

### **RISK MANAGEMENT POLICY**

The Risk Management Policy is in terms of the provisions of Companies Act, 2013 together with Rules made thereunder, read with Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

**Background:** Banco Products (India) Limited (hereinafter referred as “the Company” or “Banco” or “We/we”) is a leading manufacturer and supplier of engine cooling modules and systems for Automotive and Industrial Applications catering to the Domestic OEM and After Sales Market and overseas Markets as well. The Products range include design, develop and manufacture Engine Cooling Modules such as Radiators, Charged Air Coolers, Fuel Coolers, Oil Coolers and Condensers. We offer both Copper Brass coolers as well as the more contemporary Aluminium coolers with applications in the Internal Combustion Engines with wide ranging applications such as Passenger Cars, Light Commercial Vehicles, Medium and Heavy Commercial Vehicle, Agricultural Tractors, High Performance Bikes, Harvesters, Construction Machineries, Power Generation Equipment, Traction Rail locomotives, and other similar equipment. Dynamic business environment of modern times throws several challenges from time to time.

#### **Threats include:**

- Growing competition both from domestic and global players.
- Preference of some customers towards MNC suppliers over Indian suppliers.
- High dependence on imported raw material.
- Volatility in metal prices and fluctuations in Foreign Exchange.
- Rising cost of utilities.
- Cyclical demand changes in some market sectors.
- Technology upgradation.
- Energy Resources crises

#### **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.

Some of the major risk factors inter alia would include the following but the list is indicative only and may change with drastic changes in the circumstances and situations.



➤ ***External Risk Factors***

- Economic Environment and Market conditions
- Competition
- Revenue Concentration and liquidity aspects.
- The risks are therefore associated on each business segment contributing to total revenue, profitability and liquidity.

➤ ***Internal Risk Factors***

- Project Execution
- Contractual Compliance
- Operational Efficiency
- Hurdles in optimum use of resources
- Quality Assurance
- Environmental Management
- Human Resource Management
- Culture and values

The primary objectives of this Risk Management Policy are:

- Identification and categorization of potential risks
- Assessment and mitigation of risks
- To monitor and assure continuous growth and to sustain market leadership in the mobility industry, domestically and globally.

The Risk Management Policy aims to cover, amongst others, the following key areas / risks:

**Technology risks/Information/Cyber security risks** –Banco always strives to adopting embracing new technologies to deliver superior quality products and solutions to its customers and stakeholders. Slow Adoption of new technology or being left behind in the era of evolving technologies is the primary risk that it monitors. IT and digitalization are the key areas for delivering end-to-end solutions. However, these are susceptible to risks associated with data security, information privacy, legal compliance, etc. The technology risks is intended to be mitigated by continuous R&D initiatives of the Company, keeping abreast with the global changes, promoting entrepreneurial skills of the personnel and developing either in-house solutions or procuring them.

**Financial risks** – The financial risks relate to adequate liquidity for routine operations and availability of funds for future expansions / diversifications, impact of currency fluctuations, change in credit ratings, etc. It also includes the risks associated with the investments of the Company, the financial performance of its subsidiaries, associates etc. that may adversely affect the Company's results which are being closely monitored. The investments of the Company are made on the basis of financial modelling and the currency fluctuations which are being watched regularly.

**Economic environment risks** – The ever changing economic policies may impact the strategies and performance of the Company. The change in demand of the companies to whom Banco is vendor may impact Banco. The Company always keeps a close watch on the upcoming new policies and changes in the existing policies and endeavours to adapt itself timely in the effective manner.



**Operational risks** –Manufacturing defects, labour unrest, injuries, accidents, suspended operations of a plant may impact the operations of the Company.

**Commodity Risks** - Raw material prices, commodity price fluctuation and crude prices are also key business and operational risks. The Company has an exposure of commodity price risk and foreign exchange risk denominated in USD for exports and USD, EUR and JPY in respect of its imports. The Company has limited currency exposure in case of sales, purchases and other expenses. It has natural hedge to some extent. The Company may use various instruments as approved under the central bank regulations to hedge these exposures.

Multiple action plans mitigate/manage these risks, and the selection of a specific action plan would depend on the cost-benefit analysis and the extent of exposure. The Company works on an ongoing basis on cost reduction and process improvement exercises. The Company also considers optimum mix of localization of imports/ global sourcing to ensure lowest cost option in sourcing of parts/raw material without compromise on its quality.

**Regulatory/Policy risks** – Non-compliance of the applicable laws may result in liabilities and may impact the reputation of the Company. The frequent changes in emission norms/ pollution control norms require the Company to be prepared and update the products with the applicable standards. The Company has proper systems in place to ensure that there is no non-compliance of any law that is applicable to Banco. Further, the Company constantly monitors and complies with the frequent changes in the emission norms and environmental regulations.

**Sectoral / sustainability risks:** The Company is operating in part Automotive/Auto component industry, Cooling Tower and exposed to the Sectoral / sustainability risks associated with the industry, in which it is operating.

To ensure that the above risks are mitigated, monitored and evaluated, Banco would strive to:

- involve all functions in the overall risk identification and mitigation exercise;
- have an objective framework to categorize risks and define the level at which it should be addressed;
- link the risk management process to the strategic planning and internal audit process;
- promote a culture of calculated risk taking to identify new initiatives coupled with thoughtful risk mitigation approach;
- formalize a transparent risk information system across the organization with structured templates.

**Applicability:** This Policy applies to all areas of the Company's operations

**Amendment:** This Policy can be modified at any time by the Board of Directors of the Company on the recommendation of the Risk Management Committee.

**For Banco Products (India) Limited**

Sd/-

Whole Time Director

