

# **Bengal Tea & Fabrics Limited**

CIN: L51909WB1983PLC036542

Century Towers, 45, Shakespeare Sarani, 4<sup>th</sup> Floor, Kolkata – 700017

Telefax: 91-33 2283 6416/6417, email: [mail@bengaltea.com](mailto:mail@bengaltea.com)

Website: [www.bengaltea.com](http://www.bengaltea.com)

## **Risk Management Policy**

{Pursuant to Section 134 (1) (n) of the Companies Act, 2013 read with the relevant Rules}

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### **Introduction**

BTFL recognises risk management as an integral component of good corporate governance and fundamental in achieving its strategic and operational objectives. It improves decision-making, defines opportunities and mitigates material events that may impact shareholder value.

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 Managing Director, Whole time Director and CFO is to define the optimal risk level of their business to ensure that the activities of the organisation produce risk-adjusted returns.

### **Definitions**

Risk is defined as the chance of a future event or situation happening that will have an impact upon company’s objective favourably or unfavourably. It is measured in terms of consequence and likelihood.

Risk Management encompasses risk assessment plus the evaluation of risks against established tolerances, their treatment and monitoring.

### **Methodology**

BTFL has adopted an enterprise wide framework that incorporates a system of risk oversight, risk management and internal control designed to identify, assess, monitor and manage risks consistent with the Industry in which it is operating. BTFL applies risk management in a well-defined, integrated framework that promotes awareness of risks and an understanding of the company’s risk tolerances. This enables a systematic approach to



risk identification, leverage of any opportunities and provides treatment strategies to manage, transfer and avoid risks.

### **Scope**

This policy applies to all employees at any level of seniority and consultants working on behalf of Company. BTFL's Risk Management Policy and risk model has been developed to include the following key categories:

- Business policy and processes
- Strategy
- Governance
- Employees
- Customers
- Financial
- Values and Reputation

### **Risks Specific to our Company**

**Market Related Risk** The price of raw material and finished goods of BTFL are volatile in nature and goes through many ups and downs. KEL has decided that: -

- a) The inventory level of raw material i.e. cotton stock will always be maintained at an appropriate level except when new cotton crop comes in.
- b) The senior management of BTFL gathers information from research report conducted by various agencies, report published by Chambers/Association representing the Industry, Statistics published by Ministry of Textiles, Government Policies and regulations affecting the Industry to arrive at appropriate decision to mitigate the risks associated with Raw material and finishes goods.

### **Risks due to Fire, Accident, Theft, Etc.**

BTFL has taken appropriate insurance policy to safeguard itself against loss that may arise from risks associated with fire, accidents, etc.

### **Risk due to Fraud**

BTFL has installed adequate internal control measures to prevent the occurrence of fraud and internal audit is also conducted at regular intervals by an external agency.

### **Risk of Doubtful and Bad Debt**

The credit worthiness of sundry debtors is checked by the senior management to fix the credit period, if any to be given. The background check of new party is also carried out before deciding on the credit period.

### **Responsibilities**

The Board is ultimately responsible for identifying and assessing internal and external risks that may impact BTFL in achieving its strategic objectives. The Board is responsible for determining the company's risk appetite, overseeing the development and implementation



of the risk management framework and maintaining an adequate monitoring and reporting mechanism. The Board is also responsible for reviewing and approving the risk management framework and risk appetite on an annual basis.

Management is responsible for ensuring that risks are identified, analysed, evaluated and mitigated. Management must develop a sustainable control environment to manage significant risks and champion the implementation of risk management processes within their business operations. Management monitor and report on material risks identified through the Internal and external Audit process.

The Internal Control Policy and Internal Audit program must be aligned to the company's risk profile and is responsible for providing independent assurance in relation to the effectiveness of processes to manage particular areas of risk. The scope of internal audit's risk-based program is modified as and when necessary.

#### **MODIFICATION**

The Board may review the policy annually to ensure effectiveness and that its continued application and relevance to BTFL's business and modify the policy from time to time keeping in parity with the requirement of laws and changing business environment.

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**Adopted by the Board of Directors on 10<sup>th</sup> May, 2014**

