



# RISK MANAGEMENT POLICY

## **1. Background :**

Kanpur Plastipack Limited. (the Company) is engaged in manufacturing, marketing and export of FIBC ( Flexible Intermediate Bulk Container ) commonly known as Jumbo bags, Woven Sacks, PP Fabrics and PP high Tenacity Multifilament Yarn primarily in the Export Market and has a major presence in USA, South America and Europe. The business activities of the Company carry various internal and external risks.

Risks are inherent in all administrative and business activities of the Company. Every member of the Organization continuously manages various types of risks. Formal and systematic approaches to managing risks have evolved and been put into practice. Risk management does not aim at eliminating them, as that would simultaneously eliminate all chances of rewards/opportunities. Risk Management is instead focused at ensuring that these risks are known and addressed through a pragmatic and effective risk management process.

## **2. Policy Objective :**

The Company believes that pro-active risk assessment is the key process towards management of risk and thereby protecting the Shareholders value, improving governance process, achieving strategic objectives and being well prepared for adverse situations affecting the Company.

The objective of this Policy is to ensure that the Board, its Audit Committee and its executive Management should collectively identify the risks impacting the Company's business and document their process of risk identification, risk minimization and risk optimization as a part of a risk management policy or strategy.

## **3. Legal Framework :**

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improvise the governance practices across the business activities of any organization. The new Companies Act, 2013 has also incorporated various provisions in relation to Risk Management policy, procedure and practices.

In line with the above requirements and for the better corporate governance it is therefore, required for the Company to frame and adopt a "**Risk Management Policy**" (this Policy) of the Company.

## **4. Applicability :**

This Policy applies to all areas of the Company's operations from the date of its approval by the Board of Directors.

## **5. Risk Factors and Risk Mitigation :**

**a) Market and Global Scenario :** The Company is an export oriented Unit with its major sales coming from Europe, USA and South America. Adverse economic situations in these Countries pose a risk. The global political economic scenario may impact the operations of the Company due to political, environmental and economic factors. The Company tries to mitigate this risk by spreading its market over a wider footprint and increasing its domestic presence. Strategically, we seek to continuously expand the customer base to maximize the potential sales volumes and at the same time securing additional volumes from existing customers on the basis of our record of satisfactory performance in our earlier dealings. The efforts to enhance quality of products and upgrading their performance parameters are aimed at deriving optimum value from the existing customer base and targeting a larger customer profile. Historically, the strength of our relationships has resulted in significant recurring revenue from existing customers.

To counter pricing pressures caused by strong competition, the Company has been increasing operational efficiency and continued to take initiatives to move up the quality control scale besides cost reduction and cost control initiatives.

**b) Raw Material volatility :** The principle Raw material used by the Company are PP and LDPE Granules which are Petrochemical products produced from derivatives of Crude oil. The Company is thus exposed to risks associated with volatile prices in commodities. This vital input is monitored by the Directors on a weekly basis with adequate information on price movement and purchases and inventory are planned accordingly.

Raw material prices can also be impacted by the Global political-economic situation as any crises in the Gulf countries leads to major price movements. The Company has a process to mitigate these risks.

**c) Inflation and Cost Structure :** Inflation is inherent in any business and thereby there is a tendency of costs going higher. Further, rising manpower costs pose a challenge due to the business of the Company being labour intensive. The Management has a continual system of labour rationalization and cost monitoring in place. At organizational level, cost optimization and cost reduction initiatives are implemented and are closely monitored.

### **d) Foreign Exchange Risk Management :**

As an Export oriented Unit a substantial part of the Company's Sales are in Foreign Exchange across all three major currencies viz - US\$, Euro and GBP and is thus exposed to substantial risk on account of adverse currency movements. The exchange rate between the Rupee and the U.S. Dollar/Euro/GBP has changed substantially in recent years and may fluctuate in the future also.

The risk on account of foreign currency fluctuations is managed through hedging. The risk Management strategy is to identify risks it is exposed to, evaluate and measure those risks, decide on managing those risks, regular monitoring and reporting to the Management. The objective of the 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.

Kanpur Plastipack Ltd. adopts a well researched hedging policy. The Management recognizes the exposure as soon as a sales contract is made and monitors its overall exposure through a reporting mechanism. The Management reviews its exposure on a weekly basis and implements the hedging strategy through forward contracts and similar Bank approved instruments. Since Kanpur Plastipack also imports materials the net exposure is taken into consideration allowing for a natural hedge for some part of the exposure.

**e) 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.

#### **6) Responsibility for Risk Management :**

Generally every staff member of the Organization is responsible for the effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes are integrated with other planning processes and management activities.

#### **7) Compliance and Control :**

All the Senior Executives under the guidance of the 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 risks.

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

#### **8) Review :**

This Policy shall be reviewed at least every year to ensure it meets the requirements of legislation and the needs of organization.

#### **9) Disclaimer Clause :**

The Management cautions readers that 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 management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.