

## **Risk Management Policy of the Company**

The company has identified the following as the risk in which the business is exposed :-

### **Financial Risk**

The company imports through-out the year one of the ingredients of its star product Enteroquinol viz. Iodine. The company is therefore subject to risk of fluctuation in the foreign exchange rates prevailing in the market.

In order to safeguard the interest of the company, every foreign currency transactions is hedged and hence in our opinion the risk is sufficiently taken care of.

### **Political Risk**

The company finds that the present political scenario of West Bengal is not very conducive for smooth running of the company. The situation may further be aggravated in view of the coming Assembly Elections expected to be held in 2016. Some stray incidences of disturbance already occurred in the Durgapur factory of the company. The Durgapur factory of the company produces two bulk drugs “Quiniodochlor” for Enteroquinol and “Coloidol Iron” for Tonoferon. The company can get its production of QIC from out side. However, the requirement of Coloidol Iron cannot be fully met from producing it from any outside source. Only a part of Coloidol Iron can be obtained from out side source. To that extent the company's risk is covered. The company is therefore trying to make contacts with the local leadership of the political parties and is in constant dialogues with its union.

### **Risk from changes in Drug Laws**

At present 14 % of the company's turnover of Pyrigesic/Paxum/various antibiotics /Conflu/Locula are covered under Drug Prices Control Order (DPCO) . Approximate Group-wise shares of turnover of other formulations are as under :-

19.42%	-	Tonoferon
23.56%	-	Vitazyme
26.99%	-	Enteroquinol
2.31%	-	Eye Care
14.27%	-	Pyrigesic Group
11.74%	-	Antibiotic/Ointment/Herbal products/others

The company perceives that the Government of India may enhance the list of formulations covered under DPCO. However, the criterion of any formulation coming under DPCO is that the same must be a life saving drug. The company, therefore, finds that the chances of Tonoferon/Vitazyme/Enteroquinol covering (approximately 70% of turnover) getting included in the list of Control Drugs is very low. The company also at present is not finding it viable to produce antibiotics/Ointments. There is no question of getting herbal products included in the list of Control Drugs since those are not Allopathic medicines. Therefore, the company apprehends no substantial risk due to change in the Drugs Law by enhancing the list of Control Drugs.

### **Marketing Risk from product - mix**

The company is trying to change the product mix mainly by brand extensions. Pyrigesic T, Pyrigesic A, Pyrigesic balm and other products are being introduced gradually. The product mix is changed carefully keeping an eye to the contribution of the products as well as the chance of its includibility in the list of controlled drugs. Emphasis is placed on such products which have no chance of getting included in the list of Controlled Drugs and which offer good margin.