RISK MANAGEMENT POLICY

(Approved in the Board of Directors in its Meeting Held on 30/03/2015)

LEGAL FRAMEWORK

Risk Management is a key aspect of the Corporate Governance 'Clause 49 of the Listing Agreement'. Companies Act, 2013, invariably lays greater stress on the Risk Management to be the part of the Directors' Report as per Section 134(3) of the Companies Act, 2013. Risk management is an important part of planning for business. The process of risk management is designed to reduce or eliminate the risk of certain kinds of events happening or having an impact on business.

1 Definition of Risk Management

1.1 Risk management is a process for identifying, assessing, and prioritizing of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events or to maximize the realization of opportunities.

1.2 Types of Risks/ Threats involves in Our Company:

1. **Common Risks:** Accidents in the work place, fires, tornadoes, and other natural disasters
2. **Legal Risks:** Fraud, Theft, etc
3. **Uncertainties in financial markets**
4. **Failure in Projects**
5. **Credit Risks**
6. **Outstanding Debtors**
7. **Security and Storage of Data and Records**
8. **Obsolete inventory**

1.3 Risk Identification Activities

Risk analysis is a process that involves "gathering data and synthesizing information to develop an understanding of risk of a particular enterprise." The data analyzed will be included "identifying assets and threats, prioritizing the related vulnerabilities, and identifying appropriate measures and protections."
We use various methods for identifying the risks:

- **Brainstorming**
  This process encourages a group of people meeting face to face to put forward all their thoughts and ideas on a specific topic. During a brainstorming session all input is encouraged without evaluation. Evaluation of ideas occurs at the completion of the session when the ideas are analyzed. The diversity of participants will have an impact on the nature of the ideas and perspectives, so some thoughts will need to be given to who will participate in the process.

- **Focus Groups**
  A focus group is made up of individuals who are invited to attend one or more meetings in order to focus their attention and provide information and feedback on specific topic or area of concern.

- **Experience judgment**
  Experience judgment is the information or opinion given based on an individual's experience and knowledge in their field of expertise.

- **Flow charts**
  These allow a dynamic process to be represented diagrammatically on paper. The process may then be analyzed for critical activities and areas of higher risks.

- **SWOT analysis**
  An effective method for prospective risk identification is a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis. A SWOT analysis is a tool commonly used in planning and is an excellent method for identifying areas of negative and positive risk.

- **Analysis of systems**
  This involves studying the way a system or process functions and interacts within an organization in order to find any weaknesses. System may refer to the management processes as well as to the policies and procedures that support those processes. It may also refer to an operational system of interlinking procedures or processes.

- **Audits**
  This is the name given to the process of analyzing a management system, checking to see that the documented procedures and operational methods are the same.

- **Scenario building**
  In this process a situation or condition created either on paper or as a model to reflect potential outcomes. These fictitious situations allow an analysis and treatment option to be considered where, for example, an event is not occurred before and no data is available.

- **Accident investigation or failure analysis**
  This process involves looking at previous accidents and incidents and analysis them to determine what went wrong or why the process failed or broke down. This will highlight risk areas for future situations.

- **Checklists**
  This involves using a list of items against which to check a situation, event, scenario, process, etc.

- **Risk identification forms**
  These forms generally include standardized questions or a set of steps to be followed in order to help identified risks. They are often tailored to specific situations, processes, scenarios, etc.

- **Feedback and communication**
  This includes safety meetings, customer feedback forms or phone calls, complaints handling, etc.

1.4 Risk Assessment

Risk assessment has four key deliverables:
1. Identify threats to the organization's mission
2. Prioritize those threats into risk levels
3. Identify mitigating controls or safeguards
4. Create an action plan to implement those mitigating controls

That is, when a problem arises organization show the process it used to reach the decisions that it did. The documentation created in the risk management processes will allow the organization to show who was involved, what was discussed, what was considered, and what decisions were made.

By implementing risk analysis and risk assessment, an organization has the tools in place to make informed business decisions. By integrating these processes across the entire enterprise, the organization can take back control of its activities from outside interference. With an effective risk assessment process in place, only those controls and safeguards that are actually needed will be implemented. An enterprise will never again face having to implement a mandated control to "be in compliance with audit requirements."

1.5 Risk Monitoring and Reporting

The risk management system shall include reporting procedures and processes which ensure that information on the material risks faced by the business and the effectiveness of the risk management system are actively monitored and analyzed.
Our Managing agents shall ensure that:

- They has processes for regular monitoring and update of their risk profile for changes to the internal and external risk environment, and identifying and responding to significant issues and events;
- they have sufficient measures and checks in place to enable ongoing monitoring of the internal and external risk environment;
- key risk information is reported via the governance structure;
- risk analysis prompts appropriate modifications to the risk management system where necessary; and
- the risk profile is a key input to setting and re-setting business objectives, policies, risk appetite and the internal control environment.

Monitoring the risk profile

We have an effective process for the regular review and update of the risk profile would typically:

- take into account all risks identified by the business, with more rigorous review of significant risks;
- identify, respond to and escalate, to appropriate parties significant changes in the risk profile;
- be continuous and iterative to ensure the risk profile is up to date; and
- be triggered by changes in the risk environment, both internal and external.

Monitoring the risk environment
Our Managing agents should ensure that they have sufficient measures and checks in place to enable them to monitor the internal and external risk environment. This should enable them to obtain information that may signal a need to re-evaluate objectives, policies and appetite for risk, internal control, information needs or related information systems.

The process of monitoring and review could be prioritized to focus on:

- risks posing the greatest probability of damage to the business, including projects with significant risks attached; and
- key controls relied on in achieving an acceptable level of residual risk.

Monitoring and review practices should be appropriate to the business. Practices might include:

- continuous monitoring via routine measures and checks, including risk and control indicators;
- risk and control owner reviews;
- analysis of actual losses and near misses; and
- internal and external audit checks of processes, systems and controls.

Effective monitoring typically includes undertaking regular inspection of actual performance for comparison with pre-set objectives, expected or required performance. It will also involve input from across the organization, providing a link between individual teams and the risk management function.
Managing agents should also ensure that their processes include consideration of any relevant changes in the external environment, e.g. changes in economic conditions, industry losses, changes in the regulatory environment etc. .

Risk reporting

Timely and accurate management information assists management to:

- understand the risk profile of the business and how this has changed over time;
- determine whether risk exposures are being managed in accordance with the risk appetite and high level standards set by the board;
- assess the "in control" status of the business (i.e. where risks are within appetite the control environment is effective, or if not, the contributing factors are understood and there are plans in place to manage them); and

- take action to mitigate unacceptable exposures to risk.

Key risk information should be reported via the governance structure and is likely to cover a range of reports including:

- updates/changes to the risk profile;
- risk appetite reporting and key risk indicators;
- actual/ potential losses and near miss events;
- control effectiveness; and
- action plan progress.

Managing agents should ensure that appropriate action is taken in response to the issue reported.

1.5 Conclusion:

The directors have overall responsibility for the Company's system of risk management and internal control and for reviewing its effectiveness. The directors acknowledge their responsibility for the system of risk management and internal control which is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board is ultimately responsible for the Company's system of risk management and internal controls and for monitoring its effectiveness. The key procedures that have been established in our Company to provide effective risk management and internal control include:

- A strong and independent Board which meets at least 4 times a year and has separate Chief Executive and Chairman roles;
- A clearly defined organisational structure along functional lines and a clear division of responsibility and authority in the Company;
- A comprehensive system of internal financial reporting which includes preparation of detailed monthly management accounts, providing key performance indicators and financial results for each major function within the Company;
- Preparation and issue of financial reports to shareholders and the markets, including the Annual Report and consolidated financial statements, is overseen by the Audit Committee. The Company's financial reporting process is controlled using documented accounting policies and reporting formats, supplemented by detailed instructions and guidance on reporting requirements. The Company's processes support the integrity and quality of data, including appropriate segregation of duties. The financial information of the parent entity and all subsidiary entities, which form the basis for the preparation of the consolidated financial statements are subject to scrutiny by Group level senior management. The Company's financial reports, financial guidance, and Annual Report and consolidated financial statements are also reviewed by the Audit Committee of the Board in advance of being presented to the full Board for their review and approval;
- Management Committee meetings, comprising of heads of departments, to review the performance and activities of each department in the Company;
- Detailed budgetary process which includes identifying risks and opportunities and which is ultimately approved at Board level;
- Board approved capital expenditure and Audit Committee approved treasury policies which clearly define authorization limits and procedures;
- An internal audit function which reviews key financial/business processes and controls, and which has full and unrestricted access to the Audit Committee;

- Established systems and procedures to identify control and report on key risks. Exposure to these risks is monitored by the Audit Committee and the Management Committee; and

- A risk management programme in place throughout the Company whereby executive management reviews and monitors the controls in place, both financial and non financial, to manage the risks facing the business.

On behalf of the Board, the Audit Committee has reviewed the effectiveness of the Company's system of risk management and internal control for the year ended March 31, 2015 and has reported thereon to the Board.
The Board has delegated to executive management the planning and implementation of the systems of internal control within an established framework which applies throughout the Company.

DISCLOSURE IN BOARD REPORT

Board Report shall include a statement indicating development and implementation of a risk management policy for the Company identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

CONSTITUTION OF RISK MANAGEMENT COMMITTEE

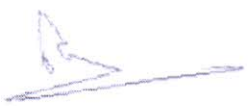
1. Mr. Dinesh Gurnani
2. Mr. Mohan Sukhani
3. Mr. Govind Ram Thawani

REVIEW

This policy shall be reviewed at a minimum at least every year to ensure it meets the requirement of legislation & the needs of the organization.

For and on behalf of

Veto Switchgears and Cables Limited



(Dinesh Gurnani)
Whole-time Director