KARDA CONSTRUCTIONS
BUILDERS & DEVELOPERS

RISK MANAGEMENT POLICY

KARDA CONSTRUCTIONS LIMITED

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BACKGROUND

Karda Constructions Limited (the company) is a well-established real estate focused company having business interests in real estate development. The business activities of the Company carry various internal and external risks.

INTRODUCTION

Risk management is an integral part of business management and internal control framework of '**Karda Constructions Limited'** (Hereinafter referred to as "the Company").

'Risk' in literal terms can be defined as the effect of uncertainty on the objectives. Risk is measured in terms of consequences and likelihood. Risks can be internal and external and are inherent in all administrative and business activities. Every member of any organisation continuously manages various types of risks. Formal and systematic approaches to managing risks have evolved and they are now regarded as good management practice also called as Risk Management.

'Risk Management' is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of uncertain events or to maximize the realisation of opportunities. Risk management also provides a system for the setting of priorities when there are competing demands on limited resources.

Effective risk management requires:

- a strategic focus,
- Forward thinking and active approaches to management
- Balance between the cost of managing risk and the anticipated benefits, and
- Contingency planning in the event that critical threats are realised.

The purpose of this policy is to enable achievement of the Company's strategic, financial objectives and targets in a controlled manner.

LEGAL FRAMEWORK

Risk Management is a key aspect of Corporate Governance Principles and Code of Conduct which aims to improvise the governance practices across the business activities of any organisation. The new Companies Act, 2013 and the Clause 49 of the Equity Listing Agreement have also incorporated various provisions in relation to Risk Management policy, procedure and practices.

The provisions of Section 134(3)(n) of the Companies Act, 2013 necessitate that the Board's Report should contain a statement indicating development and implementation of a risk management policy for the Company including identification there in of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

Further, the provisions of Section 177(4)(vii) of the Companies Act, 2013 require that 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 risk management systems.

In line with the above requirements, it is therefore, required for the Company to frame and adopt a "**Risk Management Policy**" (this Policy) of the Company.

PURPOSE AND SCOPE OF THE POLICY

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the Company's business. In order to achieve the key objective, this Policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

The specific objectives of this Policy are:

- To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
- To establish a framework for the company's risk management process and to ensure its implementation.
- To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- To assure business growth with financial stability.

APPLICABILITY

This Policy applies to all areas of the Company's operations.

KEY DEFINITIONS

Risk Assessment –

The systematic process of identifying and analysing risks. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks.

Risk Management –

The systematic way of protecting business resources and income against losses so that the objectives of the Company can be achieved without unnecessary interruption.

Risk Management Process –

The systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

RISK MANAGEMENT FRAMEWORK

Risk management is an integral part of Company's day-to-day operations and a key task of every project manager or person responsible for handling any assignment. A systematic risk management process is being evaluated for projects, according to the project's size, complexity and contract model.

(a) Organization:

Managing Director of the Company organises risk management of the Company with the assistance of Chief Financial officer (CFO). The Managing Director and CFO approve risk management instructions and guidelines depending upon the risk involved in a project, work, new plans and oversee the development of risk management systems and practices of the Company.

Primary responsibility for managing risks rests with the business, where risks also primarily accrue. The Head of business divisions are responsible for organising risk management in their business line. A Head of the Division reports major risks and overall risk status of the business line on case to case basis to Managing Director.

Audit Committee monitors efficiency of the Company's risk management systems through Internal Audit. In addition to this, the Audit Committee also reviews regularly in its meetings major risks of the Company.

The Board oversees risk management and reviews risk management processes of the Company with the assistance of the Audit Committee. Relevant major risks as reported by the Internal Auditors are reported regularly to the Board.

(b) Process:

Risk management system of the Company consists of a co-ordination of related activities to identify, evaluate, treat and control all major risk areas of the Company in a systematic and proactive manner.

Evaluation of the risk by Head of the Division:

Head of the Divisions are primarily responsible for treating their risks by taking appropriate actions as and whenever required. These actions typically include justifying, transferring or absorbing risks, or a combination of these actions. The development of the actions is followed regularly in the organisation.

Risks are categorised according to the following main risk categories:

- External risks
- Internal risks
- Operational risks
- Financial risks

Project Risk Management process:

The project risk management process is followed throughout the project lifecycle, starting in the prospect and proposal phase and continuing as a regular and systematic process until the closing of the project.

(2) Description of risks:

Typical risks related to the business operations of the Company are described in this section. The description is not intended to be comprehensive as our operations are subject to other risks as well.

i. External risks:

(a) Markets:

The economic uncertainties continue and the risk of recession particularly in the Indian market persists. This risk can create uncertainty and delays in clients' decision making. Should the risk materialise, it could create serious problems for clients in arranging financing for investments and could have an adverse impact on Company's business and profitability.

The Company aims to reduce its vulnerability to market risks and business cycles by a balanced portfolio of assignments by clients in different industries, markets and geographical areas as well as through sub-contracting and appointment of associates.

(b) Government policies and budgetary allocations:

Any adverse changes in government policies and budgetary allocation could materially and adversely affect our revenues, growth or operations.

(c) Competition:

The corporate automation sector is characterized by keen global and local competition. The economic uncertainty has continued and intensive competition in certain sectors and markets prevails. Competition from non-traditional players has also significantly increased in some sectors.

The Company aims at differentiating itself from its competitors by providing quality products and timely services at best possible cost based on its vast experience.

ii. Internal risks:

(a) Business development:

Organic growth is an important part of the Company's strategy. The key risks in achieving this strategic goal are potential lack of skilful sales resources, limited amount of suitable orders, and delays in clients' decision making. A significant part of the organic growth is expected to derive from larger and complicated projects.

iii. Operational risks:

(a) Ability to attract, recruit and retain skilled personnel:

Our results of operations depend largely on our ability to retain the continued services of our skilled personnel who have very good knowledge and understand services we offer and can also execute complicated assignments. We also need to recruit and train sufficient number of suitably skilled personnel, particularly in view of our continuous efforts to grow our business and maintain relationships with clients. There is significant competition for management and other skilled personnel in our industry. Loss of any of the members of our senior management or other key personnel or inability to manage the attrition levels in different employee categories may materially and adversely impact our business and results of operations. To overcome this risk, we regularly assess manpower requirement with the help of Head of the divisions and recruit only experienced Manpower.

(b) Relationships with Clients:

Our results of operations depend largely on the number of our clients, our ability to maintain relationships with them and grow our share of clients' business by providing quality goods and timely services. We believe successfully developing new client relationships and maintaining existing client relationships are critical for growing our business and consequently our results of operations. The responsibility of client relationships lies with the Head of respective Divisions.

(c) Liability:

Services provided to clients involve liability risks. These risks may relate to failure to deliver quality goods and timely services in accordance with agreed commercial terms.

(d) Information technology:

Efficiency of Company's operations is largely dependent on the use and continuous improvements of information and communication technology systems. Malfunctioning or unavailability of the systems as well as loss or leakage of data can negatively affect the business operations of the Company. Inability or major delays in implementing improvements or new systems can negatively affect the efficiency of Company's operations.

The Company has an appropriate IT organisation, processes and controls in place in order to reduce these risks, including redundancy, back-ups and appropriate malware protection, encryption technologies and network security controls.

To reduce this risk, the Company regularly carried out System check-ups to avoid the misuse of System. The Company also has IT policy in place.

(e) Risk of Corporate accounting fraud:

Accounting fraud or corporate accounting fraud are business scandals arising out of Misusing or misdirecting of funds, overstating revenues, understating expenses etc. The Company reduces this risk by:

- Understanding the applicable laws and regulations;
- Conducting risk assessments;
- Enforcing and monitoring code of conduct for key executives;
- Instituting Whistle Blower Mechanisms;
- Deploying a strategy and process for implementing new controls;
- Adhering to internal control practices that prevent collusion and concentration of authority;
- Employing mechanisms for multiple authorization of key transactions with cross checks;
- Scrutinizing of management information data to pin point dissimilarity of comparative figures and ratios;

- Creating a favorable atmosphere for internal auditors in reporting and highlighting any instances of even minor non-adherence to procedures and manuals and a host of other steps throughout the organization and assign responsibility for leaving the overall effort to a Managing Director and Chief Financial Officer.

(f) Legal Risk:

Legal risk is the risk in which the Company is exposed to legal action. As the Company is governed by various laws and regulations, and the Company has to do its business within four walls of law, where the Company is exposed to legal risk exposure, the Company is having an experienced team of professionals, advisors who focus on evaluating risks involved in a contract, ascertaining our responsibilities under applicable law of contract, restricting our liabilities under the contract and covering risks involved to ensure adherence to all contractual commitments.

Management encourages employees to place full reliance on professional guidance and opinion and discuss impact of all laws and regulations to ensure company's total compliance.

The Company Secretary of the Company being the focal point regularly places before the Board supported by a Secretarial Audit by a practicing Company Secretary in compliance with the regulations of the Listing Agreement.

(g) Compliance with Local Laws:

The Company is subject to additional risks related to our international expansion strategy, including risks related to complying with a wide variety of national and local laws applicable for Head Office and Branches as per multiple and possibly overlapping tax structures. The Company has put in place healthy process at the Head Office with the help of external consultants.

RESPONSIBILITY FOR RISK MANAGEMENT

Generally every staff member of the Organisation is responsible for the effective management of risk including the identification of potential risks. Management is responsible for the development of risk mitigation plans and the implementation of risk reduction strategies. Risk management processes should be integrated with other planning processes and management activities.

COMPLIANCE AND CONTROL

All the Senior Executives under the guidance of the Chairman and Board of Directors has the responsibility for over viewing management's processes and results in identifying, assessing and monitoring risk associated with Organisation's business operations and the implementation and maintenance of policies and control procedures to give adequate protection against key risk. In doing so, the Senior Executive considers and assesses the appropriateness and effectiveness of management information and other systems of internal control, encompassing review of any external agency in this regards and action taken or proposed resulting from those reports.

REVIEW

This Policy shall be reviewed at least every year to ensure it meets the requirements of legislation and the needs of organization.

AMENDMENT

This Policy can be modified at any time by the Board of Directors of the Company.

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