

RISK MANAGEMENT MECHANISM

Risk means uncertainties about events and their outcome that could have a material impact on the performance and projections of the Company. Since Risk is inherent in every business, it is the Company's responsibility to minimize its incidence in order to protect & enhance shareholders value.

It is in this background and keeping in view the compliance with the provisions of Clause 49 of Listing Agreement related to Corporate Governance, the company has drafted a Risk Management Mechanism which will be in continuous process with likelihood of improvements/variations in line with changes in risk perceptions from time to time so as to achieve the targets / goals of the company.

Our framework for combating risks recognizes that risks may be divided into two broad categories.

1. Risks that are common and relevant for most business in general;
2. Risks those are more specifically applicable to our Company and business in particular.

Risk of General Nature:-

Risks relating to the general Macro Economic environment of the Company include risks associated with political and legal changes, changes in tax structures, and commercial rules & laws. The Company keeps a proactive track to anticipate such changes and mitigate associated risks to the extent possible.

Risks related to man-made and natural disasters such as explosions, earthquakes, storms as well as civil disturbances are handled by following best practices in the design of structures and "safety first" as a guiding principle while designing technical and business processes.

The third set of general risks relates to risks from market led changes. These include risks associated with sudden fall in GDP and growth rates, overall market condition in India and abroad, or sudden changes in market preferences. The mitigation of these risks is achieved by a cost-effective and flexible working structure which would allow the Company to scale up or scale down working in affected areas in accordance with the changes.

Specific Risks:-

We have identified the following specific risks that need more detailed attention in the present circumstances and business of the Company.

1. Risk of Raw Material: -

The Company is engaged in the business of manufacturing & trading of Yarns, Fabrics & Garments. The main Raw Material for the Company is Cotton & which is seasonal in nature. The risk of seasonal nature of Raw Material is covered through procurement of Raw Material for major part of the year.

2. Financial Risks:-

Financial Risks can be classified as follow:-

- a. Debt
 - b. Liquidity
 - c. Credit Policy
- a. Our Company enjoys the Working Capital Limits and the same is properly utilized by the Company. The Company has policy of paying loan installments as well as Interest thereon in time to avoid the penal Interest.
 - b. The company makes continue efforts to strengthen its liquidity through various initiatives such as accelerating receivable and shrinking inventory.
 - c. The company has well defined credit policy approved and reviewed by the management from time to time. Credit rating of all major customer is done in a systematic manner. In most of the case dispatch is made after adequate scrutiny and any default is not likely to have any significant effect on the company's overall financial position.

3. Foreign Exchange Risks:-

Around 20% of the Total Revenue of the Company is generated through Export sales. In this way the Company has to deal with foreign currency from time to time. The Company uses various types of foreign currency forward & option contracts to hedge the risks associated with fluctuations in the foreign currency.

4. Risk related to Personnel:-

Our business is increasingly dependent on the skills and competencies of our employees and management team. The general war for talent in our growing economy has created a substantial risk related to the retention of key personnel both in manufacturing and managerial levels. This risk is mitigated through effective HR policies relating to recruitment and retention and a proactive remuneration and rewards policy that is periodically reviewed at the highest management level.

With excellent performance track as well as best HR practices we are able to attract and retain people for growth of our business.

5. Risk related to Safety:-

The company has taken adequate insurance covers to indemnify the risks associated with the safety of personnel, building, stock and other infrastructure of the Company. These include:

1. Fire Insurance Policies.
2. Marine/ Transit Insurance Policies.
3. Theft Insurance Policies.
4. Personal Accident Policies.
5. Workmen Compensation Policies.
6. Other Miscellaneous Policies.

The company has also taken steps to strengthen IT security system as well as physical security system at all our locations

6. Compliance Related Risks:-

The Company is committed to being a responsible corporate citizen and respects the laws and regulations of the country. All the compliances under various laws applicable to the Company, including under Companies Act 1956, Factories Act, Income Tax Act 1961 etc., are followed in Letter & Spirit.