



## SHARDA CROPCHEM LIMITED

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### **DRAFT RISK MANAGEMENT POLICY:**

#### **1. Company's business background:**

The Company is primarily engaged in the business of registration, marketing, sale and distribution of Agrochemical products outside India. The business model entails sourcing of goods from China and selling them across different countries based on their registrations in the respective countries.

#### **2. Policy Objective:**

Sharda Cropchem Limited (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, risk optimization as a part of a risk management policy or strategy.

#### **3. Applicability**

This Policy will be applicable to the Company as per Section 134 of the Companies Act, 2013 read with rules made thereunder and/or Revised Clause 49 of the Listing Agreement, as may be amended from time to time.

#### **4. Effective date:**

This policy shall come into effect from the date of its adoption in the Board Meeting.

#### **5. Risk Management And Risk Measures:**

The risks and the measures adopted by the company for the same are as follows:

##### **i. Product Liability Risk:**

In its Agrochemicals business, in those jurisdictions where we operate and where the product is put to use, the company is exposed to the risk of product liability lawsuits on account of bodily injury, property damage, crop damage, personal injury, Advertising injury etc. for third party liabilities. Further, the company is also exposed to the risk of claims arising from manufacturing defects or negligence in storage, packaging and/or handling.

The company follows a policy of adequately covering itself globally by obtaining Commercial General Liability policies.

Further, where it is imperative, the company also obtains insurance coverage for inland transportation of goods in certain regions as per the local requirements.



Additionally, the products of the company are insured against natural risks, like fire, flood, earthquakes, etc. with periodical review of adequacy, rates and risks covered under professional advice.

**ii. Customer Credit Risks:**

A significant part of the company's sales are made on unsecured credit terms to customers outside India. The credit terms vary from 30 days to 180 days according to local market practice. Therefore, the company is exposed to the risk of customer failing to make payment or becoming insolvent.

The company has a system of proactive monitoring of credit extended to its customers at the highest level of management. There is a strong mechanism of follow-up with customers for recovery of outstanding debts both at a local level and at the Head office level.

The company follows a policy of exercising prudence and conservatism in extending credit to customers after having done a necessary background check and having experienced a sound track record from the past dealings of existing customers. In those countries where the customer credit profile is not very encouraging, the company obtains credit risk insurance from Coface, Atradius, ECGC, etc. Further, new customers are evaluated on the basis of credit reports issued by credit rating agencies of repute.

**iii. Data loss due to technological breakdown:**

The company's Information technology systems are linked via an organisational server and there is significant amount of business data that is being generated on a daily basis. The company operates in an SAP environment for execution of business processes, internal controls, generation of internal reports and financial accounting & reporting. Thus, significant reliance is being placed on the information technology system for business processes and reporting. In addition to the same, there is exchange of email communication both internal and external to the organisation. Any failure or malfunction of this information technology systems can result in business interruption including disruption in tracking, recording and analysing work in progress, processing financial information, engaging in normal business activities can cause serious damage to the effective functioning of the organisation and can also cause reputational risk.

In order to overcome this risk, the IT representative of the company follows a process of taking backup data on a fortnightly basis. This data is stored in the backup server of the company located in the registered office of the company. Further, data for the month is captured as at the month end by the IT representative in a tape on the first working day of the subsequent month and kept in a separate location in order to avoid destruction of this data due to fire, theft, natural calamity, etc.

**iv. Fluctuations in Foreign Exchange:**

The Company has adopted Foreign Exchange Risk Management Policy in its meeting of the Board dated July 22, 2013 for mitigating fluctuations in Foreign Exchange.



**v. Management of Surplus funds:**

The Company has adopted Investment Policy in its meeting of the Board dated July 10, 2014 for investing surplus funds of the company.

**6. Policy Review:**

The Policy shall be reviewed once annually.

**7. Authorisation and approvals:**

All transactions shall be authorized by Mr. R. V. Bubna, Chairman & Managing Director, Mr. Ashish Bubna, Wholetime Director and/or Mr. Manish Bubna, Wholetime Director. Any deviations from the policy shall require the consent of the Managing Director.

**8. 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.