

Risk Management Policy
of
Khaitan Chemicals & Fertilizers Limited

LEGAL REQUIREMENTS:

The Company's business is exposed to various risks, arising out of internal and external factors. This document lays down the Risk Management Policy of the company, which identifies and evaluates various risks and mitigating efforts to resolve such risks. This Policy is in compliance with SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, which requires the company to lay down procedure for risk assessment and risk minimization.

The Board of Directors, Senior Management and the Audit committee of the company should periodically review the policy and monitor its implementation to ensure risk minimization and smooth running of the business. This policy will cover all the areas of operations of the Company.

FRAMEWORK:

Risk Management is considered a vital and important function of the Corporate Governance practices. Risk Management policy is formulated to ensure robust internal controls, and enable the Company to proactively respond to any changes in the business environment so as to achieve a high degree of business performance, limit any negative impact on its working and capitalize on any business opportunities.

OBJECTIVES OF THE POLICY:

The main objective of the policy is to ensure sustainable business growth with stability, plan and meet strategic objectives, improve the business processes and evaluate, tackle and resolve various risks associated with the business management of the Company.

BOARD REPORT:

The report of Board of Directors as required under Section 134 (3) (n) will include details about the development and implementation of Risk Management Policy and this will cover identification of various risks, arising out of internal and external elements, as faced by the Company and the mitigating efforts for tackling the same.

KEY BUSINESS RISKS & MITIGATION THEREOF:

The Company has identified following business risk associated with business of the Company:

1. **Industry Risks** (relating to inherent characteristics)
Being seasonal consumed Agriculture product, which is highly depended on indifferent weather, leads to demand fluctuations and uncertain Industry movements. To mitigate these risks the management keeps close watch on progress of monsoon, develop & maintain strong distribution channels and also cautious approach of inventory management.

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2. **Competition Risks:** Our Company is part of free market economy with easy entrance of competitors in business; therefore the competitive risk is being mitigated by putting continuous efforts for supplying good quality fertilizers in reasonable prices and adequate branding so as to ensure maximum customer satisfaction.
3. **Inputs Risks:** Our Company purchase both indigenous and imported Raw materials i.e. Rock Phosphate and Sulphur. This contains risks of suppliers' creditability, purchase price volatility, transportations risks and raw material availability & quality risk.

These risks are mitigated by proper purchase planning in advance, diligent identification & selection of suppliers, monitoring of developments in suppliers' countries, regular price monitoring in domestic and international markets, strengthening of transportation system alongwith insurance policies while ensuring timely receipt of raw material in required quality.

4. **Geography Risks:** It contains risk of unevenly and irregular monsoon pattern across the country also concentrated market of finished goods. The Company is expanding its marketing & supplying area to mitigate these risks.
5. **Financial Risks:** The Company is dealing in a product, which is consumed for very short duration and thus required advance purchases / holding of inventory by all business channels. This pattern of the Industry leads to high interest rates risk, Foreign currency fluctuation risk, receivable risks and liquidity risks

The management mitigates above risks maintaining healthy financial ratios like debt-equity ratio, liquid ratio, interest coverage ratio etc and good credit rating so as to borrow funds at favorable rates, FOREX Fluctuation risks is mitigated by partially hedging the exposures, receivables are monitored closely and continuously to have minimum receivable, monitoring of outstanding subsidy regularly and managing working capital facilities.

6. **Regulatory Risks:** It includes non-compliance of Legal, Regulatory, Tax Compliances, Subsidy Policy of Government, FCO Standards & Specifications and other regulations.

The management and its employees continuously update themselves of statutes and regulation, take experts' opinion & support and monitor the regulations vigilantly.

The Company has put in place rigid quality checks at Plants with respect to production process and quality controls. Also the management continuous vigil is the only solution.

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7. **Other Operational Risks.** The risks includes handling, processing and storage of Sulphur, H₂SO₄, SO₃, etc , un-treated effluents and others. The Company mitigate these risks by adherence of maintenance and inspection schedules , training of safety programs, Disaster management plans, adequate Insurance Policies, compliance of ISO 14001 & OHSAS 18001, efficiently running ETP Plants.
8. **Information Technology Related Risks.** This risk contains loss or misuse of important data the Company. The Company have back-up mechanism, proper authorisation and verification and other preventive measures

IMPLEMENTATION OF THE SCHEME:

The functional managers at all locations will be responsible for identifying and assessing the risks within their areas of responsibilities and actions agreed beforehand to resolve such risks. They will report for any new risk or changes in the existing risk to the President/Managing Director. The Board and the senior executives of the Company will oversee the implementation of the policy and review the same periodically; the Board will be updated on key risks faced by the Company and the mitigating actions taken to resolve them.

REVIEW:

The policy shall be reviewed from time to time to ensure that it complies fully within the legislation.