DHANADA CORPORATION LIMITED

RISK MANAGEMENT POLICY

Preamble

Risk management is attempting to identify and then manage threats / hazards that could severely impact or bring down the organization. Generally, this involves reviewing operations of the organization, identifying potential threats / hazards to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats / hazards.

Clause 49 (VI) (A) of the Listing Agreement stipulates that every listed company shall lay down procedures to inform the Board Members about risk management and minimization procedures.

Accordingly, Dhanada Corporation Limited ("the Company") prepares a comprehensive framework of risk management for assessment of risks and determines the responses to these risks so as to minimize their adverse impact on the organization.

Risk Management Policy

The primary responsibility for implementation of the risk management policy shall lie upon the Board of Directors. However, with a view to ensure effective and efficient implementation of the policy, the Board may delegate authority and responsibility on various departmental heads. The Company shall periodically review the risks associated with the Company and procedures for managing the same.

The Risk Management policy of the Company shall primarily focus on three key elements i.e. Risk Assessment, Risk Management and Risk Monitoring.

Areas covered for Risk Assessment, Risk Management and Risk Monitoring

Occupational Areas	Support Services	Other Risks areas
• Guest Rooms • Restaurants • Health Clubs • Swimming Pool • Cafeteria • Bar	• Stores • Kitchens • Air Conditioning Plant • Engineering Plant Room • Chemical Storage Areas • Laboratories • Executives Offices • Roof Top	• Company assets and property • Employees • Foreign Currency Risks • Legal Compliances • Competition Risks • Human Resource Risks • Finance Risks • Demand and supply • Food contamination • Seasonality • Environmental releases • Economic and political situations

Policy for managing risks associated with Company Assets and Property

The policy deals with nature of risk involved in relation to assets and property, objectives of risk management and measures to manage risk.

The risk management policy relating to assets aims at ensuring proper security and maintenance of assets and adequate coverage of insurance to facilitate speedy replacement of assets with minimal disruption to operations. The role and responsibilities of the departments shall be identified to ensure adequate physical security and maintenance of its assets.

Policy for managing risk relating to Employees

The employees constitute the most important asset of the Company. The risk management policy relating to employees is therefore necessary to cover all risks related to employees and their acts / omissions. The policy deals with the nature of risk involved in relation to employees, objectives of risk management and measures to manage risk.

In particular, the objectives of employee related risk management policy aims at reducing attrition rate, providing adequate security to employees in relation to life, disability, accident and sickness, providing adequate legal safeguards to protect confidential information, and protecting the Company from any contractual liability due to misconduct / errors / omissions of employees.

Policy for managing Foreign Currency Risks

Presently, the revenues of the Company are mainly for domestic sources. However, over a period of time, the Company may carry on business in international territories also. The Company at times may resorts to long-term and short-term borrowings in foreign currency to finance expansion plans and growth. Any such move, would attract the risks associated with the frequent changes in valuations of foreign currencies.

The objective of foreign currency risk management is to protect cash flows and profit margins from volatility on account of fluctuations in exchange rates. The policy for foreign currency risk management ensures that the treasury department continuously tracks movement of foreign currencies, avails of services of experts, and hedges the risk through appropriate mechanisms such as forwarding contracts / options.

Policy for managing risk relating to Legal Compliances

The Company being a legal entity engaged in service activity and listed on Bombay stock exchange. In view of the same, the Company is required to ensure compliance of provisions of various applicable statutory enactments. Failure to comply one or more such provisions may render strict penalties as may be prescribed under such statutory enactments.

Further, changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, Securities and Exchange Board of India (SEBI) rules, and listing regulations are creating uncertainty for companies. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such corporate governance standards.

The Company shall ensure to maintain high standards of corporate governance and public disclosure. Qualified professionals shall be employed to comply with various laws, regulations and standards. In addition to the statutory audits, the Company shall promote undertaking of internal audit/s at different levels periodically to ensure timely check on the statutory compliances.

Policy for managing Competition Risks

Risk of competition is inherent to all business activities. The Company faces competition from the existing players in the domestic operating in the segment in which the Company operates. There is always an inherent risk that the existing competition may further get acute with the advent of new players.

The Company strategy shall be to leverage its investments in its brands, thereby leading to consolidation and value creation.

Policy for managing Human Resource Risks

Labour Turnover Risks, involving replacement risks, training risks, skill risks, etc. are inherent risks. The employee turnover in hospitality industry is relatively high.

The Company shall have proper recruitment policy for recruitment of personnel at various levels in the organization. Proper appraisal system for revision of compensation on a periodical basis shall be evolved and followed regularly. The Company shall have proper mechanism to obviate labour problems by negotiations and conciliation, to undertake activities relating to the welfare of employees, to encourage employees to make suggestions and discuss any problems with their superiors.

Policy for managing risks associated with Finance

Financial risk is the risk that the industry will be unable to meet its financial obligations. This risk is primarily a function of the relative amount of debt that the hotel uses to finance its assets. There are many items that will result in financial risks including employee behaviour, financial structure, financial transactions and fixed cost increasing.

Financial risk is crucial for hotel decision makers as well as hotel investors. Financial risk will help decision makers to do the financial strategy according to the real hotel situation. On the other hand, investors can use financial risk to balance how much benefit they will make as a return, the higher risk they have, the higher return they may be receive.

Moreover, financial risk plays an important role in making financial strategy, making investment decision, influencing capital structure and investors returns.

The Company shall analyze the borrowing facilities to meet its expected capital requirements, its ability to borrow and satisfy debt covenants**.** Make proper financial structure and planning; decide the way to finance the assets of the Company. The mix of debt finance and equity finance is known as gearing, and it affects the financial risk of an enterprise.

Policy for managing risks associated with hotel industry supply and demand cycle

The future operating results of the hotel industry could be adversely affected by industry over capacity (by number of rooms) and weak demand due, in part, to the cyclical nature of the hotel industry, operations or other differences between planning assumptions and actual operating conditions. Reductions in room rates and occupancy levels would adversely impact the results of operations.

The Company shall obtain expertise knowledge and skills to manage and minimize various risks associated with hotel industry and also required to provide safety and security of guests, employees and other third parties.

<u>Risk Strategy</u>

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;
- 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.
- Provide safety and security of guests, employees and other third parties;

<u>Disclaimer Clause</u>

The Management cautions readers that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.