KDDL - RISK MANAGEMENT POLICY

1. Preface

Risk is inherent in every business and it becomes the Company's responsibility to minimize the occurrence of its incidence in order to protect interest of all stakeholders and enhance shareholders' value.

Risk management is a process of identifying and managing risks that could severely impact the operation of the Company. Generally, this involves identifying potential threats to the organization, likelihood of their occurrence, taking proactive appropriate actions and steps for minimizing the impact on business operations.

2. Meaning of Risk

Risk means uncertainties about events and their outcomes that could have a material impact on the performance and projections of the Company. The Company's framework for combating risks recognizes that risks may be divided into two broad categories - risks that are common and relevant for most business in general and risks that are more specifically applicable to the Company and business in particular. The above policy inter-alia provides for Risk identification, assessment, and reporting and mitigation procedure.

Risks of General / Common Nature

Broadly following category of risks are of General Nature:

- General macroeconomic environment of the Country
- Risks associated with political, legal changes, financial risks like changes in tax structures, and commercial rules & laws.
- Risks related to man-made and natural disasters such as explosions, earthquakes, storms as well as civil disturbances
- Risks from market led changes, like sudden fall in GDP, growth rates and overall market condition in India and abroad, or sudden changes in market preferences.
- Risks associated with regulations, competition, business risk, technology obsolescence and Investments.

Reviewing and Mitigation

- The Company keeps a proactive track to anticipate such changes and mitigate associated risks to the extent possible.
- To avoid implication of natural disasters and, company follows best practices in the design of structures and "safety first" as a guiding principle. Financial risks due to natural disasters are mitigated through requisite insurance coverage.
- Mitigation of Risks related to market variations is achieved by creation of flexible working structure which would allow the Company to scale up or scale down working in line with market requirements.

Risks of Specific Nature

Company as a part of normal business monitoring review and development plans, identifies the specific risks for each business segment and develops necessary action plan to minimise the impact of same on business performance. Based on the present operations and areas of interest for the Company, following specific nature risks are identified:

- Risks due to decline in overall demand for watches and overdependence on watch segment;
- Risks pertaining to over dependence on few customers;
- Foreign Exchange Risks;
- Risk related to availability of Skilled manpower;
- Risks related to compliance and statutory requirements

3. Risk Strategy

Company 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 but it can be better managed by

- Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract in case of business involving use of Foreign exchange;
- Reduced, by adopting 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.

4. Risk Management Framework

KDDL adopts systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues and compliance with the regulations. The Company believes that this would ensure mitigating steps proactively and help to achieve the risk management effectively.

The Company has constituted a Risk Management Committee of Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Marketing Officer and Business Heads as its regular members and other senior functional heads on invitation basis. The Committee will, periodically, review the various risks associated with the Company and report the same to the Board.

Focus of the Company is on the three key elements, viz., Risk Assessment / Identification, Risk Management and Risk Monitoring.

- Potential Risks are identified and analyzed, considering likelihood and its 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. Based on the assessment and identification of the risks, the Committee decides the proactive steps for managing and monitoring these risks.

Structural Mechanism for assessment, monitoring and mitigation of risks

The Risks specific to the Company shall be differentiated into two categories, Strategic Risks at Corporate Level and Operational risks at Different Segments / Unit Level.

- **Risks at Corporate Level** shall be monitored by the Top management and a report on the risks identified in respect of various risks and the measures taken shall be periodically reported to the Board.

  Broad Categories of Risks at Company Level are:

  - Changes in the applicable laws, regulations and policies of the Government.
  - Financial Risks of Investments, Direct Taxation Laws and Internal financial controls and policies.
  - Foreign currency fluctuation risks
  - Market Developments and
  - Information Technology
  - Human Resources Practices
  - Intellectual Property, Trademarks

- **Risks at Business Segment / Unit Level** shall be monitored by the Unit Management Board (UMB) a report on the risks identified in respect of operational parameters will be identified and mitigation mechanism finalized. The report of the potential risks areas and action plan is shared with Corporate Risk Management Committee on periodic basis.

6. Amendments:

The above Policy may be amended subject to the approval of the Board of Directors from time to time in line with the business requirements of the Company or any statutory enactments or any amendment thereto.