



VARINDERA CONSTRUCTIONS

RISK MANAGEMENT POLICY
OF
VARINDERA CONSTRUCTION LIMITED



Varindera Constructions Limited (CIN No.: U45201DL1987PLC128579)

 **Registered Office:** 613, 6th Floor, Plot No. 4, Vishwadeep Tower,
District Centre, Janakpuri A-3, New Delhi - 110058

Corporate Office: Plot no. 65, Sector - 18, Sarhau, Gurugram,
Haryana -122001

 0124 - 4046363/4056363

 info@vclgroup.in

 www.vclgroup.in





VARINDERA CONSTRUCTIONS

Introduction

Varindera Construction Limited is in the business of engineering, procurement, and construction, prone to inherent business risks like any other organization. To minimize the adverse consequence of risks on business objectives the Company has framed this Risk Management Policy. The guidance provides a route map for risk management, bringing together policy and guidance from Board of Directors.

The company is committed to high standards of business conduct and good risk management in order to:

- ✿ avoid major surprises related to overall control environment
- ✿ have more effective management of change
- ✿ have more effective use of resources
- ✿ have better decision making
- ✿ achieve sustainable business growth
- ✿ protect company's assets
- ✿ ensure compliance with applicable legal requirements safeguard
- ✿ To strengthen the customer support and minimize the litigation stakeholders interest

This document is intended to formalize a risk management policy the objective of which shall be identification, evaluating, monitoring and minimizing identifiable risks.

Legal Requirement

Requirement as per Companies Act, 2013

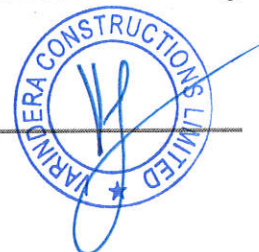
Responsibility of the Board: As per Section 134 (n) of the Act, The Board of Directors' report must include a statement indicating development and implementation of a risk management policy for the Company including identification of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

Requirement as per the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR")

Regulation 17(9) of the SEBI LODR requires the listed entities to lay down procedures to inform members of board of directors about risk assessment and minimization procedures and the responsibility of the Board for framing, implementing and monitoring the risk management plan.

Roles and Responsibilities

The risk management roles and responsibilities will be as under:





VARINDERA CONSTRUCTIONS

Board

1. Approve risk policy and strategy
2. To ensure that the Risk Management Policy is being followed and effectively contributing to early identification of risks and proper mitigation process.
3. To control and mitigate various types of risks involved.
4. Delegate the review & monitoring of implementation of Risk Management Policy to the Audit Committee
5. Reviews adequacy and effectiveness of business risk management
- 6 Advise Business/support functions on Risk initiatives
7. Monitors emerging issues and shares best practice
8. Responsible for identifying risks
9. Responsible for preparing risk profile
10. Responsible for managing risk
11. Tests compliance at all relevant levels
12. Quality assurance on risk management process
13. Special investigations as requested

Employees

1. Compliance with requirement of this policy
2. Exercise reasonable care to prevent loss, to maximize opportunity and to ensure that the operations, reputation and assets are not adversely affected





VARINDERA CONSTRUCTIONS

Introduction to risk

Risks are uncertain events that may take place and they may have a negative impact on reaching the organization's objectives. Risk management is the process of recognizing, assessing, and mitigating the impact of risks that might potentially cause financial losses, affect market reputation or resources. While risks cannot be entirely avoided, the management has placed measures to manage them effectively in line with regulations, objectives and company's values. In the current economic scenario, managing risks has become more challenging. However, through this policy, an attempt has been made to address the nature of all identifiable risks applicable to the company and the methods employed by the company to address them.

The Risk Management Policy of the company is intended to:

- ✓ to serve as a document wherein risks affecting the entire organization, at a macro-level are recognized
- ✓ to describe the measures employed by the management in managing these risks across all divisions and functions.

Opportunities and Threats

As in any other business, the EPC Business is also likely to face competition from existing as well as new players. However, the company hopes to address the competitive threat on the strength of its emphasis on quality of construction, adoption of innovative designs and provision of qualitative services and of course, by using its advantage of experience.

The EPC sector in India has undergone rapid changes in the past few years. New competitors have entered the core area of our operations in recent times. The fight for the market share has intensified with competition resorting to higher advertising costs.

Risk and Concerns

A big risk which the EPC Companies are facing is unanticipated increases in material cost because such material costs accounts for a large portion of the constructed property.

The other risk to which EPC Companies are exposed is an aging and less-skilled labor force. The construction labor force is getting older and the younger generation is just beginning to learn their craft. Lack of skilled and educated workers may impacts project success overall.

EPC contractors are in charge of identifying, evaluating, mitigating, and monitoring project risks, such as schedule, cost, quality, safety, and environmental concerns, throughout a project's life cycle, hence, making responsible to Contractors/ EPC Companies for compliance of regulatory requirement may impact the completion of projects on time and overall profitability of the company.

Further, any Changes in Government Policies including change in Tax structure will also affect the Progress Industry. The scope of work vary from project to project and unique work is required for each project. However, due to lack of design libraries may increase man hours for deliverable competition of awarded projects and it may become cause of delay in completion of projects on time and drag the company into litigation

The company has identified risks that may have a significant impact on the business, if ignored. The company has established a set of proactive and reactive measures to address them. These risks were determined based on detailed





VARINDERA CONSTRUCTIONS

analysis of the markets where we operate, nature of our products and services rendered, and inherent risks in various functions.

Risks specific to the Company and the mitigation measures adopted

1. Business Operations Risks

These risks relate broadly to the company's organization and management, such as planning, monitoring and reporting systems in the day to day management process namely:

- ✦ Organization and management risks,
- ✦ Construction as per specified time line
- ✦ Business interruption risks,
- ✦ Profitability

Risk mitigation measures

- The Company functions under a well-defined organization structure.
- Procedures and roles are well defined to avoid any conflict or communication gap between two or more Departments.

2. Liquidity Risks

- ✦ Financial solvency risk
- ✦ Liquidity (Working Capital) risks
- ✦ Borrowing limits
- ✦ Cash management risks

Risk Mitigation Measures

- Proper financial planning is put in place with detailed Annual Business Plans discussed at appropriate levels within the organization.
- Daily and monthly cash flows are prepared, followed and monitored at senior levels to prevent undue loss of interest and utilise cash in an effective manner.

Risk Mitigation Measures

Company plans new projects based on:

- the experience gained in the past.
- A study is done of market dynamics, movement by competition, economic policies and growth patterns of different segments of customers.

3. Procurement Risk

- ✦ Supply Risks – Quantity & Quality Suppliers
- ✦ Purchases at bulk quantity and the places nearby the construction site so that procurement cost and transportation cost can be minimized
- Planning and analysis for the requirement of materials at site and placing of order for material on time so that any interruption in the supply of construction materials could be avoided. Construction materials are procured from different sources at competitive prices. Alternative sources are developed for uninterrupted supply of construction materials and proper inventory control systems have been put in place.





VARINDERA CONSTRUCTIONS

4. Human Resource Risks

Employee Turnover Risks, involving replacement risks, training risks, skill risks, etc.

Risk Mitigation Measures

- Company has proper recruitment policy for recruitment of personnel at various levels in the organization.
- Proper appraisal system for revision of compensation on a periodical basis has been evolved and followed regularly.
- Employees are trained at regular intervals to upgrade their skills.

5. Legal Risks

These risks relate to the following: Contract

- Risks
- Contractual Liability
- Judicial Risks

Risk Mitigation Measures

- A study of contracts with focus on contractual liabilities, deductions, penalties and interest conditions is undertaken on a regular basis.
- The Legal department vets all legal and contractual documents with legal advice from Legal retainers for different branches of legislation.

6. Disaster Risks

Natural risks like Fire, Floods, Earthquakes, etc.

Risk Mitigation Measures

- The properties of the company are insured against natural risks, like fire, flood, earthquakes, etc. with periodical review of adequacy, rates and risks covered under professional advice.
- Fire extinguishers have been placed at fire sensitive locations.
- First aid training is given to watch and ward staff and safety personnel.

7. IT System Risks

- System capability
- System reliability Data integrity risks
- Coordinating and interfacing risks
- Information Security

Risk Mitigation Measures

- IT department maintains and upgrades the systems on a continuous basis Password protection is provided at different levels to ensure data integrity. Licensed software is being used in the systems.
- Segregation of duties with respect to access, view and modification of information systems are validated periodically.
- On appointment of an employee, approvals from functional heads are obtained to facilitate creation of an employee ID. Access to required information systems is dependent on an employee ID.





VARINDERA CONSTRUCTIONS

8. Monitoring of the Risk Management Framework:

Having established a framework to manage risk; it is imperative that it be monitored religiously. The Company would monitor the same by conducting adequate risk reporting to its various committees and the Board. The reporting would be done by Risk Management Committee.

Existing process of Risk Assessment of identified Risks and its mitigation plan will be appraised by the Risk Management Committee to Board on an annual basis.

Amendment

Any change in the Policy shall be approved by the board of directors ("Board") of the Company. The Board shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board in this respect shall be final and binding. Any subsequent amendment/modification in the Companies Act, 2013 or the Rules framed thereunder or the Listing Regulations and/or any other laws in this regard shall automatically apply to this Policy.

Communication of this Policy

This Policy shall be posted on the website of the Company.

Review of this Policy

This Policy shall be reviewed by the Risk Management Committee periodically, at least once in two years, including by considering the changing industry dynamics and evolving complexity

