

## Risk Management Policy

### 1. Objective:

- 1.1. In principle, risk always results as consequence of activities or as consequence of non-activities. Risk management and risk monitoring are important in recognizing and controlling risks.
- 1.2. Objective of risk management policy is to ensure that all current and future material risk exposure of The Company are identified and mitigated.
- 1.3. The Company's risk management focuses on three key elements, viz. (1) risk assessment; (2) risk management; (3) risk monitoring. These elements are discussed in this policy herein below.

### 2. Risk Categories

- 2.1. The Company's risks can be viewed in the context of four categories:
  - a) Strategic,
  - b) Operations,
  - c) Reporting and
  - d) Compliance
- 2.2. In the risk management framework, The Company considers activities at all levels of the organization, viz.
  - a) Enterprise level,
  - b) Division level,
  - c) Business unit level and
  - d) Subsidiary level
- 2.3. The Company has identified the following risk factors which are divided in the two segments viz. External and internal as enumerated below. These components are interrelated and amounts to overall risk exposure of The Company.

### OK PLAY INDIA LIMITED



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Internal risk factors	External risk factors
Financial reporting risks/ risk of corporate accounting fraud	Economic environment and market conditions
Risk associated with legal proceedings & regulatory risk, copyright and patent infringement risk, contractual compliance, compliance with local laws, insider trading, legal & regulatory compliance risk	Fluctuations in foreign exchange
Quality and project management	Competition
Employee turnover /human resource management, culture and values, environmental management	Revenue concentration
Security and data protection risk	Inflation and cost structure
Liquidity risk & credit risk	Technology obsolescence
Logistic risks	Political environment

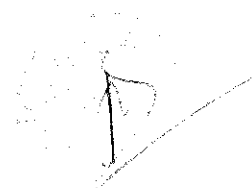
### 3. Risk Management & Risk Mitigation

#### 3.1. Financial Reporting Risks/ Risk Of Corporate Accounting Fraud

The Company is exposed to financial fraud such as embezzlement (illegal use of funds by a person who controls those funds), internal theft (stealing of The Company assets by employees), payoffs and kickbacks (employees accept cash or other benefits in exchange for access to the Company's business), skimming (which occurs when employees take money from receipts and don't record the revenue on the books), ghost employees, tax avoidance transactions, financial statement falsification etc.

Mitigation:- The Company has implemented internal controls, reporting system, employees' awareness program on need to know basis. The Company has detection methods in place and makes them visible to the employees to acts as one of the best deterrents to fraudulent behavior. The Company gets its accounts audited as per companies act and income tax act. The Company also has appointed internal auditor.

#### 3.2. Risk Associated With Expansion/Modernization Plans



The Company is engaged in the manufacturing of plastic products and its products range includes toys clics school furniture, playground equipments, points of purchase and automotive, industrial products. Major sales are to government procurement and automotive sector. These arrangement leads to dependence on few bulk buyers which is highly risky and perilous. The Company has no other arrangements.

Mitigation:- The Company is trying to create more avenues for sale of products to various other buyers so that dependence on selected group of buyer could be reduced. We are also trying to make our presence felt in the retail segment of the toys and kids entertainment.

### **3.3. Risk Associated With Financing Activities**

For expansion and modernization, the Company has so far managed to optimize its internal resources i.e. Capital and long term bank loans to maximum extent. However to cater needs of new buyers the Company would be needing investment and various fund and non fund based facilities from banks and financial institutions.

Mitigation:- the Company follows conservative finance and accounting policy and keeps regular check on various financial health parameters. The Company has also effective internal controls which commensurate with size of operations of The Company to use financial resources judiciously.

### **3.4. Risk Associated With Dependence On Distribution Network**

The Company has wide and extensive distribution network consisting of dealers and sub dealers located all over India on which the Company depends as they form the backbone of marketing network. The dealers on day to day basis are in contact with customers and any failure on their part to provide sales/after sales services exposes our The Company to risk.

Mitigation:- the Company has excellent long term relationship with its dealers-distribution network. The Company has been able to retain and add to its network through regular personal interaction/innovations schemes providing promotional support to get customers and large diversified product range. The Company intends to reach retail purchaser directly though direct and alternative



mode of sales including retail (online and physical) stores. This will help The Company to increase its profit component.

The Company strives to work on creating new markets by addressing remote and rural segment of population and by creating visibility for its products through advertisements and media coverage.

### **3.5. Risk Arising Out Of Completion And Demand-Supply Arrangements**

Once The Company has multiple buyers it may face fierce competition from other suppliers in market and there could also be a demand-supply imbalance due to delivery deadlines.

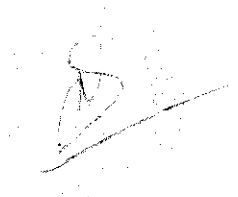
Mitigation:- based on experience gained from the past, the Company is able to predict the demand during a particular period and accordingly supply is planned and adjusted. In case of bulk demands for the products, The Company has alternative work plan for expansion of manufacturing facility to cater the increased demands.

### **3.6. Risk Arising Out Of Procurement**

The Company procures raw material from various domestic/ an import resource which is subject to foreign exchange exposure and technological obsolesces. Besides, industry is categorized as capital intensive with huge volume but low margins. Profit of the Company is exposed to the price fluctuations of the input cost of material. There is a need to procure input raw material and service at the lowest possible rate without any impact on the qualities and deliveries of final product.

There is a risk of entering into sale/ supply contact with related parties which is not in compliance with the section 188 of the companies act, 2013.

Mitigation:- vendor registration is part of expanding competent vendor base to cater to our needs of our growing profile/project requirements. We have structured vendor registration/approval procedure for prospective vendors. This procedure starts with submitting details through vendor information form.



Approved (master) vendor list is reviewed and updated once in a year. This updating includes adding new prospective vendors and also deleting existing vendors based on their performance feedback received from all concerned departments i.e. Design, inspection and expediting, construction department and client.

Re-qualification of vendors is carried out based on validity necessary business approvals other requisite certificate, financial capability, supply performance in last 3 years, shop/ factory survey by The Company, vendor's reputation in the market

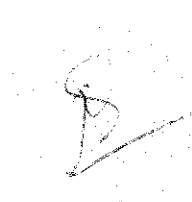
### **3.7. Risk Associated With Legal Proceedings & Regulatory Risk, Copyright And Patent Infringement Risk**

There are contractual liability, frauds judicial risks, patent, design and copyright infringement risks and other risk in which the Company is exposed to legal action. As the Company is governed by various laws and the Company has to do its business within four walls of law, where the Company is exposed to legal risk exposure. Apart from this The Company have ongoing litigations which could have bearing on the Company.

Mitigation:- for compliance, the Company engages professionals, advisors who focus on evaluating the risks involved in a contract, ascertaining our responsibilities under the applicable law of the contract, restricting our liabilities under the contract, and covering the risks involved, to meet the general and specific requirements so that they can ensure adherence to all contractual obligations and commitments.

Management places and encourages its employees to place full reliance on professional guidance and opinion and discuss impact of all laws and regulations to ensure The Company's total compliance. The suggestions and recommendations from professional agencies and industrial bodies are carefully analyzed and acted upon wherever relevant.

The Company has established a compliance management system in the organization and Secretary of the Company ensures the submission of the



quarterly compliance reports by functional heads for placing the same before the board supported by periodical secretarial audit reports by Practicing Company secretaries.

Though stake involved in the legal proceeding is not very high, The Company has engaged lawyers of good repute to represent our case before court and arbitrators.

### **3.8. Security And Data Risk**

The Company is exposed to cyber security breach attempts, which includes data, desktops, servers, buildings, and most importantly, humans. Hacking of the private, financial, confidential and other trade secrets are on the risk of being hacking while stores on the local machines/ remote servers or while flowing from one storage to another one.

Mitigation:- it department maintains data protection and continuously upgrades the systems with trained personnel. Systems are interconnected though password protected access. Password protection is provided at different levels to ensure data integrity. Licensed software is being used in the systems.

The Company ensures “data security”, by having access control /passwords/ restrictions.

Employees are educated to keep important file password protected. Physical files are stored in locked cabinet/ cupboard with restricted access on need to know basis.

The Company intends to get the ISO: 27000 standards implemented in the organization and get the accreditation certificate from the certifying authorizes.

### **3.9. Liquidity Risk & Credit Risk**

There is a risk that The Company has sufficient funds to pay its current liabilities and those available financial resources are not exhausted resulting in financial crunch in the working of the Company. Another inherent risk is that total



borrowed money of the Company does not exceed the maximum borrowing limits and net worth of the Company resulting in financial sickness.

Mitigation:- The Company adopts practice of annual and quarterly budgets forecast and variance analyses to have better financial planning. All borrowing is approved by board of directors and board of directors ensures the financial viability of new products and services after cost profit volume (cpv) and net cash inflow analysis.

Exposure to foreign exchange transactions are supported by letters of credit and bank guarantee and suitable hedging policy. The Company follows strict methods of forex hedging.

### **3.10. Employee Turnover Risk**

Employee turnover is considered to be one of the persisting problems in organizations in particular if it involves quality employees who have worked for the organization for many years, high performers and experienced and loyal individuals. If an employee leaves an organization, they take the knowledge they have acquired with them. The loss of knowledge is a potential threat to an organizations existence, especially if an employee with valuable knowledge leaves to join a competitor. The turnover means that another organization may gain a new knowledge employee who can become its competitive advantage. The loss of knowledge thus is a threat for the organization, which increases the significance of knowledge continuity. An employee leaving an organization where no knowledge continuity is ensured, takes with him/her not only the know-how, but also the relationships established with his/her colleagues within the organization. This may significantly affect the flow of knowledge inside the organization.

Mitigation:- in order to eliminate dissatisfaction, affectivity, alienation and frequent resignations of employees, The Company has adopted a system of introduction of projects and independent work of employees, listening to proposals and their implementation in practice. Employees are encouraged to perform their tasks in order to increase their feeling of importance, satisfaction, usefulness for the organization and in particular to maintain and increase the overall performance of the organization and productivity of work.



### **3.11. Risk Associated With Fire/ Natural Calamities And Other Force Majeure Events**

The Company is exposed to natural risks like fire, floods, earthquakes, calamities, third party liability and other force majeure events etc.

Mitigation:- the property of the Company is insured against natural risks, like fire, flood, earthquakes, etc. Fire hydrants have been installed at all manufacturing locations. Other apparatus like extinguishers filled with chemical, foam etc. Have been placed at fire sensitive locations and regular fire safety drills are carried out. First aid training is given to watch and ward staff and safety personnel. Workmen of the Company are covered under ESI, EPF, etc., to serve the welfare of the workmen.

The Company engages professional risks assessing advisors who conduct periodical audit / review and suggest risks improvement measures from time to time.

### **3.12. External Risk Factors**

The Company is exposed to some external risk factors including poor economic environment and market conditions, fluctuations in foreign exchange, competition, revenue concentration in one product/ client, inflation and cost structure, technology obsolescence and political environment etc.

Mitigation:- although these factors are outside the control of the Company, yet board of directors keeps a close eye on the external factors which impacts the business objective of The Company and plans their business strategy and business plans accordingly. This includes development of new clients, entering into / exit from new/existing business segment, technological advancement, hiring of new and fresh talent hedging of the foreign currency denominated funds/ liabilities and advance order mechanism system.

## **4. Disclaimer**

- 4.1. The board of directors identifies that that the risks outlined above are not exhaustive and keeps varying from time to time. Management of the Company from time to time re-assesses the risk factors and takes remedial measures to mitigate the risk exposure. This assessment of risk factors, risk mitigation



measures is based on proper management's perception of risks. The management cautions 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 in having a complete / proper management's perception of risks. Investors/ other stakeholders/ readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

**For OK Play India Limited**

  
  
**Rajan Handa**  
**Managing Director**  
**(DIN-00194590)**