POLICY ON RISK MANAGEMENT FOR THE COMPANY

INTRODUCTION:

In accordance with the Companies Act, 2013 and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the board of directors (the "Board") of HLE Glascoat Limited (formerly known as Swiss Glascoat Equipments Limited) (the "Company") has adopted a policy on risk management (the "Risk Management Policy").

The Policy is formulated in compliance with Regulation 17(9)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations") and provisions of the Companies Act, 2013 ("the Act"), which requires the Company to lay down procedures about risk assessment and risk minimization.

The main objective of the Policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the Company's business and processes.

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.

The respective 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 the Audit Committee as may be required.

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

OBJECTIVE:

Managing risk is at the core of managing any organization. Managing risk is about making the tactical and strategic decisions to control those risks that create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities.

The art of risk management is not just in responding to anticipated events but in building a culture and organization that can respond to risk and withstand unanticipated events. The Company recognizes the importance of managing risk in the business to sustain growth.

This Policy shall be framed and implemented with a purpose to ensure that:

(i) appropriate systems are in place to identify the material risks facing the Company;
(ii) the potential financial impact of identified risks is ascertained;
(iii) Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and threats;
(iv) Protecting and enhancing assets and company image;
(v) appropriate controls and strategies are adopted to manage exposure to those risks;
(vi) appropriate responsibilities are delegated to control identified risks effectively;
(vii) any material changes to the Company's risk profile are disclosed in accordance with the Company's continuous disclosure policy;
(viii) Optimising operational efficiency; and
(ix) Protecting and enhancing stakeholders value.

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RESPONSIBILITY & ACCOUNTABILITY

The Board, its Audit Committee and its management should collectively identify the risks impacting the Company's business and document their process of risk identification, risk minimization, risk optimization as a part of a risk management policy or strategy. The Board should also report to it members and confirm that it has put robust risk management framework, which is being monitored regularly by the Board.

The Company's Senior Management is responsible for designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate. Senior Management must implement the action plans developed to address material business risks across the Company and individual business units.

Senior Management should regularly monitor and evaluate the effectiveness of the action plans and the performance of employees in implementing the action plans, as appropriate. In addition, Senior Management should promote and monitor the culture of risk management within the Company and compliance with the internal risk control systems and processes by employees. Senior Management should report regularly to the Risk Management Committee regarding the status and effectiveness of the risk management program.

Implementation of the risk management system and day-to-day management of risk is the responsibility of managers at all levels of an organization. A uniform foundation for risk reporting across a firm provides immense benefits that are not available when firm wide and desk-level risk are treated on a different basis.

RISK MANAGEMENT COMMITTEE

The Committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes, and provides regular reports to the Board of Directors on the effectiveness of the risk management program in identifying and addressing material business risks. To achieve this, the Committee is responsible for:

- To lay down procedures to inform Board members about the risk assessment and minimization procedures;
- To ascertain and understand the type, number and quantum of risks faced by the company;
- To manage and monitor the implementation of action plans developed to address material business risks within the Company and its business units, and regularly review the progress of action plans;
- To set up internal processes and systems to control the implementation of action plans;
- To regularly monitor and evaluate the performance of management in managing risk;
- To allocate 'risk owners' to implement controls and strategies;
- To require reporting by 'risk owners' on the performance of controls and strategies to manage risks;
- To regularly review and update the current list of material business risks;
- To regularly report to the Board on the status of material business risks;
- To review and monitor cyber security; and
- To review annually the Company's financial capacity to absorb risk and approving appropriate exposure limits;
- To ensure compliance with regulatory requirements and best practices with respect to risk management.

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RISK MEASUREMENT & REPORTING

Risk measurement is necessary to support the management of risk. Risk measurement is the specialized task of quantifying and communicating risk.
Risk measurement has three goals:

- Uncovering "known" risks faced by the Company.
- Making the known risks easy to see, understand, and compare—in other words, the effective, simple, and transparent display and reporting of risk.
- Trying to understand and uncover the "unknown" or unanticipated risks.

Measuring and reporting risk in a consistent manner throughout the firm provides substantial benefits. Although reporting needs to be tailored appropriately, it is important that the foundations—the way risk is calculated—be consistent from the granular level up to the aggregate level. A cardinal rule of managing risk is that managers must understand risk. Managers must understand the risks embedded in the business.
It is critically important to address the question of what role and organizational structure are best for risk management and risk measurement. This question is closely tied to corporate governance (and regulatory) issues.

The Audit Committee is invaluable as a forum for developing expertise and advice, but the Board itself should take full responsibility for key strategic risk decisions. An inherent contradiction exists, however, between the board's responsibility to carry out oversight and strategic governance, on the one hand, and to select truly independent nonexecutive directors, on the other.

The Board in the Annual Report shall disclose about existence of the Risk Management Policy.

KEY RISKS

The key risks currently under management by the Company in accordance with this Policy are:

- **Economic Risks**

  Our Company is incorporated in India, and most of our assets and employees are located in India. As a result, we are highly dependent on prevailing economic conditions in India and our results of operations are significantly affected by factors influencing the Indian economy. Any slowdown or perceived slowdown in the Indian economy, or in specific sectors of the Indian economy, could adversely impact our business, results of operations and financial condition and the price of the equity shares.

  Cyclical trends in the end user industries such as specialty chemicals, agro-chemicals may result in fluctuations in capital expenditure budgets for these industries, which may adversely impact the Company's business.

  A substantial portion of the Company's revenue is from domestic customers. Adverse conditions in the Indian economy may impact your Company. However, we are continuously expanding our production capacities to cater to both domestic and export demand and to further diversify the customer base.

- **Production Risks**

  The success of our manufacturing activities depends on, among other things, the productivity of our workforce, compliance with regulatory requirements and the continued functioning of our manufacturing processes and machinery. Disruptions in our manufacturing activities could delay production or require us to shut down the affected manufacturing facility. Any interruption at our manufacturing facilities, including on

account of any natural or man-made disasters, work force disruptions, regulatory approval delays, fire or the failure of machinery, could reduce our ability to meet the demand under our contracts for the affected period, which could affect our business, prospects, results of operations and financial condition.

- **Inventory Management Risks**

  Efficient inventory management is also a key component of the success of our business, results of operations and profitability. To be successful, we must maintain enough inventory levels to meet demand for our products, without allowing those levels to increase to such an extent that the costs associated with storing and holding the inventory adversely affects our results of operations. If our raw material purchase decisions do not accurately predict sourcing levels or our expectations about demand for our products are inaccurate, we may either not be able to manufacture products to service the demands, resulting in us having to cede market share to competitors or would have to take unanticipated markdowns or impairment charges to dispose of the excess or obsolete inventory, which can adversely affect our results of operations.

- **Financial Risks**

  This primarily includes the ability of the Company to get loans from the bank and financial institutions or other sources, which is dependent upon the balance sheet's strength to leverage and Company's performance and credit history. Also, the Company's business may be impacted by monetary policy changes which might affect borrowing terms.

  We may require additional capital for our business operations. The actual amount and timing of our future capital requirements may differ from estimates as a result of, among other things, unforeseen delays or cost overruns in developing our products, changes in business plans due to prevailing economic conditions, unanticipated expenses and regulatory changes. To the extent our planned expenditure requirements exceed our available resources, we will be required to seek additional debt or equity financing. Additional debt financing could increase our interest costs and require us to comply with additional restrictive covenants in our financing agreements. Additional equity financing could dilute our earnings per equity share and could adversely impact our equity share price. Our ability to obtain additional financing on favourable terms, if at all, will depend on a number of factors, including our future financial condition, results of operations and cash flows, the amount and terms of our existing indebtedness, security, general market conditions and market conditions for financing activities and the economic, political and other conditions in the markets where we operate. We cannot assure that we will be able to raise additional financing on acceptable terms in a timely manner or at all. Our failure to renew arrangements for existing funding or to obtain additional financing on acceptable terms and in a timely manner could adversely impact our capital expenditure, our business, results of operations and financial condition.

  Further, an increase in the interest rates on our existing or future debt will increase the cost of servicing such debt. We cannot assure, however, that we will be able to do so on commercially reasonable terms or that any such agreements we enter will protect us fully against our interest rate risk. Any increase in interest expense may have an adverse effect on our business prospects, financial condition and results of operations.

- **Technology Risks**

  There is the risk that the technology may become outdated/ obsolete or some new novel product may get introduced resulting in the new entrant(s) gaining market share and resulting in competition for your Company.

The industry is characterized by numerous and continuous advances in technology and innovation. It is therefore important for the Company to continue to innovate to be competitive in the industry. Our industry is continually changing due to technological advances and scientific discoveries. These changes result in the frequent introduction of new products and significant price competition. If our pharmaceutical technologies become obsolete our business, results of operations could be adversely affected. Although we strive to maintain and upgrade our technologies, facilities and machinery consistent with current national and international standards, the technologies, facilities and machinery we currently use may become obsolete. The cost of implementing new technologies and upgrading our manufacturing facilities could be significant, which could adversely affect our business, results of operations and financial condition.

- **Competition Risks**

  The Company operates in a competitive industry, especially in terms of price. We compete with local companies in India, multi-national corporations and companies in the countries in which we operate. Whilst we are among a few equipment manufacturing companies in India, we intend to expand internationally. Some of our competitors may have greater financial, manufacturing, research and development, marketing and other resources, more experience, greater geographic reach, broader product ranges and stronger sales forces. Our competitors may succeed in developing products that are more effective, more popular or cheaper than any we may develop, which may render our products obsolete or uncompetitive and adversely affect our business and financial results.

- **Raw Material Price Fluctuation risks:**

  Fluctuations in the prices of key raw materials like steel and other metals may have an impact on the production costs and prices of products manufactured by your Company. Inability to effectively manage the fluctuations in the prices of raw materials may have a negative impact on the Company's margins and profitability.

- **Pandemic risks:**

  The pandemic has been one of the key risks in the past year, impacting the manufacturing operations to some extent at all the manufacturing locations of your Company. The second wave of the pandemic resulted in certain restrictions on movement of workmen, material, oxygen shortages, which had some impact on your Company's' operations.

- **Human Resource Risks**

  Retaining the existing talent pool and attracting new talent are inherent business risks. In recent pandemic times, your Company has also observed inherent difficulties associated with migrant labour.

  Our success depends largely upon our promoters, senior management and key employees and our ability to attract and retain these professionals. If we are unable to retain senior managerial personnel or key employees or attract relevant talent in the Company, in the future, it could have material adverse effect on our business, future growth and result of operations.

  Our business and operations are led by a qualified, experienced and capable management team, comprising of engineers, science graduates and post-graduates, the loss of whose services might significantly delay or prevent the achievement of our business objectives. Competition among engineering companies for qualified employees is intense, and the ability to retain and attract qualified individuals is critical to our success. Further, the members of our management team and other key personnel are employed pursuant to customary employment agreements, which may not provide adequate incentive for them

to remain with us or adequately protect us in the event of their departure or otherwise. If we lose the services of any of the management team or key personnel, we may be unable to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could adversely affect our business operations and affect our ability to continue to manage and expand our business. Furthermore, as we continue to expand our operations and develop new products, we will need to continue to attract and retain experienced management and key research and development personnel.

- **Reputation Risks**

  We also face the risk of loss resulting from, and the adverse publicity associated with, manufacturing or quality problems. Such adverse publicity harms the brand image of our Company and products. We may be subject to claims resulting from manufacturing defects or negligence in storage and handling of our products.

  Any loss of our reputation or brand image, for whatsoever reason may lead to a loss of existing business contracts and adversely affect our ability to enter into additional business contracts in the future.

- **Legal Risks**

  Any legal proceedings initiated against the Company or its Directors or the Promoters may divert the time and resources of the management. Further, there can be no assurance that such proceedings initiated in the future will be decided in the favour of the Company or its Directors or the Promoters. Any adverse outcome in such proceedings against a Director could have an adverse effect on the ability of the Director to serve the Company, which may adversely affect the Company. Further, an adverse outcome may also have an adverse effect on the reputation of the Company or the Promoters and affect its future business.

- **Regulatory Risks**

  Any changes in the government or government policies can adversely affect the operations and business of the Company.

  We benefit from certain tax regulations and incentives that accord favourable treatment to certain of our manufacturing facilities as well as for our research and development activities. New or revised accounting policies or policies related to tax, duties or other such levies promulgated from time to time by the relevant authorities may significantly affect our results of operations. We cannot assure that we would continue to be eligible for such lower tax rates or any other benefits. The reduction or termination of our tax incentives, or non-compliance with the conditions under which such tax incentives are made available, will increase our tax liability and adversely affect our business, prospects, results of operations and financial condition.

- **Cyber risks:**

  There is the risk of catastrophic information system failure or other operational failure or malfunction. The Company does maintain a cyber security infrastructure.

RISK MANAGEMENT SYSTEM

The Company has always had a system-based approach to business risk management. Backed by strong internal control systems, the current risk management framework consists of the following elements:

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- Risk Management system is aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.
- A combination of centrally issued policies and divisionally-evolved procedures brings robustness to the process of ensuring business risks are effectively addressed.
- Appropriate structures have been put in place to effectively address inherent risks in businesses with unique / relatively high-risk profiles.
- A strong and independent Internal Audit Function at the corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk managements processes may need to be improved. The Board reviews internal Audit findings, and provides strategic guidance on internal controls. 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 our Company's businesses. The Senior 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 business environment.

CONTINUOUS IMPROVEMENT

The Company's risk management system is evolving. This is an on-going process and it is recognised that the level and extent of the risk management system will evolve commensurate with the evolution and growth of the Company's activities.

DISCLOSURES

The Board shall upload the Risk Management Policy on the Company's website.

AMENDMENT

The Board reserves its right to amend or modify this Policy, in whole or in part, at any time consequent upon any amendment to applicable laws of land.

Summarized Risk Management Policy

The Company has established a Risk Management Policy which sets out a framework for a system of risk management and internal compliance and control, whereby the Board delegates day-to-day management of risk to the Audit Committee. The Committee, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management. The Policy also sets out the Company's risk profile.

For **HLE Glascoat Limited (Formerly Swiss Glascoat Equipments Limited)**

Sd/-
Mr. Himanshu Patel
Chairperson and Managing Director

Sd/-
Mr. Yatish Parekh
Chairperson of the Audit Committee

Date: 12.06.2021