



**R M DRIP AND SPRINKLERS SYSTEMS LIMITED
RISK MANAGEMENT POLICY**

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RISK MANAGEMENT POLICY

1. INTRODUCTION

R M Drip and Sprinklers Systems Limited are in the business of Micro Irrigation industry, prone to inherent business risks like any other organization. To minimize the adverse consequence of risks on business objectives, the Company has framed this Risk Management Policy.

The company is committed to high standards of business conduct and to good risk management to:

- have more effective use of resources
- have better decision making
- achieve sustainable business growth
- protect company's assets
- ensure compliance with applicable legal requirements
- safeguard stakeholders interest

What is Risk?

Risks are uncertain events that may take place and they may have a negative impact on reaching the organization's objectives. Risk management is the process of recognizing, assessing, and mitigating the impact of risks that might potentially cause financial losses, affect market reputation or resources. While risks cannot be entirely avoided, the management has placed measures to manage them effectively in line with regulations, objectives and company's values. In the current economic scenario managing risks has become more challenging. However, through this policy, an attempt has been made to address the nature of all identifiable risks applicable to the company and the methods employed by the company to address them.

The Risk Management Policy of the company is intended to:

- to serve as a document wherein risks affecting the entire organization, at a macro-level are recognized
- to describe the measures employed by the management in managing these risks across all divisions and functions.

2. LEGAL FRAMEWORK

Section 134(3) of the Companies Act, 2013 requires a statement to be included in the report of the board of directors ("Board") of Central Depository Services (India) Limited ("CDSL" or the "Company"), 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.

Furthermore, Regulation 17 of the 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.

3. APPLICABILITY

This policy will apply to the company and with their all functions and departments.

4. DEFINITIONS

a) Risk:

Risk is often described by an event, a change in circumstances or a consequence that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the organization's business objectives. Thus, risk is the effect of uncertainty on objectives.

b) Risk Management:

Risk management is the process of identifying, assessing and controlling threats to an organization's capital and earnings. These threats, or risks, could stem from a wide variety of sources, including financial uncertainty, legal liabilities, strategic management errors, accidents and natural disasters.

c) Risk Management Policy:

Risk Management Policy is a statement of the overall intentions and direction of an organization related to Risk Management.

d) Risk Management Framework:

Risk Management Framework is a set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving Risk Management throughout the organization.

e) Risk Management Plan:

Risk Management Plan is a scheme or an operation plan within the Risk Management Framework specifying the approach, management components and resources to be applied to management of risk.

f) Risk Management Strategy

A risk management strategy provides a structured and coherent approach to identifying, assessing and managing risk. It builds in a process for regularly updating and reviewing the assessment based on new developments or actions taken.

g) Risk Owner:

A risk owner is an accountable point of contact for an enterprise risk at the senior leadership level, who co-ordinates efforts to mitigate and manage the risk with various individuals who own parts of the risk.

h) Risk Analysis:

Risk analysis is the process of identifying and analyzing potential issues that could negatively impact key business initiatives or critical projects in order to help organizations avoid or mitigate those risks.

i) Risk Evaluation:

Determination of risk management priorities through establishment of qualitative and/or quantitative relationships between benefits and associated risks.

j) Risk Assessment:

Risk assessment is the identification of hazards that could negatively impact an organization's ability to conduct business. These assessments help identify these inherent business risks and provide measures, processes and controls to reduce the impact of these risks to business operations.

5. OBJECTIVES & PURPOSE OF POLICY

The main objective of the policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks 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 risk related issues.

The specific objectives of the Risk Management Policy are:

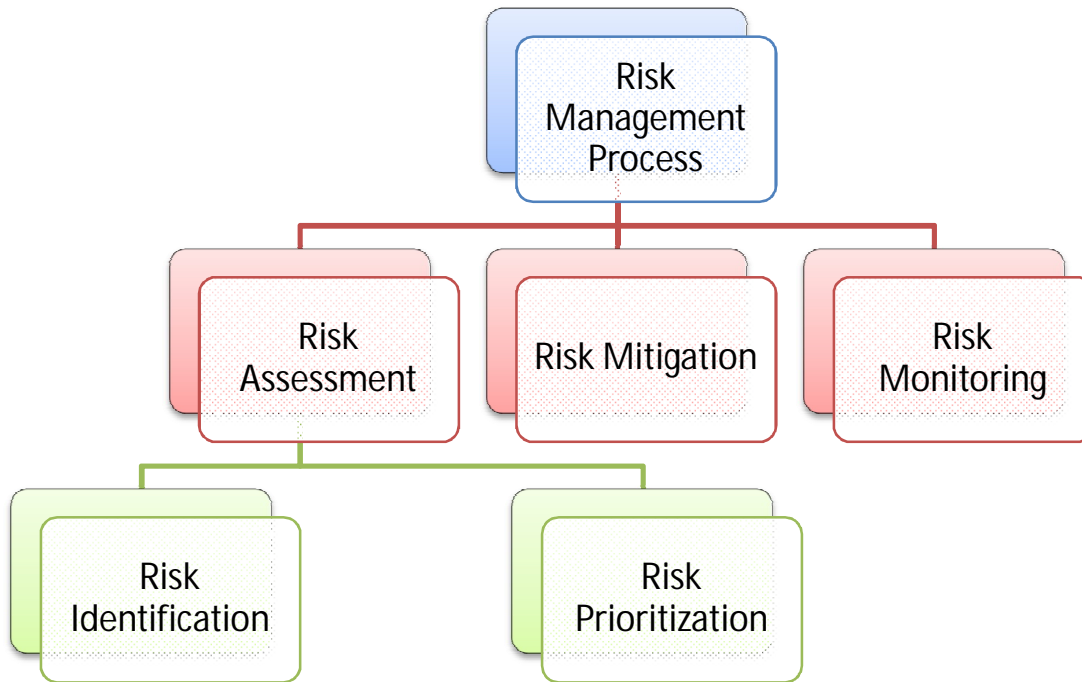
- a) To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
- b) To establish a framework for the Company's risk management process and to ensure its implementation.
- c) To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- d) To assure business growth with financial stability.

6. COMPONENTS OF SOUND RISK MANAGEMENT SYSTEM

The risk management system of the Company has the following key features:

- Comprehensive and timely identification, measurement, mitigation, controlling, monitoring and reporting of risks
- Active board and senior management oversight
- Appropriate policies, procedures and limits
- Comprehensive internal controls in accordance with current regulations

7. RISK MANAGEMENT PROCESS



Risk Management Process

Risk Management is defined as the process of identifying, monitoring and managing potential risks in order to minimize the negative impact they may have on an organization. Effective risk management process requires consistent assessment, mitigation, monitoring and reporting of risk issues across the full breadth of the enterprise.

The Risk Management process consists of:

i. Risk Assessment:

Risk assessment is a term used to describe the overall process or method where we:

- Identify hazards and risk factors that have the potential to cause harm (Risk Identification): the process of finding, listing and characterizing hazards.
- Analyze and evaluate the risk associated with that hazard (Risk analysis and Risk Evaluation): a process for comprehending the nature of hazards and determining the level of risk. Risk analysis provides a basis for risk evaluation and decisions about risk control. Information can include current and historical data, theoretical analysis, informed opinions, and the concerns of

stakeholders. Risk Evaluation is the process of comparing an estimated risk against given risk criteria to determine the significance of the risk.

- Determine appropriate ways to eliminate the hazard or control the risk when the hazard cannot be eliminated (Risk Control): Risk Control can involve monitoring, re-evaluation and compliance with decisions.

A Risk Assessment is thorough look of our organization to identify those things, situations, processes etc. that may cause harm. After identification is made, we analyze and evaluate how likely and severe the risk is. When this determination is made, we can next, decide what measures should be in place to effectively eliminate or control the harm from happening.

ii. Risk Mitigation:

Risk Mitigation is a strategy to prepare for and lessen the effects of threats faced by an organization. Risk mitigation is one element of risk management. Risk mitigation is the process to initiate actions for managing the critical risks.

iii. Risk Monitoring:

Risk monitoring is the process which tracks and evaluates the levels of risk in an organization. The findings which are produced by risk monitoring processes can be used to help to create new strategies and update older strategies which may have proved to be ineffective.

8. RISKS SPECIFIC TO THE COMPANY AND THE MITIGATION MEASURES ADOPTED

a) 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:

- Delay in subsidy release
- Government fund scarcity / Portal close
- Raw material pricing variations

Risk mitigation measures

- Product Expansion
- Business Expansion
- Cash sales on existing product

b) Liquidity Risks

- Financial solvency risk
- Liquidity (Working Capital) 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 organization.
- Half yearly cash flows are prepared, followed and monitored at senior levels to prevent undue loss of interest and utilize cash in an effective manner.

c) Sales & Marketing Risk

Customers play a vital role in determining the performance of a Company.

- Entry of new competitors in the market
- New product launched by the competitors.
- Marketing policy introduced by competitors

Risk Mitigation Measures

A study is done of market dynamics, movement by competition, economic policies and growth patterns of different segments of users.

d) Procurement Risks

- Timely non-availability of Raw Material and traded item
- Timely fund requirement
- Machine breakdown

Risk mitigation measures

- Searching for alternative material
- Perfect fund flow
- Maintenance of machinery and quick service

e) Human Resource Risks

Retaining talent, training risks, skill risks, etc.

Risk Mitigation Measures

- Successor Development
- Best Appraisal Policy

f) Legal Risks

These risks relate to the following:

- Contract Risks
- Contractual Liability

Risk Mitigation Measures

- A study of contracts with focus on contractual liabilities, deductions, penalties and interest conditions is undertaken on a regular basis.

g) 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.
- Fire extinguishers have been placed at fire sensitive locations.
- First aid training is given to watch and ward staff and safety personnel.

h) IT System Risks

- System capability
- System reliability
- Data integrity risks
- Coordinating and interfacing risks
- Information Security

Risk Mitigation Measures

- Password protection is provided at different levels to ensure data integrity.
- Licensed software is being used in the systems.
- Segregation of duties with respect to access, view and modification of information systems are validated periodically.

9. ROLES & RESPONSIBILITIES OF AN ORGANIZATION FOR RISK MANAGEMENT

a) Board:

The Company's risk management overseen by the Board of Directors and policies to manage risks are approved by the Board.

- Approve risk policy and strategy
- To ensure that the Risk Management Policy is being followed and effectively contributing to early identification of risks and proper mitigation process.
- Delegate the review & monitoring of implementation of Risk Management Policy to the Audit Committee.

b) Audit Committee:

The Audit Committee assists the Board in carrying out its oversight responsibilities relating to the Company's Risk Management Policy:

- Reviews adequacy and effectiveness of business risk management
- Advise business on risk initiatives

c) Risk Officer/Functional Head:

Risk Officer of the Company is Mr. Sandeep Sahane, HR Executive of the Company.

His Responsibilities are as follows:

- Responsible for identifying risks
- Responsible for preparing risk profile
- Responsible for managing risks

d) Employees:

- Compliance with requirement of this policy
- Exercise reasonable care to prevent loss, to maximize opportunity and to ensure that the operations, reputation and assets are not adversely affected

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.