RISK MANAGEMENT POLICY

I. PREAMBLE

Risk management, by and large involves reviewing the operations of the organization, followed by identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.

The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 emphasize the requirement of Risk Management Policy for the Company.

Pursuant to the provisions of the Companies Act, 2013, 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 shall be included in the Board's Report.

According to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company shall lay down procedures to inform Board members about the risk assessment and minimization procedures and the Board shall be responsible for framing, implementing and monitoring the risk management plan for the Company.

This Policy is framed in compliance with the provisions of the Companies Act, 2013 read along with the applicable rules thereto and Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

II. DEFINITIONS:

• Audit Committee shall mean a Committee of Board of Directors of the Company, constituted inccordance with the provisions of Section 177 of the Companies Act, 2013

• Board means Board of Directors of the Company.

• Company means Nelcast Limited.

• Independent Director means a Director referred to in Section 149(6) of the Companies Act, 2013.

• Policy or This Policy or Plan means “Risk Management Policy”.

• Risk Management Committee means the Committee constituted by the Board to monitor and review the risk management plan and such other functions as it may deem fit, majority of Committee shall consist of members of the Board of Directors. Senior executives of the Company may be members of the said Committee but the Chairman of the Committee shall be a member of the Board of Directors.

III. INTERPRETATION

Terms that have not been defined in this Policy shall have the same meaning assigned to them in the Companies Act, 2013 and/or any other SEBI Regulation(s) as amended from time to time.

IV. RISK MANAGEMENT PROCESS

(i) Identification – Recognition / anticipation of the risks that threaten the assets and earnings of the Company

(ii) Evaluation / Assessment – Estimation of the likely probability of a risk occurrence and its likely severity, categorization of risk and rating of risk

(iii) Prevention & Control – Measures to avoid occurrence of risk, limit its severity and reduce its consequences, selecting the risk management technique by category and individual risk

(iv) Financing – Determining the cost of risk likely to be and ensuring that adequate financial resources are available, implementing the selected technique

(v) Measure and Monitor effectiveness of controls and respond according to the results and improving the program

(i) Reviewing and reporting on the Risk Management process at appropriate intervals, at least annually.

V. RISK STRATEGY

Nelcast Ltd recognises that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner. The Company believes that the Risk cannot be eliminated. However, it can be:

• Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract;

• Reduced, by having good internal controls;

• Avoided, by not entering into risky businesses;

• Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and;

• Shared, by following a middle path between retaining and transferring risk.

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: Regulations, competition, Business risk, Technology obsolescence, Investments, retention of talent and expansion of facilities.

Business risk, inter-alia, further includes financial risk, political risk, fidelity risk, legal risk etc

For managing Risk more efficiently the company would need to identify the risks that it faces in trying to achieve the objectives of the firm. Once these risks are identified, the risk manager would need to evaluate these risks to see which of them will have critical impact on the firm and which of them are not significant enough to deserve further attention.

VI. Risks specific to the Company and the mitigation measures adopted

1) Business Operations Risks:

These risks relate broadly to the company's organisation and management, such as planning, monitoring and reporting systems in the day to day management process namely:

• Organisation and management risks,
• Production, process and productivity risks,
• Business interruption risks,
• Profitability

Risk mitigation measures:

• The Company functions under a well defined organization structure.
• Flow of information is well defined to avoid any conflict or communication gap between two or more Departments.
• Second level positions are created in each Department to continue the work without any interruption in case of non-availability of functional heads.
• Proper policies are followed in relation to maintenance of inventories of raw materials, consumables, key spares and tools to ensure their availability for planned production programmes.
• Effective steps are being taken to reduce cost of production on a continuing basis taking various changing scenarios in the market.

2) Liquidity Risks:

• Financial solvency and liquidity risks
• Borrowing limits
• Cash management risks

Risk Mitigation Measures:

• Proper financial planning is put in place with detailed Annual Business Plans discussed at appropriate levels within the organisation.
• Annual and quarterly budgets are prepared and put up to management for detailed discussion and an analysis of the nature and quality of the assumptions, parameters etc.
• Daily and monthly cash flows are prepared, followed and monitored at senior levels to prevent undue loss of interest and utilise cash in an effective manner.
• Cash management services are availed from Bank to avoid any loss of interest on collections

3) Market Risks / Industry Risks:

The Company's growth is linked to those of the automotive industry, which is cyclical in nature. The cyclical nature of the Indian commercial vehicle industry and tractor industry might affect the demand. Since automotive industry, plays a major role in determining the economic growth, any slowdown in the overall economy will affect Commercial Vehicle industry. Increasing competition across all segments may put some pressure on market share.

• Demand and Supply Risks
• Quantities, Qualities, Suppliers, lead time, interest rate risks
• Raw material rates
• Interruption in the supply of Raw material

Risk Mitigation Measures:

• Raw materials are procured from different sources at competitive prices.
• Alternative sources are developed for uninterrupted supply of raw materials.
• Demand and supply are external factors on which company has no control, but however the Company plans its production and sales from the experience gained in the past and an on-going study and appraisal of the market dynamics, movement by competition, economic policies and growth patterns of different segments of users of company's products.
• Proper inventory control systems have been put in place.

4) Human Resource Risks:

a). Labour Turnover Risks, involving replacement risks, training risks, skill risks, etc.
b). Unrest Risks due to Strikes and Lockouts.

Risk Mitigation Measures:

• Company has proper recruitment policy for recruitment of personnel at various levels in the organization.
• Proper appraisal system for revision of compensation on a periodical basis has been evolved and followed regularly.
• Employees are trained at regular intervals to upgrade their skills.
• Labour problems are obviated by negotiations and conciliation.
• Activities relating to the Welfare of employees are undertaken.
• Employees are encouraged to make suggestions and discuss any problems with their Superiors.

5) Disaster Risks:

• Natural risks like Fire, Floods, Earthquakes, etc.

Risk Mitigation Measures:

• The properties of the company are insured against natural risks, like fire, flood, earthquakes, etc. with periodical review of adequacy, rates and risks covered under professional advice.
• Fire extinguishers have been placed at fire sensitive locations.
• First aid training is given to watch and ward staff and safety personnel.
• Workmen of the company are covered under ESI, EPF, etc., to serve the welfare of the workmen.

6) System/Cyber Risks:

• System capability
• System reliability
• Data integrity risks
• Coordinating and interfacing risks

Risk Mitigation Measures:

• EDP department maintains repairs and upgrades the systems on a continuous basis with personnel who are trained in software and hardware.
• Password protection is provided at different levels to ensure data integrity.
• Licensed software is being used in the systems.
• The Company has ERP in place with cloud facility. Hence, the data is safely protected.

• The Company ensures “Data Security”, by having access control/ restrictions.

7) Legal Risks:

These risks relate to the following:
• Contract Risks
• Contractual Liability
• Frauds
• Judicial Risks
• Insurance Risks

Risk Mitigation Measures:

Following are the Risk mitigation measures adopted by the Company to mitigate the risks relating to Legal aspects:
• A study of contracts with focus on contractual liabilities, deductions, penalties and interest conditions is undertaken on a regular basis.
• Timely payment of insurance and full coverage of properties of the Company under insurance.
• Internal control systems for proper control on the operations of the Company and to detect any frauds.

8) Foreign Exchange and Interest Rate Risk Management:

Currency Risk:

Since, the company’s exposure on foreign currency is very limited, the fluctuation in foreign exchange currency may not impact the company much. However, if any foreign currency risk on the liability side, it is fully hedged.

Interest Rate Risk:

The Company has judiciously managed the debt-equity ratio. It has been using a mix of loans and internal cash accruals. The Company has well managed the working capital to reduce the overall interest cost.

Company’s bankers are consulted and suitable exposures in the form of ECB and other instruments are evolved to mitigate exchange rate fluctuations as well as in interest rates.

VII. Disclaimer Clause

The Management cautions readers that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

VIII. AMENDMENT:

This Policy can be modified at any time by the Board of Directors of the Company.