



UNITED TECHFAB LIMITED
(FORMERLY KNOWN AS UNITED TECHFAB PRIVATE
LIMITED)

RISK MANAGEMENT POLICY

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1. Introduction:

Risk is a fundamental and inherent part of any business activity. Risk Management helps management in achieving the company's performance and profitability targets. Risk management should be undertaken as a part of normal business practices and not as a separate task at set times. The Risk Management Policy was formulated by Board. Now, it has been decided that the policy be reviewed as per latest regulatory requirements such as DPE guidelines on Corporate Governance, Companies Act 2013 and under the various provisions/guidelines issued by Reserve Bank of India from time to time.

2. Objectives of Risk Management Policy

- a) To lay down a framework for identification, evaluation and mitigation of risk in the operational and decision-making process of the business of Company;
- b) To protect Company from those risks of significant likelihood and their consequences in the pursuit of the strategic goals and objectives of the Company;
- c) To provide assistance and improve the quality of decision making throughout the organisation;
- d) To ensure sustainable business growth with stability and encourage pro-active approach in reporting and mitigating risks associated with the operations of the company;
- e) Assist in safeguarding the Company's assets.

3. Definitions:

- a) Risk: - Risk means potential uncertainty regarding deviation from expected earnings or outcome. Risks come from different situations and are of different types and may be internal/external.

b) **Risk Management:** -It is a systematic application of management policies, procedures and practices to the task of identifying, analyzing, assessing, implementing appropriate risk mitigations and monitoring and communicating the risks.

c) **Risk Rating:** The level of risk shall be determined by likelihood and severity.

Company's outlook in dealing with various risks associated with the business and includes company's decision on acceptance of risks, avoidance of risks, transfer of risks and its risks tolerance level.

d) **Risk Register:** - A register be maintained by Board to record all identified & significant risks and their mitigation plans as approved by Board.

e) **Risk Description** refers to the methodology of reporting and recording the company's identified risks in a structured manner. The methodology would also cover the treatment required to mitigate the impact of the risk and reduce its occurrence and review of the policies as to avoid the risk in future. These risks can be in the form of stakeholder concern, impact on strategy & operational activities and financial impact due to erosion of profits.

4. Applicability of the Policy

This policy shall apply across all locations of Company including its operations and all support functions.

5. Risk Management

Risk Management is the process of identification, analysis and acceptance or mitigation of uncertainty to an organization's operations. Therefore, it is required to have a well-defined risk organization structure to achieve the objectives of the Risk Management Policy and manage the risks on day-to-day basis.

Risk Management Strategy

Company's Risk Management strategy outlines its ability to effectively identify, quantify and control risks and exposures which shall thus

enable it to deliver business objectives and attain profitability. Risk Management Strategy thus entails establishing a framework which would ensure its realization of the Company's objectives. Risk minimization and risk optimization are integral part of the risk management policy or strategy;

The strategy would thus aim at:

- To identify, evaluate and manage risk for the achievement of objectives;
- To assess the likelihood, impact and acceptability of those risks to which the company may be exposed;
- To deliver controls and mitigation treatment to reduce the probability and impact of identified risks to an acceptable level;
- To integrate risk management activities at various levels in the company.
- To periodically monitor the effectiveness of the management of risks having particular regard to failings / weaknesses reported.
- To ensure that necessary action is being taken to remedy failings / weaknesses.
- To identify and ensure delivery of effective risk management training programmes.
- To periodically monitor and review risks and controls to cater for external / internal changes.

6. Risk Assessment:

The process of Risk Assessment inter-alia entails identification, categorization, description, estimation of the risks as follows: -

Risk Identification & Categorization means Company's exposure to uncertainty classified in terms of Credit/ Liquidity/ Market/ Strategic/Operational etc. Each of these has been elucidated hereunder:

a) Credit Risk: Credit risk is the probability of a financial loss resulting from a borrower's failure to repay a loan. Essentially, credit risk refers to the risk that a lender may not receive the owed principal and interest, which results in an interruption of cash flows and increased costs for collection. Lenders can mitigate credit risk by analysing factors about a borrower's creditworthiness, such as their current debt loan and income.

The Financial Assistance risk of a Company's portfolio is dependent on various external and internal factors to the Company. The external factors being the state of the economy, volatility in commodity / equity prices, foreign exchange rates, interest rates, trade restrictions, economic sanctions, government policies, etc. The internal factors are in the nature of deficiencies in appraising, approving and managing individual credits, deficiencies in or non-compliance with credit policies / process / limits, inadequate monitoring and control systems, slackness in remedial management, etc.

The Company shall view the policy as a framework where risk retention will be considered appropriate and as a means of achieving organizational objectives of higher net return for which Company should be geared to understand Financial Assistance risk in all obligors and measure the same to accurately estimate the expected and the unexpected loss from the same.

b) Liquidity Risk: This risk focuses on ensuring maintenance of sufficient liquidity including a cushion of unencumbered, high quality liquid assets to withstand a range of stress events, including those involving the loss or impairment of both unsecured and secured funding sources. The process of identifying, measuring, monitoring and controlling liquidity risk shall include a robust framework for comprehensively projecting cash flows arising from assets, liabilities and off-balance sheet items over an appropriate set of time horizons. The management of liquidity risks relating to certain off-balance sheet exposures on account of special purpose vehicles, financial derivatives, and, guarantees and commitments may be given particular importance

due to the difficulties that many NBFCs have in assessing the related liquidity risks that could materialise in times of stress.

The Company is having a reliable MIS designed to provide timely and forward-looking information on the liquidity position of the Company to ALCO, both under normal and stress situations covering all sources of liquidity risk, including contingent risks and those arising from new activities, and have the ability to furnish more granular and time-sensitive information during stress events.

c) Market Risk: Market risk is the risk of losing value on financial instruments on the back of adverse price movements driven by changes in equities, interest rates, credit spreads, commodities, and FX. The different types of market risks include interest rate risk, commodity risk, currency risk, country risk.

The nature and complexity of the business activities and overall levels of risk should determine how sophisticated management of market risk must be. It is desirable that Company will have a process that enables management to control market risk in a timely and comprehensive manner.

d) Strategic Risk: Strategic risk is the risk to earnings, capital, or liquidity arising from adverse business decisions, improper implementation of strategic initiatives or inadequate responses to changes in the external operating environment. Change risks, Competitive risks, regulatory risks, economic risks, management risks and operational risks, are six types of strategic risks that can impede business performance.

e) Operational Risk: Those risks which are associated with the company's operational and administrative procedures and inter-alia include accounting controls, regulations, recruitment, IT systems, Board composition, contractual as well as organizational risks and exposures.

7. Risk Management Techniques and Treatment of Risk

As a strategy, the following techniques for risk management shall be introduced:

- Using risk transfer and indemnification provisions in the contract;
- Transferring risk through safety engineering or loss control;
- Retaining unavoidable risks;
- Insuring risks which are above the Company's retention capacity;
- Considering insuring for traditionally insured hazard risks.

With the implementation of the above techniques the treatment of risks can be undertaken through adoption of following four fold strategy:

S. No.	Risk Handling	Desired Action	Result
1.	Avoidance of Risk	Non-performance of activity involving risk	Eliminate
2.	Reduction of Risk	Reduction in severity of loss	Mitigate
3.	Transfer of Risk	Engaging specialist adhering to core competencies area of operations	Mitigate
4.	Retain the Risk	Retained by default	Unavoidable

8. Risk Management as on-going process – To ensure continued implementation of company's risk management policy and strategy, critical review and refresh process shall be adopted within the organisation on an on-going basis. It would inter-alia include the following:

9. Review

If there is any modification, that would require an approval by the Board of Directors. Reviews and modifications during the year are permitted if there is a specific need for the same. Certain situations which necessitate a review of the Policy intermittently are:

- Changes in Regulatory requirements
- Change in the processes or control environment

- Change in the risk management systems
- Changes in the Business Plan
- Prolonged non adherence to the set thresholds

DISSEMINATION OF THE POLICY

The policy shall be hosted on the website of the Company i.e. www.unitedtechfab.com

Effective Date: December 12, 2024

Date of Approval by Board of Directors: December 12, 2024