LALITHAA JEWELLERY MART PRIVATE LIMITED

RISK MANAGEMENT POLICY

1. PREAMBLE:

The Board of Directors has adopted the following policy and procedures with regard to risk management. This document lays down the framework of Risk Management at **Lalithaa Jewellery Mart Private Limited** (hereinafter referred to as 'the Company') and defines the policy for the same. 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.

2. OBJECTIVE:

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.

3. DEFINITIONS:

"Board of Directors" or **"Board"** in relation to a Company, means the collective Body of Directors of the Company.

"Policy" means the Risk Management Policy of the Company.

4. GOVERNANCE FRAMEWORK:

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

- **Companies Act, 2013:**

  Provisions of the Section 134(3) of the Act:

  There shall be attached to Financial Statements laid before the Company in General Meeting, a report by its Board of Directors, which shall include:-

  - 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.

5. CONSTITUTION OF RISK MANAGEMENT COMMITTEE:

Risk Management Committee shall be constituted by the Board, as and when required under the applicable Laws & Statutes, consisting of such number of Directors (Executive or Non-Executive) as the Board may think fit.

The Board shall define the roles & responsibilities of the Risk Management Committee & may delegate monitoring & reviewing of the risk management plan to the Committee & such other functions as it may deem fit.

6. APPLICABILITY:

This policy applies to all the areas of the Company's operations.

7. RISK ASSESSMENT:

To meet the objectives of the Company, the Management shall consider expected and unexpected events, pursuant to which it is imperative to make effective strategies for exploiting opportunities. Accordingly, the Company has identified key risks and developed plans for managing the same.

8. RISK IDENTIFICATION:

In order to identify and assess material business risks, the Company defines risks and prepares risk profiles in light of its business plans and strategies. This involves providing an overview of each material risk, making an assessment of the risk level and preparing action plans to address and manage the risk.

Material Risks on which the Company presently focuses can be broadly subdivided into Internal and External Risks and may comprise of the following:

- **INTERNAL RISKS:**

  - **Technological risks:**

    The company strongly believes that technological obsolescence is a practical reality. The media and entertainment industry continues to undergo significant technological developments, including the on-going transition from physical to digital media. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.

- **Strategic business risks:**

Our company is in the process of manufacturing gold ornaments and having retail sales. The Company does not have substantial exports or imports.

Companies availing metal gold loan depend on daily metal rate and the USD currency fluctuations play a vital role on the raw material procurement. Hence proper planning is to be in place to arrest the volatility of the metal prices and USD currency variations.

Our company adopts the strategy of investing the daily collections on procurement of metal the following day from reputed suppliers. Hence there is an inherent risk mitigating process in place.

Company reviews the above on a periodical basis viz., once in two months and ensure local purchase is economical in comparison to imports and company does not incur any losses. The risk involved is closely monitored by the Management and corrective actions are initiated as required from time to time.

- **Legal and regulatory compliance risks:**

Legal risk is the risk in which the Company is exposed to legal actions. 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.

Further, the Company is required to avail various approvals, licenses, registrations and permissions for its regular business activities and each regulatory authority may impose its own requirements or delay or refuse to grant approval.

Company avails services of 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

- **Cost risks:**

  At organizational level, cost optimisation and cost reduction initiatives are implemented and are closely monitored. The Company controls costs through budgetary mechanism and its review against actual performance with the key objective of aligning them to the financial model. The focus on these initiatives has inculcated across the organization the importance of cost reduction and control.

- **Credit risks:**

  Credit risk is managed at the corporate level. For selecting banks and financial institutions, only high rated banks/institutions are accepted as per the Management's evaluation. The company considers the probability of default upon initial recognition of asset. It considers reasonable and supportive forward-looking information like the following:

  - Management's evaluation which is based on actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change-to the business's ability to meet its obligations
  - Actual or expected significant changes in the operating results of the business.
  - Significant increase in credit risk on other financial instruments of the same business.
  - Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
  - Significant changes in the expected performance and behavior of the business, including changes in the payment status and changes in the operating results.
  - Macroeconomic information such as regulatory changes, market interest rate or growth rate is considered.

- **Human resource risks:**

  Human Resources Department adds value to all the divisions of the Company by ensuring that the right person is assigned to the right job and that they grow and contribute towards organisational excellence. Risk in matters of human resources are sought to be minimised and contained by following a policy of providing equal opportunity to every employee, inculcate in them a sense of belonging and commitment and also effectively train them in spheres other than their own specialisation. Employees are encouraged to make suggestions on innovations, cost saving procedures, free exchange of other positive ideas etc. It is believed that a satisfied and committed employee will give of his/her best and create an atmosphere that cannot be conducive to risk exposure.

- **Risks arising from exchange rate fluctuations:**

  The company incurs expenditure and earn revenue in foreign currencies whenever exports or imports of goods & services or both of material value takes place. The foreign exchange risks are covered by the Company by taking forward contracts.

- **EXTERNAL RISKS:**

- **Illegal use and exploitation of Company's content and/or intellectual property rights and inadequate judicial systems and remedies:**

  Our industry is highly dependent on maintenance of intellectual property rights. Infringement of exclusive rights, is rampant globally, and can only be minimized by speedy and cost effective judicial remedies which may not always be available.

- **Economic Environment and Market conditions Risks:**

  Company's performance and growth are dependent on the health of the Indian economy and more generally the global economy. The economy could be adversely affected by various factors such as political or regulatory action, including adverse changes in liberalization policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors.

  In recent years, India has been following a course of economic liberalization and our business could be significantly influenced by economic policies adopted by the Government. The rate of economic liberalization could change, and specific laws and policies affecting foreign investment, currency exchange rates and other matters affecting investment in India could change as well.

- **Competition risks:**

  The Company may face competition from both new as well as existing players in the industry.

- **Government policy and political risks:**

  The Government has traditionally exercised and continues to exercise influence over many aspects of the economy. While the current Government is expected to continue the liberalization of India's economic and financial sectors and deregulation policies, there can be no absolute assurance that such policies will be continued.

9. RESPONSIBILITY, COMPLIANCE AND CONTROL:

Generally every staff member of the Organisation is responsible for the effective management of risk including the identification of potential risks. The Head of Departments and other Senior Management Persons in the Company at organizational levels under the guidance of the Board are responsible for the development of risk mitigation plans and the implementation of risk reduction strategies.

10. GENERAL:

- The Board of Directors in their meeting shall at least once in every year review the risk management framework and effectively address the emerging challenges in a dynamic business environment and ensure that it meets the requirements of the applicable Laws and the needs of the Organization.
- The Board of Directors shall have the power to modify, amend or replace this Policy in part or full as may be thought fit from time to time in their absolute discretion.
- Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013 or any other applicable law or regulation to the extent applicable to the Company.
- The risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and in having a complete / proper management's perception of risks. The Management cautions the readers to exercise their own judgment in assessing various risks associated with the Company.

11. DISSEMINATION OF POLICY:

The Risk Management Policy shall be uploaded on the website of the Company at www.lalithaajewellery.com.