Kiri Industries Limited

Future Full of Colours.....

CIN-L24231GJ1998PLC034094

RISK MANAGEMENT POLICY

[In Accordance with regulation 17 and 21 of SEBI (Listing Obligations and Disclosure Requirement), 2015]

[As approved by the Board of Directors on February 9, 2016]

1. BACKGROUND

The Securities and Exchange Board of India ("the SEBI") has notified SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI (LODR) Regulations") vide notification no. SEBI/LAD/NRO/GN/2015-16/013, dated 2nd September, 2015, which was effective from 2nd December, 2015 (90 days from the publication in official gazette).

In accordance with Section 134(3)(n) of the Companies Act, 2013, a company is required to 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 and further as per Regulation 17 of the SEBI (LODR) Regulations, the board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

Accordingly, to mitigate and manage risk at "**Kiri Industries Limited**" (hereinafter referred to as the "Company"), the Company has formed the policy (the "Risk Management Policy") for the same. This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in the operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

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:

a) Providing a framework, that enables future activities in a consistent and controlled manner;

b) Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats;

c) Contributing towards more efficient use/ allocation of the resources within the organization;

d) Protecting and enhancing assets and company image;

e) Reducing volatility in various areas of the business;

f) Developing and supporting people and knowledge base of the organization;

g) Optimizing operational efficiency.

3. RISK MANAGEMENT

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

B. The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.

C. The company will also constitute a Risk Management Committee or other committee as it may deem fit. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the Committee and such other functions as it may deem fit.

4. APPLICABILITY

This Policy shall come into force with effect from December 1, 2015.

5. DEFINITION

In this Policy, unless the context otherwise requires:

"**Audit Committee or Committee**" means Committee of Board of Directors of the Company in accordance with the provisions of the Companies Act, 2013 and as per SEBI (LODR) Regulations.

"**Company**" means "Kiri Industries Limited, a Company constituted under the provisions of Companies Act, 1956.

"**Board of Directors**" or "**Board**" in relation to a Company, means the collective body of Directors of the Company. (Section 2(10) of the Companies Act, 2013)

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

6. RISK MANAGEMENT FRAMEWORK

Before proceeding to the policy attention is drawn to the roles that the Board and Audit Committee are required to play under the above regulations governing Risk Management:

1. The Board's role to ensure framing, implementing and monitoring risk management plan, having in place, systems for risk management as part of internal controls with duty being cast upon Independent Directors to bring unbiased approach during the Board's deliberations on making risk management systems very strong and effective.

2. The Audit Committee's role, is to evaluate the risk management systems.

3. This policy shall complement the other policies of Kiri Industries Limited in place e.g. Related Party Transactions Policy, to ensure that the risk if any arising out of Related Party Transactions are being effectively mitigated.

7. BROAD PRINCIPLES

The Board is required to review the business plan at regular intervals and develop the Risk Management Strategy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risks, both external and internal including environmental, business, operational, financial, political and others. Communication of Risk Management Strategy to various levels of the management for effective implementation in the Company.

8. IDENTIFICATION AND RISK ANALYSIS

Risk Identification is obligatory on all vertical and functional heads who with the inputs from their team members are required to report the material risks to the chairman and managing director and whole time directors of the Company along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by Mr. Manish Kiri, Managing Director of the Company through participation of the vertical/functional heads and a preliminary report shall be placed before the Risk Management Committee.

The following steps to be taken:

Risk identification: To identify organization's exposure to uncertainty, risks may be classified in the following:

1. Strategic
2. Operational
3. Financial
4. Hazard
5. Political

Risk Description:

To display the identified risks in a structured format.

Risk Evaluation:

After risk analysis, comparison of estimated risks against organization risk criteria is required. It is to be used to make decisions about the significance of risks and whether each specific risk to be accepted or treated.

Risk Estimation:

It can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences.

Impact level on performance/profit – Both Threats and Opportunities

Reporting

1. Internal Reporting

a) Risk Management Committee
b) Board of Directors
c) Vertical Heads
d) Individuals

2. External Reporting

a) To communicate to the stakeholders on regular basis as part of Corporate Governance.

Development of Action plan

The Board has constituted a Risk Management Committee consisting of the following members and defined the Committee's role and responsibility:-

Sr. No.	Name of Members	Designation
1.	Mr. Pravin Kiri	Chairman
2.	Mr. Manish Kiri	Member
3.	Mr. Mukesh Desai	Member
4.	Mr. Yagnesh Mankad	Member
5.	Mr. Jayesh Vyas	Member
6.	Mr. Suresh Gondalia	Secretary to the Committee

The Committee shall not only assist in implementation of the Risk Management Plan of the Board but also monitor its implementation and review.

The members of the Risk Management Committee shall discharge the role of and their collective suggestions to the Board for periodic updation of the Risk Management Plan.

The Risk Management Committee shall critically examine the report of Mr. Manish Kiri, Managing Director and each identified risk shall be assessed for its likely impact vis a vis the resources at the Company's disposal.

Guidelines to deal with the risks

Business Plan including Capital Expenditure and Fund Flow Statement for each segment together with SWOT analysis, data on Production Planning, Materials Management, Sales & Distribution, Delivery Schedules, Assets, Accounts Receivables and Payables as well as Regulatory Regime applicable shall be reviewed in the light of the material risks identified. Through deliberations of the Committee a comprehensive plan of action to deal with the risks shall be developed and guidelines flowing from such plan shall be communicated to the employees concerned for mitigation of the risks.

9. BOARD APPROVAL

The Action Plan and guidelines decided by the Risk Management Committee shall be approved by the Board before communication to the Key Managerial Personnel for implementation.

The Board shall approve the risk management (including risk treatment) strategy, control structure and policy guidelines and delegate authority and accountability for risk management to the Company's executive team.

10. RISK TREATMENT

Risk Treatment includes the process of selecting and implementing measures to mitigate risks and to prioritize risk control actions in terms of their potential to benefit the organization. Risk treatment includes risk control/mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for

a) Effective and efficient operations
b) Effective Internal Controls
c) Compliance with laws & regulations

Risk treatment shall be applied at all levels through carefully selected validations at each stage to ensure smooth achievement of the objective.

11. RISK REGISTERS

Risk registers shall be maintained showing the risks identified, treatment prescribed, persons responsible for applying treatment and status after the treatment etc.

Risk Managers and Risk Officers to be identified for proper maintenance of the risk registers which will facilitate to report of the effectiveness of the risk treatment to the Risk Management Committee, Audit Committee and the Board.

The Board shall have the discretion to deal with certain risks (may be called key or highly sensitive risks) in the manner it may deem fit. Mitigation of such highly sensitive/key risks and effectiveness of their mitigation measures and review of the strategy may be directly discussed by the Board members with Audit Committee.

12. ROLE OF AUDIT COMMITTEE

The following shall serve as the role and responsibility of the Audit Committee authorized to evaluate the effectiveness of the risk management framework:

a) Evaluation of internal financial controls and risk management systems;

b) Review of the strategy for implementing risk management policy;

c) To examine the organization structure relating to Risk management;

d) Evaluate the efficacy of Risk Management Systems – Recording and Reporting;

e) To review all hedging strategies/risk treatment methodologies vis a vis compliance with the Risk Management Policy and relevant regulatory guidelines;

f) To define internal control measures to facilitate a smooth functioning of the risk management systems;

g) Ensure periodic review of operations and contingency plans and reporting to Board in order to counter possibilities of adverse factors having a bearing on the risk management systems.

13. INTEGRATION OF RISK MANAGEMENT STRATEGY

The risk management strategy of the Company is to be integrated with the overall business strategies of the organization and its mission statement to ensure that its risk management capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company's objectives.

14. PENALTIES

The penalties are prescribed under the Companies Act, 2013 under various sections which stipulate having a Risk Management Framework in place and its disclosure.

Section 134 (8) (dealing with disclosure by way of attachment to the Board Report): If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than Rupees Fifty Thousand Only but which may extend to Rupees twenty-five Lakh and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than rupees fifty thousand but which may extend to rupees five Lakh, or with both.

There are other provisions of the Companies Act, 2013 as well as the provisions stipulated under Securities and Exchange Board of India Act, 1992 which stipulate stiff penalties. Therefore, this Policy prescribes that violation of the provisions applicable to Risk Management Framework is something the Company cannot afford to risk.

15. REVIEW

This policy shall evolve to review by the Risk Management Committee and the Board from time to time as may be necessary.

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company.

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