



Pokarna Limited

RISK MANAGEMENT POLICY

1. BACKGROUND

'Risk' in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. Every member of any organisation continuously manages various types of risks. Formal and systematic approaches to managing risks are now regarded as good management practice also called as Risk Management.

'Risk Management' is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realisation of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

Effective risk management requires:

- a) A strategic focus
- b) Forward thinking and active approaches to management
- c) Balance between the cost of managing risk and the anticipated benefits, and
- d) Contingency planning in the event that critical threats are realised

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 inter alia are: Regulations, competition, Business risk, Technology obsolescence, return on investments, business cycle, increase in price and costs, limited resources, retention of talent, etc.

2. 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 organisation. The new Companies Act, 2013 and Listing Provisions have also incorporated various provisions in relation to Risk Management policy, procedure and practices.



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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.

As required under Regulation 21 of the SEBI (LODR) Regulations, 2015, the Company shall comply with the composition, role and frequency of the meetings, of the Risk Management Committee.

In line with the above requirements, it is therefore, required for the Company to amend the existing "**Risk Management Policy**" (this Policy) of the Company.

3. RISK MANAGEMENT COMMITTEE

COMPOSITION:

The Risk Management Committee shall consist of minimum three members with majority of them being members of the Board of Directors, including at least one Independent Director. The Chairperson of the Risk management Committee shall be a member of the Board of Directors and senior executives of the listed entity may be members of the committee.

The Company Secretary shall act as the Secretary to the Committee.

MEETINGS:

The Risk Management Committee should meet at least two times in a year and not more than 180 days shall elapse between two consecutive meetings. The Quorum for the meeting of the Committee shall be a minimum of two members or one-third of the Members of the Committee, whichever is higher, including at least one member of the Board.

4. PURPOSE AND SCOPE OF THE POLICY

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving



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risks associated with the Company's business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

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.

5. APPLICABILITY

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

6. KEY DEFINITIONS

- a) **Risk Assessment:** Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks
- b) **Risk Management:** The systematic way of protecting business resources and income against losses so that the objectives of the Company can be achieved without unnecessary interruption.
- c) **Risk Management Process:** The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing evaluating, treating, monitoring and communicating risk.

7. RISK & CONCERNS

Company functions in a business environment which is subject to increasing globalisation and competition. As such, controlling risk is critical to the business performance and the company by virtue of undertaking diligent monitoring manages the same in a good manner. The below enumerated are the identified key factors/areas of the risks.



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- a) Inability to source quality granite block for processing continues to remain one of the major difficulty for the granite industry.
- b) Despite being present in multiple international markets, the Company derives major proportion of its revenues from United States of America. Any shift in the consumption pattern on account of political or economic event in that market could have a material impact on our business as well.
- c) The clients of the Company are spread across geographic and despite examining their financial health at the time of order acceptance, there is a chance some of them may not be able to honor their commitment on time.
- d) Heightened volatility in currency exchange rate following changing economic environment can have a bearing on the Company's financial condition, besides impacting its performance and may affect the comparability of results between the Company's financial periods.
- e) Inherent risk associated with textile sector including inability to predict consumers' preference in the future, error in estimating demand, and ensuring consistent delivery of product on time are applicable to the Company as well and will have an impact on its apparel division.
- f) Lower profitability for the Apparel Division persists owing to sub-optimal capacity utilization at manufacturing, reduced customer's footfalls and greater proportion of discontinuing benefits at the apparel retailing (STANZA brand) part of the business.
- g) Increasing brand awareness and visibility of the Company's products across existing and new markets is critical for sustaining the businesses long term growth momentum. Absence or lack of it can and will have a material impact on the business.
- h) The Company along with its subsidiary has a sizeable proportion of loans outstanding and as such any failure in cash flow generation following business slowdown could impair the Company's ability in its debt obligation on time.

8. RESPONSIBILITY FOR RISK MANAGEMENT

Generally, every staff member of the Organisation is responsible for the effective management of risk including the identification of potential risks. Top management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.



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9. COMPLIANCE AND CONTROL

The Board of Directors of the company formed Risk Management committee to manage the

risk, consisting of the following Members:

- a) Mr. Agnihotra Dakshina Murty Chavali, Independent Director
- b) Mr. Prasanth Nandigala, Independent Director
- c) Mr. Rahul Jain, Managing Director

to take necessary steps/moves from time to time to mitigate the above-mentioned risks to large extent and provide compliance report to the Board.

10. AMENDMENT

The Board of Directors as per the recommendations of Committee (s) can amend this Policy, as and when deemed fit. Any or all provisions of this Policy are subject to revision/ amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities found inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

11. EFFECTIVE DATE

This policy has been approved by the Board of Directors of the Company at the duly convened Board Meeting held on 1st November, 2021.
