

RISK MANAGEMENT POLICY

1. BACKGROUND AND CONTEXT APPLICABILITY:

This document lays down the framework of Risk Management at the Marine Electricals (India) Limited. This document shall be under the authority of the Board of Directors of the Company. 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.

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.

2. OBJECTIVE AND SCOPE OF THE POLICY:

The objective of Risk Management at Marine Electricals (India) Limited is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. An enterprise wide risk management framework is applied so that effective management of risks is an integral part of every employee's job.

The specific objectives of this Policy are:

(a) 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.

(b) To establish a framework for the company's risk management process and to ensure its implementation.

(c) To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.

(d) To assure business growth with financial stability.

3. APPLICABILITY

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

4. 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-

Each business area of products such as Marine, Industry segments of electric panels and solar projects has specific aspects on profitability and liquidity. The risks are therefore associated on each business segment contributing to total revenue, profitability and liquidity. Since the projects have inherent longer time-frame and milestone payment requirements, they carry higher risks for profitability and liquidity.

Inflation -

Inflation is inherent in any business and thereby there is a tendency of costs going higher.

Technology Obsolescence –

The Company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.

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-

The Company has limited currency exposure in case of sales, purchases and other expenses. It has natural hedge to some extent. However, beyond the natural hedge, the risk can be measured through the net open position i.e. the difference between un-hedged outstanding receipt and payments. The risk can be controlled by a mechanism of “Stop Loss” which means the Company goes for hedging (forward booking) on open position when actual exchange rate reaches a particular level as compared to transacted rate.

- **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

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:

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 and Audit Committee
 - b) Board of Directors
 - c) Vertical Heads
 - d) Individuals

2. External Reporting

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

5. REVIEW

This policy shall evolve by review by 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.

This Policy may be amended or substituted by the Board as and when required. However, no such amendment or modification will be binding on the Directors and employees unless the same is communicated in the manner described as above.