R R Kabel Limited

Risk Management Policy

1. Foreword

1.1. Context

Risk, as defined by ISO 31000:2009 (Risk Management - Principles and Guidelines), "is the effect of uncertainty on objectives". Risk Management is an integrated approach to proactively manage risks which affect the achievement of Company's vision, mission and objectives. RISK MANAGEMENT is aimed at protecting and enhancing stakeholder value by establishing a suitable balance between harnessing opportunities and containing risks.

The Company incorporated under the Companies Act,1956 with the Name of Ram Ratna Agro-Plast Limited on 6th February, 1995, The Name of the Company is change to R R Kabel Limited on 8th November, 2000. The Company having its Registered Office At " Ram Ratna House, Victoria Mill Compound, P.B.Marg, Worli, Mumbai-400018.

The Main object of the Company is to Manufacture, Produce, fabricate, process, convert, refine, prepare, import, export, sell, distribute and carryon the business of agents and dealers in all types of pipes, tubes, houses, vessels, containers, wrapping materials, accessories, fittings, appliances, spare parts, articles and things made of polyvinyl chloride, polyethylene, polystyrene, polycarbonate, Polytetrafluoroethylene, acrylics, nylon and other kinds of plastic P.V.C. sheets, plain, corrugated, uniform or non-uniform geometerial shapes whether reinforced or otherwise, rubber and other synthetics, fibrous and non-fibrous materials and substances blends, metals, alloys, thereof, required for use in overhead, surface and under-ground irrigation, industrial, agricultural and earth moving machinery, mopeds, complete range of plastic reel and bobbins, electrical insulated conductors, bare conductor, welding wire and cables, synthetic/cotton yarns or any other metallic or nonmetallic wire/threads.

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, non-availability of key inputs, cost escalation due to increase in input cost as well as funding cost and expansion of facilities.

1.2. Definition of Risk

Within Company, risk is regarded as the threat of some event, action or loss of opportunity that, if it occurs, will adversely affect either / or:

- Value to our stakeholders
- Our ability to achieve our objective
- Our ability to implement our business strategies
- The manner in which we operate
- Our reputation

1.3. Definition of Risk Management

Risk Management is a core management competency that incorporates the systematic application of policies, procedures and checks to identify potential risks and lessen their impact on Company. This involves:

- Identifying potential risks
- Assessing their potential impact
- Taking action to minimize the potential impact
- Monitoring and reporting on the status of key risks on a regular basis

Risk Management also provides Company with the opportunity to identify risk-reward scenarios and to realize significant business opportunities.

1.4. Purpose and Benefit of Risk Management

Risk Management is the process of identifying, analyzing and evaluating risk and selecting the most effective way of managing business risk.

The purpose of risk management is to identify potential problems before they occur, so that risk-handling activities may be planned and invoked as needed to manage adverse impacts on achieving objectives.

The objective of risk management is not to eliminate risk, but to understand it so that the company can minimize the downside and take advantage of the upside. This requires clarity on what risks the company is prepared to take, how much, and ensure that the company has the processes in place to manage these risks.

1.5 . The Risk are Broadly Categorized into:

RISK CATEGORY	DESCRIPTION
Strategic Risk	• Market Strategy, Organizational Growth- Market Penetration, Market share, loss of reputation. • Globalization and Technological Obsolesce. • Volatility in Commodity Market. • Loss of Intellectual and Trade Secret. • Uncertainty surrounding political eldership in Domestic and International Market. • Economic Condition for Market, Global Recession and Environmental Issues.
Operational Risk	• Consistent Revenue Growth • Cost Optimization • Manpower Retention • Disaster Management and Data Secretary • Inefficient Working Capital Management- High Inventory
Compliance Risk	• Ensure Stricter adherence to law/rules/regulation/Standards • Adherence of Company Policies and procurers (SOPs)
Financial and Reporting Risk	• Volatility in Currency, Funding and Credit Risk • Maintaining high standards of Corporate Governance and Public Disclosures

2. Risk Management Policy

2.1. Purpose

This policy is intended to support and assist Company in achieving their business objectives by providing minimum standards for identifying, assessing and managing their business risks in an efficient and cost effective manner; at the same time ensuring the effective monitoring and accurate reporting of these risks to the key stakeholders.

The key objectives of this policy are to:

- Provide an overview of the principles of risk management
- Explain approach adopted by the Company for risk management
- Define the organizational structure for effective risk management
- Develop a "risk" culture that encourages all employees to identify risks and associated opportunities and to respond to them with effective actions.
- Identify, assess and manage existing and new risks in a planned and coordinated manner with minimum disruption and cost, to protect and preserve Company's human, physical and financial assets.

2.2. Applicability

This policy applies to every part of Company's business and functions. The policy complements the corporate governance initiatives of Company and does not replace other existing compliance programs, such as those relating to environmental, quality, and regulatory compliance matters.

2.3. Risk Management Guiding Principles

To fulfill this commitment, Company and its management abides by the following principles:

- Risk management is everyone's responsibility, from the Board of Directors to individual employees. Risks should be primarily managed by the business function transacting the business. All employees should actively engage in risk management within their own areas of responsibility and are expected to manage those risks within the approved risk appetite.
- Company will manage its significant risks through a holistic approach that optimizes the balance between risks and return across all verticals and functions. Optimization ensures that the Company only accepts the appropriate level of risk to meet its business objectives.
- Each functional unit is expected to undertake risk assessments on annual basis.
- Risk Management will be integrated with major business processes such as strategic planning, business planning, operational management, and investment decisions to ensure consistent consideration of risks in all decision-making.
- Risk Management is a comprehensive, disciplined and continuous process in which risks are identified, analyzed and consciously accepted or mitigated within approved risk appetite.
- Risk Management in Company will continue to evolve to reflect international better practices that address the changes in our requirement, organizational structure, size

and industries within which we operate. This policy will be reviewed annually by the senior management and presented to the Board of Directors (BOD) for approval.

- Risk management policies and processes of each function will be aligned and consistent with this Company-wide Risk Management policy.
- Company recognizes that the ultimate risk taking, ownership and responsibility remains with the BOD, thus all risk strategies and risk appetite levels developed by the functions must be approved and endorsed by the BOD.

2.4. Distribution of Policy

Distribution of policy shall be controlled centrally in the organization. The policy should be classified as 'Confidential' as it sets out in detail the procedures and policies to be followed by the organization. All the managers and executives who shall be given access to the manual should keep the copies in their safe custody.

2.5. Change Management

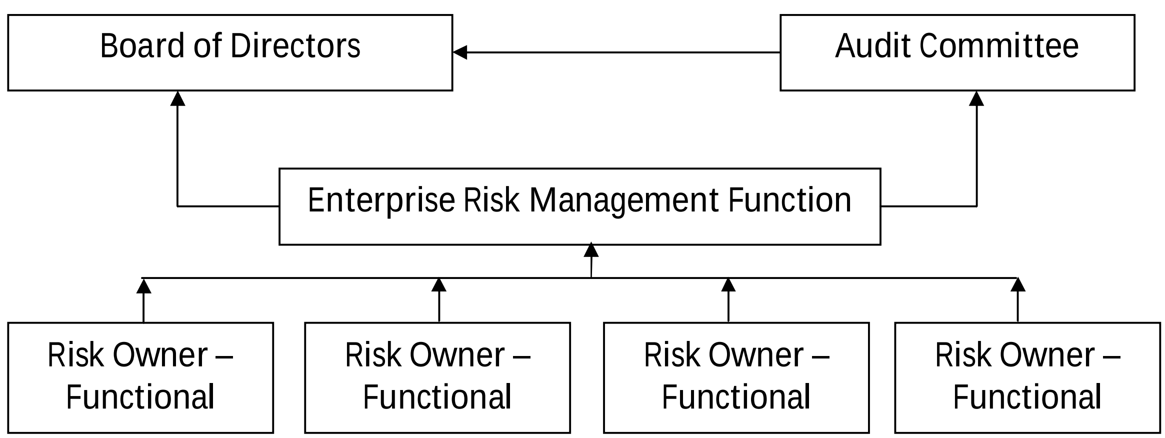
This document should be reviewed annually by the BOD.

In the event that the processes defined in this policy are changed, the following change management procedure shall be followed:

- All changes to the existing processes shall be authorized and circulated by the BOD.
- Head of Legal Department shall maintain a copy of the original manual and all revisions thereto
- Users other than the Head of Legal Department shall destroy the replaced pages
- Subsequent issues of the entire manual shall have a new version number i.e. Version 2.0, Version 3.0 and so on and date.

2.6. Risk Management Organization Structure

The below chart provides the risk management organization structure within Company



2.7. Risk Management Roles and Responsibilities

Roles and responsibilities for each member within the Risk Management Organization Structure are detailed below:

- Board of Directors (BoD)

  BoD has the ultimate responsibility for managing the risk profile of the organization. They approve the organization's risk appetite. The Board will be responsible for ensuring that the risk management framework is contributing to achieving business objectives, safeguarding assets and enhancing shareholder value. The BoD is also responsible for management of all key identified risks across the organization and ensuring that risk management functions are actively and effectively discharging their risk management responsibilities.

- Audit Committee

  Audit Committee shall overlook the entire risk management process, review the risk profile of the organization on a periodic basis, review the organization's risk appetite and provide its inputs to the management.

- Enterprise Risk Management Function (ERM Function)

  The ERM Function at Company is responsible to maintain a comprehensive oversight over all risks and their management. All policies which have implications on the organization's risks are to be endorsed by ERM function for Board's approval. The ERM function will provide guidance on the risk management activities, review the results of the risk assessment and mitigation plan development process, review and monitor the working of the risk management structure and report to the BoD on the status of the risk management initiatives and their effectiveness.

- Head – ERM Function

  The Head of ERM Function is responsible for developing and providing oversight over implementation of the Risk Management Policy. The ERM function will be responsible to ensure risks are identified and assessed and mitigation strategies are developed and actioned.

- Risk Owner

  Risk Owners drive the risk management process within the functions and ensure risk management procedures are complied with in accordance with the Risk Management policy. They would be the point of coordinating and managing all the risk management activities approved by the ERM Function and BoD. Risk Owners should ensure risk consideration is part of the decision making process and ensure close alignment and reporting of the functional risk management activity with the ERM function. It is recommended that functional heads are nominated as risk Owners, so as to effectively drive risk management operations within their respective verticals / functions.

2.8. Enterprise Risk Management Function

The purpose of the ERM Function is to develop and oversee the company's risk management programs in order to prevent occurrence of loss or harm, and to ensure appropriate action is taken to minimize the impact of losses or damages when they do occur.

The objectives of the ERM Function are:

- To develop and oversee implementation of the Risk Management program in order to foresee and respond to actual and expected risks

- To ensure that an appropriate, optimal and profitable balance is maintained between risk and reward across the business
- To minimize risk of unforeseen, unacceptable and/or unnecessary avoidable losses or harm

Formal authority, responsibility and accountability for designing, implementing and sustaining effective risk management processes rests with the Board of Directors. ERM Function will oversee the Risk Management under directions of the Board.

For operational purposes, the ERM Function will form part of the agenda of all Management Committee meetings. ERM Function meetings should be held at least on a half yearly basis and minutes to be documented and submitted to the Board for review.

ERM Function Composition

The permanent members of the ERM Function may include the following executives (or their equivalents following any future organizational or job title changes):

- Managing Director
- Chief Financial Officer (CFO)
- Chief Technical Officer
- Legal Head
- Company Secretary

The ERM Function should have no fewer than 3 permanent members at any time. If any permanent member position is vacant, the executive acting in that position may be invited as a member of the committee.

CEO will act as the head of the ERM Function. The ERM Function may invite other members from the managerial level, who possess a range of relevant expertise as well as adequate knowledge of the Company's risk exposure, as selected by the ERM Function members from time to time.

The Board of Directors will approve the composition and membership of the ERM Function. The Head may invite external advisors to participate in the ERM Function meetings as necessary.

Responsibilities of ERM Function

In carrying out its objectives, the ERM Function will have the following duties, responsibilities and authority.

- *Review and Approve Risk Management Policy*

  Review and approve a Risk Management Policy and communicate key components to the Board of Directors.

- *Identify and Evaluate Risk Exposures*

  Receive presentations / information from priority areas of concern, where business risks are most likely to occur, and assess and estimate their possible effect and the costs to which the business may be exposed as a result.

- *Implement the Risk Management Plan*

  Monitor the Function's Risk Management performance and obtain, on a regular basis, reasonable assurances that the Risk Management policies / strategies are being adhered to. Evaluate the magnitude, direction and distribution of business risks across the organization.

- *Monitoring mitigation for key risks*

  Monitor the implementation of mitigation strategies for key risks and escalate to the Executive Board and / or Audit Committee, as appropriate.

- *Review and Revise the Risk Management Plan as needed*

  Analyze and confirm that the risk policies and infrastructure satisfies corporate policies and remains consistent with current technology and the competency of the employees performing the business risk functions.

- *Integrate Risk Management Culture into the Organization*

  Create and promote a risk culture that requires and encourages the highest standards of ethical behavior across the organization.

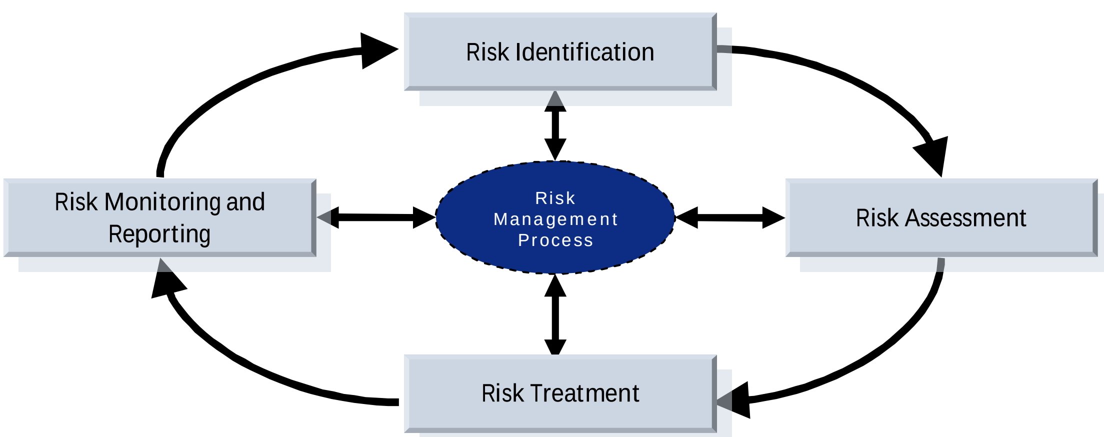
- *Reporting*

  Report to Board of Directors and Audit Committee on major issues of concern to the organization's stated Risk Management Policy and strategy.

3. Risk Management Procedures

3.1. General

The risk management process should be an integral part of management, be embedded in culture and practices and tailored to the business processes of the organization. The risk management process includes four activities: Risk Identification, Risk Assessment, Risk Treatment and Monitoring and Reporting as shown in the figure below:



3.2. Risk Identification

The identification of risks is the first step in the risk management process. The purpose of risk identification is to identify the events that have an adverse impact on the achievement of the business objectives. Further, risk identification not only refers to the systematic identification of risks but also to the identification of their root causes.

All risks identified are documented in the form of a Risk Cards. The Risk Card incorporates the risk description, root cause, existing control/ mitigation measures and mitigation plan.

3.3. Risk Assessment

Assessment involves quantification of the impact of risks to determine potential severity and probability of occurrence.

Risks may be assessed in workshops or using anonymous surveys, facilitated by the ERM Function.

Each identified risk is assessed on two factors which determine the risk exposure:

A. Impact if the event occurs

B. Likelihood of event occurrence

It is necessary that risks are assessed after taking into account the existing controls, so as to ascertain the current level of risk. Based on the above assessments, each of the Risks can be plotted on a Risk Assessment table and can be categorized as – Low, Medium and High.

3.4. Risk Treatment

Risk treatment involves selecting one or more options for managing risks, and implementing such action plans. This phase of the Risk Management process is intended to:

- Understand existing practice/ mitigation mechanisms in place for managing risks
- Generate new action plans for treatment of risks
- Assess the effectiveness of such treatment plans

For the purpose of risk treatment, risk owners may consider various options (as indicated below) for risk treatment:

- Avoiding the risk by deciding not to start or continue with the activity giving rise to such risk
- Taking or increasing the risk in order to pursue an opportunity
- Removing the risk source
- Changing the likelihood or consequences of risk by instituting new monitoring activities
- Sharing the risk with another party or parties (e.g.: joint ventures, partnerships, insurance, back to back warranties etc.)
- Retaining the risk by informed decision

Risk treatment can be a choice from the above or a combination of multiple options.

3.5. Monitoring and reviewing risks

Risk monitoring, reviewing and reporting are critical components of the Risk Management process. Once risks are identified, it is necessary to prioritize them based on the impact, dependability on other functions, effectiveness of existing controls etc. The intent of monitoring and reviewing risks is to:

- Analyze and track events, changes in the business processes, operating and regulatory environment & future trends which affect identified risks. As part of this, the impact of such events on treatment plans is also assessed
- Review risks which have materialized
- Review new emerging risks

- Detect changes and assess the impact of changes to risk appetite, risk portfolio and risk treatment plans
- Ensure that risk treatment mechanisms are effective in design and operation
- Inter-dependence and cumulative impact of risks is discussed with all concerned to decide what is expected from whom.
- Provide cushion for non-measurable and unknown risks

Risks do not normally exist in isolation. They usually have a potential effect on other functions, business processes and risk categories. These cause and effect relationships must be identified and understood. Many cross-functional effects of risk may not be immediately apparent without deliberate and systematic analysis, so a formal approach is required.

Respective functional heads shall review all risks affecting their functions on a half yearly basis. If any new risks have been identified, such risks will get discussed in the group meetings and once approved by the Functional head, will be added to the Risk Cards. The functional heads shall then implement an effective system of internal control to manage those risks, including designating responsibilities, and providing for upward communication of any significant issues that arise. Reports shall be provided on a half yearly basis to the ERM Function along with the status of action plans.

The ERM Function shall meet on a half yearly basis to review all risks escalated through the half yearly review meetings. The review shall include identifying / framing mitigating controls for the newly identified risks and discuss the status of mitigation in respect of already identified risks. In case the newly identified risks have been approved by ERM Function then the same will be added to the risk card. Further, the key risks along with the mitigating controls will be forwarded to the Audit Committee and Board of Directors on a half yearly basis.

3.6. Managing Materialized Risks

In case a risk materializes, it is necessary to have in place a Crisis/ Incident Management Plan for timely and effective management of such events. The Incident Management Plan is a set of well-coordinated actions aimed at preparing and responding to unpredictable events with adverse consequences. The intention of this plan is to preserve the confidence of internal and external stakeholders in the Company's risk readiness for potentially adverse events.

3.7. Managing Emerging Risks

The Company is subject to various risks and challenges emerging from the internal environment (e.g. operations, strategy, systems and processes etc.) and external environment (e.g. competition, changes in government policies, forex fluctuation); which may have a significant impact on the organization. Hence, it is important to assess and take action steps in advance to mitigate such risks. Hence, emerging risks form an important part of Risk Management process.

All emerging risks should form an integral part of the risk management discussion. If any additions have to be made in the Risk Cards, it will be approved by the Functional Heads in the half yearly meetings and will be forwarded to the ERM Function for reference. In case of High Risks, Risk Cards should be prepared and presented. *(Refer Annexure 1)*.

4. Forex and Interest Rate Risk Management Policy

4.1. Objective of the policy

- Reducing interest cost
- Effective reporting of foreign currency positions, derivative transactions and risk to the board of directors.
- Managing foreign exchange exposure of the company.

4.2. Type of derivative transactions

For the purpose of this policy, we identify the various derivative products that are permitted by RBI in Rupee & Foreign Currency Derivatives as follows:

- Rupee – Other Currency, Currency Swaps
- Full Currency Swaps

For any derivative deal company should have an underlying transaction available for hedge. No derivative deal can be done if underlying is not there or is in different currency.

Hedging

This would include derivatives, which may be used by the company for hedging its long term / short liabilities and receivables (FCNR (B) loan, etc) Perform cost reduction structures on own balance sheet liability and hedging to manage the risk and manage the interest cost.

4.3. Forex Risk Management Team

Members of the Risk Management Team:

1. Shri Tribhuvanprasad Kabra
2. Shri Shreegopal Kabra
3. Shri Mahendrakumar Kabra
4. Shri Rajesh Babu Jain

Roles and Responsibility of Forex Risk Management Team:

- To enter into the financial position on behalf of company with respect to loans.
- To enter into currency swaps contract and analyze the risk involved in such contracts in the best interest of the company.
- To comply with RBI regulations as amended from time to time and any other rules and regulations with respect to derivatives dealings and other financial transactions.
- Authority to unwind the deals entered at any point of time in the best interest of the company.
- To monitor the operational limits of forex exposures and it's reporting on quarterly basis.

Functions of the Forex Risk Management Team:

- Approve structures, analyze risks and benefits, seek independent opinion regards structure.
- Evaluate valuation of the existing derivative structure along with the deemed valuation of the underlying liability against which derivative was used to hedge.

- In case of unwind or pre-termination, decision process regarding levels for the same.
- Review periodic reports and views on future performance of derivative transactions.

4.4. Accounting and Audit

Accounting & Reconciliation:

The purpose is to reconcile all trades done with counter party banks and calculate the profit / loss and maintenance of proper records.

The authorized person and support staff shall prepare detailed profit/loss statement and forward the same to higher authorities for their review. Any difference in the statement should be sorted out immediately.

Audit:

The purpose is to audit transactions to verify compliance with the regulations and ensure the effectiveness of internal control measures and policy guidelines and to measure progress on regular basis.

Audit will be earned out in the following areas:

- Documentation related areas
- Compliance with authority limits (Trade and Payments both)
- Execution of deals, payments and receipts
- Monitoring of position limits
- Accounting and taxation areas

4.5. Monitoring & Control

The purpose is to review the executed trades on exchange limits and compliance with terms and conditions of the bank / exchanges.

The authorized person shall review all the past trades done and will also analyze the individual and cumulative open positions. The review should include the net effect of entering into various transactions by considering the following:

- Realized Cash Flows
- Unrealized Cash flows i.e. Mark-to-Market of outstanding positions.
- Mark-to-Market of the underlying

This review shall be atleast monthly or more frequent based on the requirement and the underlying nature of risk.

The regular compliance to RBI and to other statutory body will be done by the authorized person.

4.6. Legal Documentation

All derivative deals will only be performed with Banks/Primary Dealers with whom ISDAs have been executed.

Or prior approval to execute without ISDA is obtained. Appropriate underlying is available with the company and management approvals be sought to match underlying with the structure.

RBI Regulation:

RBI's Derivative Guidelines which are covered under various circulars shall be adhered to.

4.7. Operating Limits

The hedging done as per the FRM Policy will operate within the following overall limits.

- Forex hedging will be done on Gross/Net exposure basis.
- Upto 100 % of the forex exposure of next 3 years may be hedged.
- Fully hedged loans: no limit under this policy.

5. Reference

This section seeks to provide specific reference documents to the Risk Management personnel, including guidelines on Risk Management documentation, document retention and glossary of useful terms.

5.1. Document Management

Any changes to this policy document needs to be processed through the Head – ERM Function, and require the consensus of the Board for ratification.

Head – ERM Function shall ensure that updates to the policy are communicated across the organization, and shall also be responsible for promoting risk awareness across the Company. Head of ERM Function may use tools, workshops, newsletters, formal training sessions, and undertake other initiatives as may be required for this purpose.

5.2. Record Retention

For the purpose of ensuring traceability of Risk Management activities, documentation shall be maintained in physical or electronic form and retained by Head - ERM Function.

Records, both physical and electronic, at an Enterprise level shall be maintained at the Corporate Office on behalf of the Board.

However, those at the functional level shall be maintained by individual functions and the respective Functional Head shall be responsible for the same.