**AJANTA SOYA LIMITED**

**RISK MANAGEMENT POLICY**

## LEGAL FRAMEWORK

Risk Management is a key aspect of the "Corporate Governance Principles and Code of Conduct" which aims to improvise the governance practices across the Company's activities. Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

## OBJECTIVE & PURPOSE OF 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 business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

## RISK FACTORS

The objectives of the Company are subject to both external and internal risks that are enumerated below:-

### External Risk Factors

Economic Environment and Market conditions
Political Environment
Competition
Revenue Concentration and liquidity aspects
Inflation and Cost structure
Technology Obsolescence

### Legal

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, the Company is exposed to legal risk.

### Fluctuations in Foreign Exchange

While our functional currency is the Indian rupee, we transact a significant portion of our business in USD and other currencies and accordingly face foreign currency exposure from our purchases from overseas suppliers in U.S. dollars and other currencies and are exposed to substantial risk on account of adverse currency movements in global foreign exchange markets.

We manage risk on account of foreign currency fluctuations through limited hedging of specific transactions with our Bankers. Our risk management strategy is to identify risks we are exposed to, evaluate and measure those risks, decide on managing those risks, regular monitoring and reporting to management. The objective of our risk management policy is to minimize risk arising from adverse currency movements by managing the uncertainty and volatility of foreign exchange fluctuations by hedging the risk to achieve greater predictability and stability. Without venturing into the speculative aspects of dealing in currency derivatives, we aim to cover foreseeable fluctuations with limited hedge cover so that moderate arbitrage efficiency is achieved against the existing borrowing rates of interest. Our risk management policies are approved by senior management and include implementing hedging strategies for foreign currency exposures, specification of transaction limits; identification of the personnel involved in executing, monitoring and controlling such transactions.

AJANTA SOYA LIMITED ASL DELHI

**Foreign Exchange and Interest Rate Risk Management:**

a. Exposures

The Company has currency exposures in the form of Sundry Creditors etc.

b. Risk Identification

Foreign currency exposures are recognized from the time an import contract is signed and as per contractual maturity prior to opening of Letters of Credit.

All exposures are considered month wise for the current year and quarter wise for later exposures.

The company's budgeted exchange rates are not be used for quotations or exposure management or performance evaluation of treasury.

c. Risk Measurement

Measurement of the risk will be done through the net open position in a currency, multiplied by the predetermined "stop loss" levels. The net open position is the difference between unhedged receipts and payments in each currency. Stop loss level means the predetermined level at which an un- hedged exposure could be hedged.

The stop loss level has to be applied in relation to a benchmark. The forward exchange rate applicable to the maturity of an exposure, ruling when the exposure is identified for risk management purposes, will be used as the benchmark.

**Internal Risk Factors**

Project Execution
Contractual Compliance
Operational Efficiency
Hurdles in optimum use of resources
Quality Assurance
Environmental Management
Human Resource Management
Culture and values

**The specific objectives of the Risk Management Policy are:**

1. 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.
2. To establish a framework for the company's risk management process and to ensure its implementation.
3. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
4. To assure business growth with financial stability.

AJANTA SOYA LIMITED ASL

## AJANTA SOYA LIMITED

## RISK MANAGEMENT POLICY

### DISCLOSURE IN BOARD'S REPORT

Board of Directors 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.

### BACK GROUND AND IMPLEMENTATION

The Company is prone to inherent business risks. This document is intended to formalize a risk management policy, the objective of which shall be identification, evaluation, monitoring and minimization of identifiable risks.

This policy is in compliance with the amended Clause 49 of the Listing Agreement (w.e.f 1st October 2014) which requires the Company to lay down procedure for risk assessment and procedure for risk minimization.

The Board of Directors of the Company and the Audit Committee shall periodically review and evaluate the risk management system of the Company so that the management controls the risks through properly defined network.

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 Audit Committee.

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.

### APPLICATION

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

### ROLE OF THE BOARD

The Board will undertake the following actions to ensure risk is managed appropriately:

- ✓ The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.
- ✓ Ensure that the appropriate systems for risk management are in place.
- ✓ The independent directors shall help in bringing an independent judgment to bear on the Board's deliberations on issues of risk management and satisfy themselves that the systems of risk management are robust and defensible;
- ✓ Participate in major decisions affecting the organization's risk profile;
- ✓ Have an awareness of and continually monitor the management of strategic risks;

AJANTA SOYA LIMITED ASL DELHI

- ✓ Be satisfied that processes and controls are in place for managing less significant risks;
- ✓ Be satisfied that an appropriate accountability framework is working whereby any delegation of risk is documented and performance can be monitored accordingly;
- ✓ Ensure risk management is integrated into board reporting and annual reporting mechanisms;
- ✓ Convene any board-committees that are deemed necessary to ensure risk is adequately managed and resolved where possible.

**REVIEW**

This policy shall be reviewed at a minimum at least every year to ensure it meets the requirements of legislation & the needs of organization.

***********

AJANTA SOYA LIMITED ASL DELHI