

RISK MANAGEMENT POLICY
VARDHMAN HOLDINGS LIMITED

(U/s 134 (3)(n) of the Companies Act, 2013 and Clause 49 (VI) of the Amended Listing Agreement)

1. PREFACE:

Oxford Dictionary defines the term "**risk**" as a chance or possibility of danger, loss, injury or other adverse consequences.

Risk management in today's competitive environment is attempting to identify and then manage threats that could severely impact or bring down the organization. Generally, this involves reviewing operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence and then taking appropriate actions to address the most likely threats.

Section 134 (3)(n) of the Companies Act, 2013 requires every company to attach to its Board Report a statement indicating development and implementation of a Risk Management Policy for the Company including identification therein of element of risks, if any, which in the opinion of the Board may threaten the existence of the Company.

Clause 49 (VI) of the Amended Listing Agreement between listed companies and the Stock Exchanges, inter alia, provides for a mandatory requirement for all listed companies to formulate 'Risk Management Policy'.

It has therefore become mandatory for the listed Companies to prepare a comprehensive framework of risk management for assessment of risks and determine the responses to these risks so as to minimise their adverse impact on the organisation.

2. PURPOSE AND SCOPE:

This policy establishes the process for the management of risks faced by Vardhman Holdings Limited ("**VHL**"). The aim of the policy is to provide competitive investment return ensuring constant liquidity with no risk to the loss of principal. Investment decisions should not place the objective of greater return over and above the principal protection and the ability to access cash when the company requires it.

. Effective risk management allows the Company to:

- ✓ embed the management of risk as an integral part of its business processes;
- ✓ establish an effective system of risk identification, analysis and treatment
- ✓ Make informed decisions
- ✓ avoid exposure to significant reputational or financial loss;
- ✓ assess the benefits and costs of implementation of available options and controls to manage risk.
- ✓ Strengthen corporate governance procedures

Thus, it is the responsibility of all Board members, Senior Management and employees to identify, analyse, evaluate, respond, monitor and communicate risks associated with any activity, function or process within their relevant scope of responsibility and authority.

3. RISK STRATEGY:

VHL recognises that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner. The Company is a NBFC Company registered under RBI and mainly engaged in investment business.

VHL follows a strategy of adopting a systematic approach to investment into different asset classes and keeping the portfolio dynamic as per the changing market conditions. The aim is a well diversified portfolio to mitigate the market risk.

Types of Risks:

In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks for VHL are financial risks, which further include credit risk, liquidity risk, market risk etc.

The Company needs to identify the risks that it faces in trying to achieve the objectives. Once these risks are identified, the Company would need to evaluate these risks to see which of them will have critical impact on the Company and which of them are not significant enough to deserve further attention.

4. RISK MANAGEMENT FRAMEWORK:

In principle, risk always results as a consequence of activities or as a consequence of non-activities. Risk Management and Risk Monitoring are important in recognizing and controlling risks.

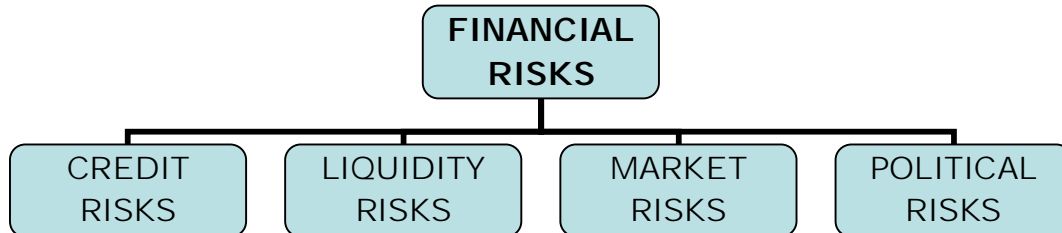
Risk mitigation is also an exercise aiming to reduce the loss or injury arising out of various risk exposures. VHL adopts a systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues and regulations. The Company believes that this would ensure mitigating risks proactively and help to achieve stated objectives.

The Company will consider activities at all levels of the organization and its Risk Management with focus on three key elements, viz.,

- (1) Risk Assessment- study of threats and vulnerability and resultant exposure to various risks.
- (2) Risk Management and Monitoring- the probability of risk assumption is estimated with available data and information.
- (3) Risk Mitigation- Measures adopted to mitigate risk by the Company.

5. RISKS SPECIFIC TO THE COMPANY AND THE MITIGATION MEASURES ADOPTED:

We have divided the financial risks associated with the Company into four categories, namely:-



(I) CREDIT RISKS

These includes:-

- ❖ Loss due to Counterparty Default in or failure of Payment.
- ❖ Loss due to a rating-downgrade (Increasing probability of default)

Risk mitigation measures:

In all categories, emphasis will be on securities of high credit quality. Crisil, Fitch, ICRA, S&P ratings should be considered. The ratings from these agencies which denote a high degree of safety with regard to the payment of principal and interest are:

Credit Agency	Rating Scale		
	Long-Term	Short-Term	Fixed Deposit
CRISIL	AAA-AA	P1+	FAAA-FAA
FITCH	AAA-AA	F1+	NA
ICRA	LAAA-LAA	A1+	MAAA-MAA

(II) LIQUIDITY RISKS

Ongoing liquidity needs of the company will be monitored regularly to assure cash flow requirements are met on a day-to-day, cyclical, and long-term basis
These risks include:

- Financial solvency and liquidity risks
- Cash management risks

Risk Mitigation Measures:

- ✓ Investments should mature to meet anticipated cash requirements.

Risk Management Policy

- ✓ In addition, the portfolio shall include securities with active secondary or resale markets to provide maximum liquidity.
- ✓ The portfolio must not hold more than 25% in any one issuer in an asset class and should not hold more than 35% in one entity, except government securities.

(III) MARKET RISKS:

Adverse and unanticipated market (including change in interest rates etc) and economic developments may significantly change the risk profile and market value of investments.

Risk Mitigation Measures:

- ✓ Tracking micro and macro economic level data, market trends and forecasts by expert agencies, internal review by team of experts.
- ✓ The Company shall only undertake such transactions as permitted by the laws of the country applicable to it including the RBI guidelines.

(IV) POLITICAL RISKS:

Any adverse change in the political environment of the country, government policies etc can have an impact in growth strategies of the company.

Risk Mitigation Measures:

- ✓ Reviewing and monitoring the NBFC and other related policies and involvement prevailing in the country.

6. AMENDMENTS:

This policy may be amended subject to the approval of Board of Directors, from time to time in line with the business requirement of the Company or any statutory enactment or amendment thereto.

7. DISCLAIMER CLAUSE:

The Management cautions 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.