



Khaitan Chemicals and Fertilizers Limited

RISK MANAGEMENT POLICY

Policy Owner: Risk and Managerial Department
Reviewed by: Risk Management Committee
Approved by: Board of Directors
Date of Approval: 12-Aug-2024



TABLE OF CONTENT:

| | |
|--|---|
| BACKGROUND..... | 3 |
| LEGAL REQUIREMENTS: | 3 |
| FRAMEWORK:..... | 3 |
| BOARD REPORT:..... | 3 |
| OBJECTIVE: | 3 |
| DEFINITIONS:..... | 4 |
| RISK MANAGEMENT SYSTEM:..... | 4 |
| RESPONSIBILITY DISTRIBUTION: | 5 |
| RISK MANAGEMENT COMMITTEE | 5 |
| KEY BUSINESS RISKS & MITIGATION THEREOF: | 6 |
| IMPLEMENTATION OF THE SCHEME:..... | 7 |
| AMENDMENT | 7 |



Khaitan Chemicals and Fertilizers Limited

Background

Khaitan Chemicals and Fertilizers Limited (hereinafter referred to as “**the Company**”) recognizes that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company.

The Board of Directors of the Company had adopted the Risk Management Policy (**‘Policy’**) at its meeting held on June 5, 2015. The revised Policy shall take effect from August 12, 2024.

Legal requirements:

The Company’s business is exposed to various risks, arising out of internal and external factors. This document lays down the Risk Management Policy of the company, which identifies and evaluates various risks and mitigating efforts to resolve such risks. This Policy is in compliance with SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, which requires the company to lay down procedure for risk assessment and risk minimization.

The Board of Directors, Senior Management and the Audit committee of the company should periodically review the policy and monitor its implementation to ensure risk minimization and smooth running of the business. This policy will cover all the areas of operations of the Company.

Framework:

Risk Management is considered a vital and important function of the Corporate Governance practices. Risk Management policy is formulated to ensure robust internal controls, and enable the Company to proactively respond to any changes in the business environment so as to achieve a high degree of business performance, limit any negative impact on its working and capitalize on any business opportunities.

Board report:

The report of Board of Directors as required under Section 134 (3) (n) will include details about the development and implementation of Risk Management Policy and this will cover identification of various risks, arising out of internal and external elements, as faced by the Company and the mitigating efforts for tackling the same.

Objective:

The business activities of the Company carry various internal and external risks. Progressive organizations need to take new initiatives, which often come along with certain risks. Additionally, the increasingly dynamic external environment presents risks to the existing business. To navigate through the likely business risks, the Company has formulated a structured risk management process.



Khaitan Chemicals and Fertilizers Limited

The primary objectives of this Risk Management Policy are:

- Identification and categorization of potential risks
- Assessment and mitigation of risks
- To monitor risks and assure business growth

Definitions:

"Audit Committee" means a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 177 of the Companies Act, 2013 ("Act") read with the Regulation 18 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

"Board of Directors" or "Board" in relation to the Company, means the collective Body of Directors of the Company constituted in accordance with the provisions of section 2(10) of the Companies Act, 2013 ("Act") read with the Regulation 2(1)(d) of the Listing Regulations.

"Policy" means a written Risk Management Policy framed by the Board of Directors.

"Risk" is an event or a probability of an event, which can prevent, hinder or otherwise obstruct the Company in value creation and achieving its objectives or erode the existing value of the Company.

"Risk Management Committee" or "Committee" is a Committee constituted in accordance with the provisions of Regulation 21 of Listing Regulations and other applicable laws.

"Risk Management System" or "Risk Management" is the process of identification, evaluation, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability or impact of the Risks.

Risk management system:

The overall Risk Management System of the Company shall broadly comprise of the following activities:

- Risk identification
- Risk evaluation and assessment
- Risk treatment and mitigation
- Risk monitoring and reviewing



Responsibility distribution:

Board of Directors: The Board of Directors shall be responsible for the following:

- framing and implementation of the Risk Management Plan, processes and guidelines and periodic review of the same;
- supervising the overall risk management system of the Company including assessment of the risk management;
- providing suggestions/ comments/ remarks, if any, on the risks to the Risk Management Committee;
- suggesting steps to minimize and mitigate the risks to the Risk Management Committee;

Risk management committee

The Risk Management Committee shall be responsible for managing, minimizing and monitoring of all the risks including risk related to cyber security as identified by the Board of Directors. The role of the Committee shall include:

- laying down procedures to inform Board of Directors about the risk assessment and minimization procedures.
- to assist the Board with regard to the identification, evaluation and mitigation of risks and assess management actions to mitigate such risks;
- to evaluate and ensure that the Company has an effective system internal control systems to enable identifying, mitigating and monitoring of the risks related to the business of the Company;
- to review effectiveness of risk management and control system;
- to evaluate risks related to cyber security and ensure appropriate procedures are placed to mitigate these risks in a timely manner;
- periodic reporting to the Board of non-financial risk management issues and actions taken in such regard;
- to ensure the implementation of the suggestions/remarks/comments, if any, of the Board of Directors on the Risk Management Plan and System;
- performing such other functions as may be assigned by the Board of Directors from time to time.



Khaitan Chemicals and Fertilizers Limited

Key business risks & mitigation thereof:

The Company has identified following business risk associated with business of the Company:

- 1. Industry Risks** (relating to inherent characteristics) Being seasonal consumed Agriculture product, which is highly depended on indifferent weather, leads to demand fluctuations and uncertain Industry movements. To mitigate these risks, the management keeps close watch on progress of monsoon, develop & maintain strong distribution channels and also cautious approach of inventory management.
- 2. Competition Risks:** Our Company is part of free market economy with easy entrance of competitors in business; therefore, the competitive risk is being mitigated by putting continuous efforts for supplying good quality fertilizers in reasonable prices and adequate branding so as to ensure maximum customer satisfaction.
- 3. Inputs Risks:** Our Company purchase both indigenous and imported Raw materials i.e. Rock Phosphate and Sulphur. This contains risks of suppliers' creditability, purchase price volatility, transportations risks and raw material availability & quality risk.

These risks are mitigated by proper purchase planning in advance, diligent identification & selection of suppliers, monitoring of developments in suppliers' countries, regular price monitoring in domestic and international markets, strengthening of transportation system along with insurance policies while ensuring timely receipt of raw material in required quality.

- 4. Geography Risks:** It contains risk of unevenly and irregular monsoon pattern across the country also concentrated market of finished goods. The Company is expanding its marketing & supplying area to mitigate these risks.
- 5. Financial Risks:** The Company is dealing in a product, which is consumed for very short duration and thus required advance purchases / holding of inventory by all business channels. This pattern of the Industry leads to high interest rates risk, Foreign currency fluctuation risk, receivable risks and liquidity risks.

The management mitigates above risks maintaining healthy financial ratios like debt-equity ratio, liquid ratio, interest coverage ratio etc and good credit rating so as to borrow funds at favourable rates, FOREX Fluctuation risks is mitigated by partially hedging the exposures, receivables are monitored closely and continuously to have minimum receivable, monitoring of outstanding subsidy regularly and managing working capital facilities.

- 6. Regulatory Risks:** It includes non-compliance of Legal, Regulatory, Tax Compliances, Subsidy Policy of Government, FCO Standards & Specifications and other regulations.

The management and its employees continuously update themselves of statutes and regulation, take experts' opinion & support and monitor the regulations vigilantly.



Khaitan Chemicals and Fertilizers Limited

The Company has put in place rigid quality checks at Plants with respect to production process and quality controls. Also the management continuous vigil is the only solution.

7. **Other Operational Risks.** The risks include handling, processing and storage of Sulphur, H₂SO₄, SO₃, etc., un-treated effluents and others. The Company mitigate these risks by adherence of maintenance and inspection schedules, training of safety programs, Disaster management plans, adequate Insurance Policies, compliance of ISO 14001 & OHSAS 18001, efficiently running ETP Plants.
8. **Information Technology Related Risks.** This risk contains loss or misuse of important data the Company. The Company have back-up mechanism, proper authorisation and verification and other preventive measures

Implementation of the scheme:

The functional managers at all locations will be responsible for identifying and assessing the risks within their areas of responsibilities and actions agreed beforehand to resolve such risks.

They will report for any new risk or changes in the existing risk to the President/Managing Director. The Board and the senior executives of the Company will oversee the implementation of the policy and review the same periodically; the Board will be updated on key risks faced by the Company and the mitigating actions taken to resolve them.

Amendment

Any change in the Policy shall be approved by the Board of Directors or any of its Committees (as may be authorized by the Board of Directors in this regard). The Board of Directors or any of its authorized Committee(s) shall have the right to withdraw and /or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board or authorized Committee in this respect shall be final and binding. Any subsequent amendment/modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.