1. Preamble

Pursuant to the provisions of Sections 134(3)(n), 177(4)(vii), 149(8) read with Schedule IV of the Companies Act, 2013 (as amended) (the “Act”) and also Regulation 4(2)(f)(ii) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) (the “Listing Regulations”), the Board of Directors of Balrampur Chini Mills Limited (“BCML” or the “Company”) is, inter alia, responsible for development, implementation and review of a Risk Assessment and Management Policy for the Company.

In line with the above, the Board of Directors of the Company (the “Board”) has adopted a Risk Assessment & Minimisation Procedures at its meeting held on 6th February, 2015 and the Commodity Risk Management Policy at its meeting held on 3rd November, 2015.

The Board at their meeting held on 8th February, 2018 have adopted this Policy, namely, BCML Risk Management Policy (“Policy”) and it shall be effective w.e.f. 1st April, 2018. This Policy shall supersede the existing Risk Assessment & Minimisation Procedures and Commodity Risk Management Policy.

2. Objectives

This Policy primarily aims at managing the risks involved in all activities of the Company, minimizing any adversity and assisting in the decision making processes that will minimize any potential loss.

The other objectives of this Policy are:

- To safeguard the Company’s properties, interests, and the interest of all stakeholders.
- To lay down a framework for identification, measurement, evaluation, mitigation & reporting of various risks.
- To assist in balancing between the cost of managing risk and the anticipated benefits.

3. Definitions & Interpretations

“Appropriate Committee” shall mean the Risk Management Committee (upon its formation by the Board) and till such time, shall mean the Audit Committee of the Board.

“Audit Committee” shall mean the Committee of the Board constituted under Section 177 of the Act and Regulation 18 of the Listing Regulations.

“Risk Management Committee” shall mean the Committee of the Board constituted under Regulation 21 of the Listing Regulations.

“Senior Management” wherever used in this Policy shall mean personnel of the Company who are members of the core management team excluding Board of Directors, comprising all members of management one level below the executive directors, including the functional heads.

4. Risks

Risks have been described as a combination of the consequences of an uncertain event and its likelihood of occurring that will have a positive or negative impact on the objectives of an
organisation. Risks can be internal and external and are inherent in all administrative and operational activities.

The Company identifies and includes the following risks which are required to be assessed and reviewed periodically by the Board so that the likelihood of their occurrence can be prevented to mitigate the probable threats at appropriate time:

**CLIMATE RISK:**

Implication - Sugarcane production in most parts of India is largely dependent on monsoon. Factors like excessive or deficient rain or untimely rain impacts the quality and quantity of sugarcane crop, which in turn affect the profitability of the Company.

Risk Mitigation Measures - Government is focusing on drip irrigation which will ensure efficient utilization of water resource. Northern- part of the country, where the Company’s manufacturing facilities are located have relatively better irrigation facilities in comparison to Western/ Southern parts of the country.

**BUSINESS CYCLICALITY:**

Implication – Revenue / Profitability may be dented as a result of an over dependence on a particular vertical.

Risk Mitigation Measures - Though sugar is a cyclical business, BCML invested in building a strong by-product business of power and ethanol to reduce effects of cyclicality in its business. The ethanol offtake is backed by governmental contracts at predetermined prices as well as the surplus power is exported to the State Electricity Board through long-term power purchase agreement. This ensures revenue visibility / profit stability over a foreseeable future.

**TECHNOLOGICAL OBSOLESCE:**

Implication - Inefficient processes can lead to cost overruns.

Risk Mitigation Measures - The Company has been proactive in making investments in technological upgradation. It has latest plants as well as best available environment management equipment to eliminate emission and waste disposal.

**SUGARCANE AVAILABILITY AND COST RISK:**

Implication - Availability of sugarcane depends upon the farm land under sugarcane cultivation as well as the monsoon. Sugarcane constitutes the major cost component for manufacturing sugar. Its availability has significant impact on the cost of production of sugar as lower/ higher availability has a direct co-relation with the cost of production in view of fixed overheads.

Risk Mitigation Measures -

The Company is fully integrated in terms of distillery and Cogeneration capacities which significantly reduces its dependence on the sugar division from the profitability point of view.

To moderate the impact of cane cost, the Company is working on improvement of cane varietal which would yield higher recovery to farmers as well as millers.
SUGAR PRICE REALISATION RISK:

Implication - Adverse production/supply position may severely impact the sugar realization thereby impacting the overall financials of the Company.

Risk Mitigation Measures - The Company’s fully integrated business model to utilize the by-products to a very large extent insulates it from the uneconomical sugar realization. Further, the Government’s accommodative policy on managing the demand/supply position of sugar in addition to remunerative ethanol prices also reduces the adverse impact of lower sugar realizations.

The detailed Commodity Risk Management Policy is enclosed as an Annexure to this Policy.

REGULATORY CLAMPDOWN:

Implication - Business operations may come to a halt because of non-compliance.

Risk Mitigation Measures - It proactively installed incinerators to make the distilleries pollution-free. It also invested in ETPs to attain zero-discharge at the sugar mills. The Company recycles and reuses process water to reduce freshwater drawl.

GOVERNMENT INTERVENTION RISK:

Implication - Sugarcane prices are politically driven which impact the cost of production of sugar.

Risk Mitigation Measures - In the last couple of years, the Government has taken very rational decisions whether it is related to fixation of cane price or with respect to management of demand and supply of sugar in the country. In other words, the Government intervention in the last couple of years have been on the positive side. Favorable Government Policy on ethanol blending also insulates the Company against adverse price realization.

FINANCIAL RISK:

Implication - Business sustainability can adversely be impacted because of a stretched Balance Sheet.

Risk Mitigation Measures -

- Proper financial planning is put in place with detailed Annual Business Plans discussed at appropriate levels within the organization.
- Annual budgets are prepared and put up to the management for detailed discussion and an analysis of the nature and quality of the assumptions, parameters etc. These budgets with Variance Analysis are prepared to have better financial planning and study of factors giving rise to variances.
- Daily and monthly funds position are prepared, followed and monitored at senior levels to prevent undue loss of interest and utilize cash in an effective manner.
- Cash management services are in place to avoid any loss of interest on collections.
- The Company has proper and adequate internal control system, commensurate with the nature of its business and the size of operations. The Company has external internal audit team directly reporting to Audit Committee as well as in-house internal audit team reporting to management to monitor implementation of directions and prudent internal control mechanism.
INTEREST RATE RISK:

Implication - Sugar is produced over a period of 4/5 months and is required to be stored for sale over a period of 12 to 14 months, thereby resulting in very high requirement of Working Capital. Cost of funding depends on the overall fiscal environment in the country as well as the Company’s credit worthiness /credit ratings. Failure to maintain credit rating can adversely affect the cost of funds.

Risk Mitigation Measures - To mitigate the interest rate risk, the Company maintains an impeccable track record and ensures long term relation with the lenders to raise adequate funds at competitive rates. Company has access to low cost borrowings because of its healthy Balance Sheet. In addition steady revenue from co-generation and distillery business reduces the overall requirement of working capital.

SYSTEM RISKS

Implication - This could result in one or more of the following:

- System incapability
- Hardware vulnerability
- Network Security Risks
- Endpoint Security Risks
- Data Integrity Risks
- Business Non - Continuity
- Coordinating and interfacing risks

Risk Mitigation Measures:

- IT Department of the Company maintains and upgrades the systems on a continuous basis with trained personnel.
- Complex Password Protection is enabled at different levels to access Business Technology to ensure data integrity.
- Licensed Software is being used in the IT systems.
- All critical Business Data (User Data and Application Data) are backed-up to ensure Information Security
- The Company Gateway as well as End Points are secured using the best products like to mitigate Network and Web security risks
- Disaster Recovery is in place to ensure business continuity.

5. Risk Management Approach and Systems

The Risk Management Framework of the Company encompasses the following process:

- identifying the major risks which may occur due to Internal and External environment causing loss to the Company.

- assessing the risks as to their probability of occurrence and potential and severity of loss on finances, output, people’s health and safety, reputation & brand and legal & regulatory implications.

- monitoring & reviewing the occurrence of risk on periodical basis by way of continuous watch and vigil on any change both in the Internal and External conditions which may have an adverse impact on the Company’s business, its survival and future growth.
mitigation and controlling the risks by way of creation and formulation of appropriate policies, strategies, structures, systems & procedures.

The Senior Management shall periodically review the Risk Management Framework to maintain its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

In addition to the above and the existing internal control systems, the Company shall continue to be subjected to the internal audits by the Internal Auditors of the Company, to ensure the evaluation of Risk Management Framework of the Company and also the adherence of the same by the Company.

6. Reporting

The Senior Management shall be responsible for the implementation of the Risk Management Systems and their effectiveness and adequacy, as may be applicable to their respective functional areas and shall report to the Appropriate Committee as may be required.

The Appropriate Committee shall, from time to time report to the Board, the need for review of this Policy including the effectiveness and adequacy of the Risk Management Systems of the Company.

7. Review

The Board may review and amend the Policy, from time to time, as it may deem fit and / or to give effect to any amendment in any applicable law.
Annexure

COMMODITY RISK MANAGEMENT POLICY

1. Purpose
The purpose of this policy is to provide a framework for undertaking “Permitted Hedging” in an effort to safeguard the Company from commodity price risk in the international commodity exchanges/markets.

A sound policy is essential to ensure all commodity risks are fully recognised and treated in a manner consistent with:

- The Board’s management philosophy;
- Requirements of financiers / bankers;
- Commonly accepted industry practice
- Shareholders expectations

2. Definitions
“Board” shall mean the Board of Directors of the Company.

“Commodity Hedging Agreement” means any agreement for making or taking of delivery of any commodity including any forward purchase agreement or sale agreement, any commodity swap agreement or commodity future or option or commodity forward / options contracts or other similar agreement or arrangements or any combination thereof entered into by the Company with an object of safeguarding the Company from commodity price risk in international commodity exchanges/markets and shall include any agreement where the subject matter is currency exchange rates but is entered with an object of safeguarding the Company from adverse currency movements owing to its exposure to commodity prices in international commodity exchanges/markets.

“Company” shall mean Balrampur Chini Mills Limited.

“Permitted Hedging” means entering into any commodity hedging agreement by the Company in the ordinary course of business or undertaking hedging transaction only where it exposes to price risk. It would not cover any transaction done for speculative purposes.

3. Commodity Price Risk
Factors that can affect commodity prices include political and regulatory changes, seasonal variations, weather, technology and market conditions.

Unexpected changes in commodity prices in international exchanges / markets can reduce the Company’s profit margin.

Further, adverse currency movements also pose threat to the Company’s profit margins in case it is exposed to international trade.

4. Risk Management Process
The process of managing the commodity price risk in international exchanges / markets include the following:

1. Identify and measure the Risks – The commodity price risk in international exchanges / markets is in existence due to forces of demand and supply and also due to adverse currency movements. Permitted hedging would be undertaken if allowed by RBI.
The following steps shall be undertaken periodically to identify and measure the commodity price risk:

a. Identifying the commodity price risk in international exchanges / markets depending on the export policy of the Country and other global factors, like supply, production, currency exchange rate fluctuations, etc. Risk can be assessed using brainstorming sessions, SWOT analysis or risk assessment user groups.

b. Determining and assessing the existing controls in place.

c. Assessing the impact and likelihood of the risk after taking account of existing controls to derive the net risk

d. Determining further control improvements to mitigate the risk and indicate what their impact on net risk will be when they are fully implemented.

2. Evaluating and assessing the Risks – This would involve evaluation and assessing the amount involved depending on the quantity to be exported.

3. Handling/Controlling the Risks by Risk Transfer and Risk Retention

Risk Transfer: Mitigation by having another party to accept the risk by hedging.

Risk Retention: Accepting the loss when it occurs. Risk retention is a viable strategy for small risks where the cost of insuring against the risk would be greater over time than the total losses sustained. All risks that are not avoided or transferred are retained by default.

4. Monitoring/Reporting

Risks would be monitored and reported as per the Risk Management Policy.

5. Risk Management Policy and implementation

The Board of Directors of the Company shall frame and implement Risk Management Policy and shall be responsible for its effective implementation.

5. Risk Adjustment, Management and Minimization Procedure

Actions to reduce the likelihood or impact by transfer the full or portion of the risk, e.g. hedging.

Commodity price risk in international exchanges/markets - We operate in a market in which commodity prices are fluctuating. To mitigate the risk, the Company would cover its position through permitted hedging.

6. Risk Management Organisational Structure

The overall responsibility of development and implementation of a Risk Management Policy of the Company lies with the Board of Directors of the Company. The said policy should include identification of elements of risk which in the opinion of the Board may threaten the existence of the Company.

The Audit Committee is responsible for evaluation of Risk Management Systems of the Company.

The Board is also responsible for establishment of Risk Management Policy for the Company and while discharging this responsibility, the Board duties include identifying the principal risks and taking all reasonable steps to ensure the implementation of appropriate system to manage these risks and periodically evaluate the appropriateness of such systems. The Audit Committee shall periodically evaluate the Risk Management Systems.
The director(s) /employee(s) indicated in List 1 of Annexure ‘A’ to this Policy are severally authorised for undertaking any permitted hedging transaction on a day to day basis on behalf of the Company.

The employee(s) indicated in List 2 of Annexure ‘A’ to this Policy will be jointly and severally responsible for the following:
1. To manage and administer hedging transaction in accordance with this policy.
2. Properly record transactions in the books of the Company.
3. To supply regular market information to the Executive Committee.
4. To procure advice in relation to commodity price risk management.
5. To ensure competitive pricing for availing hedge products.
6. To provide regular position reporting.
7. To carry out periodic revaluation of open positions.
8. To monitor open positions.
9. To review raw material supply and prices.
10. To review such other information as may be advised by the Chief Financial Officer in this regard.

The Executive Committee of the Board may from time to time review and amend the list of personnel authorised under Annexure ‘A’ and accordingly Annexure ‘A’ to this Policy shall stand amended.

7. **Permitted Hedging:-**
Permitted Hedging is allowed to safeguard the Company against Commodity Price Risk in the international commodity exchanges/markets. The Company shall not enter into any hedging agreement for speculative purposes. Each permitted hedging transaction will be done with a goal to maximize the value for the Company.

Each transaction confirmation shall be signed by the Managing Director or the CFO or by such person as may be authorized by them.

Copies of all documents relating to hedge transactions shall be retained by the Company.

The Audit Committee shall periodically review the outstanding hedge position.

8. **System of risk management and internal control**
In addition to the above referred measures, the Company has set internal procedures, which includes a review and assessment of the risk management system and risk profile for both financial and non-financial risks. The internal audit function, independent of the external auditors, periodically reviews the effectiveness of the risk management system. The procedures are designed to identify, assess, monitor and manage risks.

9. **Transactional Limit**
The value of hedge transactions shall not exceed USD 10 Million per transaction and USD 50 Million in aggregate.

The Executive Committee may periodically review the transactional limit for undertaking hedging transaction and may increase the same depending upon the value of open position.

10. **Exclusion**
This policy doesn’t cover forex exposure. Forex Exposures are reviewed from time to time and accordingly conscious decisions are taken to what extent forex transactions are to be covered or are to be kept open.

The Board will review and approve changes in the policy as deem fit from time to time.
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<th>List 1</th>
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<tbody>
<tr>
<td>Name</td>
<td>Shri Vivek Saraogi</td>
<td>Managing Director</td>
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<tr>
<td>Name</td>
<td>Shri Pramod Patwari</td>
<td>CFO</td>
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