

Archidply's Risk Management Policy

Founded in 1976, Archidply Industries Ltd.'s founders, Sri Deen Dayal Daga, Sri Shyam Daga and Sri Rajiv Daga started Archidply with a vision that has transformed Archidply today into the one of the largest providers of Ply, Laminates and Veneers. Archidply aims to enrich its different functional domains, optimizing use of resources and thereby maximizing gain and wealth in the long run.

With the above core objective in mind as well as to comply with the clause 49 of Listing Agreement, which requires the Company to lay down procedures about the risk assessment and risk minimization, we are framing the Policy Guidelines below.

- i. The Board of Directors of the Company and the Risk Management Committee of Directors shall periodically review the risk management policy of the Company so that Management controls the risk through properly defined network.
- ii. 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 Risk Management Audit Committee.

1. Risks and Concerns

- **Raw Materials & Consumables Risks**

Non - availability and limited availability of good quality Plywood, Veneer, Base papers, PPBs, Formaldehyde and Melamine, Kraft Papers, Face Veneer, Phenol - this could negate the qualitative and quantitative production of Plywood, Laminates and Veneers and Flush Doors.

Risk mitigation

The Company has been sourcing its materials from different suppliers (for all type of raw materials and consumables) in and out of India without depending upon 1-2 suppliers. Besides, continuous Research initiated by the company on the potential suppliers in the Pan-Asian region will further strengthen the company's stand in the market. Besides, stock of raw materials, WIP and finished goods are insured so as to take care of any unforeseen incidence/s of inventory loss.

Price Variations resulting into higher landed cost and higher Product Cost

Risk mitigation

Long-Term Fixed Price Plan through Price Negotiations with a number of suppliers, economized bulk-procurement plan will have to be put into practice.

- **Quality Risk**

Highest quality parameters are a must for this industry and any negligence in regard to the same could lead to severe consumer attrition.

Risk mitigation

The Company do ensure the conformance to the highest quality standards coupled with fully automated and completely safe production units, adequate and comprehensive quality checks, resulting in to superior products. The high quality of the Company's products has not only to lead to better acceptance even in the fiercely competitive markets; but will also result into high repeat business on account of increased customer loyalty. Moreover, the Company has already obtained certifications from different national & internal bodies like FSC, BIS, DNV, etc.

- **Competition risk**

Many competitors with cheaper variants of the products can actually capture the market with lower price schemes. Even plagiarism in terms of packet design, brand name, etc. can dent the Company's bottom line to a great extent.

Risk Mitigation

The Company believes that in the long run, quality of the products is the sole consideration of the consumers and has therefore never compromised on its high-end processing. The Company has strong focus on Research & Development, which enables it to introduce new varieties of the products and derive a first mover's advantage for the initial specific period. AIL has intensified its branding initiatives in recent years, to ensure a credible brand, which would differentiate the Company's top line even in a largely crowded commodity segment.

- **Foreign Exchange Risk**

The company is exposed to foreign exchange risk on account of its high - volume imports and exports.

Risk Mitigation

At AIL, all revenue exposures are hedged to the maximum extent. The Exchange Gain and Exchange Loss are separately recognized in the Books of Accounts following Accounting Standard 11.

- **Receivables Recovery Risk**

As a substantial amount always remains blocked with the customers (complying with the company's credit policy), the risk of suffering loss on account of bad debts are there.

Risk Mitigation

The company appoints all its distributors, dealers and stockists after a stringent process of appointment – thereby reducing the risk at the initial stage only. *Post facto*, the Sales Team do put in their maximum effort to collect the dues from the customers. Factoring service is availed so as to advance the collections from certain customers. The company takes shelter under the legal backdrop after periodical outstanding status assessment by way of civil and criminal proceedings against the selected customers who fail to pay their dues even after all possible coordination by the company with them.

- **Cost Risk**

The Company does market its products after proper costing and going through price fixation process. But accumulation of inventory beyond the estimated period and accumulation of 'outstanding from customers' beyond the estimated period can result into higher cost of financing, and thereby jeopardizing the expected bottom line.

Risk Mitigation

The company has directed its Sales & Marketing members to collect the dues from customers within the stipulated period and interest is debited to the parties towards delayed payments by them apart from denying the cash discount facilities to them. Inter-branch communications have been stressed so as to dispose of the slow-moving & non-moving stock fast by the demanding branch/es.

- **Human Resource Involvement Risk**

Engagement of employees in executing various policies and programmes sometimes may result into non-achievement of the goal/s, or failure of the programme - directly affecting company's short-term and long-term objectives.

Again, accidental injuries, fatal accidents, serious physical illness and unexpected deaths although very much unwanted but possibilities thereof cannot be ruled out. Such incidences may result into unexpected financial burden on the company and outsiders' involvement in the company matters apart from the loss of man-hours.

The possible and probable confrontations in between employees do give rise to operational bottlenecks, loss of man-hours and scope of further conflicts.

Risk Mitigation

The company ensures that Annual Performance Appraisal of the employees are taken up, analyzed and necessary actions are taken with the ultimate purpose of operational development as well as skill development, morale support and motivation of the employees.

The company has ensured maximum safety measures are implemented in its 2 factories and continuously do train, educate its staff members and workers about the safety precautions need to be undertaken by them. Besides, the Company has obtained Personal Accident Coverage and Mediclaim Coverage for its employees from a reputed nationalized insurer which have been completely taking care of employees' hospitalization expenses after accidents and upon diagnosis of any disease, and family's needs in case of accidental deaths.

As a part of the induction process, all employees are explained in detail the high level of courtesy and politeness Management expects from them. Besides, the department heads are entrusted with the responsibility of immediately addressing the conflicts, disputes amongst employees. The H.R. Policy of the company states that any employee having any dispute with his immediate superior, or dispute on any functional issue can contact the next-level superior, or higher-grade superior in case not addressed by the immediate superior, and so forth.

- **Plant & Machinery Involvement Risk**

Usages of machineries with the principal objective of achieving production targets do result into machinery break-downs and possibility of 'production halts'; all these would result into huge man-hours loss apart from the carrying the risk of decreased demand in the market. The risk of loss of machinery value in part, or in full is also there due to sudden accidents and break-downs.

Risk Mitigation

The Company has ensured, so as to ensure that production does never get arrested in any unscheduled time frame, Preventive and Predictive Maintenance of the machineries and plant cum production infrastructure in a complete planned manner. Besides, the periodical Production Plan ensures that each machine is utilized to the optimum extent. All machineries are insured against loss of fire, burglary and special perils' risks.

- **Other Risks**

Apart from the risks mentioned above, the Company's business is exposed to other operating risks, which are mitigated through regular monitoring and corrective action.

A strong and independent Internal Audit Function at the corporate level carries out risk - focused audits across all major functions, enabling identification of areas where risk managements processes may need to be improved. The Audit Committee of the board reviews internal Audit findings, and provides strategic guidance on internal controls. The Top Management monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.

The combination of policies and processes as outlined above adequately addresses the various risks associated with your Company's businesses. The Management of the Company periodically reviews the risk management framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic businessenvironment.

2. Role of Risk Management

Introduction

Audit committee of the company shall carryout the function and role of risk management under this policy.

The Statement of Responsibility and duties as given below details the specific duties of the Committee in discharging its responsibilities.

Responsibilities

The responsibilities of the Committee are:

- Recommend to the Board and then formally announce, implement and maintain a sound system of risk oversight, management and internal control which: identifies, assesses, manages and monitors risk, and allows investors and other stakeholders to be informed of material changes to the Company's risk profile.
- Recommend to the Board and then formally announce clear standards of ethical behavior required of directors, employees and contractors and encourage observance of those standards.
- In discharging its responsibilities, the Committee has to develop and seek Board approval for a range of specific duties that it has to carry out. Such duties do vary depending on the Company's circumstances, the Committee's responsibilities and, in particular, the roles of the Board and other committees.
- The current duties of the Committee are set out in below. Board approval has to be obtained for any material changes to the Committee's duties.

Duties

- The Committee's duties are based on 2 broad categories – risk management and governance.
- 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 (as stated in the beginning of this Policy) and are being effectively managed as stated in this Policy in the light of the Risks Mitigations as discussed in this Policy.

- 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.
- The Committee can consider other matters relating to risk management that it considers desirable. In addition, the Committee will examine all other relevant matters as referred to it by the Board from time to time.

The Audit committee will submit its Progress Report on annual basis.

3. Dissemination of Information

The Audit committee reports to the Board of the Company, the status of the Major Risk Involved Areas in terms of management projects/ activities undertaken by the Company vis-à-vis the Risk Mitigation Policy exercised therein along with the report on the impact created by such projects/ activities. The Company shall also upload this Policy on its website www.archidply.com.
