

RISK MANAGEMENT POLICY

BACKGROUND AND IMPLEMENTATION:

This document lays down the framework of Risk Management at Murudeshwar Ceramics Limited (hereinafter referred to as the 'Company') and defines the policy for the same. This document shall be under the authority of the Board of Directors 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. This is in compliance with applicable Regulations of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which requires the Company to lay down the procedure about risk assessment and risk minimization.

OBJECTIVE:

The objective of Risk Management policy at Company is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. An enterprise-wide risk management framework is applied so that effective management of risks is an integral part of every employee's job.

In order to fulfil the objectives of this policy and lay a strong foundation for the development of an integrated risk management framework, the policy outlines the following guiding principles of Risk Management:

1. Providing a framework that enables future activities to take place in a consistent & controlled manner;
2. The Risk Management Policy shall provide for the enhancement and protection of business value from uncertainties and consequent losses;
3. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats
4. 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;
5. Contributing towards more efficient use/ allocation of the resources within the organization;
6. Protecting and enhancing assets and company image;
7. Reducing volatility in various areas of the business;
8. Developing and supporting people and knowledge base of the organization;
9. Optimizing operational efficiency; and
10. The occurrence, progress and status of all risks will be promptly reported and appropriate actions be taken thereof;

REGULATORY REQUIREMENT:

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

A. COMPANIES ACT, 2013

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—

(n) 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.



**MURUDESHWAR
CERAMICS LTD.**

Naveen Complex, 7th Floor, 14, M.G. Road,
Bengaluru - 560001 India. Ph : 080 - 42897000, 25584181
E-mail : corporate_office@naveentile.com, mclblore@naveentile.com



GSTN : 29AABCM2526R1ZZ
CIN : L26914KA1983PLC005401

2. Section 177(4) stipulates: 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.

B. The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

RISK MANAGEMENT

A. The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.

The process of managing the Risk includes the following:

- (i) Identifying and Evaluating the Risks;
- (ii) Handling/Controlling the Risks by— Risk Avoidance; Risk Transfer; Risk Reduction; Risk Retention;
- (iii) Monitoring/Reporting

B. The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.

C. The company through its Board of Directors shall constitute a Risk Management Committee for the compliance of Regulation 21 of the SEBI (Listing Obligations and Requirement Requirements) Regulations, 2015. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

(The above said regulation 21 of the SEBI (LODR) Reg., 2015 Not Applicable to our Company at present)

D. The majority of Committee shall consist of members of the Board of Directors.

E. Senior executives of the company may be members of the said Committee but the Chairman of the Committee shall be a member of the Board of Directors.

KEY FUNCTIONS OF THE BOARD

The board should fulfill certain key functions, including:

a. 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.

b. Ensuring the integrity of the company'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.

ROLE OF AUDIT COMMITTEE

The role of the Audit Committee shall include the following:

11. Evaluation of internal financial controls and risk management systems;

DEFINITIONS

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

"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.

POLICY

Before proceeding to the policy attention is drawn to the roles that the Board and Audit Committee are required to play under the above regulations governing Risk Management:

The Board's role under both the regulations is to ensure framing, implementing and monitoring risk management plan, having in place systems for risk management as part of internal controls with duty being cast upon Independent Directors to bring unbiased angle to the Board's deliberations on making risk management systems more robust.

Audit Committee's role is evaluating the risk management systems.

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

Identification and Risk Analysis

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

Analysis of all the risks thus identified shall be carried out by MD through participation of the vertical/functional heads and a preliminary report thus finalized shall be placed before the Risk Management Committee.

The following steps to be taken:

Risk identification:

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

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

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 to be accepted or treated.

Risk Estimation:

Can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences. Impact level on performance/profit – Both Threats and Opportunities.

Risk Reporting

- a) Risk Management Committee (After it becomes applicable)
- b) Board of Directors
- c) Vertical Heads
- d) Individuals

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 & 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 Committee 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.

Risk Treatment

Treatment of Risk through the process of selecting and implementing measures to mitigate risks. To prioritize risk control actions in terms of their potential to benefit the organization. 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
- c) Compliance with laws & regulations

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

Risk Registers

Risk Registers shall be maintained showing the risks identified, treatment prescribed, persons responsible for applying treatment, status after the treatment etc. Risk Managers and Risk Officers to be identified for proper maintenance of the Risk Registers which will facilitate reporting of the effectiveness of the risk treatment to the Risk Management Committee, Audit Committee and the Board.

Mitigation of such Highly Sensitive/Key risks and effectiveness of their mitigation measures and review of the strategy may be directly discussed by the Board members with Audit Committee.

ROLE OF AUDIT COMMITTEE

The following shall serve as the Role and Responsibility of the Audit Committee authorized 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 efficacy 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 and reporting to Board in order to counter possibilities of adverse factors having a bearing on the risk management systems.

REVIEW

This policy will be reviewed by 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.