

INDUSTRIAL AND PRUDENTIAL INVESTMENT COMPANY LIMITED

CIN: L65990WB1913PLC218486

POLICY FOR RISK MANAGEMENT AND MONITORING

1. INTRODUCTION

Black's Law Dictionary, 10th Edition, defines risk as "The uncertainty of a result, happening or loss.

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

No business activity is without risk and uncertainty and there is propensity to incur loss. In an Investment company which deals with investments and securities there is inherent risk of pecuniary loss of revenue or erosion of capital loss. which may result into either loss or gain.

Risk mitigation or Risk management is one of the primary concerns for a NBFC. The various regulatory frameworks applicable to NBFCs impose different provisions for risk management.

2. LEGAL FRAMEWORK

Enterprise risk management was not mandatory according to the Companies Act 1956. However, as per the Companies Act 2013 new law, there are specific requirements that a company needs to comply with. In addition, the board and audit committee have been vested with specific responsibilities in assessing the robustness of risk management policy, process and systems.

The Provisions of Section 134(3) of the Companies Act, 2013 states 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 risk, if any, which in the opinion of the Board may threaten the existence of the Company.

The provisions of Section 177(4) of the Companies Act, 2013 requires that every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter alia include evolution of risk management.

Furthermore, regulation 17(9) of SEBI(LODR) Regulations, 2015 also provides that the listed entity shall lay down procedures to inform members of the Board of Directors about Risk Management and Minimization procedures of risk. The Board of Directors shall be responsible for framing, implementing and monitoring the Risk Management Plan for the listed entity.

Apart from legal requirement for risk management policy, Risk Management is also a key aspect of Corporate Governance Principles and Code of Conduct which aim to improve the governance's practices across the business activities of the Company.

The policy is framed to the extent applicable RBI regulations.

The Company has formed Audit Committee in compliance with the Act, LODR and RBI regulations to the extent applicable to NBFC.

Accordingly the Board of Directors has framed "Policy For Risk Management And Monitoring" and adopted the same at its meeting held on 12th August, 2022.

3. OBJECTIVE

The main objective of this policy is to ensure sustainable business growth with stability and promote a proactive approach in reporting, evaluating and resolving risks associated with the Company's business along with keeping the Board of Directors and Board Committees apprised of the applicable risks promptly and regularly.

The policy focus is to address unanticipated and unintended losses to financial assets of the Company without unnecessarily limiting the activities that advance its mission and goals.

In order to achieve the key objectives, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues enabling the Company to make consistently profitable and prudent business

4. DEFINITIONS

- a. **"Act"** means the Companies Act, 2013 (and the Rules) and the Companies Act, 1956 to the extent applicable.
- b. **"Board"** means the Board of Directors of the Company and Audit Committee.
- c. **"Company"** means Industrial & Prudential Investment Company Limited
- d. **"Key Managerial Personnel"** means key managerial personnel as defined under sub-section (.51) of section 2 of the Companies Act, 2013.
- e. **"Listing Regulations"** means the Securities Exchange Board of India {Listing Obligations and Disclosure Requirements} Regulations, 2015 and includes other regulations, guidelines, circulars, orders and rules issued by SEBI/BSE to the listed companies .

- f. **"Policy"** means this policy, as amended from time to time.
- g. **"Rules"** means the rules made under the Companies Act, 2013
- h. 'RBI' means Reserve Bank of India
- i. **"SEBI"** means the Securities and Exchange Board of India.
- j. **"Stock Exchange(s)"** means BSE Limited where the equity shares of the Company are listed.

5. POLICY

The Policy is based on the following basic principles

- a. To achieve good corporate governance practice
- b. To ensure compliance with the relevant laws and regulations.
- c. To conduct its business efficiently, professionally and in the manner, which is fair and transparent.
- d. To strive to meet its obligations to all stakeholders in a balanced and accountable manner.
- e. To take policy decision on deployment of funds of the Company in securities market based on investment climate and economic conditions in the country and movement in the stock markets.
- f. To follow cautious approach and never to indulge in speculative transactions.
- g. To review periodically the investment portfolio.

The objective is to generate long term capital appreciation by investing in under-researched and/or under-valued growth stocks which are in a secular uptrend based on Relative Strength Comparative Indicator. The strategy is also to invest in unique businesses, which are likely to enter a phase of accelerated growth / at an inflection point in their economic life cycle. The strategy can also invest in listed Exchange Traded funds (including equity and non-equity asset classes) that may be in a secular uptrend, based on Relative Strength Comparative Indicator versus the S&P CNX Nifty.

Risk Management Process involves the following steps

- a. Identify risk
- b. Assess the risk
- c. Control the risk
- d. Review the effect of the risk undertaken on the business operations
- e. To take corrective measures to mitigate the loss.

Risks to be undertaken are

- A. Uncontrollable risk (macrolevel) such as
 1. Economic environment
 2. Political situation
 3. Government policies
 4. Liquidity in the market
 5. Volatile movement in the stock exchange on account of war, natural calamities, international economic crisis.
 6. RBI's Monetary Policies
- B. Controllable risk (micro level) such as
 1. Performance of the companies
 2. Transaction risk
 3. Compliance risk
 4. Regulators' policy making risk

In view of the above, risk management is a business facilitator by making more informed decision with balanced risk-reward paradigm. The Company shall follow a disciplined risk management process in taking business decisions to ensure growth and balancing approach on risk reward matrix.

6. KEY MANAGERIAL PERSONNEL (KMP)

The following are the KMPs of the Company

- Managing Director
- Chief Financial Officer
- Company Secretary

These personnel will take decision of investments as per directive of Share Transfer and Investment Committee.

7. AMENDMENTS

The Board may subject to the applicable laws amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy. However, no such amendment or modification shall be inconsistent with the applicable provisions of any law for the time being in force.

8. SCOPE AND LIMITATIONS

In the event of any conflict between the provisions of this Policy and the Act or Listing Regulations or any other statutory enactments or rules, the provisions of Listing Regulations/Act or statutory enactments or rules shall prevail over this Policy and the part(s) so repugnant shall be deemed to severed from the Policy and the rest of the Policy shall remain in force.