

# ASIT C. MEHTA FINANCIAL SERVICES LTD.

Registered Office: 'Pantomath Nucleus House', Saki Vihar Road, Andheri (East), Mumbai 400072,  
Maharashtra, INDIA Tel.: 022 - 61325757 / 28583333 • Email Id: investorgrievance@acmfsl.co.in

Website: www.acmfsl.com • CIN: L65900MH1984PLC091326

## RISK MANAGEMENT POLICY

### PREAMBLE

Risk is an inherent aspect of the dynamic business environment. Risk Management Policy helps organizations to put in place effective frameworks for taking informed decision about risks. To minimize the adverse consequence of risks on business objectives the Company has framed this Risk Management Policy. The guidance provides a route map for risk management, bringing together policy and guidance from Board of Directors.

### OBJECTIVE

To have a documented Risk Management Strategy in place, which provides a framework for identification, assessment, evaluation, mitigation and review of the risk categories on a periodic basis.

This policy document also lays down the framework for taking informed business decisions integrated with risks and to minimise the adverse consequences of risks on business objectives.

### LEGAL FRAMEWORK

#### Requirement as per Companies Act, 2013 ('the Act'):

- **Responsibility of the Board:** As per Section 134(3) of the Act, requires the Board of Directors of a Company, as part of the Board's Report, to furnish 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.
- **Responsibility of the Audit Committee:** As per Section 177(4) of the Act, Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include- (vii) Evaluation of internal financial controls and **risk management systems**.

#### Requirement as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"):

- **Regulation 17(9) & 21 of the Listing Regulations** requires the Company to lay down procedures about risk assessment and risk minimization and formulate detailed risk management policy.

Listing Regulations notified on July 08, 2016 read with SEBI notification dated May 05, 2021 effective

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from May 06, 2021, as amended from time to time, requires top one thousand listed entities based on market capitalization (calculated as on March 31 of every financial year) to formulate a Risk Management Policy (hereinafter referred as "Policy"). As per the amendment, once the provisions of Listing Regulations become applicable to a listed entity on the basis of market capitalisation, it shall continue to apply irrespective of change in the market capitalization.

## THE RISK MANAGEMENT POLICY

### DEFINITIONS:

- **Audit Committee** shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 177 of the Companies Act, 2013.
- **Board** means Board of Directors of the Company.
- **Company** means Asit C. Mehta Financial Services Limited
- **Core Investment Company (CIC)** is a Non-Banking Financial Company (NBFC) which carries on the business of acquisition of shares and securities and holds not less than 90% of its net assets in the form of investment in equity shares, preference shares, bonds, debentures, debt or loans in group companies. Further investments in equity shares in group companies constitute not less than 60% of its net assets.
- **Independent Director** means a Director referred to in Section 149(6) of the Companies Act, 2013.
- **Policy or This Policy** means "Risk Management Policy"

### INTERPRETATION

Terms that have not been defined in this Policy shall have the same meaning assigned to them in the Companies Act, 2013 and/or any other SEBI Regulation(s) as amended from time to time.

The Company's business activities are investment activities comprising of long term investment activities i.e. Long Term Capital and Strategic Investments. Besides, the Company's business activities also include lending activities. The Company makes investments in group Cos., Money Market Mutual Funds, etc. Investment business is always prone to various risks i.e. risk of capital market fluctuations, global developments, competition risk, interest rate volatility, economic cycle and political risks which can affect the fortunes of investment companies.

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## 1. Constitution of the Committee

The Risk Management Committee (the “Committee”), shall have minimum three members with majority of them being members of the Board of Directors, including at least one independent Director.

The Board of Directors resolved to Constitute a Group Risk Committee (the “Committee”), which is a committee of the Board. The Committee’s shall have following responsibilities-

- Analyse the material risks to which the group, its businesses and subsidiaries are exposed. It must discuss all risk strategies both at an aggregated level and by type of risk and make recommendations to the Board in accordance with the group’s overall risk appetite.
- Identify potential intra-group conflicts of interest.
- Assess whether there are effective systems in place to facilitate exchange of information for effective risk oversight of the group.
- Assess whether the corporate governance framework addresses risk management across the group.
- Carry out periodic independent formal review of the group structure and internal controls.
- Articulate the leverage of the Group and monitor the same.
- RMC has powers to seek information from any employee, obtain outside legal or other professional advice, and secure attendance of outsiders with relevant expertise, if required.
- To formulate a detailed risk management policy which shall include:
  - (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.
  - (b) Measures for risk mitigation including systems and processes for internal control of identified risks.
  - (c) Business continuity plan.
- To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

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*As per Regulation 21 of SEBI (Listing Obligation and Disclosure Requirements) Regulation 2015 the provision of Risk Management Committee is applicable on Top 1000 listed entities determined on the basis of market capitalization as at the end of the immediate preceding financial year. Thus the provision to constitute Risk Management Committee is not applicable to our Company*

## 2. Membership

- Members of the RMC are appointed by the Board
- The RMC shall comprise minimum of five members, including executive members.
- At least two members shall be independent directors, one of whom shall be the Chairperson of the GRMC.
- Members shall have adequate and commensurate experience in risk management practices.

## 3. Meetings and Quorum

- The RMC shall meet at least twice in a year
- The quorum shall be either two members or one third of the committee members, whichever is higher, including at least one member of the board of directors in attendance

## 4. Maximum gap between meetings

- The meetings of the RMC shall be conducted in such a manner that on a continuous basis, **not more than 180 days shall** elapse between any two consecutive meetings

## RISK MANAGEMENT FRAMEWORK

### PROCESS

Risk management is a continuous process that is accomplished throughout the life cycle of a Company. It is an organized methodology for continuously identifying and measuring the unknowns; developing mitigation options; selecting, planning, and implementing appropriate risk mitigations; and tracking the implementation to ensure successful risk reduction. Effective risk management depends on risk management planning; early identification and analyses of risks; early implementation of corrective actions; continuous monitoring and reassessment; and communication, documentation, and coordination.

A framework for identification of internal and external risks faced by the Company, in particular

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including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee shall be prepared.

To manage the risk associated with investment and Lending, the Company is following a sound and prudent risk management policy. The aim of the policy is to minimize risk and maximize the returns.

- The Company shall hold its existing investment for Long Term in the Promoter Stake of Group Companies which provide the right of management of the Group Companies, irrespective of volatility in the capital market. In respect of investments other than group Companies, the Company is following medium risks and medium returns policy and mainly invested in Money Market Mutual Funds as per RBI guidelines.
- The Company shall be making investments in an optimum blend of securities consisting of Equity Shares, Preference Shares, and Debt Instruments like Mutual Funds, and Debt Securities etc. However, the actual composition of securities will depend upon the prevailing market conditions, opportunity available and risk factors associated with those securities.
- The Company shall be making investments in Mutual Fund after considering all pros and cons. The Company shall extend loans mainly to entities associated with Bengal & Assam Company Ltd. Interest rate and security will be main considerations, while extending such loans.
- The Company shall employ Senior Management Key personnel of top calibre and educated experienced staff to conduct its various day to day NBFC activities and will continue employing the same in future also as per the requirements of the Company. The Company will encourage its managerial personnel to attend various training and educational seminars to have themselves updated with the knowledge of latest developments in the market.
- The Company will try to diversify its investment to have better returns with lesser risk, as per the opportunities available in the market as per RBI guidelines prescribed.

## STEPS IN RISK MANAGEMENT

1. Risk Identification
2. Risk Assessment
3. Risk Analysis
4. Risk Treatment
5. Risk Mitigation
6. Risk - Control and Monitoring

## RISK PROFILE

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Risk is an inherent aspect of the dynamic business environment. Risk is the probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities, and that may be avoided through pre-emptive action. Risk arises on account of uncertainty of occurrence and unknown consequences if the risk event were to occur. The degree of uncertainty or likelihood of occurrence and impact of the risk outcome combined together determine the magnitude of the risk.

- On a periodic basis risk, external and internal risk factors are assessed by responsible managers across the organization. The risks are identified and formally reported through mechanisms such as operation reviews and committee meetings.

## External risks factors:

- Economic Environment
  - Political Environment
  - Competition
  - Fluctuations in trading activities
  - Changes in interest rates
  - Changes in government policies
  - Broad market trends and other factors beyond the Company's control significantly reducing demand for its services and harming its business, financial condition and results of operations.
- Internal control is exercised through policies and systems to ensure timely availability of information that facilitate pro-active risk management.

## Internal risks factors:

- Project Execution
- Contractual Compliance
- Operational Efficiency
- Hurdles in optimum use of resources
- Environmental Management
- Human Resource Management
- Financial Risk including Foreign Exchange Risk
- Others as identified by the committee from time to time

## RISK MITIGATION MEASURES

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For risk management to be effective, all operations must apply the following measures to the context of their particular business and its objectives: Risk response is a process by which the management evaluates and adopts mitigation measures. This should also involve assessment of costs versus benefits of the proposed measures and degree to which the response will reduce impact and/or likelihood of risk events.

- Control activities are the policies and procedures in place to ensure that risk mitigation measures agreed are implemented.
- Information and communication activities ensure that all staff are familiar with risks identified and mitigation measures and plan. This helps in successful implementation of risk response.
- Monitoring helps determine the effectiveness of the processes, technologies and personnel executing risk management. To the extent, monitoring should be in-built to on-going monitoring activities, operational, procurement and financial. Where required, separate evaluations of the risk management process could be carried out to address any special.

## **BUSINESS CONTINUTY PLAN**

Business continuity plan refers to maintaining business functions or quickly resuming them in the event of a major disruption, whether caused by a fire, flood or any other act of god. A business continuity plan outlines procedures and instructions an organization must follow in the face of such disasters; it covers business processes, assets, human resources, business partners and more. Company shall have well documented Business continuity plan for any contingent situation covering all perceivable circumstances. The Business continuity plan may be reviewed and amended by the Risk Management Committee.

## **OTHER**

Company has a disciplinary approach for investments/lending to the group Cos. keeping in view the guidelines prescribed by Reserve Bank of India for our Company.

After identifying the hazards and the factors contributing to their occurrence, prioritizing goals, to either reduce the probability of the risk occurring and/or to limit the impact of the risk is the first of a two-part process. The second part is to determine what steps will accomplish the above priorities and implement a realistic plan that keeps your personnel and property safe. The experts at Risk Management Committee can add the crucial local intelligence that can significantly reduce the risks involved.

This policy is a statement of the overall approach to risk management and Lending business. The

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overriding purpose of risk management is mainly achievement of the Company's objectives. The policies may be changed or altered keeping in mind the new developments and market conditions

## DISCLOSURES

Board's responsibility statement 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 in its Board Report. The Board of Directors of the Company and the Audit and Risk Management Committee shall periodically review and evaluate the risk management system of the Company, so that the Management controls the risks through risk management framework.

## AMENDMENTS

The Board of Directors as per the recommendations of Committee (s) can amend this Policy, as and when deemed fit. Any or all provisions of this Policy are subject to revision/ amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities found inconsistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

## EFFECTIVE DATE

This policy has been approved by the Board of Directors of the Company at the duly convened Board Meeting held on February 08, 2024 and would be effective from February 08, 2024, to the Company