

RISK MANAGEMENT POLICY

PREAMBLE

Risk Management Policy aims to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, this policy establishes a structured and disciplined approach to Risk Management, with a view to guide decisions on risk related issues.

LEGAL FRAMEWORK

This policy is in compliance with the provisions of Section 134(3)(n) of the Companies Act, 2013 which requires that the Board annually reports to the shareholders on the implementation of a risk management policy including identification and mitigation of risks relevant to the achievements of the objectives of the Company.

Further, in compliance with the Regulation 21(3A) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, this policy defines the roles and responsibilities of the Committee.

OBJECTIVES

Risk Management Policy and Procedures aim to embed effectiveness in activities undertaken as a response to uncertainty. LMW's Risk Management Policy provides the Management with tools necessary to minimise negative impact while maximizing any advantage that may exist in opportunities that arise. Major objectives are:

1. To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated, minimized and managed, that is to establish adequate systems for risk management.
2. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
3. To assure business growth with financial stability.

RISK MANAGEMENT STRATEGY

The risk management strategy of the Company, inter alia, includes the following:

1. To identify risks for the Company, the likelihood and impact and the business owner for the risk;
2. To identify and determine the controls to mitigate the risk;
3. To formalize and communicate a consistent approach for managing the identified risks, allocating resources in accordance with the likelihood and impact of the risk;
4. To ensure that a summary of risk identification and mitigation is reported to the Board and Audit Committee;
5. Regular monitoring, review and implementation and effectiveness of the risk management process, including the development of an appropriate risk management culture across the Company.

RISKS

RISK SPECIFIC TO THE COMPANY AND ITS MITIGATION MEASURES

A. COMPETITION AND MARKET SHARE

Risk description	Risk Category	Risk Owner	Mitigation Measures
NPD Revenue less than 20%	Market Share	Head - Business Division Head - RnD	Time bound periodic launch of New products and upgrades.
Reliance on a particular business division / Customer group and its impact on business during a slow down	Market Share	Head - Business Division Head - Marketing	Diversification of revenue stream within a division between service and OEM supplies; Increase geographical segment of business division.
Failure to innovate in existing product range	Market Share	Head - Business Division Head - Marketing Head - RnD	Multiple mode of capturing customer requirement for product improvement.

B. ZERO DEFECTS COMPANY

Risk description	Risk Category	Risk Owner	Mitigation Measures
Defective supplies to customer	Market Share	Head - Business Division Head - Quality Head - SCM	<p>The company has aimed to achieve "Zero Defect" by establishing a sound production and quality system under TQM principle and has clear short- and long-range plan to make LMW as "Zero Defect" company.</p> <p>We are testing the products before shipment which will ensure that the product meets the customer requirement.</p> <p>The company follows "DEMS" system to receive and analyze all customer complaints [special focus to critical and repeated complaints] and take corrective and preventive actions TQM way.</p>

Risk description	Risk Category	Risk Owner	Mitigation Measures
Delayed supplies to customer	Market Share	Head - Business Division Head - Quality Head - SCM	Under the TQM principle, the focus is on manufacturing process in detecting and reducing/eliminating errors. It is used to streamline supply chain management, improve customer service, ensure that employees are trained - this will result in fulfilment of customer orders on time.

C. GEOPOLITICAL ARENA

Risk description	Risk Category	Risk Owner	Mitigation Measures
Foreign Exchange Fluctuation Risk	Financial	Head - Finance	The company continuously monitors foreign exchange exposure and offset all payables with receivables through natural hedging. Economic conditions in the country and outside wherever natural hedge is not available, company shall cover exposure risk through hedging / forward cover.
Interest Rate Risk	Financial	Head - Finance	The Company holds interest bearing assets in the form of fixed deposits with banks. The risks are managed by distributing deposits among wide base of banks and financial institutions. The company does not have any debts and therefore any fluctuation in market interest rates may not affect the cashflow/profitability position of the company in terms of debts servicing.

Risk description	Risk Category	Risk Owner	Mitigation Measures
Lack of Recognition and safeguard of Intellectual Property	Business	Head - RnD	<p>The Company has an active policy of encouraging innovation and talent within the Company. To recognize talent and to register the same the Company has formed the Intellectual Properties Department. Company has practice of registration of IPR in countries where it supplies its products, to save guard the economic interests.</p> <p>Company's Intellectual Property Policy seeks to build an active portfolio of Intellectual Property Assets.</p>
Supply Chain Disruption Risk	Business	Head - SCM	<p>The Company has a comprehensive global sourcing policy. Critical inputs scenario is continuously monitored, and suitable remedial measures are taken immediately to ensure the production is no effected.</p> <p>Company also actively seeks out and works with countries with which we have FTA.</p>
Insurance Risk	Financial	Head - Finance	<p>Insurance policies are audited to ensure we are adequately covered. Timely payment of insurance and full coverage of properties of the Company under insurance.</p> <p>ATC business is specifically sensitive to availability of insurance and company makes sure to also hand over the insurance cover to the customer for them to ensure companies compliance.</p>

Risk description	Risk Category	Risk Owner	Mitigation Measures
Country Risk	Business	Head - Finance	Company continually monitors the risks associated with the countries (with which we are doing business) before getting into any contract. Company avoids business while dealing to countries which are on sanctioned list of Government of India.
Lack of Buyers Credit arrangement for Indian and overseas customers.	Business	Head - Finance	<p>Export customers - on receipt of customer request through marketing, company works with funding agencies to identify suitable banks / institutions to support customer projects with LMW based on credit profile of the customers.</p> <p>Indian Customers - the company has selected NBFC to fund LMW domestic customer projects.</p>

D.HUMAN TALENT

Risk description	Risk Category	Risk Owner	Mitigation Measures
Employee Value Addition - stagnation / reduction	Financial	Head - HR	Company works on initiatives in increasing EVA on continuous basis. Projects on ACME / ACDE/ Cluster / LCA / RPA are taken up specifically to increase EVA.
Not placing Right Skills to for Right Jobs	Talent	Head - HR	The Company continuously maps the job requirement and available manpower and is on constant process of up skilling the existing workforce. The gap between the skill requirement and availability is filled by external recruitment or by specific need-based training program.
Retaining talent	Talent	Head - HR	Company works on identification of talented individuals based on importance of the person with the organization / sensitivity of the knowledge and gives them higher level of job complexity and more training to take up higher responsibility and reward.

E. ZERO EFFECT (ON ENVIRONMENT)

Risk description	Risk Category	Risk Owner	Mitigation Measures
All products and process to be certified as Green	Environmental	Head - Business Division Head-Rnd Head - Finance	The company has implemented Green Certification for the Foundry Process and will be working towards making all products comply with the Green Certification in a phased manner.
Company to be certified as Green.	Environmental	Head - Business Division Head- Mfg.	The company ensures compliance with all pollution control norms. In addition to this, the company will be working towards getting itself certified as Green company in a phased manner.

F. COMPLIANCE AND SECURITY

Risk description	Risk Category	Risk Owner	Mitigation Measures
Occupational Health & Safety	HR	Head – HR Head – IR & Safety	The Company strives to provide a healthy and risk-free work environment to all its employees. Suitable measures in association with experts are being taken across the organization to minimize the risk to health and safety. In this regard, Company is OHSAS 18001 standards compliant.
Compliance with all regulatory requirements	Business Compliance /	Head - Business Division Head - Finance Company Secretary	The Company operates a comprehensive process complete with check lists to ensure that various legal and statutory requirements are complied with. The Legal / Secretarial division of the Company serves as the Compliance Monitoring and Enforcement Wing. Also, suitable committees as required by law have also been constituted to ensure complete compliance.
Fraud risk	Business	Head - Finance	Adequate Internal control systems for all business process have been established to detect frauds on the company. Internal and External auditors, as a part of their audit, are validating effectiveness and efficiency of these controls. Detection of Fraud during audit are reported to the Management and further investigation is initiated if management decides so. In addition, the company has formulated "Whistle Blower Policy" to enable employees to directly raise their hands against noticed frauds, and report to the Management / Board of Directors in a hassle-free manner.

Risk description	Risk Category	Risk Owner	Mitigation Measures
Cyber-Security Risk	Business	Head- IT	<p>The company has comprehensive data protection policies, strategies and technology to protect itself from cyber-security attacks. The company periodically reviews its policies and updates the technology to effectively reduce cyber-security threats.</p> <p>IT audits are conducted by external agencies which test the efficiency, effectiveness and reliability of cyber-security controls.</p>

G. BUSINESS DISRUPTION

Risk description	Risk Category	Risk Owner	Mitigation Measures
Systemic Risk	Business	Head- Business Division Head- Finance Head- IT Head- HR Company Secretary	<p>The company will constitute a Crisis Management Team. The team will consist of risk owners who will dynamically identify possible long term and short-term threats unique to the company as well the market and will decide upon strategies to adopt when crises hit.</p> <p>The team, in the dynamically changing environment, will build crisis preparedness capabilities and well-rehearsed approaches systematically to make the company more resilient to shocks.</p>

The Company recognizes that in an ever-changing business environment, newer types of risks may emanate that require suitable redressal.

CONSTITUTION OF RISK MANAGEMENT COMMITTEE

Risk Management Committee shall be constituted by the Board of Directors of the Company consisting of such number of Directors (executive and non-executive) and Senior Executives of the Company. The majority of members shall consist of members of the Board of Directors in compliance with the requirements of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Companies Act 2013.

The Board shall define the roles & responsibilities of the Risk Management Committee and may delegate the task of developing risk identification methods, risk mitigation strategy, monitoring & reviewing of the risk management plans and other functions as it may deem fit.

THE ROLE AND RESPONSIBILITIES OF THE COMMITTEE WOULD INCLUDE THE FOLLOWING

- ✓ Ensures that the appropriate systems for risk management are in place.
- ✓ Participate in major decisions affecting the organization's risk profile.
- ✓ Continually monitor the management of strategic risks.
- ✓ Ensure that systems and controls are in place for managing less significant risks.
- ✓ Ensure that an appropriate accountability framework is operational whereby any delegation of risk is documented, and performance can be monitored accordingly.
- ✓ Ensure risk management is integrated into Board Reporting and Annual Reporting mechanism.
- ✓ Convene Committee meetings that are deemed necessary to ensure risk is adequately managed and resolved where possible.
- ✓ On receipt of any report from any stake holder of the Company regarding any existing or potential risk, the Committee shall take necessary action as it may deem fit;

RISK MANAGEMENT PROCESS

The risk management process facilitates identifying, assessing and responding to events that may threaten the achievement of the Company's objectives. Identified risks are assessed and prioritized according to their likelihood and their possible impact on the Company's financial performance. The risks that may affect the Company's operations are categorized based on their functional nature.

At LMW, the main principle is to manage risks at their source, i.e. within the business area, plant or function where risks may occur. Risk identification and assessment is carried out at the functional levels. Risk response and monitoring actions for the assessed risks are defined and carried out by the appropriate management at different levels of the organization.

An annual risk review process is facilitated by the Risk Management Committee. The outcome of these reviews is consolidated and presented to the Audit Committee and the Board. Identified key risks are followed up and taken into consideration in the Company's annual business planning processes. The evaluation by the Audit Committee of major risks and uncertainties relating to the Company and its operations is included in the Annual Report.

To realize economies of scale and ensure appropriate Group-level control, certain risk management activities – such as the establishment of group-wide insurance programs and management of the group’s financial risks - are centralized.

DISCLOSURE IN BOARD’S REPORT

Board of Directors shall 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.

APPLICATION

This policy applies to all areas of the Company’s operations.

AMENDMENTS TO THE POLICY

The Managing Director is authorized to make minor modifications to this Code which will remove ambiguities, enhance clarity on the provisions of the Code etc.

The Board of Directors may amend this policy, as may be required to be in line with the changes, amendments and modifications if any in the Companies Act, 2013, Rules made thereunder, Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In case of any amendment, clarification, circular, notification etc. issued by a competent authority, which is not consistent with the provisions laid down under this Policy, the provisions of such amendment, clarification, circular, notification, etc. shall prevail and this policy shall stand amended accordingly, without any further action, on and from the date on which such amendment, clarification, circular, notification comes in to effect.

Policy amended as on 27-01-2021
