

TIRUPATI FOAM LIMITED

(L25199GJ1986PLC0009071)

RISK MANAGEMENT POLICY

REGISTERED OFFICE

Tirupati House, 4th Floor, University Road, Polytechnic Char Rasta, Nr

Topaz Restaurant, Ambawadi, Ahmedabad, Gujarat, 380015

Phone No.: 079-26304652/53/54/55 9825336772,

Email : tirupatifoam@tirupatifoam.com ; tfl.cs@tirupatifoam.com

RISK MANAGEMENT POLICY

BACKGROUND:

Texel Industries Limited (the Company) is engaged in manufacturing of Polyurethane Foam and their Articles (Like Mattress, cushions, Pillow, sof and bed, etc). The business activities of the Company carry various internal and external risks.

Risks can be internal and external and are inherent in all administrative and business activities. Every member of any organisation continuously manages various types of uncertain situations. 'Risk Management' is the identification, assessment, communication and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realisation of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

Effective risk management requires:

- A strategic focus,
- Forward thinking and pro-active approach
- Balance between the cost of managing risk and the anticipated benefits, and
- Contingency planning in the event that critical threats are realised.

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: Compliances, competition, business risk, technology obsolescence, return on investments, business cycle, increase in price and costs, limited resources, retention of talent, etc.

1. LEGAL FRAMEWORK:

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct. There are various legal provisions which necessitate the framing and adoption of a risk management policy, outlining the methods which the Company intends to adopt to minimize risk. The new Companies Act, 2013 and the Clause 49 of the Equity Listing Agreement have also incorporated various provisions in relation to risk management policy, procedure and practices.

The provisions of Section 134 (3)(n) of the Companies Act, 2013 necessitate that the Board's Report should contain a statement indicating development and implementation of a risk management policy for the Company.

Further, the provisions of Section 177(4)(vii) of the Companies Act, 2013 require that 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 risk management systems.

In line with the above requirements, it is therefore, required for the Company to frame and adopt a “Risk Management Policy” (this Policy) of the Company

2. PURPOSE AND SCOPE OF THE POLICY:

The main objective of this Policy is to aim to achieve sustainable business growth with stability and to promote a pro-active approach in identifying, reporting, evaluating and resolving risks associated with the Company’s business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach towards risks associated with the Company’s business .

The specific objectives of this Policy are:

- 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.
- To establish a framework for the company’s risk management process and to ensure its implementation.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To achieve business growth with financial stability.

3. APPLICABILITY:

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

4. DEFINITIONS:

- **Risk Assessment** – The systematic process of identifying and analysing risks. Risk Assessment consists of analysing uncertainties, threats and vulnerabilities and resultant exposure to various risks.
- **Risk Management** – Upon identifying potential risks, taking precautionary actions for minimizing the said risks to the greatest extent possible in order that that the objectives of the Company can be achieved without unnecessary interruption and minimal losses.
- **Risk Management Process** -The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing,evaluating, communicating, treating and monitoring risk.

5. RISK FACTORS:

The Company is subject to both external and internal risks which are enumerated below:-

EXTERNAL RISK FACTORS:

- **Economic Environment and Market conditions**
- **Political Environment**
- **Competition**
- **Revenue Concentration and liquidity aspects.** - Each business area of products has specific aspects on profitability and liquidity. The risks are therefore associated on each business segment contributing to total revenue, profitability and liquidity. Since the projects have inherent longer time-frame and milestone payment requirements, they carry higher risks for profitability and liquidity.
- **Inflation and Cost structure** -Inflation is inherent in any business and thereby there is a tendency of costs going higher. Further, the project business, due to its inherent longertimeframe, as much higher risks for inflation and resultant increase in costs.
- **Technology Obsolescence** – The Company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.
- **Legal** – Legal risk is the risk in which the Company is exposed to legal action. As the Company is governed by various laws and the Company has to do its business within four walls of law, the Company is exposed to legal risk.
- **Fluctuations in Foreign Exchange** -The Company has limited currency exposure in case of sales, purchases and other expenses. It has natural hedge to some extent. However, beyond the natural hedge, the risk can be measured through the net open position i.e. the difference between un-hedged outstanding receipt and payments. The risk can be controlled by a mechanism of “Stop Loss” which means the Company goes for hedging (forward booking) on open position when actual exchange rate reaches a particular level as compared to transacted rate.

INTERNAL RISK FACTORS:

- **Project Execution**
- **Contractual Compliance**
- **Operational Efficiency**

- **Hurdles in optimum use of resources**
- **Quality Assurance**
- **Environmental Management**
- **Human Resource Management**
- **Culture and values**

6. RESPONSIBILITY FOR RISK MANAGEMENT:

Generally every staff member of the Organisation is responsible for the effective management of risk including the identification of potential risks. Management is 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.

7. COMPLIANCE AND CONTROL:

All the Senior Executives under the guidance of the Chairman and Board of Directors has the responsibility for over viewing management’s processes and results in identifying, assessing and monitoring risk associated with the Organisation’s business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk. In doing so, the Senior Executive considers and assesses the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposed resulting from those reports.

8. REVIEW:

This Policy shall be reviewed at least every year to ensure it meets the requirements of legislation and the needs of the organization.

9. AMENDMENTS:

This Policy can be modified at any time by the Board of Directors of the Company.
