RISK MANAGEMENT POLICY AND PROCEDURE

INTRODUCTION:-

Risk Management has become a prime concern for every business in the present global competitive and knowledge based environment. Bankruptcies and huge losses have re-emphasized the importance of identifying and managing risks effectively. The companies need to develop and apply an integrated risk management framework which can inspire the confidence of shareholders by stabilizing their earning and lowering the cost of capital.

PREAMBLE:-

Sub-clause IV (C) of the Clause 49 of the Listing Agreement with the Stock Exchanges stipulates that every listed company shall lay down procedures to inform the Board Members about the risk management and minimization procedures.

Risk Management is the total process of identifying, measuring, and minimizing uncertain events affecting resources. Risk itself is not bad but risk that is misplaced, mismanaged, misunderstood, or unintended is bad. The company needs to assess which method suits its objectives and its business. Risk management helps management to achieve the entity's performance and profitability targets and prevent loss of resources. Risk Management helps to ensure effective reporting and compliance with laws and regulations and helps to avoid damage to the entity's reputation and associated consequences.

RISK STRATEGY:-

NPR Finance Limited recognizes that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner.

The Company believes that the risk cannot be eliminated. However, it can be:

- ✓ Transferred to another party , who is willing to take risk , say by buying an insurance Policy or entering into a forward contract;
- ✓ Reduced, by having good internal controls;
- ✓ Avoided, by not entering into risky businesses;
- ✓ Retained, to either avoid the cost of trying to reduce risk, or in anticipation of higher profits by taking on more risk, and;
- ✓ Shared, by following a middle path between retaining and transferring risk.

RISK MANAGEMENT POLICY:-

Risk Management forms part of strategic, operational and line management responsibilities, and is integrated into strategic and service planning processes. Risk Management is embedded in all policies and procedures, with employees contributing to risk management systems. The main purpose of the Company for the adoption of risk management policy is to achieve better practice in the management of risks that threaten to adversely impact on Company, its functions, objectives, operations, asset, staff, consumers or members of the public.

The Risk Management Policy of the Company shall primarily focus on identifying, assessing and managing risk in the following areas.

- ✓ Company Asset and property
- ✓ Employees
- ✓ Operational Risk
- ✓ Non-Compliances of Statutory enactments
- ✓ Competition risk
- ✓ Foreign Exchange Risk

POLICY FOR MANAGING RISKS ASSOCIATED WITH COMPANY ASSETS AND PROPERTY

The policy deals with nature of risk involved in relation to assets and property, objectives of risk management and measures to manage risk.

The risk management policy relating to assets aims at ensuring proper security and maintenance of assets and adequate coverage of insurance to facilitate speedy replacement of assets with minimal disruption to operations.

POLICY FOR MANAGING RISK RELATING TO EMPLOYEES

The employees constitute the most important asset of the Company .The risk management policy relating to employees is therefore necessary to cover all risks related to employees and their acts/omission. The policy deals with nature of risk involved in relation to assets and property, objectives of risk management and measures to manage risk.

The objectives of employees related risk management policy aims at reducing attrition rate , providing adequate security to employees in relation to life, disability , accident and sickness, providing adequate legal safeguards to protect confidential information and protecting the company from any contractual liability due to misconduct error/omissions of the employees.

OPERATIONAL RISK

The Company is constantly working to limit the operational risks that run through all facets of operations. This requires the combined efforts of all business and support units, and the tools required continue to be developed. The startup database of loss events is populated from internal audit reports. Apparent trends are analysed, and various operating groups combine into task forces to address these.

RISK ASSOCIATED WITH NON-COMPLIANCES OF STATUTORY ENACTMENTS

The Company being a legal entity and listed on one or more stock exchange(s). In view of the same the Company is required to ensure compliance of provisions of various applicable statutory enactments. Failure to comply one or more such provisions may render strict penalties as may be prescribed under such statutory enactments.

COMPETITION RISK

Risk of competition is inherent to all business activities. The Company faces competition from the existing players in the domestic operating in the segment in which the Company operates.

The Company strategy shall be to leverage its investments in its own high profile brands, thereby leading to consolidation and value creation

FOREIGN EXCHANGE RISK

The Company has exposure to foreign exchange risk as it is Authorised Money Changer. Further, the Company finance in rupee terms. Therefore, the risk for foreign exchange is minimal.

CONCLUSION

Some of the advantages of implementing risk management policies are effective strategic planning; better cost control, enhancing shareholders value by minimizing losses and maximizing opportunities; increased knowledge and understanding of exposure to risk; a systematic, well informed decision minimization disruption; better utilization of resources; well informed decision making; strengthening culture for continued improvement; creating best practices and quality organization.