UNITED CREDIT LIMITED

CIN: L65993WB1970PLC027781

RISK MANAGEMENT POLICY OF THE COMPANY

Pursuant to Section 134(3)(n) of the Companies Act, 2013 and Regulation 17(9)(a) and (b) and Regulation 18(3) read with Schedule II Part C(A)(11) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the "Risk Management Policy" is laid for rationalizing and monitoring risks of the Company, limiting the liability of top management by carefully articulating decision making process, ensuring integrity of financial reports, and finally providing a degree of confidence necessary for proper functioning of the organization.

Since risk taking is intrinsic to business growth, all business organizations face risks either from internal operations or from external environment. The basis of any business is a healthy appetite of risk. This is why one of the greatest and most important challenges for CEO and CFO is to define the optimal risk level of their business to ensure that the activities of the organization produce risk-adjusted returns.

1. Identification of Risks

The process of identifying the risks of an organization is an important exercise. The key persons of the organization are expected to raise their awareness about the risks in their day-to-day operations.

- Risks may be classified into four broad categories. These are
  - I. Risk that is built into the very nature of the business and cannot be avoided;
  - II. Risk one can afford to take;
  - III. Risk one can afford not to take and
  - IV. Risk one cannot afford not to take.
- However, traditionally, risks are classified as hazard risk, financial risk, operational risk and strategic risk.

I. **Hazard risks** are related to natural hazards, accidents, fire, earthquake or cyclone etc.

II. **Financial risks** are concerned with volatility in interest and exchange rates, credit, asset-liability mismatch.

III. **Operational risks** are associated with systems, processes and people and covers areas such as succession planning attrition and retention of people, operational failure or interruption, disruption in supply chain, failure of research & development facilities, faulty application of information technology and non-compliance of regulatory provisions.

IV. **Strategic risks** arise from inability to adjust to changes in the environment such as arising from acquisition or merger, customer priorities, customer loyalty, competition threats etc.

- Risks may also be classified into external and internal risk factors.

1. External Risk Factors :

   a. Macro economic : Risks arising out of challenging economic environments of the countries where the business is carried out.

   b. Political environment : Political instability and government policies concerning employment, outsourcing and taxation etc.

   c. Inflation and cost structure : Inflationary impact on salary and other compensation expenses, depreciation, overseas travel and other costs.

II. Internal Risk Factors :

a. Financial reporting risks : Requirements of corporate governance reinforcement fixing responsibilities on CEO and CFO, seek to make the officers 'serve and protect' the interest of shareholders of the Company.

b. Liquidity and leverage : Fine balance by having adequate liquidity and need to have higher returns from the business.

c. Contractual compliances : Litigations regarding adherence to deliverables and service level agreements.

d. Compliance with local laws : Adherence to local laws including employment laws of each of the countries and places where from the business is operated.

e. Human resource management : Ability to hire, attract, train, motivate, empower and retain talented pool of professionals.

2. **Prioritizing Risks**

The range of risks that Companies have to manage has widened. Operational and strategic risks have become more important than risks that can be easily managed through insurance.

Based on priorities, rating is assigned as under :

(A) Risks requiring immediate action

(B) Risks requiring action and a contingency plan

(C) Risks requiring action

(D) Risks under periodic review to check whether they remain non-significant

3. **Controlling and Managing Risks**

The first step in the process is to identify the most relevant risks affecting the cash flow and economic position of the Company. The identification of risk process requires the presence of all key persons from various functions and business units of the organization.

The second step is to define consistent metrics for various types of risk. After the risks associated to various functions or business units have been clearly identified and coherent measures of risk have been set, the performance levels can be compared across the whole organization.

The third step is to create guidelines and policies as well as to define the roles and responsibilities for each of the functions and individuals managing the risks to enhance the effectiveness of the risk management process.

4. **Risk specific to UCL :**

i) Availability of Fund – The Company being an NBFC, its business includes lease, hire purchase, intercorporate loan and investment.

   Proper utilization of fund is very important for survival of the Company. Arrangement of fund at the right time and recovery of the money disbursed as per schedule at times pose problem.

ii) Change in Statute – The Company has to keep proper track of the applicable laws rules and regulations prescribed by various statutes. It is very important that the Company should comply with all the regulations to avoid any risk arising out of non-compliance.

Company's policy in respect of management of risk is to analyse risks and prioritizing the same depending on its impact on the Company.

The Company operates in the following segments :

i) Hire purchase

ii) Lease

iii) Loans both project and intercorporate loan

iv) Intercorporate investments

UCL is free of any major debts at present and there is no risk relating to procurement of fund. However risk arising out of utilization of fund is no less important. As a matter of practice the Company analyses potentiality of the customers to pay back money, examine authenticity of the statement made by the prospective customers and verify identity of the person before making any disbursement. The Senior Field Executives regularly analyses the risk factor in respect of each of the operational areas, fix up the priority and take suitable measures in consultation with the Managing Director.

The Company maintains proper records on the repayment made by the customers and in case there is any delay or default, close follow up is made by the chasing team of the Company.

In respect of capital market operation, Company makes proper analysis based on facts and figures mentioned on the website and annual report of the corporate bodies in which the Company proposes to invest. The Company also keeps track of the ups and down in the market and take appropriate steps as demanded by the situation. The Audit Committee in its meeting analyses the statement of account before recommending it to the Board. The Company has also appointed M/s. Sanjay Bajoria & Associates as Internal Auditors of the Company, who prepare their report which includes inter alia areas of Company's operation, status of statutory compliances made by the Company and loans and disbursement turning bad and doubtful. The Board also considers the report given by the Internal Auditors as well as Audit Committee and takes necessary steps as deemed fit.

5. **Benefits of Risk Management**

Using Risk Management to Monitor and Control Managers : From a public shareholder's perspective, the objective of management should be to maximize the price of the Company's common stock.

Using Risk Management to Improve Decision Making and Capital Budgeting : Substantial volatility from quarter-to-quarter and year-to-year in operating cash flows and net income makes it difficult to evaluate the fundamental performance of the Company and its segments / subsidiaries. The noise introduced into these measures by volatile share prices and interest rates can be removed through risk management strategies that minimize unnecessary cash out flow and income variability.

Kolkata:

Date : 29th April, 2005

NOTE :

(i) The existing Risk Management Policy has been modified by the Board of Directors in its meeting held on 4th November, 2011.

(ii) The existing Policy has been suitably modified in line with the requirement of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 by the Board of Directors in its meeting held on 4th November, 2015.