

**RISK MANAGEMENT POLICY**  
**MARINE ELECTRICALS (INDIA) LIMITED**

**1. BACKGROUND AND CONTEXT APPLICABILITY:**

Marine Electricals (India) Limited ( “Company”) considers ongoing risk management to be a core component of the Management of the Company, and understands that the Company’s ability to identify and address risk is central to achieving its corporate objectives.

The Company’s Risk Management Policy (“the Policy”) outlines the program implemented by the Company to ensure appropriate risk management within its systems and culture.

The Securities and Exchange Board of India (SEBI), has included Risk Management as part of Securities & Exchange Board of India. (Listing Obligations and Disclosure Requirements) Regulations 2015 (LODR) requirement. As per Regulation 17(9) of SEBI (LODR) Regulations, 2015 disclosures to the Board are to be made by the listed entity on whether the risk assessment and its minimization procedures are in place. As per the Companies Act 2013, there are specific requirements for Risk Management that a Company needs to comply with. In addition, the Board of Directors and Audit Committee have been vested with specific responsibilities in assessing the robustness of risk management policy, process and systems.

i. As per Regulation 21 of SEBI (LODR) Regulations, 2015 the Board of Directors of the Company shall form a Risk Management Committee (hereinafter referred to as “Committee”) who shall periodically review this Policy of the Company so that the Management controls the risk through properly defined network. The Board of Directors may re-constitute the composition of the Committee, as it may deem fit, from time to time.

ii. The responsibility for identification, assessment, management and reporting of risks. And opportunities will primarily rest with the business managers. They are best positioned to identify the opportunities and risks they face, evaluate these and manage them on a day to day basis.

The Risk Management Committee shall provide oversight and will report to the Board of Directors who have the sole responsibility for overseeing all risks.

**2. OBJECTIVE AND SCOPE OF THE POLICY:**

The objective of Risk Management at Marine Electricals (India) Limited is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. An enterprise wide risk management framework is applied so that effective management of risks is an integral part of every employee’s job.

The specific objectives of this Policy are:

- (a) 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.
- (b) To establish a framework for the company’s risk management process and to ensure its implementation.
- (c) To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- (d) To assure business growth with financial stability.

### **3. APPLICABILITY**

This Policy applies to all areas of the Company's operation

### **4. RISK MANAGEMENT FRAMEWORK**

#### **4.1 Risk Assessment**

Risk assessment consists of the following steps:

##### **4.1.1 Risk Identification:**

Risk identification consists of determining which risks are likely to affect Marine Electricals (India) Limited. and documenting the characteristics of those risks. Risk identification is an iterative process(it is not a one off event, but must be repeated on a periodic basis) and should address both internal and external risks to the Company. A well-structured systematic process is critical as a risk not identified at this stage may be excluded from further analysis. The aim is to develop a comprehensive list of sources of risk and events that might have an impact on company's objectives or outcomes. It is important to describe the risk clearly. When describing a risk event, it is important to outline how the risk event might happen, why the risk event may happen, and who or what it may happen to.

##### **4.1.1 Risk Categorization:**

Risks are classified according to the source of their primary root cause. Classifying risks according to source enables the management to understand the aggregate impact of each risk and prioritize response strategies.

#### **A. External Risk Factors**

##### **Revenue Concentration and liquidity aspects-**

Each business area of products such as Marine, Industry segments of electric panels and solar projects has specific aspects on profitability and liquidity. The risks are therefore associated on each business segment contributing to total revenue, profitability and liquidity. Since the projects have inherent longer time-frame and miles to payment requirements, they carry higher risks for profitability and liquidity.

##### **Inflation-**

Inflation is inherent in any business and thereby there is a tendency of costs going higher.

### **Technology Obsolescence–**

The industry our Company cater is characterized by rapid technological changes, evolving industry standards, changing client preferences that could result in product obsolescence and short product life cycles. The Electrical and Automation industry is characterized by rapid technological changes, evolving industry standards, changing customer preferences that could result in short product life cycles. The success of our business depends on our ability to innovate and continuously provide services that address the varied and expanding requirements of our customers. Our future success will depend on our ability to enhance our existing offerings or develop new customized, to meet customer needs, in each case, in a timely manner.

### **Legal–**

Legal risk is the risk in which the Company is exposed to legal action. As the Company is governed by various laws and the Company has to do its business with in four walls of law, the Company is exposed to legal risk. The regulatory and policy environment in which we operate is evolving and subject to change. Such changes, including the instances mentioned below, may adversely affect our business, results of operations, financial condition and prospects, to the extent that we are unable to suitably respond to and comply with any such changes in applicable law and policy.

### **Fluctuations in Foreign Exchange-**

The Company has limited currency exposure in case of sales, purchases and other expenses. It has natural hedge to some extent. However, beyond the natural hedge, the risk can be measured through the net open position i.e.the difference between un-hedged outstanding receipt and payments. The risk can be controlled by a mechanism of “Stop Loss” which means the Company goes for hedging (forward booking)on open position when actual exchange rate reaches a particular level as compared to transacted rate.

### **Competition**

Competition emerges not only from the organized sector but also from the unorganized sector and from both small and big players. Our Competitiveness is also measured by the technology we adopt as our industry is rapidly growing in India. Our inability to compete with this intense competition; will have material adverse impact on our Company's financial position.

## **B. Internal Risk Factors**

### **Production and Quality**

The Company manufactures products from manufacturing facilities in Goa at Plot No. 17, 18 and Plot No. N-51, N-52, N-54, N-55, N-56, N-57, N-59, N-60 Verna Industrial Estate and in Mumbai at B-1, Udyog Sadan-3, M I D C, Andheri (East) which caters to our product demand. Any disruption in the operations due to supply of power, fire outages or industrial accidents at this unit could hamper or delay our ability to continue production and servicing. Any disruption or suspension in the production process in this facility can significantly impact our ability to

service customer needs and relation with our customers and have a material adverse effect on our business, revenues, reputation, results of operation and financial condition

### **Operational Efficiency**

The Company requires certain approvals, licenses, registrations and permissions for our operations. While, the Company believes it will be able to obtain, maintain and renew such approvals or permits as required, there can be no assurance that we can do so in the time frames anticipated by us, or at all. If we fail to obtain, maintain or renew any of these approvals or permits in a timely manner or at all, our operations and expansion plans may be interrupted, which could adversely affect our growth strategy, business and results of operations. Furthermore, our approvals and permits are subject to numerous conditions, some of which are onerous and require us to make substantial expenditures. If we fail to comply or a regulator alleges that we have not complied with these conditions, our business and results of operations could be adversely affected.

### **Financial Risk:**

Our business is working capital intensive and hence, trade receivables form a substantial part of our current assets and net worth. The results of operations of our business are dependent on our ability to effectively manage our trade receivables. To effectively manage our trade receivables, we must be able to accurately evaluate the credit worthiness of our customers and ensure that suitable terms and conditions are given to them in order to ensure our continued relationship with them. However, if the management fails to accurately evaluate the credit worthiness of our customers, it may lead to bad debts, delays in recoveries and / or write-offs which could lead to a liquidity crunch, thereby adversely affecting our business and results of operations. A liquidity crunch may also result in increased working capital borrowings and, consequently, higher finance cost which will adversely impact our profitability.

### **Human Resource Management:**

The Company's increasing business operations may require our employee strength to increase in future. In the past our Company has not experienced any labour unrest, but there is no assurance that it will not experience the same at any time in the future. Also, there is a possibility that the labour costs increase disproportionately due to increase in wage/salary demand. In this event, if our Company is unable to pass on the increased costs to our customers, our business operations and financial conditions may be adversely affected.

### **4.2 Risk Analysis and Prioritization:**

Risk rating /rating criteria indicate the range for measuring consequence of occurrence of a risk event, probability of occurrence and mitigation plan effectiveness. Risks are rated on the basis of financial consequence (quantitative) as well as operational effectiveness (qualitative).

- Quantitative: Risks are rated purely on the basis of financial consequence

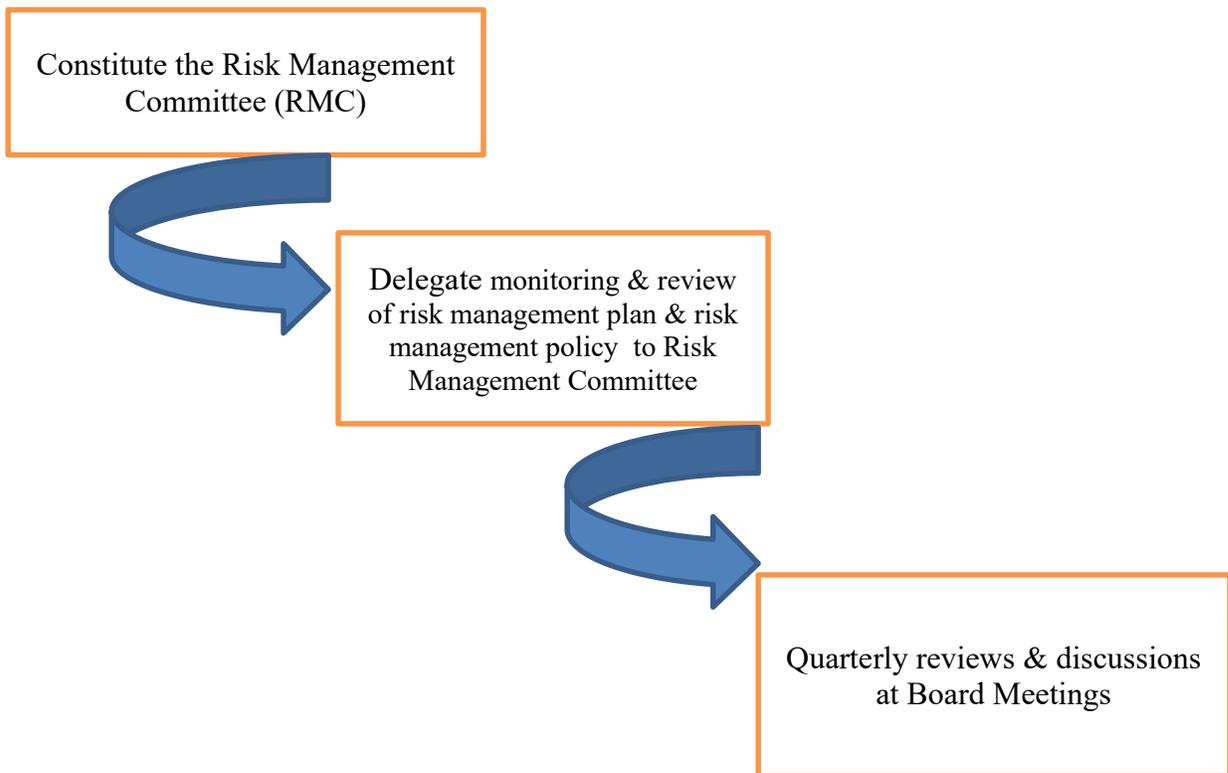
- Qualitative: Risks are rated on the basis of impact on factors affecting operational effectiveness / reputation

Risk rating criteria will be proposed to Audit Committee and Risk Management Committee for further inputs. The approval will be given by Board of Directors.

**4.3 Risk Response:**

Risk response consists of determining the appropriate action to manage risks categorized within the levels defined by the Company. Appropriately responding to risks involves identifying existing response strategies and the need for any additional response. Accordingly, ownership and responsibilities for the risk response plans are articulated and approved.

**4.4 Risk Management Structure:**



Level	Key roles & responsibilities
Board of Directors	Oversee risk assessment and prioritize key risks which can act as hindrance in achievement of organizations strategic business objectives.

Audit Committee (AC)	<p>(a) Provide direction and evaluate the operation of the Risk management program; and</p> <p>(b) Review risk assessments prepared by the Functional Champions/Risk Owners.</p>
Risk Management Committee (RMC)	<p>(1) To formulate a detailed risk management policy which shall include:</p> <p>a. A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.</p> <p>b. Measures for risk mitigation including systems and processes for internal control of identified risks.</p> <p>c. Business continuity plan.</p> <p>(2) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;</p> <p>(3) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;</p> <p>(4) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;</p> <p>(5) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;</p> <p>(6) The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.</p>
Risk Owners	<p>(a) Understanding the issues and its impact.</p> <p>(b) Performance assessment of mitigating controls.</p>

#### **4.5 Risk Monitoring:**

Risk monitoring and reporting consists of providing the *Audit Committee, Risk Management Committee and Board of Directors* with information on Marine Electricals (India) Limited.'s risk profile and the status of risk response plans.

#### **4.6 Communicate and Consult:**

Communication facilitates a holistic approach to identifying, assessing, and managing risk and facilitates the development of a culture where the positive and negative dimensions of risk are openly discussed. Involving stakeholders in the risk management process across

management hierarchies of the Company, would create an environment where the discussion of risks and the associated response strategies are viewed as an integral part of decision making.

Effective risk management also incorporates the input of different perspectives to balance intrinsic human biases in the understanding of risk.

#### **4.7 Training and Awareness:**

The Board of Directors aims to ensure that:

- Emphasis is given on training on risk management to improve process controls.
- All staffs are aware of and understands the organization's approach to risk management.
- All staffs in the organization understand the basic concepts and benefits of risk management in their respective areas and applies the risk management principles in day to day operations.

### **5. REVIEW**

This policy shall evolve by review by Board or Risk Committee 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.

This Policy may be amended or substituted by the Board or Risk Committee as and when required. However, no such amendment or modification will be binding on the Directors and employees unless the same is communicated in the manner described as above.