

EAST INDIA PHARMACEUTICAL WORKS LIMITED

RISK MANAGEMENT POLICY

1. BACKGROUND AND PURPOSE

This document lays down the framework of Risk Management at EAST INDIA PHARMACEUTICAL WORKS LIMITED (hereinafter referred to as the '**Company**' or '**EIPWL**') and defines the policy for the same. This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in any business operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

The purpose of the Risk Management Policy is to communicate EAST INDIA PHARMACEUTICAL WORKS LIMITED's commitment to managing enterprise-wide risks and to establish clear responsibilities for itself to maximize strategic and operational achievement.

2. SCOPE

This policy applies to Directors, Management and staff of EAST INDIA PHARMACEUTICAL WORKS LIMITED.

EIPWL is committed to the formal, systematic and structured proactive management of risks across the organisation.

3. KEY OBJECTIVES

The objective of Risk Management at EIPWL is to minimize the adverse impact of these risks on our business objectives and to enable the company leverage market opportunities effectively.

4. REVIEW OF POLICY

This policy is subject to formal review once a year.

5. REGULATORY FRAMEWORK

Risk management policy is framed as per the following regulatory requirements:

A. Companies Act, 2013:

1. Provisions of the section 134(3)(n): There shall be attached to financial statements laid before a company in general meeting, a report by its board of directors, which shall include-
a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the board may threaten the existence of the company.
2. Provision of Section 134(8) (dealing with disclosure by way of attachment to the Board Report): If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to

three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

3. Section 177(4)(vii) stipulates: Every audit committee shall act in accordance with the terms of reference specified in writing by the board which shall, inter alia, include,-
evaluation of internal financial controls and risk management systems.

4. Schedule IV [Section 149(8)]: **CODE FOR INDEPENDENT DIRECTORS**

II. Role and functions:

The independent directors shall:

(1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, **risk management**, resources, key appointments and standards of conduct;

(4) satisfy themselves on the integrity of financial information and that financial control and **the systems of risk management** are robust and defensible;

6. DEFINITIONS

"Risk Management Committee or Committee" means Committee of Board of Directors of the Company constituted under the provisions of Companies Act, 2013.

"Board of Directors" or "Board" in relation to a Company, means the collective body of Directors of the Company. (Section 2(10) of the Companies Act, 2013)

"Policy" means Risk Management Policy.

7. ROLE OF BOARD AND COMMITTEES

Before proceeding to the policy, attention is drawn to the roles that the Board, Audit Committee and the Risk Management Committee are required to play under the above regulations governing Risk Management:

The Risk Management Committee's role is to review annually and recommend to the Board the Corporate Risk Management Policy.

The Board's role under both the regulations is to ensure framing, implementing and monitoring risk management plan, having in place systems for risk management as part of internal controls with duty being cast upon Independent Directors to bring unbiased angle to the Board's deliberations on making risk management systems more robust.

Audit Committee's role is evaluation of the risk management systems.

8. EIPWL RISK MANAGEMENT OBJECTIVES

- Re-constitute the Risk Management Committee (RMC)
- Present to the Board the Risk Management Policy
- Annual reviews of & discussions about updated RMC at the Accounts Approval Board Meeting.

9. RISKS FACED BY EIPWL UNDER KEY RISK CATEGORIES

Strategic Risks:

- Significant operating revenues from particular business segment and consequently, any failure to sustain, expand and scale the revenues in that segment;

- Limited operating history to new businesses/products and lack of experience to address risks frequently encountered in these businesses;
- Seasonality of different products/ businesses.

Industry related Risks:

- Significant changes in price of scheduled products;
- Price competition for the non-scheduled products;
- Significant changes in delivery mechanism due to technology changes or Innovations;
- Significant change in Raw material cost;
- Significant fluctuation in foreign currency leading to increase in Import cost.

Market & Competition:

- Entry of new player with substantial financial muscles & competition from other existing players may lead to market share loss & lowered prices;
- Constraints in raising additional capital in the future;
- Season based products leads to low revenue at off season.

Operations:

- Inability to advertise & market through print media or social media;
- Difficulty in introducing new formulations or products due to delay in receiving approvals from the Departments;
- Inability to obtain statutory & regulatory licenses and permits required to operate;
- Cost overruns and payment delays to the suppliers;

Regulatory Environment:

- Change in the price of various formulations by the National Pharmaceutical Pricing Authority (NPPA);
- Changes in Central or State govt. policies or legislation;
- Increases in interest rate & Raw material costs may adversely impact our operations;
- Volatility in political, economic and social developments in India;
- Instability in Indian financial markets;
- Political instability and war in India and abroad may disrupt or otherwise adversely affect the Indian economy.

10. RISK REPORTING

- Risks to achievement of objectives, trend line of risk level, impact & mitigation to be discussed in RMC on periodic basis.
- Key external and internal incidents with impact to be reported & reviewed by the Audit Committee.
- Periodic updates to be given to Board highlighting risks, impact & mitigation actions.

11. INTEGRATION

Identified risks in short, medium & long term are to be used as one of the key inputs for development of strategy and annual business plan.

12. REVIEW

This policy shall be reviewed by the Risk Management Committee, Audit Committee and the Board from time to time as may be necessary.

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company.