



NDR AUTO COMPONENTS LIMITED

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Hospitality District Aerocity, IGI Airport, New Delhi 110037

CIN: L29304DL2019PLC347460

RISK MANAGEMENT POLICY

1. BACKGROUND

NDR Auto Components Ltd. (the Company) is engaged in the manufacture of automobile seat trims and frames. The business activities of the Company carry various internal and external risks.

'Risk' in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. 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 risks. Formal and systematic approaches to managing risks have evolved and they are now regarded as good management practice also called as Risk Management.

'Risk Management' is the identification, assessment, 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 active approaches to management
- 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: Regulations, competition, Business risk, Technology obsolescence, return on investments, business cycle, increase in price and costs, limited resources, retention of talent, etc.

2. LEGAL FRAMEWORK

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improvise the governance practices across the business activities of any organisation. The Companies Act, 2013 and the SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015 have 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 including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of 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.

3. PURPOSE AND SCOPE OF THE POLICY

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a pro-active approach in 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 to Risk Management, in order to guide decisions on risk related issues.

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 assure business growth with financial stability.

4. APPLICABILITY

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

The Company follows a specific defined Risk Management Process which is integrated with operations for identification, categorization, prioritization and mitigation of various risks.

5. RISKS AND CONCERNS

The management perceives the following risks and concerns for its business:

(a) BUSINESS RISKS:

- i) **Economic Environment and Market conditions:** Economy continues to be affected by policy reforms, GDP growth and interest rate which affect the growth and profitability of the Company.
- ii) **Regulatory Policies:** Changes in Government policies and legislations can affect Company’s business.

- iii) **Competition:** The Company operates in a highly competitive market and its major customer adopts de-risking strategies to maintain more than one source for a product. The Company's sales and margins are dependent on customers' sales.

(b) FINANCIAL RISKS:

- i) **Currency Fluctuations:** The Company is exposed to the risks associated with fluctuations in foreign currency rates on account of foreign currency imports.
- ii) **Inflation and Cost structure-**
Inflation is inherent in any business and thereby there is a tendency of costs going higher.

6. RISK MITIGATION MEASURES:

- i) The Company is actively exploring all new business opportunities in terms of product diversification.
- ii) The Company reviews forward exchange contracts/ derivative contracts on a regular basis to analyze foreign exchange exposure and ensures appropriate hedging.
- iii) Implementation of low cost product development and other savings in cost through Kaizen and other cost saving measures.

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 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. AMENDMENT

This Policy can be modified at any time by the Board of Directors of the Company in case of any regulatory changes.