GNA Axles Limited

RISK MANAGEMENT POLICY (Adopted on 9th June 2015)

BACKGROUND

In accordance with Section 134(3), a company is required to 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.

Further, Clause 49 of the Listing Agreement entered into between listed companies and the stock exchanges has been recently amended which, inter alia, provides for a mandatory requirement for all listed companies to establish a "Risk Management Policy" to institute appropriate systems of control including systems for risk management.

Accordingly, for risk management at GNA Axles Limited (hereinafter referred to as the "**Company**") the Company has formulated the Risk Management Policy (the "**Policy**"). This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in the operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

OBJECTIVE

The objective of risk management at the Company is to create and protect shareholder value by minimizing threats or losses, and identifying and maximizing opportunities. An enterprise-wide risk management framework is applied so that effective management of risks is an integral part of every employee's job. These include:

1. Providing a framework that enables future activities to take place in a consistent and controlled manner

2. Improving decision making, planning and prioritization by comprehensive and structured understanding of business activities, volatility and opportunities/ threats

3. Contributing towards more efficient use/ allocation of the resources within the organization

4. Protecting and enhancing assets and company image

5. Reducing volatility in various areas of the business

6. Developing and supporting people and knowledge base of the organization.

7. Optimizing operational efficiency

DEFINITIONS

"**Audit Committee or Committee**" means Committee of Board of Directors of the Company in accordance with the provisions of the Companies Act, 2013 and the Listing Agreement.

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

A. The Company shall lay down procedures to inform Board members about the risk assessment and minimization procedures.

B. The Board shall be responsible for framing, implementing and monitoring the risk management plan, having in place systems for risk management as part of internal controls with duty being cast upon Independent Directors to bring unbiased angle to the Board's deliberations on making risk management systems more robust.

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.

D. The Audit Committee's role is to evaluate the risk management systems.

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.

APPLICABILITY

This Policy shall come into force with effect from 1st July, 2015

Broad Principles

The Board is required to review the business plan at regular intervals and develop the Risk Management Strategy which shall encompass laying down guiding principles on proactive planning for identifying, analyzing and mitigating all the material risks, both external and internal including environmental, business, operational, financial and others. Communication of Risk Management Strategy to various levels of the management for effective implementation is essential.

Identification and Risk Analysis

Risk Identification is obligatory on all vertical and functional heads who with the inputs from their team members are required to report the material risks to the chairman and managing director and joint managing director of the Company along with their considered views and recommendations for risk mitigation.

Analysis of all the risks thus identified shall be carried out by Rachhpall Singh, Chairman, Gursaran Singh, Managing Director, Jasvinder Singh Seehra, joint Managing

Director or CEO, to whom the material risks have been reported, through participation of the vertical/functional heads and a preliminary report thus finalized shall be placed before the Risk Management Committee.

The following steps to be taken:

Risk Identification: To identify organization's exposure to uncertainty, risk may be classified in the following:

i. Strategic

ii. Operational

iii. Financial

iv. Hazard

Risk Description: To display the identified risks in a structured format, which is as follows:

Name of Risk	
Scope of Risk	Description of the event, S.No and type
Nature of Risk	Financial, Strategic, operational or Hazard
Quantification of Risk	Significance of Risk
Risk Tolerance	Financial implication of Risk
Control Mechanism	Method of monitoring and review.
Action for improvement	How risk can be reduced
Policy and strategy Development	Identify responsibility to develop Policy and strategy for risk reduction.

Risk Evaluation:

After risk analysis, comparison of estimated risks against organization risk criteria is required. It is to be used to make decisions about the significance of risks and whether each specific risk to be accepted or treated.

Risk Estimation:

Can be quantitative, semi quantitative or qualitative in terms of probability of occurrence and possible consequences.

Impact level on performance/profit – Both Threats and Opportunities

Reporting

1. Internal Reporting

    a) Risk Management Committee

    b) Board of Directors

    c) Vertical Heads

    d) Individuals

2. External Reporting

To communicate to the stakeholders on regular basis as part of Corporate Governance

Development of Action Plan

The Board has constituted a Risk Management Committee consisting of two (2) Independent Directors and one Whole time Director & CEO and has defined the Committee's role and responsibility. The Committee shall not only assist in implementation of the Risk Management Plan of the Board but also monitor its implementation and review. The members of the Risk Management Committee shall discharge the role of "Think Tank", ideate and bounce off their collective suggestions to the Board for periodic updating of the Risk Management Plan to ensure that the same is in sync with changing macro and micro factors having bearing on all material aspects of the businesses the Company is engaged in or shall undertake.

The Risk Management Committee shall critically examine the report of (NAME OF DIRECTOR AND DESIGNATION) and each identified risk shall be assessed for its likely impact vis a vis the resources at the Company's disposal.

Guidelines to deal with the risks

Business Plan including Capital Expenditure and Fund Flow Statement together with SWOT analysis, data on Production Planning, Materials Management, Sales and Distribution, Delivery Schedules, Assets, Accounts Receivables and Payables as well as Regulatory Regime applicable shall be reviewed in the light of the material risks identified. Through deliberations of the Committee a comprehensive plan of action to deal with the risks shall be developed and guidelines flowing from such plan shall be communicated to the employees concerned for mitigation of the risks.

Board Approval

The Action Plan and guidelines decided by the Risk Management Committee shall be approved by the Board before communication to the personnel for implementation.

The Board shall approve the risk management (including risk treatment) strategy, control structure and Policy guidelines and delegate authority and accountability for risk management to the Company's executive team.

The guidelines shall include prescription on:

Risk Treatment

Risk Treatment includes through the process of selecting and implementing measures to mitigate risks and to prioritize risk control actions in terms of their potential to benefit the organization. Risk treatment includes risk control/mitigation and extends to risk avoidance, risk transfer (insurance), risk financing, risk absorption etc. for

a) Effective and efficient operations

b) Effective Internal Controls

c) Compliance with laws and regulations

Risk Treatment shall be applied at all levels through carefully selected validations at each stage to ensure smooth achievement of the objective.

Risk Registers

Risk registers shall be maintained showing the risks identified, treatment prescribed, persons responsible for applying treatment, status after the treatment etc. Risk Managers and Risk Officers to be identified for proper maintenance of the risk registers which will facilitate reporting of the effectiveness of the risk treatment to the Risk Management Committee, and the Board.

Sensitive/Key risks and effectiveness of their mitigation measures and review of the strategy may be directly discussed by the Board members with Committee.

ROLE OF AUDIT COMMITTEE

The following shall serve as the Role and Responsibility of the Audit Committee authorized to evaluate the effectiveness of the risk management framework:

- Evaluation of internal financial controls and risk management systems
- Review of the strategy for implementing the Policy
- To examine the organization structure relating to Risk management
- Evaluate the efficacy of Risk Management Systems – Recording and Reporting
- To review all hedging strategies/risk treatment methodologies vis a vis compliance with the Policy and relevant regulatory guidelines
- To define internal control measures to facilitate a smooth functioning of the risk management systems
- Ensure periodic review of operations and contingency plans and reporting to Board in order to counter possibilities of adverse factors having a bearing on the risk management systems.

Integration of Risk Management Strategy

The risk management strategy of the Company is to be integrated with the overall business strategies of the organization and its mission statement to ensure that its risk management capabilities aide in establishing competitive advantage and allow management to develop reasonable assurance regarding the achievement of the Company's objectives.

Penalties

The penalties are prescribed under the Companies Act, 2013 (the Act) under various sections which stipulate having a Risk Management Framework in place and its disclosure.

Section 134 (8) (dealing with disclosure by way of attachment to the Board Report): If a company contravenes the provisions of this section, the company shall be punishable with fine which shall not be less than fifty thousand rupees but which may extend to twenty-five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to three years or with fine which shall not be less than fifty thousand rupees but which may extend to five lakh rupees, or with both.

There are other provisions of the Act as well as Securities and Exchange Board of India Act, 1992 which stipulate stiff penalties.

Therefore, this Policy prescribes that violation of the provisions applicable to Risk Management Framework is something the Company cannot afford to risk.

REVIEW

This Policy shall evolve by review by the Risk Management Committee and the Board from time to time as may be necessary.

This Policy will be communicated to all vertical/functional heads and other concerned persons of the Company.