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Risk Management Policy

Updated on: February 12, 2019

Contents

- 1. **Introduction**.....3
- 2. **Objective**.....3
- 3. **Risk Management**.....3
- 4. **Risk Identification**4
- 5. **Risk Evaluaiton**5
- 6. **Risk Minimisation**.....7
- 7. **Review**..... 10

Risk Management Policy

1. Introduction

In accordance with the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the board of directors (the “Board”) of Bajaj Hindusthan Sugar Limited (the “Company”) has adopted a policy on risk management (the “Risk Management Policy”).

- (i). The Board of the Company and the audit committee of the Company (the “**Audit Committee**”) shall periodically review the risk management policy of the Company so that management controls the risk through properly defined network.
- (ii). The respective head of departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and the Audit Committee as may be required.

2. Objective

The objective of the Risk Management Policy of the Company is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. This Risk Management Policy is being applied in order to ensure that effective management of risks is an integral part of every employee’s job. These include:

- (i) Providing a framework that enables all activities to take place in a consistent and controlled manner so that the assets, cash flow, and business of the Company are not exposed to any undue risks;
- (ii) Making a process that will ensure informed decision making with all consequential financial and non-financial implications on the Company.
- (iii) Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and threats;
- (iv) Contributing towards more efficient use/ allocation of the resources within the organization;
- (v) Protecting and enhancing assets and company image;
- (vi) Reducing volatility in various areas of the business;
- (vii) Developing and supporting people and knowledge base of the organization; and
- (viii) Optimizing operational efficiency.

3. Risk Management

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

The Board, its audit committee and its management should collectively identify the risks impacting the Company's business and document their process of risk identification, risk minimization, risk optimization as a part of a risk management policy or strategy. The

Board should also affirm and disclose in its report to members that it has put in place critical risk management framework across the company, which is overseen periodically by the Board. The disclosure should also include a statement of those elements of risk, that the Board feels, may threaten the existence of the company. It has therefore become imperative for the Company to prepare a comprehensive framework of risk management for assessment of risks and determine the responses to these risks so as to minimize their adverse impact on the organisation.

4. Risk Identification

Risk identification is concerned with identifying and assessing the probable risks and their material effects on the business goals / objectives of the Company in the changing and dynamic environment, both internal as well as external.

Risk identification and assessment includes the risks provided below. However, the list provided below is illustrative and not conclusive :

1. Economic environment and market conditions: Economic slowdowns or factors that affect the economic health of our clients and the said industries may increase risk to our revenue growth.
2. Political environment: Any adverse change in the political environment in the country would have an impact in growth strategies of the company.
3. Approvals and clearances from any regulatory, statutory and governmental authorities and includes environmental clearances.
4. Raw Material Risk: Sugarcane is basic input for Sugar manufacturing process. Estimation risks, possible increase in the prices of raw materials, quantity variations, inadequate provision for contingencies, among others, may adversely affect access to raw materials.
5. Commercial Risks: Change of power, Indenting approval process, Bank guarantees clauses, payment terms, billing approval process, taxes and duties etc.
6. Liquidity Risks: Financial solvency and liquidity mismanagement gives rise to Organizational Risks, Inadequate quality of technical and managerial resources, poor cost control/working capital management etc.
7. Technical, quality or performance risk: Meeting performance standards and time schedule etc.
8. Logistics risks: Accommodation of project personnel in remote locations, transportation of material to difficult sites etc.
9. Dispute Resolution Improper legal clauses, Arbitration laws, etc.

10. Financial reporting risks: Changing laws, regulations and standards relating to accounting, corporate governance and public disclosures are creating uncertainty for companies. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such corporate governance standards.
11. Foreign Exchange Risk – To ensure that there should not be any unhedged foreign exchange exposure on account of Principal or Interest – on Capital or Current Account.
12. Corporate Governance & Compliance – It has to ensure that Company does not fall short of any formal or informal requirement of Corporate Governance and all Regulation and Laws of the country are fully complied with.
13. Ensure that all Statutory and Legal Dues are paid within stipulated time to avoid non-compliance.
14. Risk of Corporate accounting fraud: Accounting fraud or corporate accounting fraud are business scandals arising out of misusing or misdirecting of funds, overstating revenues, understating expenses etc.
15. Legal risk: 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, where the Company is exposed to legal risk exposure.
16. Human resource management risk: Attrition of talented work force both at technical and managerial level.
17. System capability, system reliability, data integrity risks, coordinating and interfacing risks.
18. Disaster Risks: Natural risks like fire, floods, earthquakes, etc.

5. Risk Evaluation

As an integral and unavoidable component of business, BEL is committed to managing the risk in a proactive and effective manner. Though Risk cannot be eliminated, 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.

For managing risk more efficiently the company would need to identify the risks that it faces in trying to achieve its objectives. Once these risks are identified, the risk management committee/risk manager would need to evaluate these risks to see which of them will have critical impact on the firm and which of them are not significant enough to deserve further attention. As a matter of policy, these risks are assessed and steps as appropriate are taken to mitigate the same. Risk Management Framework Objectives must exist before management can identify potential events affecting their achievement. Enterprise risk management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the entity's mission and are consistent with its risk appetite.

The Objectives of the Company can be classified into

Strategic:

- Organizational Growth.
- Sustenance and Growth of Strong relationships with clients.
- Continuing to enhance our industry expertise.
- Enhance our capabilities through technology alliances and acquisitions.

Operations:

- Consistent Revenue growth.
- Consistent profitability.
- High quality execution
- Further develop Culture of Innovative executing methods.
- Attract and retain quality technical associates and augmenting their training.

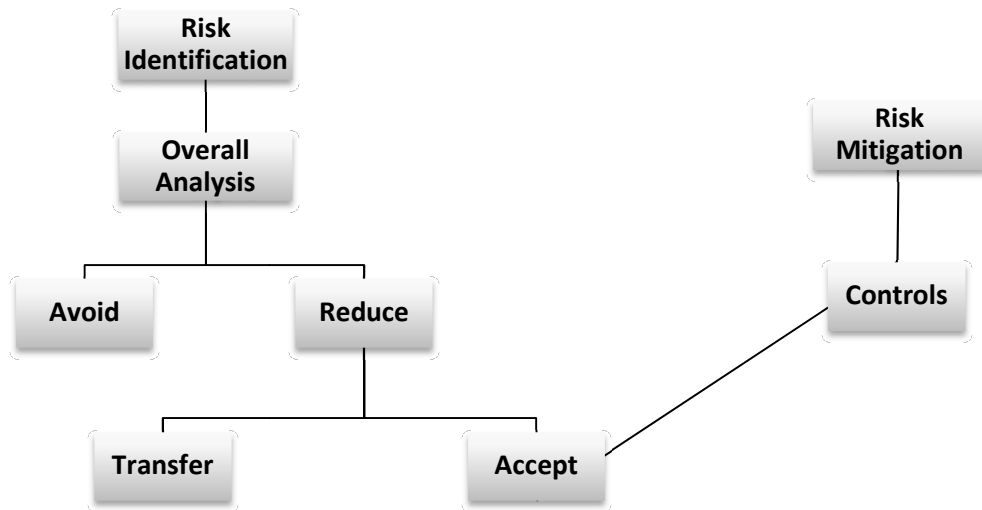
Reporting:

- Maintain high standards of Corporate Governance and public disclosure.

Compliance:

- Ensure stricter adherence to policies, procedures and laws/ rules/ regulations/ standards.

6. Risk Minimisation



In principle, risks always result as consequence of activities or as consequence of non-activities.

1. Economic Environment and Market conditions: Strategically, we seek to maximise the potential Turnover and at the same time securing additional volumes from existing clients on the basis of our record of satisfactory performance in our earlier dealings. The efforts to enhance quality of service/execution and upgrading their performance parameters are aimed at deriving optimum value from the existing client base. To counter bidding pressures caused by strong competition, the Company has been increasing performance and continued to take initiatives to move up the quality besides cost reduction and cost control initiatives.
2. Political environment: Considering its basic political philosophy, we are reviewing existing and future investment strategies on a continuous basis. Risks that are likely to emanate are managed by constant engagement with the Government of the day, reviewing and monitoring the country's industrial, labour and related policies.
3. Environmental clearances: Maintenance programmes are devised for constant review of eco-systems to ensure that the emission and water drawals are always within stipulated parameters of clearances granted.
4. Raw Material Risk: Proper policies are followed in relation to maintenance of inventories of Sugarcane, consumables, key spares and tools to ensure their availability for planned generation programmes.
5. Commercial Risks: Proper billing process and follow up with customer is required to reduce time-lag between billing and payment by electricity distribution companies.

6. **Liquidity Risk:** Proper financial planning is put in place with detailed Annual Business Plans discussed at appropriate levels within the organisation. Annual and quarterly budgets are prepared and put up to management for detailed discussion and an analysis of the nature and quality of the assumptions, parameters etc. These budgets with Variance Analysis are prepared to have better financial planning and study of factors giving rise to variances. Monthly/Quarterly/Annual cash flows are prepared, followed and monitored at senior levels to prevent undue loss of interest and utilise cash in an effective manner.
7. **Technical, quality or performance risk:** Attract and retain quality technical associates and augmenting their training. Implementation of quality control measures to ensure that the raw material is of desired quality. These risks are minimized by Organisation and Management of Sugar manufacturing process Schedules, such as planning, monitoring and reporting systems in the day to day operation process
8. **Logistics risks:** Background of employee is checked to ensure that he is suitable for remote location and that re location should result in minimum discomfort and he can contribute positively.
9. **Dispute Resolution and arbitration.:** A study of contracts with focus on contractual liabilities, deductions, penalties and interest conditions is undertaken on a regular basis. The legal department vets all legal and contractual documents with legal advice from Legal retainers for different branches of legislation. Contracts are finalized as per the advice from legal professionals and advocates. Carefully drafted contracts avoid disputes and also allow to reach amicable solution with the help of Arbitration as and when required.
10. **Financial reporting risks:** Our Company is committed to maintaining high standards of corporate governance and public disclosure and our efforts to comply with evolving laws, regulations and standards in this regard would further help us address these issues. Our preparation of financial statements in conformity with Indian GAAP and in accordance with the Accounting Standards issued by ICAI, requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances including consultation with experts in the field, scrutiny of published data for the particular sector or sphere, comparative study of other available corporate data, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. These may carry inherent reporting risks.
11. **Risk of Corporate accounting fraud:** The Company mitigates this risk by Understanding the applicable laws and regulations , Conducting risk assessments, Enforcing and monitoring code of conduct for key executives , Instituting Whistleblower mechanisms , Deploying a strategy and process for implementing the

new controls, Adhering to internal control practices that prevent collusion and concentration of authority, Employing mechanisms for multiple authorisation of key transactions with cross checks , Scrutinising of management information data to pinpoint dissimilarity of comparative figures and ratios, Creating a favourable atmosphere for internal auditors in reporting and highlighting any instances of even minor non-adherence to procedures and manuals and a host of other steps throughout the organisation and assign responsibility for leaving the overall effort to a senior individual like Chief Financial Officer.

12. Legal risk: We have an experienced team of professionals, advisors who focus on evaluating the risks involved in a contract, ascertaining our responsibilities under the applicable law of the contract, restricting our liabilities under the contract, and covering the risks involved so that they can ensure adherence to all contractual commitments. Management places and encourages its employees to place full reliance on professional guidance and opinion and discuss impact of all laws and regulations to ensure company's total compliance. Advisories and suggestions from professional agencies and industry bodies, chambers of commerce etc. are carefully studied and acted upon where relevant. The Company has established a compliance management system in the organisation and Secretary of the Company being the focal point will get the quarterly compliance reports from functional heads and being placed before the Board.
13. Human resource management risk: Labour Turnover Risks, involving replacement risks, training risks, skill risks, etc. The Company has proper recruitment policy for recruitment of personnel at various levels in the organization. Proper appraisal system for revision of compensation on a periodical basis has been evolved and followed regularly. Employees are trained at regular intervals to upgrade their skills. Labour problems are obviated by negotiations and conciliation. Activities relating to the Welfare of employees are undertaken. Employees are encouraged to make suggestions and discuss any problems with their Superiors. To restrict the impact of attrition of talent at top management level, Second level positions are created in each Department to continue the work without any interruption in case of non-availability of functional heads.
14. System Risk: IT department maintains repairs and upgrades the systems on a continuous basis with personnel who are trained in software and hardware on regular basis. Password protection is provided at different levels to ensure data integrity. Licensed software is being used in the systems. The Company ensures "Data Security", by having access control/ restrictions. Flow of information is well defined to avoid any conflict or communication gap between two or more Departments.
15. Disaster Risks: The properties of the company are insured against natural risks, like fire, flood, earthquakes, etc. with periodical review of adequacy, rates and risks covered under professional advice. Fire extinguishers have been placed at fire sensitive locations. First aid training is given to watch and ward staff and safety personnel. Workmen of the company are covered under ESI, EPF, etc., to serve the welfare of the workmen.

7. Review

Review of this Risk Management Policy -- including compliance with internal controls under various functional areas – is to be undertaken by the Board with the views of other Directors from time to time so as to ensure effectiveness of the policy. Such review would be made with the presentation of the Risk Identification Report above and Risk Assessment & Minimization Report mentioned -- unless a more frequent review is deemed necessary. The recommendations arising out of the review are to be placed to the Board for effecting / implementing changes.

The essential part of the review mechanism would be

- Submission of Risk Report to the Board on an annual basis to highlight fresh risks as well as Action-taken Reports on previously identified risks.
- Monitoring the implementation of Risk-mitigation Action Plan(s) to ensure sensitivity to detection of risks, flexibility in response.
- Evaluating success of the Risk-mitigation Action Plan(s)
- Overall Review of the Risk Management Policy and modification of policy from time to time arising out of the review.
