N.K Textile Industries Limited

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Risk Management Policy

1. Introduction:

The Board of Directors of N.K Textile Industries Limited have adopted the following policy and procedure with regard to Company's risk management as defined below:

2. Objective

This policy is framed to facilitate setting up a framework for risk assessment and minimization of the same.

3. Definitions

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

"Board of Directors" or "Board" in relation to a company , means the collective body of Directors of the Company

"Policy" means Risk Management Policy.

4. Regulatory framework/requirement

1. Provisions of Section 134(3)

There shall be attached to financial statement 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.

2. Provisions of the Section 177(4)

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

Evaluation of internal financial controls and risk management systems.

3. Schedule IV (Section 149(8)- Code of Independent Directors

Role and functions :

The independent director shall:

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

5. Purpose/Objective of Risk Management policy

The Company being a listed and Non Banking Financial Company (NBFC) is required to adhere to the regulations made by the Companies Act, 2013, Reserve Bank of India (RBI) and Listing Agreements governed by the Securities and Exchange Board of India (SEBI).Currently the primary business activity has so far been confines to deal in securities, stocks etc. of the group companies keeping in view the current and future business objectives. Risk Management Policy and process will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in identifying, reporting, evaluating and mitigating of operational, strategic and external environment risks 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:

i. To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated and managed.

ii. To establish a framework for the company's risk management process and to ensure companywide implementation.

iii. To ensure that the Company is taking appropriate measures to achieve prudent balance between risk and reward in ongoing business activities.

iv. To assure business growth with financial stability.

6. Scope and extent of application

The Company is a Non-Banking Financial Company and its main business activity is Investing and Financing. The risk associated with the Company is basically Investment Risk which can be categorised further into market risk, Liquidity risk, Credit and counterparty risk, and leverage risk.

Investment Risks

The future value of investment in assets and liabilities are not known with certainty and change over time. Investment risk reflects the possibility that the value of the Funds' investments will deviate from plan as a result of changes in market conditions, whether those changes are caused by factors specific to individual investments, classes of investments or factors affecting all investments traded in the market.

The goal of Risk management Policy is not to eliminate risk but to find a balance between expected returns and the risks needed to generate those returns. Further, it is generally accepted that expected investment returns (positive or negative) increases with the amount of risk taken. The higher the risk involved in an investment, the higher the expected return (or potential loss) from that investment. As a result, risk is neither good nor bad ,it is needed to generate the investment returns required to maintain stable and cost-effective contribution rates. Similarly, there is no right level of risk. The greater the risk taken, the higher the expected return or loss.

7. <u>Principles of Risk Management</u>

i. Development of the Investment Objectives and the Policy Portfolio.

ii. All business decisions will be made with the prior information and acceptance of risk involved.

iii. The Risk Management Policy shall provide for the enhancement and protection of business value from uncertainties and consequent losses.

iv. All employees of the company shall be made aware of risks in their respective domains and their mitigation measures

v. The risk mitigation measures adopted by the company shall be effective in the long-term and to the extent possible be embedded in the business processes of the company

vi. Risk tolerance levels will be regularly reviewed and decided upon depending on the change in company's strategy

vii. The occurrence, progress and status of all risks will be promptly reported and appropriate actions be taken thereof.

8. <u>Background and Implementation</u>

As the Company is prone to inherent business risk, this document is intended to formalize a risk management Policy, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable risks, such as:

1. All the banks accounts shall be operated jointly by two authorised officials instead of operating single handed.
2. All securities of the Company in Physical mode shall be kept in the safe custody of a Director under lock and key.
3. Though the investment is within the group companies, still while purchasing the shares, due evaluation shall be done before investing.
4. The shares and securities held as investment shall be in demat mode wherever possible and shall be handled jointly by any two officials of the Company.

9. Approval and Review the Policy

The audit Committee will review and evaluate the progress of risk Management Policy from time to time and update the Board on deviations, if any. The Board will be the approving authority for the company’s overall Risk Management System. The Board will, therefore, monitor the compliance and approve the Risk Management Policy and any amendments thereto from time to time. The policy will be the guiding document for risk management of the Company and will be reviewed as and when required due to the changes in the risk management regulations/ standards/ best practices as appropriate. In any case, the policy will be regularly reviewed during periodical intervals.

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