



STYLAM INDUSTRIES LIMITED RISK MANAGEMENT POLICY

1. Preamble

The Board of Directors has adopted the following policy and procedures with regard to risk management. This document lays down the framework of Risk Management at Stylam Industries Limited (hereinafter referred to as the 'Company') and defines the policy for the same. 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.

2. Objective

Risk management is attempting to identify and then manage threats that could severely impact the organization. Generally, this involves reviewing 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.

3. Definitions

"Audit Committee" means Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 and the Listing Regulation.

"Board of Directors" or "Board" in relation to a Company, means the collective Body of Directors of the Company. [Section 2(10) of the Companies Act, 2013].

"Policy" means Risk Management Policy.

4. Governance framework:

Risk Management Policy is framed as per the following regulatory requirements:

The Clause 49 of the Listing Agreement states as under:

"The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures. The Board shall be responsible for framing, implementing and monitoring the risk management plan of the Company

4.1 Regulation 4 of the Listing Regulation

4.1.1 Regulation 4 (2) (ii) Key Functions of the Board

The Board should fulfil certain key functions, including

- Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, setting performance objectives, monitoring implementation and corporate performance, and overseeing major capital expenditures, acquisitions and divestments.
- Ensuring the integrity of the listed entity's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular,

- systems for risk management, financial and operational control, and compliance with the law and relevant standards.

4.1.2 Regulation 17(7) – Minimum Information to be placed before Board of Directors (Part A of Schedule II)

4.1.3 Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.

4.1.4 Regulation 18 Role of Audit Committee (Part C of Schedule II)

The role of the Audit Committee shall include the following

- Evaluation of internal financial controls and risk management systems;

4.1.5 Regulation 17 - Board of Directors

- The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.
- The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.

4.2 Companies Act, 2013

4.2.1 Provisions of the Section 134(3)

There shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which shall include —

- 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.

4.2.2 Provisions of the Section 177(4)

Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include, —

- evaluation of internal financial controls and risk management systems.

4.2.3 Schedule IV [Section 149(8)] - Code for Independent Directors

Role and functions

The independent directors shall

- Help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;

- Satisfy themselves on the integrity of financial information and those financial controls and the systems of risk management are robust and defensible;

5. Constitution of risk management committee

Risk Management Committee shall be constituted by the Board, as and when required under the applicable Statutes, consisting of such number of directors (executive or non-executive) as the Board thinks fit.

The Board shall define the roles & responsibilities of the Risk Management Committee & may delegate monitoring & reviewing of the risk management plan to the Committee & such other functions as it may deem fit.

6. Applicability

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

7. Risk strategy

Company 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 Risk cannot be eliminated. However, it can be

- a) Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract;
- b) Reduced, by having good internal controls;
- c) Avoided, by not entering into risky businesses;
- d) Shared, by following a middle path between retaining and transferring risk

The product range of the company comprises of manufacture and marketing of High-Pressure Laminates and other allied Building Material products

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

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. As a matter of policy, these risks are assessed and steps as appropriate are taken to mitigate the same.

8. Risk management framework

Objectives must exist before management can identify potential events affecting their achievement. Enterprise risk management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the entity's mission and are consistent with its risk appetite.

The Objectives of the Company can be classified into:

Strategic:

- a. Organizational Growth.
- b. Comprehensive range of products
- c. Sustenance and Growth of Strong relationships with dealers/customers
- d. Expanding our presence in existing markets and penetrating new geographic markets
- e. Continuing to enhance our industry expertise
- f. Enhance our capabilities through technology alliances and acquisitions
- g. Comprehensive range of products

Operations

- a. Consistent Revenue growth
- b. Consistent profitability
- c. High quality production
- d. Further develop Culture of Innovation
- e. Attract and retain quality technical associates and augmenting their training

9. Reporting

- Maintain high standards of Corporate Governance and public disclosure.

10. Compliance

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

In principle, risks always result as consequence of activities or as consequence of non-activities. Risk Management and Risk Monitoring are important in recognizing and controlling risks. The entirety of enterprise risk management is monitored and modifications made as necessary. Risk mitigation is an exercise aiming to reduce the loss or injury arising out of various risk exposures.

The Company adopts systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues and regulations. The Company believes that this would ensure mitigating steps proactively and help to achieve stated objectives.

We consider activities at all levels of the organization, viz., Enterprise level; Division level; Business Unit level; are considered in the risk management framework. All these components are interrelated and drive the Enterprise-Wide Risk Management with focus on three key elements, viz.,

- a) Risk Assessment
- b) Risk Management
- c) Risk Monitoring

11. Risk Assessment

Risks are analysed, considering likelihood and impact, as a basis for determining how they should be managed. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks. To meet the stated objectives, effective strategies for exploiting opportunities are to be evolved and as a part of this, key risks are identified and plans for managing the same are laid out.

12. Risk Management and Risk Monitoring

In the management of Risk, the probability of risk assumption is estimated with available data and information and appropriate risk treatments worked out in the following areas:

1. Economic Environment and Market conditions
 2. Fluctuations in Foreign Exchange
 3. Political Environment
 4. Competition
 5. Revenue Concentration
 6. Inflation and Cost Structure
 7. Technological Obsolescence
 8. Financial Reporting Risks
 9. Risk of Corporate accounting fraud
 10. Legal Risk
 11. Compliance with Local Laws
 12. Human Resource Management
- Risks specific to the company and the mitigation measures adopted

Business dynamics

Variance in the demand and supply of the product in various areas. Based on experience gained from the past and by following the market dynamics as they evolve, the Company is able to predict the demand during a particular period and accordingly supply is planned and adjusted.

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:

- a) Organisation and management risks,
- b) Production, process and productivity risks,
- c) Business interruption risks,
- d) Profitability

Risk mitigation measures

- 1) The Company functions under a well-defined organization structure.
- 2) Flow of information is well defined to avoid any conflict or communication gap between two or more Departments
- 3) Second level positions are created in each Department to continue the work without any interruption in case of non-availability of functional heads.
- 4) 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
- 5) Effective steps are being taken to reduce cost of production on a continuing basis taking various changing scenarios in the market

Liquidity Risks

- 1) Financial solvency and liquidity risks
- 2) Borrowing limits

Risk mitigation measures

- 1) Proper financial planning is put in place with detailed Annual Business Plans discussed at appropriate levels within the organisation

- 2) 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
- 3) These budgets with Variance Analysis are prepared to have better financial planning and study of factors giving rise to variances
- 4) 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

Credit Risks

- Risks in settlement of dues by dealers/customers
- Provision for bad and doubtful debts

Risk mitigation measures

- Systems put in place for assessment of creditworthiness of dealers/customers
- Appropriate recovery management and follow up.

Logistics Risks

- Use of outside transport sources
Company logistics includes transportation of goods through road, rail sea and air

Risk mitigation measures

- Company has a dedicated logistics group to handle all requirements relating to movement of goods, capital equipment, domestic and imported, as and when necessary, with a well-defined system of allocation of vehicles based on priorities and time aspects.
- Company uses services of reputed transporter for movement for goods
- Company also uses alternate transporters so as to avoid its dependency on sole transporter

Market/ Industry Risks

- Demand and Supply Risk
- 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
- The Company takes specific steps to reduce the gap between demand and supply by expanding its customer base, improvement in its product profile, delivery mechanisms, technical inputs and advice on various aspects of de-bottlenecking procedures, enhancement of capacity utilisation in customer-plants etc
- Proper inventory control systems have been put in place.

Human Resource Risks

- Employee turnover risks, involving replacement risks, training risks, skill risks, etc.

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
- Activities relating to the Welfare of employees are undertaken
- Employees are encouraged to make suggestions and discuss any problems with their Superiors.

Disaster Risks

- Natural risks like Fire, Floods, Earthquakes, etc

Risk mitigation measures

- The properties of the company are insured against natural risks
- Fire extinguishers have been placed at all 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

System 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 ensures “Data Security”, by having access control/ restrictions.

Legal Risks:

- Frauds

Risk mitigation measures

- Understanding the applicable laws and regulations.
- Conducting risk assessments.
- Enforcing and monitoring code of conduct for key executives.
- Instituting Whistle-blower mechanisms.
- Deploying a strategy and process for implementing the new controls

- Internal control systems for proper control on the operations of the Company and to detect any frauds.
- Adhering to internal control practices that prevent collusion and concentration of authority.
- Insurance Risks

Risk mitigation measures

- Review of all insurance policies time to time
- Timely payment of insurance and full coverage of properties of the Company under insurance

Financial Reporting Risks

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, Securities and Exchange Board of India (SEBI) rules, and Indian stock market listing regulations are creating uncertainty for companies. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such corporate governance standards.

We are committed to maintaining high standards of corporate governance and public disclosure and our efforts to comply with evolving laws, regulations and standards in this regard would further help us address these issues.

Our preparation of financial statements in conformity with Indian Accounting Standards (Ind- AS) and in accordance with the Accounting Standards issued by ICAI, requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances including consultation with experts in the field, scrutiny of published data for the particular sector or sphere, comparative study of other available corporate data, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. These may carry inherent reporting risks. We believe that the accounting policies related to revenue recognition and Accounting for Income taxes are significant.

Foreign Exchange and Interest Rate Management

Exposures

The company is exposed to foreign exchange exposure, it evaluates and measure those risks, decide on managing those risks, regular monitoring the fluctuations.

Objective and Risk mitigation measures

The objective of our risk management policy is to minimize risk arising from adverse currency movements by managing the uncertainty and volatility of foreign exchange fluctuations by hedging the risk to achieve greater predictability and stability.

13. Responsibility, compliance and control

Generally, every staff member of the Organisation is responsible for the effective management of risk including the identification of potential risks. The Head of Departments and other Senior Management Persons in the Company at organizational levels under the guidance of the Board / Audit Committee are responsible for the



development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

The Company has established a compliance management system in the organisation and the Company Secretary of the Company being the focal point will get the quarterly compliance reports from functional heads and place it before the Board for its perusal

14. General

- 1) The Board of Directors and the Audit Committee in their meeting shall at least once in every year review the risk management framework and effectively address the emerging challenges in a dynamic business environment and ensure that it meets the requirements of the applicable Laws and the needs of the Organization
- 2) The Audit Committee and Board of Directors shall have the power to modify, amend or replace this Policy in part or full as may be thought fit from time to time in their absolute discretion as far as it is not in contravention of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 3) In case of any inconsistency between any of the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 / the Companies Act, 2013 and this Policy or in case of any omission of any of the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 / the Companies Act, 2013 in this Policy, the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 / the Companies Act, 2013, as amended shall prevail or be applicable, as the case may be.
- 4) Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, the Listing Regulations or any other applicable law or regulation to the extent applicable to the Company.
- 5) 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 in having a complete / proper management's perception of risks. The Management cautions the readers to exercise their own judgment in assessing various risks associated with the Company.

15. Dissemination of policy

The Risk Management Policy has been approved by the Board of Directors of the Company at the duly convened Board Meeting held on **May 27, 2021**.

The policy shall also be uploaded on the website of the Company at www.stylam.com