

NCL INDUSTRIES LIMITED

RISK MANAGEMENT POLICY

1. BACKGROUND

Every business organization is subjected to certain risks – both external and internal. Recognition of the existence of such risks, preparing a constant strategy for dealing with the risks, and the manner of responding to risks is an important function of corporate governance – which impacts the stakeholder value. This is particularly so in listed corporate entities, where the ownership of the company is widely dispersed, and is distinct from the management.

Considerable emphasis has come to be placed on Risk Management in the Statute in recent times. Both the Companies Act, 2013 (Section 234) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2014 ((Regulations 17, 21) require the Board of Directors to pay attention to risk assessment and minimization procedures.

Regulation 4 and 17 of the Listing Regulations makes the board of directors responsible for framing, implementing and monitoring the risk management plan, and to review the Risk Policy.

It is in this Background that the Board of Directors of NCL Industries Ltd. constituted a Risk Management Committee to formulate Risk Management Policy for the Company.

This Policy Document has been prepared against this backdrop.

2. GUIDING PRINCIPLES OF THE POLICY

“Prepare & Prevent rather than Repair & Repent” is the guiding philosophy influencing this Policy Document.

This Policy also recognizes that Risk Management is not a function of the top management alone. Sensitization to the Risks and active participation across the board at all levels is a pre-requisite for the Policy to be effective in implementation.

The Company therefore will adopt a “Bottom-up, Recommendatory” rather than “Top-down, Prescriptive” Approach. Personnel at the Plant, Division and Department levels will be actively involved in identification of various risks that the company is exposed to, and evolve solutions for their prevention, pre-emption and mitigation. Their suggestions and recommendations will be

progressively carried to more senior levels for consideration, acceptance, and adoption. Appropriate incentives will be offered for significant contributions.

3. COMPANY'S POLICY ON RISKS

The approach and strategy of the company shall be based on whether the risks concerned are.

- i. Insurable Risks; or
- ii. Non - insurable Risks.

3.1 Insurable Risks

Insurable Risks are those types of risks against which it is possible to take a conventional insurance cover from the insurance companies.

Competing insurance companies offer different insurance packages with varying rates of premium.

The Policy of the Company to cover the insurable risks would be to

- i. Review on an annual basis the existing insurance policy, and the type of risks covered by the policies.
- ii. List out the risks for which coverage is available, but not opted for by the company.
- iii. Analyse whether any events not covered by the Policies have occurred, resulting in the loss to the company due to absence of coverage.
- iv. Examine claims if any made against existing policies and re-assess the Insurance Policies from the perspectives of adequacy of coverage.

Prudent commercial principles shall be adopted in the decisions on coverage of insurable risks.

It is to be clarified however, that all statutory requirements where a particular type of insurance is made mandatory, 100% compliance will be ensured, without any exception.

3.2 Non-Insurable Risks

Non insurable risks are the type of risks for which conventional insurance products are not available in the market. There may be tailor-made, innovative insurance policies to cover some specific risks. For the purpose of this Risk Management Policy these are also considered non insurable risks.

The Company will adopt a conscious Policy of identification, assessment and reporting of risks, and formulation of procedures for mitigation of such risks

The above exercise will be carried out at the Plant, Division and Departmental levels, and their reports recommendations will be consolidated.

An illustrative list of the various identified risks, and the various departments / functionaries assigned to the risk analysis and mitigation exercise is attached as Annexure I to this Document. Functionaries in different departments are encouraged to supplement and update the list as an ongoing exercise.

Thereafter, a systematic review of Risk Profile of the Company will be made **on a half yearly basis.**

Wherever possible, monetary values shall be assigned to individual risks. Contingency Plans shall be formulated, so that the company's personnel are well prepared with appropriate responses when the events of risk occur.

An important feature of the Risk Management Strategy is an ongoing exercise to take a fresh look at the events of adversity, identifying the shortcomings in the responses offered, and preparing guideline for a more effective response in the event of recurrence of such event.

Annexure I Illustrative List of Identified Risks

Identified Risk	Nature of Risks	Risk Analysis Exercise	
		Originator	Reviewer
Operations Risks:	Plant Stoppage <ul style="list-style-type: none"> • Shortage of Raw Material • Power Supply • Plant Breakdown • Accidents • Strikes and non-co-operation from workers • Process • Quality • Engineering 	Plant Heads of different Units	MD/ED
Financial Risks	Default and Delay in <ul style="list-style-type: none"> • Payment of Statutory Dues • Interest Payment on Term Loans • Public Deposits • Repayment of Principal Delays in Payment to <ul style="list-style-type: none"> • Raw Material Suppliers • Power Bills • Transporters • Service Providers 	ED & CFO	MD
Commodity risks:	<ul style="list-style-type: none"> • Short supply of Material • Price Fluctuation 	Plant Heads of different Units/ Head of Purchase	Head of Purchase ED / MD
Technology and Technical Risk	<ul style="list-style-type: none"> • Redundancy of Technology • Obsolescence of Equipment • Fall in operating efficiencies 	Plant Heads of different Units	MD/ED
Marketing Risks	<ul style="list-style-type: none"> • Competitive Pricing by Rivals • Market Penetration by 	Marketing Heads of each division	MD / ED

Identified Risk	Nature of Risks	Risk Analysis Exercise	
		Originator	Reviewer
	<ul style="list-style-type: none"> Rivals Poaching of Dealers / Customers Payment Defaults by customers 		
Legal and Compliance Risks	<ul style="list-style-type: none"> Cases initiated against the company. Claims by Statutory Authorities Claims initiated by the company 	Head-HRD	MD / ED
Project Implementation Risks	<ul style="list-style-type: none"> Delay in arrival of equipment Deficiency in equipment Delay in construction Teething troubles in trial runs 	Plant Heads of different Units	MD / ED
Personnel Misdemeanor Risk	<ul style="list-style-type: none"> Fraud by employees 	Dept Head concerned	Head -HRD
Calamity Risks	<ul style="list-style-type: none"> Pandemics (e.g., COVID-19) Natural disasters (earthquakes, floods, cyclones, etc.) Fire, industrial accidents, or infrastructure failure Geopolitical disruptions or civil unrest Any other force majeure events <p><u>Such events may lead to:</u></p> <ul style="list-style-type: none"> Operational shutdowns or supply chain disruptions Workforce unavailability or health risks Financial losses and 	ED & CFO	MD

Identified Risk	Nature of Risks	Risk Analysis Exercise	
		Originator	Reviewer
	liquidity stress <ul style="list-style-type: none"> • Fall in Turnover • Fall in Profitability • Fall in Market base 		
Credit Risks	<ul style="list-style-type: none"> • Marketing • Finance • Customer wise Credit 	Concerned Business Head	
ESG Risks	<ul style="list-style-type: none"> • Environmental, Social and Governance (ESG) 	Plant Heads of different Units	MD
Information & Technology Risks	<ul style="list-style-type: none"> • Cyber Security risks 		Head IT Dept
Other Risks	<ul style="list-style-type: none"> • Commercial risks on materials supplies to state governments 	Marketing Departments concerned	MD
Investment Risk	<p>Risk:</p> <ul style="list-style-type: none"> • Capital investments in plant, machinery, capacity expansion, or diversification may not deliver expected returns due to market slowdown, regulatory changes, project delays, or cost overruns. <p>Possible Impact:</p> <ul style="list-style-type: none"> • Reduced ROCE and asset impairment/ write-offs • Higher debt servicing burden • Negative cash flows affecting working capital <p><u>Mitigation Measures</u></p> <ul style="list-style-type: none"> • Conduct detailed feasibility and sensitivity analyses before approval • Adopt phased investments • Secure long-term supply and offtake agreements 	ED & CFO	MD

Identified Risk	Nature of Risks	Risk Analysis Exercise	
		Originator	Reviewer
	<ul style="list-style-type: none"> • Monitor execution through milestone-based reviews • Obtain all regulatory and land/title clearances in advance • Undertake periodic post-investment reviews by the Board/Audit Committee 		
Investment Risk (JV / Subsidiary / Group Companies)	<p>Nature of Risk: Risk of loss or issues due to poor performance, weak management, or lack of proper information from JV, subsidiary, or group companies.</p> <p>Mitigation Measures:</p> <ul style="list-style-type: none"> • Check all details carefully before investing • Set clear rules and approval process for investments • Keep representation in management/board for oversight • Regularly review performance • Ensure timely reporting and identify issues early • Maintain proper controls and conduct audits • Exit or reduce investment if performance is not satisfactory 	ED &CFO	MD