

PRINCE PIPES AND FITTINGS LIMITED

RISK MANAGEMENT POLICY

The Ministry of Corporate Affairs, Government of India introduced a specific provision vide Section 134(3) (n) of Companies Act, 2013 on Risk Management. Further Securities and Exchange Board of India (SEBI) vide Regulation 21 of SEBI (LODR) Regulations 2015 mandated the top 500 companies, as per their market capitalization on Stock Exchange, to constitute Risk Management Committee to deal with the object of risk identification, management and control. The Risk Management Committee has to meet at least once in a year

The Company has constituted a Risk Management Committee in its Board Meeting held on 25th June, 2020 to identify the various risks and steps for mitigation/control of the same. The same has been revised by the board at its meeting held on November 02, 2021.

The Company has prepared a comprehensive framework for risk assessment and mitigation thereof so as to minimize their adverse impact on the organisation to all possible extent.

Business Objectives:

The first step for formulating Risk Management Policy is to define the business objectives of the Company on various parameters. The business objectives of the Company are listed as under:-

Strategic:

- Organizational Growth
- Improve Operational efficiencies
- Sustenance and Growth of Strong relationships with dealers/customers
- Expanding its presence in existing markets and penetrating new geographic markets
- Developing the market by promoting new applications
- Continue to enhance technological capability so as to absorb latest developments

Operations:

- Consistent revenue growth
- Sustain profitability
- Continuously improve productivity and quality
- Control operational cost
- Further develop the culture of innovation
- Attract and retain quality team
- Develop leadership & competencies by training/opportunity to grow

Reporting:

- Maintain high standards of Corporate Governance and public disclosure.

Compliance:

- Ensure stricter adherence to policies, procedures and laws/ rules/ regulations/standards applicable to the Company.

Risk Management Approach

It is composed of three components:

- 1) Risk Governance
- 2) Risk Identification
- 3) Risk Assessment and Control

Risk Governance:

The Board is responsible for managing risk on various parameters, at the corporate level. The functional heads have to ensure implementation of the risk mitigation measures. The Risk Management Committee provides oversight and reviews Risk Management Policy from time to time on a periodical basis.

▪ **Risk Identification:**

Risk factors that must be managed are identified in the context of business objectives.

▪ **Risk Assessment and Control:**

This is composed of >

- (a) Risk assessment and reporting
- (b) Risk control
- (c) Capability development

On a periodic basis risk due to external and internal factors are assessed by responsible managers across the organisation. Norms aimed at limiting exposures are integral to this frame work. The risks are identified and formally reported through mechanism such as operation reviews and committee meetings. Internal control is exercised through policies and systems to ensure timely availability of information that facilitate pro-active risk management.

The risks identified by the Company have been classified into two parts viz. External Risk Factors and Internal Risk Factors, as enumerated hereunder, which are subject to review from time to time.

Sl. No.	External Risk Factors	Sl. No.	Internal Risk Factors
1	Global Factors	1	Financial Reporting Risk
2	Raw material price fluctuations	2	Liquidity Risk
3	Exchange rate fluctuations	3	Credit Risk
4	Political environment	4	Raw Materials Sourcing Risk
5	Competitive environment	5	Protection of Assets and Maintenance
6	Inflation and cost optimisation	6	Risk of demand shift to Competing Polymers

7	Government Policy	7	Cyber Risk
8	Environmental Risk Management	8	Compliance Risk
		9	Legal Risk

EXTERNAL RISK FACTORS:

1. Global Factors

The Company is partially dependent on imported Raw materials. Company's business could get impacted with the global geopolitical events, trade wars, tariff barriers and regional co-operation agreements like FTA/PTA. Company has no control on these factors but tries to take steps to mitigate the adverse effects of such events by engaging with other sources of supply of raw material so as its operations continue to run smoothly.

2. Raw material price fluctuations

PVC is the important Raw Material and majority of company's PVC requirement is being imported. The company hedges its risk with having reasonable exposure with the domestic sources. Long term volume contracts are also in place for few polymers. In any event Company keeps a continuous watch on the price movements of important raw materials in the global market and also uses external agencies for same to take anticipatory actions wherever possible.

3. Exchange rate fluctuations

To overcome the risk of foreign exchange volatility, the company has hedging policies in place which has been revised from time to time.

4. Political Environment

Any adverse change in the political environment of the country leading to changes in Government policy for the industrial activities in India, would have an impact in growth strategies of the Company as well as its investments. As a policy, we constantly review our existing and future investment strategies taking into consideration the political situations prevailing from time to time.

5. Competitive environment

The Company faces competition from domestic manufacturers for all its major products. Company is well placed in both market to compete with the other producers

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on fair price basis. Company keeps consistent watch on the business strategy, price mechanism and supply position of its competitors so as to maintain its leadership and trade to maintain its relevance in the market.

6. Inflation and cost optimization

To meet the challenge of inflation, cost optimisation and cost reduction initiatives are implemented on continuous basis in the Company. Costs are monitored on cost center basis and all cost centre Incharge are sensitized towards this. The Company controls costs through budgetary mechanism and its review against actual performance.

7. Government Policy

Policies of government being promulgated from time to time are studied to check the adverse impact, if any on the business of the Company in terms of production, market, demand and future prospects etc. and thereafter suitable corrective or remedial steps are taken up.

Adverse policies, if any, of Government affecting the interest of Company/industry is taken up with the concerned authorities by the Company and where required, support of CPMA, CII and PPA is taken to advocate the issues faced by the industry.

8. Environmental Risk Management:

The Company endeavours to protect the environment in all its activities, as a social responsibility. Company takes utmost care to not discharge polluting materials into the environment which may cause danger to the fragile environmental surrounding.

For control of water pollution the Company has set up STP for treating the domestic waste water. Treated water is used for gardening and plantation, thus reducing considerably its horticultural water needs.

INTERNAL RISK FACTORS

1. Financial Reporting Risk:

Company follows accounting standards and mandated regulations related to revenue recognition and accounting for Income tax while finalizing financial statements of the Company.

The Company has appointed external firms for carrying out regular internal audit for plant locations, Corporate Office and its depots. Company has also appointed auditors

for audit of GST transactions. Statutory Auditors carry out quarterly review and limited audit of financial books of the Company.

The Company has instituted code of conduct for key executives and whistle-blower mechanisms, adheres to internal control practices that prevent collusion and concentration of authority, employs mechanism for multiple authorisation of key transactions with crosschecks, scrutinises management information data to pinpoint dissimilarity of comparative figures and ratios, creates a favourable atmosphere for internal auditors in reporting and highlighting any instances of even minor non-adherence to procedures and manuals.

The Company uses “Navision” system for its operations to record all transactions relating to procurement, issuance, production, sales, receivables, payments and receipts.

2. Liquidity Risk:

Company is long term debt free and has adequate resources for the operations of the Company. Company maintains adequate liquidity in the system for its day to day operations and in the event of cash flow mismatches, it can resort to standby working capital facilities from banks which are available to the Company from consortium of banks. In addition to the undrawn fund based credit limits, the Company has also recourse to discounting trade receivables. These are considered adequate to ensure the Company is not exposed to any liquidity risk.

Based on annual business plan, an assessment of Company’s need of banking facilities for fund based and non- fund based is made and necessary arrangements with banks are finalized for same. These are of course governed by the limits set by the Board/Members from time to time.

3. Credit Risk:

The Company has specific policies for managing the customer credit on an ongoing basis. These policies factors in the customers financial position, past experience and their other specific factors.

Provisions for bad and doubtful debts are made/receivables are written off when there is no reasonable expectation of recovery such as debtor failing to engage in repayment plan with the Company.

Appropriate recovery management and due legal process is initiated in defaulting cases and periodical report is circulated to the management for their information. When recoveries are made, these are recognised in the statement of Profit and Loss Account of the Company.

4. Human Resource Management Risk:

HR risk involves manpower attrition involving replacement risks, training risk, skill set risk, etc. and labour unrest resulting into labour strike.

To overcome these, Company has put in place:

- i. A proper recruitment policy to ensure right people for right job. A robust annual appraisal system exists in the organisation. Company has not experienced any serious attrition. Company provides excellent working conditions and staff welfare schemes. Employees are also suitably covered under EPF, Gratuity, Bonus, ESIC etc.
- ii. Necessary on-job training and external training is provided to improve skill set of the employees.
- iii. Growth opportunities are provided to the deserving employees.
- iv. Second level positions are groomed for smooth functioning of the operations in the event of unavailability of functional head.
- v. Company enters into an agreement with labour unions through negotiations and its relation with team members has been very amicable.
- vi. Company uses third party services for loading and unloading of goods. The service is covered under the applicable state government laws.

6. Protection and Maintenance of Assets

Company's assets carry risk of fire and natural risks like earthquake and floods, technological obsolescence and fatigue. To overcome these Company continuously takes following actions:

- i. The properties of the Company are adequately insured against risks, like fire, flood, earthquakes etc. with periodical review of adequacy, rates and risks covered under the professional advice.
- ii. Necessary fire training is provided to the security and safety personnel.
- iii. Regular maintenance and upkeep of assets are carried out to keep them in running condition.
- iv. Periodical survey of assets of Company is conducted by Company officials and due replacement plan is prepared beforehand to protect the interest of Company.
- v. Technological obsolescence is a practical reality, hence this is evaluated on continuous basis and the necessary investments are made from time to time for upgrading the operational/ manufacturing activities of the Company.

7. Risk of demand shift to competing Polymers:

With development of new properties in the competing polymers and new applications thereof, there always remains a risk of shifting of demand for certain applications to the competing polymers.

To overcome this risk, Company continuously works towards upgrading properties of its various grades of its products and develops new grades for certain specific applications to discourage its customers shifting to substitutive polymers.

Company's marketing team remains in constant touch with its customers to check on the threats from the competing polymers so as to take timely actions.

8. Cyber Risk - IT Infrastructure Security & Business Continuity:

In today's business environment, every activity is system driver. Protection of data and system is essential part of managing the business. To this Company has undertaken following:

A. Primary DC

□ All the Servers are Co-located at Microsoft Azure Data Centres which have best-in-class infrastructure facilities with failover arrangements. Data and Server Image Backup of server setup, configuration data on separate drive are taken every day. Creation of snap-shots whenever will do critical task for safer side anything goes wrong at the time of execution, in background at regular interval for backing up of data files at various stages.

B. DR/Backup DC at different seismic zone

- All critical Business Application data (ERP, File Server data & E-mails) is replicated at DR site for business continuity.
- Escan antivirus setup maintenance & Monitoring for filtering incoming data Existing & incoming data on individual PC & Server is regularly scanned and action taken as per pre-defined rules for disinfecting, quarantine virus and other threats.
- Regular updates of antivirus, to address threats from new viruses

C. End-point security controls

- USB drives on the PCs are blocked for the connection of USB/FLASH drives which are the main source for virus infections, Access to USB drive provided for limited period only through proper authorization

- Existing computers in networking setup are white-listed. Connecting new computer in Local-area-network is prevented, unless it is configured with proper authorization
- Majority of the computing devices are thin clients which are write protected and don't have any local storage.
- All client level computers are taken under PPFL domain and policies / restrictions imposed for
 - (i) Preventing Changes in hardware / software settings & configuration made at client level
 - (ii) Preventing Installation of new software, removing of existing software etc.

D. Fire-wall setup for control / restrictions on Networking Access

- Detects / prevents
 - (i) Intrusions
 - (ii) Un-authorized access to servers
- Control access to application servers for internal & external users through DMZ setup. All Incoming and outgoing traffic is routed through firewall.
- Browsing controls which controls attacks from websites from virus infections/ execution of malicious codes etc
- Scanning of emails for viruses/ spam (as a 2nd level protection)
- Access to Business Application for external users provided though Citrix & VPN setup only.

E. Access control to Business Application & File System

- Authorisation roles for group of transactions prepared as per business activity and assigned to user-ids
- Password policy has been set for introducing periodic changes, complexity etc.
- User-ids creation, removal etc. carried out through pre-defined authorisation cycle.
- Addition changes, removal of access to Business Transaction is carried out through pre-defined authorization cycle.

F. E-mailing and internet policies to control outgoing data / information

- E-mails are routed through the service provider for screening of viruses and spams, and only clean mails are received on our mail server.
- All the traffics over the internet are routed thru the Firewall and then allowed to reach in the network.
- Uploading of data on internet for business purpose is allowed for authorized users
- Log (journaling) of e-mailing is maintained for tracking communication details wherever necessary

G. IT Security Assessment by 3rd Party Vendor

- IT Infrastructure Audits are carried out by 3rd party service providers which includes Application Security Assessment, Internal/ External Penetration Testing by using ethical hacking tools, Server/Network

devices Configuration Audit, Network architecture review and firewall rule base review.

- Issues found in the audit are reviewed and mitigated as per their recommendation followed by re-audit for effective mitigation.

9. Compliance Risk:

The Company has to comply with various laws and enactments for carrying out its business activities like Companies Act, Secretarial Standards, SEBI Rules and Regulations including LODR, RBI, FEMA, Indian Accounting Standards (Ind AS), Environment laws, Factories Act, Weights and Measurement Act, and other Industrial laws, Customs Act, GST Act, Income Tax and Labour laws etc inter alia many others.

The Company has internal compliance mechanism through which the compliances of both the plants and corporate office are monitored constantly and a report in this respect is placed before the Board every quarter to keep them abreast with the compliances status of the Company and if any deficiency is observed in compliances, quick action is taken to address the same with a view to ensure due compliance.

We are committed to maintaining high standards of Corporate Governance and public disclosure and all efforts are made to comply with evolving laws, regulations and standards in this regard.

10. Legal Risk:

Legal risk is generally comprised of contractual risk, liability arising out of any unintentional violation of laws during the course of discharge of official duties by Directors and Officers of Company, cheating/forgery or fraudulent activities, misrepresentations and any notice or judicial orders or court proceeding not duly attended by the Company.

Following are the measures adopted by the Company to mitigate the risks arising out of above.

- (i) While entering into any contract/agreement, the terms and conditions thereof are thoroughly vetted by the legal team of the Company/advocates with special focus on contractual liabilities, tenure, consideration, deductions, exclusion, penalties and exit clauses etc.
- (ii) All legal cases initiated by or against the Company and any legal notice issued by or to the Company by any court/authority are timely attended to by its officials and judicial orders are taken into cognizance for implementation.
- (iii) Directors and Officers (D&O) liability Insurance cover has been taken by Company to adequately cover its Directors and Officers against any liability devolving upon them due to any unintentional violation of laws during the course of discharge of their office duties.