

# VIVEKANAND COTSPIN LIMITED



## **RISK MANAGEMENT POLICY**

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## RISK MANAGEMENT POLICY

### INTRODUCTION

Risk Management is a mechanism for dealing with various aspects of associated risks in managing any business activity. It is a structured approach to manage risk resulting from all kinds of threats and involves treatment of risk, embracing both the analysis and handling of risks, using appropriate forms of risk control.

Therefore, in the broadest terms, Risk Management is concerned with the planning, organizing and controlling of activities and resources in order to minimize the impact of risks.

### LEGAL FRAMEWORK

Section 134 (3) (n) of the Companies Act, 2013 requires the Company to frame Risk Management Policy to identify various elements of risk and steps taken to mitigate the same. Risk Management is a key aspect of the “Corporate Governance Principles and Code of Conduct” which aims to improvise the governance practices across the Company’s activities. Risk Management Policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

Furthermore, Regulation 17 (9) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (“Listing Regulations”), requires that the Company set out procedures to inform the Board of risk assessment and minimization procedures and makes the Board responsible for framing, implementing and monitoring the risk management plan of the Company.

### DEFINITIONS

“**Board**” means Board of Directors of the Company.

“**Company**” means VIVEKANAND COTSPIN LIMITED.

“**Policy**” means Risk Management Policy.

“**Compliance Officer**” means the Company Secretary and Compliance Officer of the Company for the purpose of administration of the insider trading policy.

“**SEBI LODR Regulations**” means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

### OBJECTIVE AND PURPOSE:

The prime objective of this Risk Management Policy and Procedure is to ensure sustainable business growth with stability and establish a structured and intelligent approach to Risk Management at VIVEKANAND COTSPIN LIMITED. This would include the process for development and periodic review of the unit wise Risk Registers and Databases in order to guide decisions on business risk issues. This would promote a proactive approach in analysis, reporting and mitigation of key risks associated with the business in order to ensure sustainable business growth.

The risk management policy sets out the objectives and elements of risk management within the organization and helps to promote risk awareness amongst employees and to integrate risk management within the corporate culture.

This Policy defines the approach toward risk management and the objective is to embed risk management as part of the culture of the organization where the shared understanding of risk leads to well-informed decision making.

The specific objectives of the Risk Management Policy are:

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- To identify internal and external risks of the Company;
- To ensure that all the current and future material risk exposures including cyber security of the company are continuously identified, assessed, quantified, appropriately mitigated and managed; i.e., to ensure adequate systems for risk management and internal controls;
- To establish a framework for the company's risk management process and to ensure company-wide implementation;
  - To address the responsibilities and requirements of the management of the company as they fulfil their risk management duties;
  - To enable compliance with reference to risk management, wherever applicable, through the adoption of best practices.
- To assure business growth with financial stability;
- To formulate the Business continuity plan;
- To address the responsibilities and requirements of the management of the company as they fulfil their risk management duties;
  - To enable compliance with reference to risk management, wherever applicable, through the adoption of best practices.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.

## **RISK POLICY AND PROCEDURES:**

Risk management is attempting to identify and then manage threats that could severely impact or bring down the organization. Generally, this involves reviewing the operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.

As per the provisions of the Listing Regulations, a listed company shall lay down procedures to inform Board members about the risk assessment and minimization. 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 environment, technology, investments, and retention of talent and expansion of facilities. As a matter of policy, these risks are assessed and steps as appropriate are taken to mitigate the same.

The board of the company shall form a subcommittee, which in turn monitors the risk management policy mentioned in the document from time to time and take necessary actions if required.

## **RISK MANAGEMENT FRAMEWORK**

We adopt systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues, and regulations. We believe that this would ensure mitigating steps proactively and help achieve stated objectives. The entity's objectives can be viewed in the context of four categories – (1) Strategic, (2) Operations, (3) Reporting and (4) Compliance. We consider activities at all levels of the organization, viz. (1) Enterprise level, (2) Division level, (3) Business Unit level and (4) Subsidiary level, in our risk management framework. These eight components are interrelated and drive the Enterprise-Wide Risk Management with focus on three key elements, viz.

- (1) Risk Assessment; (2) Risk Management; and (3) Risk Monitoring

The Board is responsible for overall monitoring of the risk management processes. To support the Board, every business function/department will depute a manager not below a Manager level as the 'Risk Management Expert' to ensure compliance to this policy, timely identification of risks and development of risk mitigation plan, along with the concerned personnel.

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## **RISK IDENTIFICATION**

This involves continuous identification of events that may have negative impact on the Company's ability to achieve goals. Processes have been identified by the Company and their key activities have been selected for the purpose of risk assessment. Identification of risks, risk events and their relationship are defined on the basis of discussion with the risk owners and secondary analysis of related data, previous internal audit reports, past occurrences of such events etc.

## **RISK ANALYSIS AND ASSESSMENT**

This involves the determination of existing controls and analysis of risks in terms of the consequence and likelihood in the context of those controls. We consider the range of potential consequences that could arise from the risks and how likely those consequences are to occur. Consequence and likelihood are combined to produce an estimated level of risk.

Risk assessment is the process of risk prioritization or profiling. Once risks are analyzed, we assess the risks as per the pre-established criteria as determined by the Company. This will enable risks to be ranked and prioritized. This can be helpful to the Company to develop plans for managing the risks that are identified and consequently help the Company to make effective strategies for exploiting opportunities to meet the stated organizational objectives.

### **Organizational Objectives:**

#### ***Strategic***

- Organizational growth;
- Comprehensive range of products;
- Sustenance and growth of strong relationships with customers;
- Expanding presence in existing markets and penetrating new geographic markets;
- Continuing to enhance industry expertise;
- Enhancing capabilities through technology alliances and in-house technology developments;
- Increasing modalities that the Company is offering; and
- Ensuring strict diligence and integration of new acquisitions.

#### ***Operations***

- Consistent quality of products;
- Strong levels of productivity;
- Developing culture of innovation;
- Attracting and retaining human talent and augmenting their training;
- De-risking supply chains; and
- Consistent profitability.

#### ***Reporting***

- Strong internal MIS to continuously monitor the progress of the Company on a real-time basis;
- Maintaining high standards of Corporate Governance and public disclosure.

#### ***Compliance***

- Ensuring stricter adherence to policies, procedures and laws / rules / regulations / standards.

## **RISK REPORTING MECHANISM**

Risks as identified from time to time, their exposure and the risks mitigation plan devised by the Company should be presented by the Risk Management Expert to the Audit Committee and Board. The responsibility of compilation of reports is entrusted to the Board. The Risk Management Expert should submit a quarterly report on the compliance of the risk assessment and management policy to the Board.

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## RISK MANAGEMENT AND RISK MONITORING

Risk management is a continuous process that is accomplished throughout the life cycle of a system. It is an organized methodology for continuously identifying and measuring the unknowns; developing; mitigation options; selecting, planning, and implementing appropriate risk mitigations; and tracking the implementation to ensure successful risk reduction. Effective risk management depends on risk management planning; early identification and analysis of risks; early implementation of corrective actions; continuous monitoring and reassessment; and communication, documentation, and coordination.

## **RISKS SPECIFIC TO THE COMPANY AND THE MITIGATION MEASURES ADOPTED**

1. **Business Dynamics** – The demand for services can fluctuate based on the number and value of tenders issued, the company's success in winning bids, and the overall economic and regulatory environment. Variability in tender opportunities can impact project scheduling, resource allocation, and financial performance.

2. **Business Operations Risks**-These risks relate broadly to the company's organization and management, such as planning, monitoring and reporting systems in the day-to-day management process namely –

- Organization and management risks;
- Production, process and productivity risks;
- Business interruption risks; and
- Profitability risks.

### **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.
- Implement a system to track upcoming tenders and assess market trends and develop a robust bid strategy that includes evaluating tender requirements thoroughly, pricing competitively, and highlighting unique value propositions.
- Back-up Captive power generating capacity for uninterrupted production.
- Strong HR Department to maintain excellent and cordial relations at all levels of employment.

3. **Liquidity Risks** –

- Financial Solvency and liquidity risks;
- Borrowing limits; and
- Cash management risks.

### **Risk mitigation measures –**

- Annual and Quarterly Budgets and Variance Analyses are prepared to have better financial planning
- Daily, monthly cash flows are prepared.

4. **Credit Risks** –

- Risks in settlement of dues by clients; and
- Provision for bad and doubtful debts.

### **Risk mitigation measures –**

- Systems put in place for assessment of the creditworthiness of Customers.
- Provision for bad and doubtful debts made to arrive at the correct financial position of the Company.

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- Appropriate recovery management and follow-up.

## 5. Logistic Risks

- Disruptions in the supply chain; and
- Delays in transportation, and issues with the coordination of materials and equipment.

### **Risk mitigation measures –**

- Exploring possibility of an in-house logistic mechanism if the situation demands.
- Develop relationships with multiple suppliers for key materials to avoid dependency on a single source.
- Develop and maintain contingency plans for critical logistics scenarios, including alternative supply sources and transport routes.

## 6. Market Risks / Industry Risks

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

### **Risk mitigation measures –**

- Raw materials are procured from different sources at competitive prices.
- The Company tries to reduce the gap between demand and supply.
- Proper inventory control systems have been put in place.

## 7. Human Resource Risks

- Employee Turnover Risks, involving replacement risks, training risks, skill risks, etc.; and
- Availability of Manpower at different managerial levels.

### **Risk mitigation measures –**

- Company has a proper recruitment policy for the recruitment of personnel at various levels in the organization.
- A proper appraisal system to give yearly increments is in place.
- Employees are trained at regular intervals to upgrade their skills.
- Activities relating to the welfare of employees are undertaken.

## 8. Disaster Risks

- Natural risks like fire, Floods, Earthquakes, etc.

### **Risk mitigation measures –**

- The property of the Company is insured against natural risks, like fire, flood, earthquakes, etc.
- Fire Hydrants have been installed at all plants. Other apparatus like extinguishers filled with chemicals, foam, etc. have been placed at fire-sensitive locations and regular fire safety drills are carried out.
- 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.
- Engaging professional Risks Assessing Advisors who conduct periodical audit/review and suggest risks improvement measures from time to time.
- Automated external defibrillator has been placed at all locations with staff being trained to use it in case of emergencies.

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## 9. System Risks

- System capability System reliability Data integrity risks Coordinating and interfacing risks.

### **Risk mitigation measures –**

- Systems Administrator monitors and upgrades the systems on a continuous basis.
- Password protection is provided at different levels to ensure data integrity.
- Licensed software is being used in the systems.
- The Company ensures “Data Security”, by having access control/restrictions.

## 10. Legal Risks

These risks relate to the following –

- Contract Risks, Contractual Liability, Frauds, Judicial Risks Insurance Risks, Patent, Design and Copyright Infringement Risks.
- 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, where the Company is exposed to legal risk exposure.
- The Company engages professionals, advisors who focus on evaluating the risks involved in a contract, ascertaining our responsibilities under the applicable law of the contract, restricting our liabilities under the contract, and covering the risks involved, to meet the general and specific requirements so that they can ensure adherence to all contractual obligations and commitments.
- The Company has established a compliance management system in the organization and the Secretary of the Company ensures the submission of the quarterly compliance reports by functional heads for placing the same before the Board supported by periodical Secretarial Audit Reports by Practicing Company Secretaries.

### **POLICY REVIEW, ETC.:**

The Board or any duly authorized committee thereof, subject to applicable laws, may amend, suspend, or rescind this Policy at any time. Any difficulties or ambiguities in the Policy will be resolved by the Board or such committee in line with the broad intent of the Policy. The Board or such committee may also establish further rules and procedures, from time to time, to give effect to the intent of this Policy.

In the event of any conflict between the provisions of this policy and the applicable law dealing with the related party transactions, such applicable law in force from time to time shall prevail over this policy.

### **AVAILABILITY OF DISCLOSURES**

This Policy shall be posted on the website of the Company under the Investors Section.

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