

RISK MANAGEMENT POLICY

GANGA PAPERS INDIA LIMITED (“The Company”) recognises that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and efficient manner.

The Company has formulated this Risk Management Policy to identify and then manage threats / risks that could have impact on the goals and objectives of the Company. The Company considers it important to establish risk management system and internal compliance and control in order to:

- a) Achieve the Company’s goals and objectives;
- b) Safeguard to assets and interests of the Company and its stakeholders; and
- c) Ensure the accuracy and integrity of external reporting.

RISK MANAGEMENT SYSTEM

The Board is responsible for overseeing the establishment and implementation of an effective Risk Management System and reviewing and monitoring Company’s application of that system.

Implementation of the risk management system and day-to-day management of risks is the responsibility of the HODs / Senior Management Executives of the Company and suitable reporting at quarterly intervals is made to the Managing Director.

RISK PROFILE

The Company considers that any risk that could have a material impact on its business should have included in its Risk Profile. The risk profile of the Company can be summarised as follows :

- Market Related / Economic Cycle
- Business Operations Risks
- Financial Risks (Liquidity and Credit Risks)
- Foreign Exchange Risks
- Logistic Risks
- Procurement Risks
- Systems Risks
- Human Capital

POLICIES AND PRACTICES ADOPTED TO MITIGATE RISKS:

- 1) Market Related / Economic Cycle : Variance in demand of the products

Based on past experience and study of market dynamics / trends as they evolve, the Company is able to reasonably forecast the demand for its products during a particular period and accordingly production planning is done.

The Company seek to continuously expand the customer base to maximise the potential sales volumes and at the same time securing additional volumes from the existing customers, on the basis of satisfactory performance in the earlier dealings.

To counter pricing pressures caused by strong competition, the Company continuously aims at increasing operational efficiency and quality parameters besides cost reduction and cost control initiatives.

2) Business Operations Risks :

These risks broadly include organisation and management risks, production process risks, and profitability risks.

Risk Mitigation Measures includes:

- Existence of well-defined organisational structure.
- Well-defined flow of information to avoid conflict or mis-communication at various organisational levels.
- Preparation of detailed Annual Business Plans.
- Monthly review of operations / performance by management and variances, if any compared to Annual Business Plans are analysed and corrective actions as warranted are taken.
- Standard Operating Procedures (SOP) are well defined and followed in relations to material procurement, consumables, key spares and tools to ensure uninterrupted supply for planned production programmes.
- Cost Reduction Initiatives are undertaken on the continuous basis to keep the Company's products competitive in the market.

3) Financial Risks (Liquidity and Credit Risks) :

These Risks Include :

- Cash Management Risk / Financial Solvency
- Borrowing Risks
- Risks of settlement of dues in time by customers
- Provision of bad and doubtful debts

Risk Mitigation Measures include :

- Preparations of monthly / quarterly budgets and variance analysis to have better financial planning.
- Daily and monthly cash flows are prepared and monitored at senior levels to ensure effective utilisation of available funds.
- Facility of Cash Management Services is availed from Banks for quick realisations / collections.
- Assessment of Creditworthiness of customers is done before fixation of credit period to be granted.
- Provision for bad and doubtful debts made at appropriate time to reflect correct financial position of the Company.
- Ageing analysis of debtors is done on monthly basis and appropriate recovery and follow up is done accordingly.

4) Foreign Exchange Risks

The Company has in place Foreign Currency Risk Management Policy, which is followed from time to time.

5) Logistics Risks : Use of outside transport resources

Risk Mitigation Measures include:

- Possibilities to optimize transport operations by combination of transportation through road / rail are explored
- Maintaining pool of transporters

6) Procurement Risks :

These Risks Include:

- Interruption in supply of raw materials
- Raw material rates and quality

Risk Mitigation Measures:

- Proper Inventory Control system is put in place
- Raw Materials are procured from different sources at competitive prices.
- Alternative sources for uninterrupted supply of raw materials are developed.
- Production planning is done in advance, which helps in understanding the material requirements.

7) Systems Risks :

Risk Mitigation Measures:

- EDP department maintains, repairs and upgrades the systems on a continuous basis. Software and Hardware support is provided.
- Licenses software is used in the systems.
- Password protection is provided at different levels to ensure data integrity.
- The Company ensures "Data Security" by having access control / restrictions.

8) Human Resource Risks :

- Labour unrest due to strikes and lockouts.
- Employee turnover risks
- Training / skills risks

Risk Mitigation Measures:

- Proper recruitment policy for recruitment of personnel at various levels of the Company.
- Proper appraisal policy for revision of remuneration on periodic basis has been evolved and followed regularly.
- Employees are trained on regular basis to upgrade their skills.
- Labour problems, if any, are obviated by negotiations and conciliation.

Additional Procedures and Practices:

Internal Audit:

The Company has assigned Internal Audit Function to M/s. Ritesh Bajoria & Co, Practicing Chartered Accountant, reputed Chartered Accountants Firm. All the key areas relating to manufacturing process, procurement, finance, insurance etc. are reviewed by them in detailed manner and areas of development are highlighted to the management. Presentation about their findings is made to the Audit Committee of Directors.

The Audit Committee of the Board reviews internal audit findings and provides strategic guidance on internal controls.

Insurance:

- 1) The assets of the Company are insured against fire and natural calamities. The value of sum insured of the assets is reviewed at the time of renewal of the policy. The assets are insured on the basis of current replacement values. Machinery break-down insurance and material transit insurance are also taken.

Sd/-
CHAIRMAN
