RISK MANAGEMENT POLICY

LEGAL FRAMEWORK

Risk Management is a key aspect of the "Corporate Governance Principles and Code of Conduct" which aims to improvise the governance practices across the Company's activities. Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

OBJECTIVE & PURPOSE OF 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 risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

The specific objectives of the Risk Management Policy are:

1. 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.

2. To establish a framework for the company's risk management process and to ensure its implementation.

3. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.

4. To assure business growth with financial stability.

BACKGROUND

This document lays down the framework of Risk Management at Nitin Spinners Ltd. (hereinafter referred to as the 'Company') and defines the policies and guidelines for the same. This document shall be under the authority of the Risk Management Committee or other such Management Committee of the Company set up by the Board. It seeks to identify market risks inherent in any business operation of the Company and provides guidelines to define, measure, monitor report and control all the identified risks. This document covers FX & Derivative products.

Market risk is inherent in rupee as well as foreign currency borrowing/lending, business activities such as Imports/ Exports, foreign currency liability, export order/ receivables, LC payments, investments such as bonds/ debentures, loan agreements, ECB loans, fixed as well as floating rate payments, etc (hereinafter referred to as 'Company's Operations'). The Company's financial markets operations shall be governed by its Board Resolution and the Risk Management Policy. This policy document should be read in conjunction with other policies/ document laid down with respect to specific products or investments and approved by Board from time to time.

The above Company operations result in exposure to foreign currency and interest rate exposures, which will need to be hedged through foreign currency and/ or derivative products.

The Committee shall be responsible to the Board and the committee shall formally report to the Board, details on the implementation and on the activity undertaken in a given period.

The following serves as the Role and Responsibility of the Committee:

- Implementing risk management policy
- To define the organization structure relating to Risk management
- Risk Management Systems – Recording and Reporting
- Ensure that all hedging strategies are in compliance with the Risk Management Policy and relevant regulatory guidelines
- To define internal control measures to facilitate a smooth functioning of the risk-taking units within the overall risk appetite of the Company
- Ensure exceptional reporting to Board and contingency plans in order to counter possibilities of adverse market movements

RISK IDENTIFICATION

Market Risk can be classified in the following forms –

a)	Liquidity Risk	-	It is the risk that the Company will be unable to meet its financial commitment to a Bank/ Financial Institution in any location, any currency at any point in time. Liquidity risk can manifest in three different dimensions for the Company:
	Funding Risk	-	To replace net outflows due to unanticipated outflows
	Time Risk	-	To compensate for non receipt of expected inflows of funds
	Call Risk	-	Due to crystallization of contingent liabilities or inability to undertake profitable business opportunities when desirable
b)	Interest Rate Risk	-	It is the risk where changes in market interest rates might adversely affect the Company's financial condition. The short term/immediate impact of changes in interest rates are on the Company's Net Interest Income (NII). On a longer term, changes in interest rates impact the cash flows on the assets, liabilities and off-balance sheet items, giving rise to a risk to the net worth of the Company arising out of all repricing mismatches and other interest rate sensitive positions.
c)	Foreign Exchange Risk	-	It is the risk that the Company may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position in an individual foreign currency. In addition, the Company may also exposed to the following

		risks on account of foreign exchange exposures, as applicable
Interest rate risk	-	which arises from the maturity mismatches of foreign currency positions.
Settlement risk	-	on account of risk of default of the counterparties

TOOLS OF RISK MEASUREMENT

The Company shall use any of the following measures to ensure that the operations are carried out within its overall market risk appetite:

- Limit – They are control measures set by the Risk Management Committee
- Sensitivity Measures – These are to incorporate the best Risk Management practices
- Triggers – These are formal warning levels, which are designed to draw attention to a specific event.
- All Limits, Sensitivities and Triggers shall be applied at the instrument and/or trader level but can also be applied at higher consolidated levels as well for measuring portfolio risk/ performance on risk parameters.
- The Risk Appetite may be defined in terms of Value-at-Risk shall be applied at consolidated exposure level, depending upon the tools available for such measurement and keeping in mind the cost-benefit analysis.

MONITORING & CONTROL

The purpose is to review the executed trades on exchange, limits and compliance with terms and conditions of the bank/ exchanges.

The authorized person shall carry out mark-to-market valuation for all open positions. The frequency shall be atleast quarterly or more frequent based on the requirement and the underlying nature of risk. The authorized person shall review all the past trades done and will also analyze the individual ad cumulative open positions.

Mart-to-Market shall be carried out at frequent intervals to keep track of the profit/ loss and cashflows of each trade arising out of this exercise.

The regular compliance to RBI and to other statutory body will be done by the authorized person.

Activities of Risk Management Operations

1. Preparing physical/ underlying exposure book
    a. Physical/ underlying exposure – daily
    b. Physical/ underlying exposure – monthly
2. Trade execution
    a. Placing order with bank
    b. Order confirmation
    c. Trade ledger
3. Monitoring of Trades
    a. Monitoring trades promptly datewise
    b. Mark to market
    c. P/L

4. Broker payments/ receipts
    a. Margin call, as appropriate
    b. Difference account
5. Accounting & Reconciliation
    a. Maintaining interest and commission statement
    b. Maintaining profit and loss account
    c. Month end statement from broker
    d. Trades reconciliation
6. RBI Compliance
    a. Monthly statement through AD, as appropriate
    b. Annual certificate from statutory auditors

Review

The policy shall be reviewed from time to time whenever there is requirement for the same.

Risk Management Committee

The following officials of the Company shall be members of Risk Management Committee :-

S. No.	Name	Designation
1.	Sh. Dinesh Nolkha	Managing Director
2.	Sh. Nitin Nolakha	Executive Director
3.	Sh. P. Maheshwari	Chief Financial Officer