WEIZMANN
LIMITED
(CIN : L65990MH1985PLC038164)
Regd. Off: Empire House, 214, Dr. D. N. Road, Ent. A.K. Nayak Marg, Fort, Mumbai - 400 001.
Tel : 2207 1501 (6 Lines) · Fax : (022) 2207 1514 · E-mail : weizmann@bom3.vsnl.net.in

Risk Management Policy

Preamble

Every business is prone to various business risks whether financial or non financial. Risk and opportunities are two sides of the same coin. Invariably no entity can operate or have the assurance of carrying on business in a totally risk free environment.

Even though Weizmann Limited both as a long term business strategy as well as short term and in day to day operations continuously factors in the risk aspects by properly identifying, evaluating and mitigating the same, for the sake of good order and further now as mandated by Companies Act, 2013 as well as clause 49 of the Listing Agreement dealing with corporate governance, the risk management policy is being formalized in writing for the benefit of all stakeholders.

The risk management policy can never be a stagnant document but calls for periodical review as business situations continuously change and there is always a need to revisit the policy document for amendment or modification to meet the changed requirement.

Companies Act, 2013 u/s.134 dealing with Financial Statement and Board's Report stipulate a disclosure in the report of the directors to be made on ***development and implementation policy for the company including identification therein of elements of risks, if any, which in the opinion of the board may threaten the existence of the company***.

Clause 49 of Listing Agreement dealing with Corporate Governance states that

A. The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.

B. The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.

C. The company shall also constitute a Risk Management Committee. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

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Risk Management

The term "**risk**" can be defined as a chance or probability of happening or incurrence of certain events or outcome or the non happening or non occurrence of the events or outcomes. Generally it is understood in a negative sense and hence its meaning includes hazard, possibility of bad consequences, loss, which could lead to loss or damage to the property, profit, cash flow or capital of a business and can threaten the existence of the business itself.

The objective of risk management is not to consider the ways and means as to how the risk can be avoided or eliminated but to minimize the loss or damage arising from certain unexpected or undesirable events, the happening of which was only a certain probability. In nutshell, the aim is to take risk but mitigate the loss. The aim of risk management is to protect the flow of revenue as well as assets and properties of the company against any loss or liabilities that may arise out of various risks exposures.

The risk management adoption is a positive and proactive managerial action to reduce the loss and costs and maximize the returns to the stakeholders. Any organization do not wish only to carry on business operation for maximizing profit but ensure sustainability in the profitability for steady and positive growth of the company. Hence risk management is an ongoing exercise. The absence of risk management policy can threaten the very existence of a business.

Thus risk management calls for conscious and calculated risks to be taken with complete knowledge and understanding of the pitfalls and quantum thereof and ensure optimization of the risks, profitability and growth of the company.

The process of risk management includes establishing the criteria against which risk to be evaluated, identify the risks especially on the timing of its happening and the reasons thereof for the purpose of analysis, analysis of the risks, evaluating the risks for ascertaining the intensity, treatment of the risks i.e. for ranking the risks for adopting specific approaches, monitoring and review of the risks from the angle of control and mitigation and finally communication and consultation i.e. the stakeholders are periodically kept informed of the risk management process. The steps could be broadly categorized as below :

a) Planning
b) Decision making
c) Organizing and
d) Control

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Planning involves

a) Investigation
b) Identification
c) Evaluation including classification, quantification, reporting – its frequency & impact

Decision making involves

a) Loss prevention or avoidance
b) Loss reduction
c) Loss absorption
d) Insurance or risk transfer

Organizing involves implementation of risk management techniques

Control encompasses evaluation of result of application and documentation

Risk Categories

The risks can be categorized as Business Risk and Non Business Risk. Business Risks are those which any business entity willingly assumes to create a competitive advantage for itself and add value to the stakeholders. The same could be its product market, technology, the product design, credit risk, operational risk, macroeconomic risk resulting from economic cycles, monetary policies, competition, process bottlenecks, non adherence to process parameters and predefined procedures, shortage of inputs, personal risks like health and safety, high attrition rate, incompetence, reputation risk like brand impairment, product liabilities, etc. Business risks would also include financial risks to certain extent like interest rate movement, currency fluctuation or meeting the financial obligations. There could be strategic risk which apart from competition can also be high dependence on single customer / vendor.

The Non Business Risks are many a time beyond the control of the business entity and this would include fundamental shifts in the economy, political environment, regulatory risk, if any.

Risk Control and Follow Up

After the identification of the risks and evaluation, the next step to be on the risk control and follow up mechanism. This specifically includes estimating the risk levels against pre established criteria as may be determined by the Risk Committee. This could facilitate ranking of the risk and prioritizing the mitigation. Risks can be evaluating by plotting them on a risk map.

The strategy should detail the risk management plan involving defining the objectives, ensuring resources, fixing timelines, accountability and reporting indicators and frequency.

There could be risks which cannot be quantified in monetary terms and in such cases the consequences that would follow if such risks are not mitigated are evaluated. Such matters would include impact on environment by not following proper Pollution control

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procedures, disability or impairment to human life due to lack of safety measures, adverse impact on brand equity including public litigation.

At the end of the given project, the project risk plan is required to be compared against the actual project journey and achievement thereof. The report could address issues like

Economic risks which could be managed through insurance, negotiating guarantees, opting for derivatives in financing and risk transfer process. This also includes interest rate risk, credit risk, currency risk where imports / exports and finance arrangements involve foreign currency and labour related issues.

Social risks addressing safety, social and environmental impact like adverse effect on the neighbourhood

Technical risks managed through continuous upgradation of technology and replacement of machineries having modern features and thus managing obsolescence through innovation.

The risk control from the stage of setting up and during operation to factor in the effect of risk on both schedule and cost

A statistical probability distribution can represent each risk and related cost and duration of the activity. The tools could include scientific budget, critical path network, benchmarking.

Basically the risk control strategies must consider the probability and consequence of the risks and focus on main risks through proper evaluation. The normal process amongst the stakeholders involves collection of information, brainstorming, prioritization and mitigation plans. The process of risk management would necessitate avoidance like change of the project plan on account of time, costs, scope, quality, etc. Mitigation i.e. reduction of the probability of adverse effect and taking early action to reduce the adverse risk factors, transferring or sharing the risk element say through proper insurance of the risk or through negotiation of warranties and guarantees, acceptance of the risk as certain risk which are not acute ones necessitating rejection of the product, cannot be eliminated but need to be absorbed as integral part of business / process.

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