

**RISK MANAGEMENT POLICY**

**[Pursuant to Regulation 21 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]**

**1. Introduction:**

Risk evaluation and management is an important tool in the decision making process. Identification of risks and taking effective steps for mitigation of risks will result into substantial saving.

According to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors shall define the role and responsibility of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee.

This policy is framed in compliance with the provisions of the Companies Act, 2013 read along with the applicable rules thereto and Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

**2. Constitution of Risk Management Committee:**

**a) Composition:**

The Committee shall consist of at least three members with majority of them being members of the board of directors, including at least one independent director.

**b) Quorum:**

The quorum necessary for transacting business at a meeting of the committee shall be two members or one-third of the members of the Risk Management Committee, whichever is higher.

**c) Meetings:**

The Committee shall meet at least twice in a year.



**d) Role and Responsibilities of the Committee:**

The role of the committee shall, *inter alia*, include the following:

- (1) To formulate a detailed risk management policy which shall include:
  - (a) A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.
  - (b) Measures for risk mitigation including systems and processes for internal control of identified risks.
  - (c) Business continuity plan.
- (2) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- (3) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- (4) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- (5) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- (6) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

**3. The Company is exposed to following Risks:**

**A) Financial Risks**

S.No.	Threat / Process	Mitigation Measures
1	Working Capital Management	<ul style="list-style-type: none"><li>• The Company is having adequate working capital limits (Fund based and Non-fund based) to run the business.</li><li>• Working Capital Limits (Fund based) are being utilized judiciously to meet the gap between the requirement and availability of funds;</li></ul>



2	Change in taxation policies	Proper tax planning can minimize this risk to an extent.  Updating with latest amendments in the policies / tax rates to avoid penalties.
3	Expenditure risks	All the expenditure have to be tied to revenue and revenue generation capabilities. Search for wasteful expenditure will be regularly carried and such expenditure will be reduced / eliminated.
4	Financial leverage risks	Debt equity ratio is monitored.
5	Provision for bad and doubtful debts	Provision for bad and doubtful debts is made to arrive at correct financial position of the Company.  Appropriate recovery management and follow up.
6	Blockage of funds – Delay in realization of sales	Timely realization by rigorous follow-up and meeting the clients.

## B) Manufacturing Risks

S.No.	Threat / Process	Mitigation Measures
1	Delay in approval of Bill of Material (BOM) for each product / outdated BOM approval.	Timely release of BOM of each job order personally monitored by the concerned team leader.  BOM approval to be updated.
2	Delay in Procurement	(a) Weekly monitoring by Senior Management keeping in view the production plan, (b) Alternate source for all the items wherever no vendor development cost involved. (c) Advance action for procurement of single source items and long lead items
3	Employee turn out	(a) Retaining the required technicians by motivating them through monetary and non monetary benefits (job rotation, giving higher responsibility etc). (b) Training more persons on multiple skills.
4	Obsolescence of input material	a) New input material needs to be integrated and whole product to be tested for reliability. (b) Modification in BOM and associated modifications in production process including the mechanical mounting, interface electronics and software. (c) Updating of documentation on regular basis
5	Schedule delay	Weekly review of the projects by management during the review meetings.



### C) R&D Risks

S.No.	Threat / Process	Mitigation Measures
1	Technology risks	Regularly management and technical team visits exhibitions to check the latest technology available and on the feedback continuous improvements are made to the technology.
2	User specifications may be higher than or drastically different from initial expectations	Constant touch with the customer to ensure that we are continuously addressing to their requirement.
3	Improper design and technical specification study	Appropriate and qualified technical personnel are assigned and regular review of design and technical specifications are taken care to ensure that they are proper.
4	Confidentiality Risk	Our Intranet is not connected to the Internet and only Senior management and important people are capable to take out the drawings. These people are with the company since many years. Criminal liability for those who violate the terms.

### D) Marketing Risks

S.No.	Threat / Process	Mitigation Measures
1	Confidentiality of information	Only most important and necessary is the price may leak out in the tender which is confidential. No one else should know the price except the key people, have to be trust worthy. There is possibility that at the maximum risk of the price being surreptitious. Opening at the customer place before the tender opening time, we need to put the price in full proof covers.
2	Lost assets such as files, laptops-	Remote back up of all files is in place. Random check of the same for every 6 months to see the robustness of the system needs to be done.
3	Delivery schedules	Marketers should keep in view the lead time required before committing a date for delivery.
4	Competitors risk	Proper study of the features and price of the competitors have to studied by the marketers before submitting a tender.
5	Tenders called off	Monitor the clients continuously by tapping them from time to time to know the progress and to mitigate any issues raised in the process.



### E) Deliverables risks

S.No.	Threat / Process	Mitigation Measures
1	Weather, natural disasters, accidents	Proper insurance of goods
2	Unrealistic schedules	Marketing department should know the lead time for production while making the commitment.
3	Transit delays	Can choose reputed and reliable transporters

### F) HR risks

S.No.	Threat / Process	Mitigation Measures
1	Wrong hiring	Thorough evaluation during the interview and background verification.
2	Employee turn out	Retaining talented employees by motivating them through monetary and non-monetary benefits
3	Key staff being ill and unable to work	Training employees on multiple skills. Have a backup plan for all key staff.
4	Changes in product	Develop skill-set of the employee as per the new recruitments by providing necessary training well in advance.
5	Personnel injury or death	Immediate back up plan.
6	Termination risks	Gather sufficient information and reasons with proofs i.e., disciplinary memo / warnings to justify the decision before termination, counsel/warnings before termination.

### G) System risks

S.No.	Threat / Process	Mitigation Measures
1	System capability	IT department maintains repairs and upgrades the systems on a continuous basis with personnel who are trained in software and hardware.
2	System reliability	Password protection is provided at different levels to ensure data integrity.
3	Data integrity risks	Licensed software is being used in the systems
4	Coordinating and interfacing risks	The Company ensures "Data Security", by having access control/ restrictions.

S. Gunasra Reddy  
Managing Director



## H) Legal risks

S.No.	Threat / Process	Mitigation Measures
1	Contractual Liability	Vetting of all legal and contractual documents
2	Insurance Risks	Systems have been put in place to make timely payment of insurance and full coverage of properties of the Company under insurance.
3	Frauds	Internal control systems are existing in the Company to have proper control on the operations of the Company and to detect any frauds.  Internal audit is done by an independent audit firm to ensure whether the operations of the Company are being done in accordance with the defined systems and procedures.

### 4. Amendments to the Policy

The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

### 5. Disclaimer Clause

The Management cautions readers that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

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For Astra Microwave Products Ltd.

  
S. Gurunatha Reddy  
Managing Director