Vehicles	Transport accidents – damage to vehicle, material & third party, legal compliance	Insurance cover for all risks.
Employees	Accidents in the course of work, occupational ailments.	Group accident Insurance.
Forex Risk – Exposure to Exchange rate fluctuations in Import & Export transactions	Unfavourable exchange rate fluctuations.	Forward contracts for the volume of Forex exposed.
Credit Risks	Non realisation of credit extended to customers, advance payments to vendors, employees and others.	Restrict credit to customers and advance to vendors except against financial safe guards such as letter of credit, bank surety and any other depending on circumstances.
Market Risk due to competition, fall in demand	Under utilisation of resources and resulting cost escalation.	Alternate use of resources depending on duration of risk.

Note: The actions recommended are for application in the normal circumstances prior to expiry of existing fire / marine risk cover. Wherever reasons exist for wait and watch, such as expected reduction in premium rates, proposed sale of assets, unfavourable forward exch.rate compared to spot rate, same should be appraised to Managing Director and decided.

Invariably no risk shall be left uncovered except in special circumstances and under specific approval by the Managing Director

REVIEW

This policy shall be reviewed at a maximum interval of one year to evaluate the effectiveness and to ensure that it meets the requirements of legislation and needs of the organization. Risk Management planning and evaluation shall be a continuous evolving process that integrates seamlessly into the company's culture.

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