



3F INDUSTRIES LIMITED

Risk Management Policy

Objective

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving the risks which are material in nature and are associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on material risk related issues.

Applicability:

This policy applies to all areas of the Company's operations.

Role of the Board:

- The Board shall be responsible for framing, implementing and monitoring the risk management plan / policy for the company.
- Participate in major decisions affecting the organization's risk profile;
- It will ensure that an appropriate accountability framework is working whereby any delegation of risk is documented and performance are monitored accordingly and while doing so, the Board will take into consideration all aspects of business and also will ensure that the risk management is integrated into board reporting and annual reporting mechanisms;

Risk Management and Risk Monitoring

In the management of Risk, the probability of risk assumption is estimated with available inputs and information and appropriate risk treatments worked out in mitigation of the risks.

Mitigation measures for Risks specific to the Company

1. Business Dynamics:

The Company functions under a well-defined organization structure. Second level positions are created in each Department to continue the work without any interruption in case of non-availability of functional heads.

2. Financial Risks:

Proper financial planning is put in place with detailed Annual Business Plan discussed and finalized at appropriate levels within the organization and integrated into a Cash Flow Plan. These budgets are analysed and performance compared.

3. Credit Risks:

Systems put in place for assessment of creditworthiness of customers and for appropriate recovery management and follow up.

4. Market Risks / Industry Risks:

Raw materials are procured from different sources at competitive prices. Alternative sources wherever possible are developed for uninterrupted supply of critical raw materials to the extent possible. With wide network of marketing outlets and with 50 years of experience in similar lines and with wide customer base and addition of broadbasing of a product profile, the Company takes effective steps to mitigate this market / industry risks.

5. Human Resource Risks:

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 and are encouraged to make suggestions and discuss any problems with their superiors.

6. Disaster Risks:

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.

7. System Risks:

Licensed software is being used in the systems. The Company addresses "Data Security", by having access control/ restrictions wherever required. Necessary backups are created wherever necessary and to the extent possible.

8. Foreign Exchange and Interest Rate Risk Management:

Foreign currency exposures are recognized and addressed. Measurement of the risk is done regularly and forward cover is taken adequately to cover the risks in consultation with the bankers as may be required. Proper mechanism is in place to monitor the forex exposure on a day-to-day basis with appropriate hedge policy. Constant monitoring of Indian and International financial markets is done to take appropriate steps to mitigate the interest rate risks.

Disclaimer Clause

This Policy recognises that the risks outlined above are not exhaustive and are for information purposes only. Nevertheless Audit Committee and the Board will play their respective role in a proactive manner so that Company's objectives are achieved in a systematic manner without getting affected by the risk(s).

Disclosure in Board's Report

The report of Board of Directors shall include a statement indicating development and implementation of a risk management policy for the company and confirming that effective steps are being taken as per the policy to mitigate various risks associated with the company and its borrowers.

Amendments

The Policy would be reviewed by the Audit Committee of the Board of Directors as and when necessary. Any amendment to the Policy shall be approved by the Board of Directors only.