

ARFIN INDIA LIMITED

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RISK MANAGEMENT POLICY

1. Background

This document lays down the framework of Risk Management at Arfin India Limited (hereinafter referred to as the 'Company' or 'Arfin') and defines the policy (Risk Management Policy) for the same. This document shall be under the authority of the Board of Directors ("Board") of the Company. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

Section 134(3), 149(8), Schedule IV of the Companies Act, 2013, Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and any other provisions as applicable from time to time shall regulate the contents and implications of this policy.

2. Objective

The objective of Risk Management at Arfin India Limited is to create and protect shareholders' value by minimizing threats or losses, and identifying and maximizing opportunities.

Strategic Objectives

1. Providing a framework that enables future activities to take place in a consistent and controlled manner.
2. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities / threats.
3. Contributing towards more efficient use / allocation of the resources within the organization.
4. Protecting and enhancing assets and Company image.
5. Reducing volatility in various areas of the business.
6. Developing and supporting people and knowledge base of the organization.
7. Optimizing operational efficiency.

3. Applicability

This Policy shall come into force with effect from May 22, 2015.

4. Broad Principles

The Board has 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 viz. Environmental, Business, Operational, Financial and others. Communication of Risk Management Strategy to various levels of management for effective implementation is essential.

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 Chairman and / or Managing Director along with their considered views and recommendations for risk mitigation.

Analysis of all the risks identified shall be carried out by Chairman and / or Managing Director through participation of the vertical / functional heads and a preliminary report thus finalized shall be placed before the Board.

5. For Implementing the Risk Management Plan, the following steps shall be taken:

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

- i. Strategic
- ii. Operational
- iii. Financial
- iv. Hazard

5.2 Risk Description: To display the identified risks in a structured format, the following format shall be used:

Name of Risk	Name
Scope of Risk	Qualitative description of events with size, type, number etc.
Nature of Risk	Strategic, Operational, Financial, Hazard
Quantification of Risk	Significance and Probability
Risk Tolerance/ Appetite	Loss Potential and Financial Impact of Risk
Risk Treatment and Control Mechanism	a) Primary Means b) Level of Confidence c) Monitoring and Review
Potential Action for Improvement	Recommendations to Reduce Risk
Strategy and Policy Development	Identification of Function Responsible to develop Strategy and Policy

5.3 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 is to be accepted or treated.

5.4 Risk Estimation

The Risk Estimation can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences.

5.5 Reporting: Reporting of the Risk estimated shall be done in the following manner:

(i) Internal Reporting

- a. Board of Directors
- b. Vertical Heads
- c. Individuals

(ii) External Reporting

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

5.6 Development of Action Plan

The Board is responsible for performing roles and responsibilities relating to Risk Management Implementation and Review. All the members of Board of Directors shall implement their collective suggestions for periodic updation of the Risk Management Plan to ensure that the same is in sync with changing macro and micro factors having bearing on all material aspects of the businesses Arfin India Limited is engaged in or shall undertake.

The Board as a whole shall critically examine the report and each identified risk shall be assessed for its likely impact *vis a vis* the resources at the Company's disposal.

5.7 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 and 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 Board, 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.

5.8 Board Approval

The Board shall approve the Risk Management (including Risk Treatment) strategy, action plan, control structure and policy guidelines and may delegate authority and accountability for risk management to the Company's executive team.

5.9 Risk Treatment

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; and
- c) compliance with laws and regulations

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

6. Role of Board for Risk Management

The following shall serve as the Role and Responsibility of the Board of Directors to evaluate the effectiveness of the Risk Management Framework:

- Review of the strategy for implementing Risk Management Policy
- To examine the organization structure relating to Risk Management
- Evaluate the efficiency of Risk Management Systems – Recording and Reporting
- To review all hedging strategies / risk treatment methodologies *vis a vis* compliance with the Risk Management Policy and relevant regulatory guidelines
- To define internal control measures to facilitate a smooth functioning of the risk management systems
- Ensure periodic review of operations and contingency plans.

This policy shall complement the other policies of “Arfin” in place e.g. Related Party Transactions Policy, to ensure that the risk if any arising out of Related Party Transactions are effectively mitigated.

7. Integration of Risk Management Strategy

Arfin’s Risk Management Strategy 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.

8. Penalties

The penalties are prescribed under the Companies Act, 2013 (the Act) under various sections which stipulate having a Risk Management Framework in place and its disclosure.

Section 134 (8) (dealing with disclosure by way of attachment to the Board Report): If a Company contravenes the provisions of this Section, the Company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of the Company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

There are other provisions of the Act as well as SEBI Act which stipulate stiff penalties. Therefore, this Policy prescribes that violation of the provisions applicable to Risk Management Framework is something the Company cannot afford to risk.

9. Review

This policy shall evolve by review by 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.