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## **RISK MANAGEMENT POLICY**

**[In Accordance with regulation 17 and 21 of SEBI (Listing Obligations and Disclosure Requirement), 2015]**

**[As approved by the Board of Directors on 7<sup>th</sup> February 2019]**

## 1. BACKGROUND

The Securities and Exchange Board of India (“the SEBI”) has notified SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI (LODR) Regulations”) vide notification no. SEBI/LAD/NRO/GN/2015-16/013, dated 2<sup>nd</sup> September, 2015, which was effective from 2<sup>nd</sup> December, 2015 (90 days from the publication in official gazette).

In accordance with Section 134(3)(n) of the Companies Act, 2013, a company is required to 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 and further as per Regulation 17 and 21 of the SEBI (LODR) amendment Regulations 2018, the board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

Accordingly, to mitigate and manage risk at “**Shilpa Medicare Limited**” (hereinafter referred to as the “Company”), the Company has formed the policy (the “Risk Management 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 the operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

## 2. OBJECTIVE

The objective of the Risk Management Policy of the Company is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. This Risk Management Policy is being applied in order to ensure that effective management of risks is an integral part of every employee’s job. These include:

- a) Providing a framework, that enables future activities in a consistent and controlled manner;
- b) Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats;
- c) Contributing towards more efficient use/ allocation of the resources within the organization;
- d) Protecting and enhancing assets and company image;
- e) Reducing volatility in various areas of the business;

- f) Developing and supporting people and knowledge base of the organization;
- g) Optimizing operational efficiency.
- h) Providing a robust cyber security system for secured usage of Information technology and communication devices.

### 3. RISK MANAGEMENT

- A. The Company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.
- B. The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.
- C. The company will also constitute a Risk Management Committee or other committee as it may deem fit. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the Committee and such other functions as it may deem fit.

### 4. APPLICABILITY

This Policy shall come into force with effect from 1<sup>st</sup> April, 2019.

### 5. DEFINITION

In this Policy, unless the context otherwise requires:

**“Risk Management Committee”** means the committee of Board of Directors of the company as constituted in accordance with regulation 21 of SEBI (LODR) 2018 amendment regulations

**"Audit Committee or Committee"** means Committee of Board of Directors of the Company in accordance with the provisions of the Companies Act, 2013 and as per SEBI (LODR) Regulations.

**“Company”** means “Shilpa Medicare Limited, a Company constituted under the provisions of Companies Act, 1956.

**"Board of Directors"** or **“Board”** in relation to a Company, means the collective body of Directors of the Company. (Section 2(10) of the Companies Act, 2013)

**"Policy"** means Risk Management Policy of the Company.

## **6. RISK MANAGEMENT FRAMEWORK**

Before proceeding to the policy attention is drawn to the roles that the Board and Risk Management Committee are required to play under the above regulations governing Risk Management:

1. The Board's role to ensure framing, implementing and monitoring risk management plan, having in place, systems for risk management as part of internal controls with duty being cast upon Independent Directors to bring unbiased approach during the Board's deliberations on making risk management systems very strong and effective.
2. The Risk Management Committee's role, is to evaluate the risk management systems.
3. This policy shall complement the other policies of the company in place e.g. Related Party Transactions Policy, to ensure that the risk if any arising out of Related Party Transactions are being effectively mitigated.

## **7. BROAD PRINCIPLES**

The Board is required 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 including environmental, business, operational, financial, political and others. Communication of Risk Management Strategy to various levels of the management for effective implementation in the Company.

## **8. IDENTIFICATION AND RISK ANALYSIS**

Risk Identification is obligatory on all vertical and functional heads who with the inputs from their team members are required to report the material risks to the Risk Management Committee or Chairman or Managing Director of the Company along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by Mr. Vishnukant Chaturbhuj Bhutada, Chairman of the Risk Management Committee of the Company through participation of the vertical/functional heads and a preliminary report shall be placed before the Risk Management Committee.

**The following steps to be taken:**

**Risk identification:** To identify organization's exposure to uncertainty, risks may be classified in the following:

1. Strategic
2. Operational
3. Financial
4. Hazard
5. Political

### **Risk Description:**

To display the identified risks in a structured format.

### **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:**

It 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) Risk Management Committee
- b) Board of Directors
- c) Vertical Heads
- d) Individuals

#### 2. External Reporting

- a) To communicate to the stakeholders on regular basis as part of Corporate Governance.

### **Development of Action plan**

The Board has constituted a Risk Management Committee consisting of the following members and defined the Committee's role and responsibility: -

<b>Sr. No.</b>	<b>Name of Members</b>	<b>Designation</b>
1.	Mr. Vishnukant Chaturbhuj Bhutada	Managing Director
2.	Mr. Arvind Vasudeva	Independent Director

3.	Mr. Sharath Reddy Kalakota	Whole Time Director
4.	Dr. Kamal K Sharma	Independent Director

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 Management Committee shall discharge the role of and their collective suggestions to the Board for periodic updation of the Risk Management Plan.

The Risk Management Committee shall critically examine the report of Mr. Vishnukant Chaturbhuj Bhutada, Chairman of committee and each identified risk shall be assessed for its likely impact vis a vis the resources at the Company's disposal.

### **Guidelines to deal with the risks**

Business Plan including Capital Expenditure and Fund Flow Statement for each segment together with SWOT analysis, data on Production Planning, Materials Management, Sales & Distribution, Delivery Schedules, Assets, Accounts Receivables and Payables as well as Regulatory Regime applicable shall be reviewed in the light of the material risks identified. Through deliberations of the Committee a comprehensive plan of action to deal with the risks shall be developed and guidelines flowing from such plan shall be communicated to the employees concerned for mitigation of the risks.

## **9. BOARD APPROVAL**

The Action Plan and guidelines decided by the Risk Management Committee shall be approved by the Board before communication to the Key Managerial 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.

## **10. RISK TREATMENT**

Risk Treatment includes the process of selecting and implementing measures to mitigate risks and 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 & regulations

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

#### **11. ROLE OF RISK MANAGEMENT COMMITTEE**

The following shall serve as the role and responsibility of the Audit Committee authorized to evaluate the effectiveness of the risk management framework:

- a) Evaluation of internal financial controls and risk management systems particularly in area of Cyber Security;
- b) Review of the strategy for implementing risk management policy;
- c) To examine the organization structure relating to Risk management;
- d) Evaluate the efficacy of Risk Management Systems – Identifying, Recording and Reporting;
- e) To review all hedging strategies/risk treatment methodologies vis a vis compliance with the Risk Management Policy and relevant regulatory guidelines;
- f) To define internal control measures to facilitate a smooth functioning of the risk management systems;
- g) 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.

#### **13. INTEGRATION OF RISK MANAGEMENT STRATEGY**

The risk management strategy of the Company 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.

#### **14. REVIEW**

This policy shall evolve to review by the Risk Management 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.

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