

RISK MANAGEMENT POLICY



Sunil Healthcare Limited

Corporate Office :

38E/252, Vijay Tower, Opposite Panchsheel Park Commercial Complex, New Delhi-110049, India

Works :

17-18, Old Industrial Area, Alwar-301001, Rajasthan, India

Legal Framework

Risk Management is a key aspect of the “Corporate Governance Principles and Code of Conduct” which aims to improvise the governance practices across the Company’s activities. Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

Objective & Purpose of the Policy

The purpose of the Board of Director's Risk Policy Committee of Sunil Healthcare Limited is to approve and periodically review the primary risk-management policies of the company's global operations risk management framework and assist to the Board in fulfilling its Corporate Governance oversight responsibilities with regard to the identifications, evaluations and mitigations of operational, strategic Financial, Compliance and external environment risk. The Committee has overall responsibility for monitoring and approving the risk policies and associates practices of the Company. The risk Management Committee is also responsible for reviewing and approving risk disclosure statement in any public documents or disclosures. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

Back Ground and Implementation

Every Company is prone to inherent business risks. Hence this document is intended to formalise a Risk Management Policy for Sunil Healthcare Limited (SHL) to identify, evaluate, monitor and minimise the identifiable risk to achieve its business objectives and enable sustainable growth.

Risk management is the process of 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 unfortunate events or to maximize the realization of opportunities.

This policy is in compliance with the amended Clause 49 of the Listing Agreement (w.e.f 1st October 2014) which requires the Company to lay down procedure for risk assessment and procedure for risk minimization.

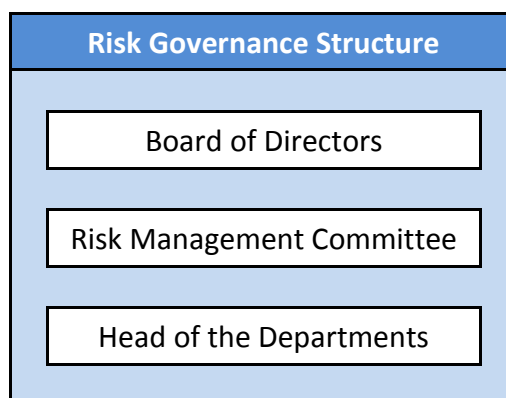
The Board of Directors of the Company and the Audit Committee shall periodically review and evaluate the risk management system of the Company so that the management controls the risks through properly defined network.

Head of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and Audit Committee.

Commensurately Sunil Healthcare Limited has constituted a Risk Management Committee on 11th February 2015 with the approval of the Borad of Directors. The Risk Management Committee comprises four Directors:

Chairperson	Mr. R.K.Niyogi
Members	Mr. Ranjeet Bannerji
	Mr. S. N. Balasubramaniam
	Mr. R.C.Khurana

Risk Governance Structure



Application

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

Key Role and Responsibility of Risk Management Committee

- The risk management committee shall annually review and approve the Risk Management Policy and associated frameworks, processes and practices of the Company.
- The risk management committee shall ensure that the Company is taking the appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.
- The risk management committee shall evaluate significant risk exposures of the Company and assess management's actions to mitigate the exposures in a timely manner (including one-off initiatives, and ongoing activities such as business continuity planning and disaster recovery planning & testing).
- The risk management committee will coordinate its activities with the Audit Committee in instances where there is any overlap with audit activities (e.g. internal or external audit issue relating to risk management policy or practice).
- The risk management committee may form and delegate authority to subcommittees when appropriate.
- The risk management committee shall make regular reports to the Board.
- The risk management committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
- The Board shall review the performance of the risk management committee annually.

- i. The risk management committee shall have access to any internal information necessary to fulfill its oversight role. The risk management committee shall also have authority to obtain advice and assistance from internal or external legal, accounting or other advisors.
- j. 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.
- k. To establish a framework for the company's risk management process and to ensure its implementation.
- l. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- m. To assure business growth with financial stability.
- n. The Committee's duties are based on 2 broad categories – risk management and governance.
- o. Consistent with its risk management responsibility, risk management duties are intended to detail the functions and processes which are considered necessary to ensure that the Board can be satisfied that the Company's risks are being effectively managed.
- p. Governance duties are intended to ensure the Committee also considers ethical and broader stakeholder values in its assessment and management of risks and internal procedures.
- q. The Committee can consider other matters relating to risk management that it considers desirable. In addition, the Committee will examine any other matters referred to it by the Board.
- r. Assessment of the Company's risk profile and key areas of risk in particular.
- s. Recommending to the Board and adopting risk assessment and rating procedures.
- t. Examining and determining the sufficiency of the Company's internal processes for reporting on and managing key risk areas.
- u. Assessing and recommending to the Board acceptable levels of risk.
- v. Development and implementation of a risk management framework and internal control system

Role of the Board

The Board will undertake the following actions to ensure risk is managed appropriately:

- I. The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.
- II. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the Committee and such other functions as it may deem fit.
- III. Ensure that the appropriate systems for risk management are in place.
- IV. The independent directors shall help in bringing an independent judgment to bear on the Board's deliberations on issues of risk management and satisfy themselves that the systems of risk management are robust and defensible;
- V. Participate in major decisions affecting the organization's risk profile;
- VI. Have an awareness of and continually monitor the management of strategic risks;
- VII. Be satisfied that processes and controls are in place for managing less significant risks;
- VIII. Be satisfied that an appropriate accountability framework is working whereby any delegation of risk is documented and performance can be monitored accordingly;

- IX. Ensure risk management is integrated into board reporting and annual reporting mechanisms;
- X. Convene any board-committees that are deemed necessary to ensure risk is adequately managed and resolved where possible.

Disclosure in Board’s Report

Board of Directors 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.

Types of Risk

Types of Risk				
Market Related Risk	Financial Risk	Strategic Risk	Operational Risk	Compliance Risk
Competitor Risk	Business Process	Proprietary Risk/Contingencies	Cost Competitiveness	Contractual Risk
Concentration Risk	Foreign Currency Risk		Manpower related Risk	Compliance and Environmental Risk
Dependence on Few Customers	Receivable Management Risk		Inventory Risk	
Business Segment	Payable Management Risk		Raw Material and Energy Risk	
Geographical Concentration of business				

Company’s focus is on those risks that threaten the achievement of its business objectives over the short to long term. An overview of these risks is provided hereafter, including the procedure adopted by the Co. to mitigate these risks:

Market related Risk

- **Competitors**

The Company is expecting to derive a good part of its revenues from outside India, by entering new overseas markets and by expanding its customers base in the countries which it already has its presence. Within India, the Company has an extensive marketing

network and Company's Brand Name 'SUNLOC' has significant goodwill among the customers.

The Company is optimistic that with its quality product and good customer relations will enable it to enhance its presence in its chosen markets.

- **Concentration Risk**

Dependence on few customers.

The Company is pursuing a two-pronged risk minimization strategy increasing revenues from key customers on an absolute basis but decreasing their proportion in the Company's overall revenues. Further the Company is trying to add some new customers.

The Company is concentrating on serving a rationalized customer base in the domestic market accompanied by higher satisfaction and retention levels as an effective counter to the new entrant in the business.

In the international market the Company intends to focus on select geographical areas to begin with leading to a disproportionate business concentration. The Company is moving to unserved geographies and would continue to explore new markets across the globe, with wider customer base.

The proportion of a particular customer should not be more than 35% of the total revenue from Domestic or Exports business at any point of time.

- **Business segments**

The Company deals in Business segment of Manufacturing Hard Gelatin Capsule Shells. In this segment the company has reached to installed capacity of 7700 million capsules at the existing facility. The Company is increasing its production capacity by adding three more fully automatic capsule making machines. As per recent Survey by "MarketstandMarket", USA, the Capsule Industry of world valued at \$1300 million in 2014 and is expected to grow at a CAGR of 7% from 2014 to 2019, of this main growth is expected in Asia Pacific at a CAGR of 12-13%. Keeping this growth rate in world as well as in Asia pacific the company has enough scope to sale its product in the market.

The Company is also in the marketing of food items. The Company has identified Raw Cashew nut, Dehydrated Vegetables, Cashew nuts, Saffron, cardamom, Almonds, Pistachio and Walnuts as major food item to generate the business under this division. The Company has identified "Raw Cashew Nuts (RCN)" as its major product as India is the third largest consumer of cashew nuts in world. Tanzania and Guinea-Bissau are the largest producers of cashew nuts in Africa, each accounting for 8% of the world's production. RCN is imported from West African Countries like Benin, Guinea Bissau, Ghana, Indonesia etc. and is sold in India and other countries.

- **Geographical Concentration of business.**

Last year Exports sales contribution was 51.71% % of the Company's revenues and during current fiscal the Company is expecting to increase its exports sales share in total company's revenue. During the year the Company is exploring new area for increasing their presence in global market like Australia, Canada and Egypt.

Within India, the Company enjoys a major presence in all geographical segments; North and West India contributing a major part of the Company's revenues because of the sheer size of this market and logistics convenience.

Financial Risk

- **Business Process**

The Company's management reviews all the operational data on regular basis to assess and manage risks and controls related to business processes and financial disclosures. The database is regularly updated and data mining and continuous monitoring is done to mitigate the potential risks associated with financial behavior of business.

- **Foreign currency risk**

During the year about more than 50% of the Company's revenue is expected from foreign exchange, any fluctuation in which could have an impact on the Company's top line as well as bottom line. Company is also importing its raw material which is about 25% of its export earnings.

The Company uses the forward contracts to hedge its exposure to movements in foreign exchange rates. The use of these exchange forward contracts reduces the risk or cost to the company, and the Company does not use those for trading or speculation purpose.

The Company is booking the 6 months forward contract of its 100% import payment amount at the time of discharge of its import payment liability to reduce the cost of import by getting benefit of premium on current foreign exchange rate.

The Company is booking forward contract for its 50% of export earning keeping the tab on foreign exchange rate and associated risk therein.

- **Receivables management risk**

The Company has defined credit policy duly approved and reviewed by the Management in conformity with the credit limit approval by the Insurance Company and ECGC for its domestic and export customers. To monitor the credit limit religiously, the credit limits have been placed in ERP software also so that any point of time the credit exposure should not go beyond the stipulated credit limit. The automatic alert system is also put in ERP software for any overdue receivable for timely action.

The credit policy is reviewed by the Management from time to time. The policy categorically stipulates the extension of credit only on a selective basis after a thorough customer evaluation. In most of the cases, dispatch is made after adequate securitization and any default is not likely to have a significant effect on the company's total profitability.

- **Payable management risk**

The Company has defined credit policy duly approved and reviewed by the Management from time to time which is strictly monitored for its suppliers. To monitor the credit limit religiously, the credit limits have been placed in ERP software also so that any point of time the credit exposure should not go beyond the stipulated credit limit. The Company is developing its new supplier/service providers on continuous basis so that for each item or service Company must have more than one supplier/customer to mitigate any risk

associated therein. Contract for supply or material/service is also in place with supplier/service provider for short term to long term basis.

Strategic Risk

- **Proprietary risks/ contingencies**

The Company has initiated adequate insurance covers to hedge against natural risks in the business. These are assessed on a regular basis and the Company takes the best possible coverage of insurance from the well-established public and private sector insurance Companies.

Operational Risks

- **Cost Competitiveness**

The Company has invested in large, world-class plants to encash economics of scale to enhance quality and reduce costs. Short term to long term contracts have been made with its suppliers/service provider to mitigate the risk of increasing inflation.

- **Manpower related risks**

The Company values its employees as main driver of sustainable growth. In view of this, it has instituted defined roles and responsibilities across various levels accompanied by robust systems to ensure appropriate information flow and better productivity. Skilled manpower for the manufacturing and marketing functions is abundantly available. The Company enjoys a fair blend of youth and experience; it has a prudent mix of a competent and experienced Board as well as young and energetic operational team. Team building and motivation oriented activities are in place to build a highly motivated team with positive mindset.

- **Inventory Risk**

The Company has defined its inventory in three categories – Vital, Essential and Desirable (VED) with minimum inventory level of each item has been defined and duly placed in ERP software commensurate with the above mentioned three categories. Automatic alert system through ERP is also in place as and when inventory reaches to its minimum level. Regular monitoring to keep the minimum inventory without effecting the business operation is also in place.

- **Raw Material and Energy risk**

In the present competitive business scenario the risk of good quality and uninterrupted supply of raw material and energy within reasonable rate is vital. The Company has short term to long term contracts with raw material suppliers to ensure good quality and uninterrupted supply of material within in reasonable rate.

The Company has installed a dedicated 33KVA power supply in 2013 and also a member of Indian Energy Exchange (IEX) to get the maximum power from the IEX for its operations and to minimize the dependency of State Electricity Board.

Compliance Risk

- **Contractual risks**

The Company is exposed to possible liabilities that could arise from the non-performance of certain contractual conditions. Presently the Company doesn't foresee any such risk as Company has established a review and documentation process for contracts.

Each contract to be executed by or on behalf of the Company requires vetting from the Company's legal and secretarial department before execution. While vetting contracts, the department evaluates the legal risk involved and ascertains legal responsibilities.

- **Compliance and Environmental risks**

The Company is committed to being a responsible corporate citizen and respects the laws and regulations of the countries in which it operates. The Company has an informed and proactive legal cell, which ensures compliance with various statutes. Besides, it also takes advice from reputed law firms from time to time. The legal cell advises the Company on various compliance issues and ensures their alignment with the laws of jurisdiction as well as to the territory where the Company operates. The Board reviews the detailed Compliance Report on quarterly basis. The Company has cloud based compliance software where all the compliance related detail are in place to get the timely alert from the software *per se* to complete the compliance before the due dates.

The Company also recognizes the need for sustainability with a minimal impact on the ecology and environment. In view of this, the Company makes continuous investments in treating effluents. These investments result in compliance with the most progressive global standards.

Exceptions

Chairman, Directors or any person authorized by the Board of Directors can allow any exception/deviation in the above-mentioned risk management policy.

Cautionary Statement

This report on risk management provides the details of the risk which may be faced by the Company. Risks detailed here are not exhaustive but are for information purposes only. The actual risks faced by the Company in future may vary substantially from those outlined herein. Some of the statements written herein are forward looking and should not be construed as a guarantee of performance. The readers must exercise their own due diligence before forming any opinion based on this report.

This Policy has been approved by the Board of Directors in their meeting held on 11.02.2015

Place New Delhi