



AUSTIN ENGINEERING COMPANY LIMITED

Regd. Office & Works.

Patla, Ta. Bhesan, Via Ranpur (Sorath), Post Hadmatiya-362 030, Dist. Junagadh. (India)

Phones : (02873) 252223, 252267, 252268 Fax : (02873) 252225

CIN. L27259GJ1978PLC003179

RISK MANAGEMENT POLICY

At Austin Engineering Company Limited, we believe that an effective Risk management process is a key to sustain the operations of the Company and thereby protecting the value of all the Stakeholders, improving governance processes, achieving strategic goals and objectives as well as preparing for the adverse and unplanned circumstances, if they would occur in the life cycle of business activities.

Risk Management is a continuous process of analyzing and managing the opportunities and threats faced by the Company in its efforts to achieve its goals, and to ensure the continuity of the business.

Austin Engineering Company Limited like any other business entity is exposed to various risks in the normal course of its activities. No business can be conducted without accepting a certain level of risk, and any expected gain from a business activity is to be assessed against the risk that activity involves. The Company's policy is to identify risks particularly those risks which can threaten the existence of the Company. At the same time, the Company will also determine such risks which are within the limit of risk acceptance, followed by actions which need to be taken to avoid, mitigate, and transfer or to purely monitor the risk.

REGULATORY :

Risk Management Policy is framed as per the following regulatory requirements:

A. COMPANIES ACT, 2013

1. Provisions of the Section 134(3)

There shall be attached to financial statements laid before a company in general meeting, a report by its Board of Directors, which 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.

2. Section 177(4) stipulates:

Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include evaluation of internal financial controls and risk management systems.



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ISO 9001 : 2008
ISO / TS 16949 : 2009
ISO 14001 : 2004
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3. SCHEDULE IV [Section 149(8)]

CODE FOR INDEPENDENT DIRECTORS

II. Role and functions:

The independent directors shall:

- (1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- (2) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;

B. Clause 49

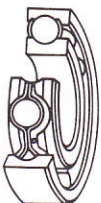
Key functions of the Board

The Board should fulfil certain key functions, including:

- a. Reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans; setting performance objectives; monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisitions and divestments.
- b. Ensuring the integrity of the company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.

C. Role of Risk Management Committee

- Evaluation of internal financial controls and risk management systems;
- Risk Management
 - A. The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.



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B. The Board shall be responsible for framing, implementing and monitoring the risk Management plan for the company.

C. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

Information to be placed before Board of Directors:

Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material are to be placed.

Austin Engineering Company Limited being a listed company is required to adhere to the regulations made both by the Companies Act, 2013 and Clause 49 of the Listing Agreement governed by the Securities and Exchange Board of India (SEBI). Where any stipulation is common between the regulations, more stringent of the two shall be complied with.

APPLICABILITY

This Policy shall come into force with effect from 1st October, 2014.

DEFINITIONS

"**Risk Committee**" means Committee of Board of Directors of the Company constituted under the provisions of Companies Act, 2013 and Listing Agreement.

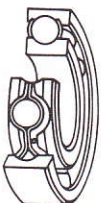
"**Board of Directors**" or "**Board**" in relation to a Company, means the collective body of Directors of the Company. (Section 2(10) of the Companies Act, 2013)

"**Policy**" means Risk Management Policy

RISK ASSESSMENT

Paragraph (C) of sub-clause IV of Clause 49 of the Listing Agreement states as under:

"The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures. These procedures shall be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework"



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Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks. To meet the stated objectives, effective strategies for exploiting opportunities are to be evolved and as a part of this, key risks are identified and plans for managing the same are laid out.

RISK MANAGEMENT

Risk Strategy: Austin Engineering Company Limited recognizes that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner. The Company believes that the Risk cannot be eliminated. However, it can be:

- Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract;
- Reduced, by having good internal controls;
- Avoided, by not entering into risky businesses;
- Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and;
- Shared, by following a middle path between retaining and transferring risk.

RISK EVALUATION AND RISK MITIGATION

Business risk, inter-alia, further includes financial risk, political risk, fidelity risk, legal risk. For managing Risk more efficiently the company would need to identify the risks that it faces in trying to achieve the objectives of the firm. Once these risks are identified, the risk manager would need to evaluate these risks to see which of them will have critical impact on the firm and which of them are not significant enough to deserve further attention. As a matter of policy, these risks are assessed and steps as appropriate are taken to mitigate the same.

In principle, risks always result as consequence of activities or as consequence of non-activities. Risk Management and Risk Monitoring are important in recognizing and controlling risks. The entirety of enterprise risk management is monitored and modifications made as necessary. Risk mitigation is an exercise aiming to reduce the loss or injury arising out of various risk exposures.



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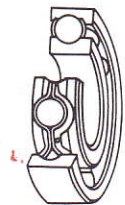
Austin Engineering Company Limited adopts systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues and regulations. The Company believes that this would ensure mitigating steps proactively and help to achieve stated objectives.

RISK MITIGATION MEASURES:

- The Company functions under a well defined organization structure.
- Flow of information is well defined to avoid any conflict or communication gap between two or more Departments.
- Second level positions are created in each Department to continue the work without any interruption in case of non-availability of functional heads.
- Proper policies are followed in relation to maintenance of inventories of raw materials, consumables, key spares and tools to ensure their availability for planned production programmes.
- Effective steps are being taken to reduce cost of production on a continuing basis taking various changing scenarios in the market.

Austin Engineering Company shall ensure the implementation of effective risk management policy by:

1. Putting in place risk management frameworks and processes.
2. Identifying the Risk and taking such proactive measures to mitigate the risk.
3. Allocating the adequate resources to managed and to mitigate the risk.
4. Striving towards risk management system through continuous improvement.
5. Complying with all rules and regulations of across its area of its operations.
6. Communicating the policy to the required stakeholders through suitable means and periodically review its operations along with the changing environment and situations.



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