PRAJ INDUSTRIES LTD.

RISK MANAGEMENT POLICY

Versions of the policy			
Sr. No.	**Particulars**	**Board approval date**	**Effective date**
1.	Initial adoption	30th March, 2015	30th March, 2015
2.	1st amendment	17th June, 2021	17th June, 2021
3.	2nd amendment (current version)	25th October, 2024	25th October, 2024

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1. PURPOSE OF RISK MANAGEMENT COMMITTEE:

As per Regulation 21 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, ("SEBI LODR Regulations") it is mandatory for Praj Industries Ltd ("The Company"), to constitute the Risk Management Committee consisting of majority of the Board as the members of the Committee.

The purpose of the Risk Management Committee is to facilitate the Board of Directors of the Company ("Board") in fulfilling its Corporate Governance Responsibilities with regard to the identification, evaluation and mitigation of various Risks such as Strategic, Operational, Financial, Regulatory, Human Resources etc.

The Committee has overall responsibility for monitoring and approving the Enterprise Risk Management (ERM) framework for mitigating the Risks.

2. COMPOSITION OF RISK MANAGEMENT COMMITTEE:

The Risk Management Committee shall have minimum three members with majority of them being the Board of Directors including atleast one Independent Director. The Chairman should be the member of the Board and Senior Executives may be members of the Committee.

3. SCOPE OF THE COMMITTEE

i) To review and approve the Risk Management Framework (RMF) of the Company annually.
ii) To periodically review the risk management processes and practices of the Company and to ensure that the Company is taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.
iii) To evaluate significant risk exposures of the Company and assess management's actions to mitigate the exposures in a timely manner (including one-off initiatives, and ongoing activities such as business continuity planning and disaster recovery planning & testing etc.)
iv) To evaluate risks related to cyber security as stipulated by Regulation 21(4) of SEBI (LODR) Regulations and to ensure that appropriate procedures are placed to mitigate these risks in a timely manner.
v) To co-ordinate its activities with the Audit Committee in instances where there is any overlap with audit activities (e.g. internal or external audit issues relating to risk management, policy or practice).
vi) To delegate authority to sub-committees when appropriate.
vii) To review and re-assess the adequacy of Committee Charter periodically and recommend any proposed changes to the Board for approval.

viii) The role and responsibilities of the Risk Management Committee shall include such other items as may be prescribed by applicable law or the Board in compliance with applicable law, from time to time.

4. OTHER ASPECTS:

The Board may review the performance of the Risk Management Committee periodically.

The RMC shall have access to any internal information necessary to fulfill its responsibilities. The Risk Management Committee shall also have authority to obtain advice and assistance either from internal or external legal, accounting or other advisors.

5. RISK MANAGEMENT FRAMEWORK:

Praj being a Project based Company, it has system- based approach to business risk management. Backed by strong internal control systems, the current risk management framework consists of the following elements:

1. Clear identification of the roles and responsibilities of various stakeholders in relation to risk management. These role definitions are aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring.

2. Combination of best industry practices and Company specific procedures thus bringing robustness ensuring that the business risks are effectively addressed.

3. Putting in place appropriate risk management framework to effectively address the inherent risks in businesses through following:

    - Adequate Internal Control Systems and Internal Audit Function.
    - SOPs and Authority Matrix covering all important operational matters.
    - Appropriate hedging policy in view of large exposure to foreign currency.
    - Periodic testing of IFCs by Independent Agencies
    - Compliance Management through Electronic Compliance Management System

4. Identification and periodic review 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 above areas have been elaborated below.

- **<u>RISK IDENTIFICATION:</u>**

PIL's risk exposure would encompass the following areas:

1) <u>OPERATIONAL RISKS:</u>

PIL being hard core "Project" company, timely completion of projects is a major challenge and is dependent upon several factors such as timely availability of inputs, change in technology, strict adherence to manufacturing schedule, compliance with various statutory requirements etc.

All the above factors may lead to delay in project completion which in turn will adversely affect the profitability of the Company.

Violation of safety standards, unsafe acts and conditions may also lead to Lost Time Injuries (LTIs) or fatalities, resulting in delay in project execution, loss of personnel and damage to assets and reputation of PIL.

<u>KEY MITIGATION STRATEGIES FOR OPERATIONAL RISKS:</u>

a) Enhancing in house capability and leveraging from past learning and expertise.

b) Establishing sources of supplies from alternate geographies / vendors.

c) Robust monitoring of all phases of project cycle through establishing adequate mechanism for early triggers / signals by rigorous monitoring of all ongoing projects with reference to critical parameters, on periodic basis.

d) Timely up dation of technology

2) <u>PROJECT RELATED RISKS:</u>

These risks include:

- Difference in scope of the project as defined by the Company and that perceived by the customer,
- Project performance risks including technology, Design & Engineering, aggressiveness of the performance estimates, availability of permits, weather conditions, freight & transportation cost
- Customer related risks such as extended warranty, liquidated damages
- Customer credibility and relations with customers

KEY MITIGATION STRATEGIES FOR PROJECT RELATED RISKS:

a) Building robust mechanism for rigorous and timely reviews of all the ongoing projects,
b) Building effective interface with the customers for expeditious resolution of all the issues

3) MARKET RELATED RISKS:

- As the Projects are subject to various Regulatory compliances, Government policies may affect the commencement of the project as every project from Customer's perspective constitutes major capital expenditure and for any changes in the policy capital expenditure is deferred first.
- Newer developments in the competitive domestic / global business environment and potential consolidation among competitors may adversely impact the Company's business.
- Competition from local / global players.
- Financial credentials of the prospective customers.

KEY MITIGATION STRATEGIES FOR PROJECT RELATED RISKS

a) Sound market intelligence system
b) Constant up dation of all Government Policies & measures by experts and ensuring timely actions
c) Establishing mechanism for in depth analysis of financial health of prospective customers
d) Establishing our edge over the offerings of the competitor on account of our superior and patented technology.
e) Arranging finances for the customers to overcome cash crunch
f) Diversification of offerings / portfolio
g) Development of alternate markets
h) Participation in industry consolidation

4) FINANCIAL/COMMERCIAL RISKS:

- Financial stability of the customer may adversely affect cash-flows and project execution cycle.
- Fluctuation in foreign exchange rates due to volatility in financial markets may impact the project costing and thus the profitability.
- Changes in assumptions underlying project estimate may impact the project execution cycle and the profitability.
- Deviation in technical performance parameters may lead to claim by the customer and could have an adverse impact on cash flow and the Company's profitability.

- Certain covenants in the Contracts with the Customers may entail additional liability and thus adversely affect the profitability of the Company.

KEY MITIGATION STRATEGIES FOR FINANCIAL COMMERCIAL RISKS

a) Periodic thorough analysis of financial health of the customers, integration of business planning and cash flow projections with liquidity management

b) Appropriate foreign exchange hedging policies

c) Implementation of policies of devaluation / impairment of old assets.

d) Prior vetting all contracts for avoiding potential contractual liabilities

e) Ensuring adequate insurance coverage for "Liability" insurances

5) REGULATORY RISKS:

- As Governance norms are becoming more and more stringent day by day, any Non-compliance of these multiple regulatory requirements / norms may result in liabilities resulting in financial loss and also damage to reputation of the Company.
- Change in Government Policies concerning the industry in which the Company operates, either local or international, may adversely affect operations of the Company.

KEY MITIGATION STRATEGIES FOR REGULATORY RISKS:

a) Ensuring all compliances through Electronic Compliance Management System
b) Review and monitoring of regulatory requirements for greater clarity.
c) Working with industry associations towards simplification of rules.

6) PEOPLE RISKS:

- Attrition at senior level or inability of the Company to attract / retain required skill set up may affect the Company's business and prospects.
- Any labour dispute or social unrest in regions where the Company operates may adversely affect its operations.
- Employees joining competition may pose many challenges.

KEY MITIGATION STRATEGIES FOR PEOPLE RISKS

a) Adequate succession planning for Senior Management to ensure continuity in business
b) Devising appropriate Human Capital Policies for attracting and retaining best talent.

c) Building relations with kay stakeholders including local / regional Authorities

7) **STRATEGIC RISKS:**

- Assumptions underlying strategy formulation may go wrong and materially affect the expansion plans of the Company.
- As a sequel to this, the Company may be unable to realise the anticipated benefits of their growth/ expansion plans which could have a material adverse impact on its financial condition.

KEY MITIGATION STRATEGIES FOR "STRATEGIC" RISKS:

a) Periodic robust review of Strategy and taking course corrective measures in line with changed environment.
b) Ensuring that leanings from previous strategies are applied for improved execution and faster implementation of current strategy.
c) Deployment of experienced team with strong review and governance to accelerate the implementation of the strategy

8) **IT RELATED (CYBER RISKS):**

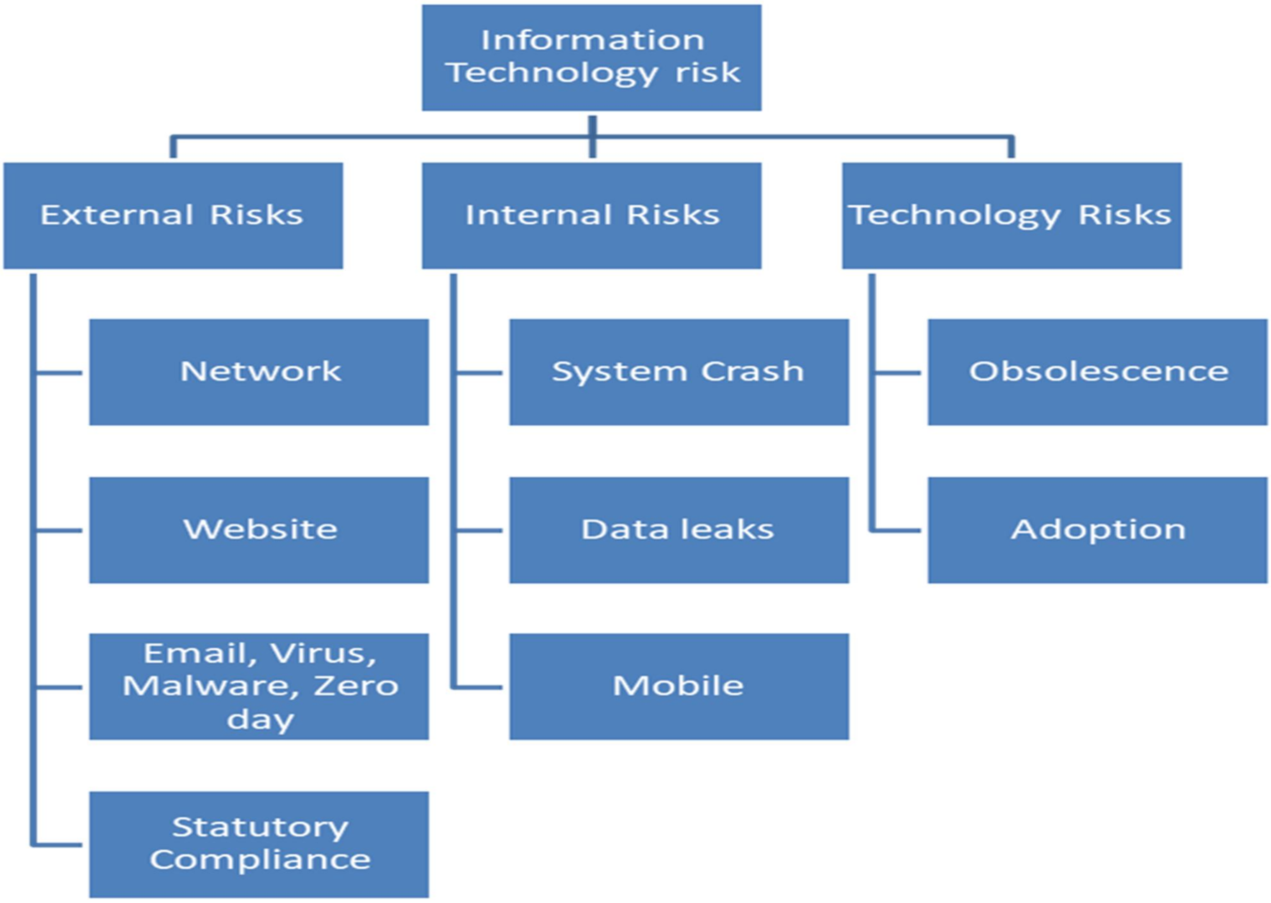
IT Risks fall into three major categories as follows:

- External Risks: These risks originate from external environment and may affect the IT infrastructure. Major areas of such risks include- Network, Website, Email, Virus, Malware, Zero-day, Statutory Compliances.

- Internal Risks: These risks may emanate internally and may affect the IT functioning. Main examples of such internal risks are- System Crash, Data Leak, Mobile.

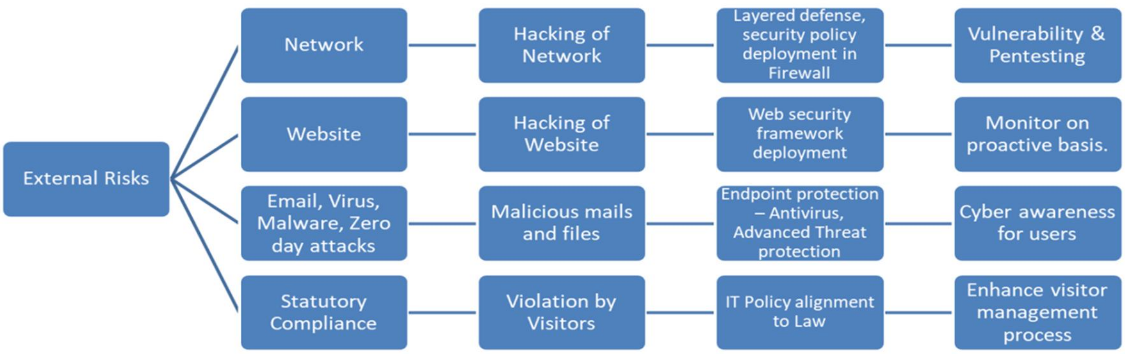
- Technology Risks: Technology Risks may pose threat due to factors such as obsolescence, Adoption etc.

Broad diagrammatic view of IT related risks, along with mitigation processes is as follows:



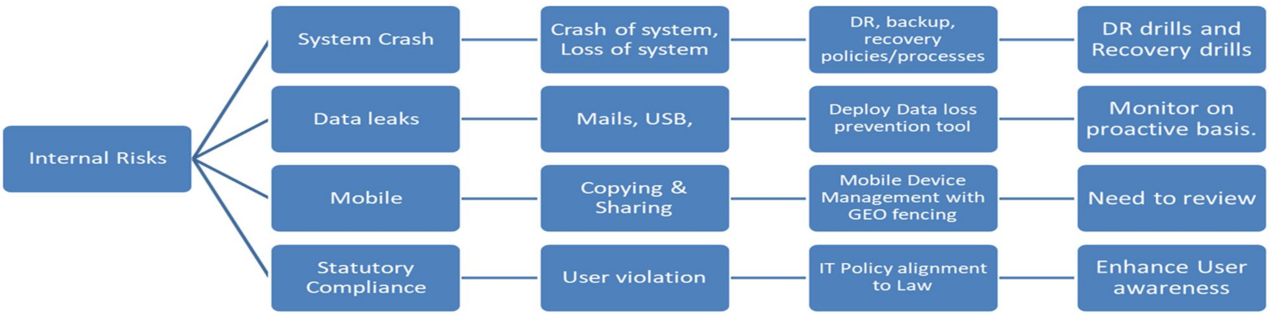
i) EXTERNAL RISKS:

AREA	POTENTIAL RISKS	MITIGATION PROCESSES



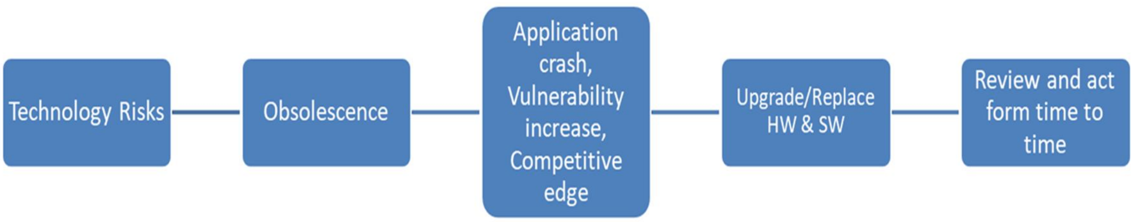
ii) **<u>INTERNAL RISKS</u>**:

AREA | **POTENTIAL RISKS** | **MITIGATION PROCESSES**



iii) **<u>TECHNOLOGY RISKS:</u>**

AREA | **POTENTIAL RISKS** | **MITIGATION PLAN**



For Praj Industries Ltd.

Sd/-
Dr. Pramod Chaudhari
Executive Chairman

Date: 25th October, 2024