

APM INDUSTRIES LIMITED

RISK MANAGEMENT POLICY



APM INDUSTRIES LIMITED

BACK GROUND

APM INDUSTRIES LIMITED (APM) like any other business entity is exposed to various risks in the normal course of its activities. No business can be conducted without accepting a certain level of risk, and any expected gain from a business activity is to be assessed against the risk that activity involves.

The Company's policy is to identify risks, particularly those risks which can threaten the existence of the Company. At the same time, the Company will also determine such risks which are within the limit of risk acceptance, followed by actions which need to be taken to avoid, mitigate, and transfer or to purely monitor the risk.

Risk Management is a continuous process of analyzing and managing the opportunities and threats faced by the Company in its efforts to achieve its goals, and to ensure the continuity of the business.

IDENTIFICATION OF RISKS

The risk can be classified as follows:

Firstly, the risk can be identified as being internal or external, secondly, subject matter wise the risk can be classified as:

1. Operational risks
2. Regulatory risks
3. Social risks
4. International risks

RISK LEVELS

The risks can be further categorized as (1) Minimal (2) Moderate (3) Extreme. Priority should be given to the extreme risks, which will be more dangerous and the company will have short time to overcome / minimize the said risks.



RISK ASSESSED BY THE COMPANY

01. RAW MATERIAL ADVANCE COMMITMENT

❖ RISK ASSESSMENT

Due to fluctuations in market trend, the Company may incur losses on bulk quantity purchase of raw materials while there is decreasing trend in price OR in lesser quantity purchase of raw material while there is increasing trend in price.

❖ MINIMIZATION PROCEDURES

To minimize the price variation risk in Raw material, the Management has decided to maintain inventory level including forward purchase up to 2 months of its consumption. However, in case there is decreasing trend in prices of raw material, the inventory level including forward purchases shall not be kept at more than 1.5 months consumption.

02. HIGHER COMPETITION IN MARKETS

❖ RISK ASSESSMENT

Because of Global recession, there may be higher competition in the market due to decrease in Export sale.

❖ MINIMIZATION PROCEDURES

Since the Company has modernized its Plant & Machinery and installed balancing equipments, the Company is capable of manufacturing different varieties of yarns suitable for various segments like - Suiting and Shirting, Hosiery Garments, Hosiery Knitted Cloth, Upholstery and Carpets etc. Due to manufacturing of better quality and commitment for on time delivery, the Company shall be able to sell its products in Indian competitive markets.

03. SHORTAGE OF UNSKILLED / SKILLED LABOUR:

❖ RISK ASSESSMENT

Due to MGNREGA scheme, there may be lack of unskilled labour.

❖ MINIMIZATION PROCEDURES

The company used to recruit unskilled (fresh) labour and was having training scheme to provide them required training. To meet out the shortage of workmen in summer and marriage seasons the company is recruiting more workmen during summer and marriage seasons to mitigate the shortage. Besides, the company is also having attendance incentive scheme for the workers who perform duty above 22 days in a month.



04. DISRUPTIONS IN POWER SUPPLY / NON AVAILABILITY OF POWER SUPPLY DUE TO FAILURE OF POWER BACKUPS

❖ RISK ASSESSMENT

The Power (Electricity) plays a significant role in Production. The power cost is more than 10% of total production. There is risk of power cut / short supply of power by Distribution companies.

❖ MINIMIZATION PROCEDURES

The Company has entered into Long Term Agreement (for 10 years) with M/s. VS Lignite Power Pvt. Ltd from which the uninterrupted power supply is being received. Besides it, there is another source of power (electricity) i.e., Indian Energy Exchange from which the company is taking power when there is power cuts / shortage from DISCOMS / VSLP.

05. REGULATORY RISK

❖ RISK ASSESSMENT

In view of rapidly changing legislative frame work in India directed towards stringent compliance with the corporate laws as is evident from the New Companies Act 2013, various regulations are framed by SEBI on regular basis with stringent provisions for penalty and prosecution, compliance related risk have assumed high importance.

❖ MINIMIZATION PROCEDURES

The company's secretarial department constantly reviews the legislative changes to ensure that the Company complies with the changing regulations as a constant monitoring process and in time. In addition, the company has also appointed a Company Secretary in practice on Retainer ship basis who regularly monitors the legal compliances and submits his suggestion reports on yearly basis.

The Executive Director of the company furnishes compliance certificates regarding compliances of various Laws applicable to their departments, on quarterly basis, which are placed before the Board of Directors of the Company. The Company has also appointed an independent internal auditor who has been requested to audit and report specifically the company's compliance with all statutes and regulations applicable to it on half yearly basis. Besides, timely publication of Financial Results and Annual Accounts, seeking various approvals from concerned Departments etc., are also important aspects of Compliance related risk which are being regularly monitored.



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RISK REPORTING

- ❖ Once in each year.
- ❖ Any time if material changes occur.

AMENDMENTS

Any subsequent amendment / modification in the listing agreement and / or other applicable laws in this regard shall automatically apply to this Policy. This policy can be amended any time by the Board of Directors of the Company.

