



Risk Management Policy

Anant Raj Limited ("Company") considers ongoing risk management to be a core component of the Management of the Company and understands that the Company's ability to identify and address risk is central to achieving its corporate objectives.

The Company's Risk Management Policy ("the Policy") outlines the program implemented by the Company to ensure appropriate risk management within its systems and culture. This policy is formulated in compliance with regulation 17(9)(b) of SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 ("Listing regulations") and 134(3)(n) of the Companies Act, 2013 ("the Act") read along with other applicable provisions that requires Corporates to institute risk management framework comprising a process for risk assessment and minimization procedures, in order to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts on the Company and capitalize on opportunities.

Accordingly, the Board of Directors of the Company has approved this Policy.

OBJECTIVE

The Company is exposed to several types of risks, including operational, regulatory and financial risks. The key objective of this Policy is to ensure sustainable business expansion with stability, and to promote an upbeat approach in risk management process by eliminating risks. In order to achieve this key objective, this Policy provides a pro-active and well-organized approach to manage various types of risks associated with day to day business of the Company and minimize adverse impact on its business objectives. Main objectives of the Policy are:

1. Providing a framework that enables future activities to take place in a consistent & controlled manner.
2. To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately and mitigated, minimized and managed i.e. to ensure adequate systems for risk management;
3. To ensure systematic and uniform assessment of risks related with different projects of the Company;
4. To establish a framework for the Company's risk management process and to ensure Company- wide implementation;
5. To protect brand value through strategic control and operational policies;
6. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
7. To reduce volatility in various areas of the business.

RISK MANAGEMENT COMMITTEE

The Board of Directors of the Company shall constitute a Risk Management Committee consisting of majority of members of the Board along such employees as the Board may think fit.



The Committee shall facilitate in drawing a Risk Management System, which help the Company in the areas of risk identification, assessment, monitoring, mitigation and reporting.

The Chairperson of the Risk management committee shall be a member of the board of directors and senior executives of the listed entity may be members of the committee.

The Board of Directors may re-constitute the composition of the Committee, as it may deem fit, from time to time.

For the purpose of operation of Risk Management Mechanism, Mr. Pankaj Kumar Gupta, Chief Financial Officer of Company will act as Chief Risk Officer (CRO) of the Company.

RISK MANAGEMENT SYSTEM

Risk is an inevitable and necessary adjunct to the functioning of an organisation. Whether it is strategic decision making or carrying out the normal day-to-day operations of a Company, almost every activity involves an element of risk or uncertainty. Risk Management assists in identification, assessment and prioritisation of the various risks faced by a Company. It helps the organisation to understand potential risks, its impact and provides an opportunity to be prepared with alternative risk responses to mitigate/reduce the occurrence or impact of such risks.

The Company's primary activity is promotion and development of real estate projects while it also runs hospitality business. The risk associated with hospitality business are unlikely to cause any serious impact on company's financial and working. Therefore, this policy mainly covers the risks associated with the primary business of the Company i.e. real estate promotion and development. However, for hospitality business as well the Company takes adequate safeguards to protect its properties and operations.

Being primarily engaged in the construction and development of properties, the Company is exposed to varying degrees of uncertainty both at the micro and macro levels which affects the economy as a whole and the sector as well. Effective risk management is, therefore, crucial for the Company to optimise its performance.

Risks can be broadly divided into three categories

- **Hazard Risks** • which can have only negative outcomes
- **Control Risks** • which have a high degree of uncertainty associated with them
- **Opportunity Risks** • which involve expectation of positive returns.



HAZARD RISK

Disaster Risks

The occurrence of natural disasters, including earthquakes, fires, pandemic disease and man-made disasters like acts of terrorism and military actions could adversely affect the Company's operating results.

Risk Containment Strategy and Measures

The Company takes adequate insurance cover for managing disaster-related risks and takes suitable measures to reduce the incidence of man-made disasters. The Company also ensures that the structural design of the buildings are able to withstand the impact of seismic activities.

Control Risk

1. Sales Market Risk

Customers play a vital role in determining the performance of a real estate Company. While owning a home is an aspiration for many in India, the decision to purchase can always be deferred. A decline in the real estate market may cause potential buyers to remain risk averse, and market spending to turn cautious. The downturn in the economy could also lead to a decrease in sales or market rates for residential projects. Prospective customers may not be able to obtain housing finance. The Company may also run the risk of customer insolvencies though the registration of property happens only on receipt.

2. Customer Risk

A significant portion of sales from real estate operations is generated from NCR and cities situated in the Northern India, which is the base of the Company's operations. A decline in the real estate market in these areas, entry of new competitors, or a shift in customer preference may have an adverse effect on the Company's business and operating results.

3. Borrowing Risk

The real estate sector is capital intensive and requires a significant expenditure for land acquisition and development. The Company is subject to the risks normally associated with debt financing and may be required to dedicate a portion of its cash flow towards repayment of its debt commitments. This may reduce the availability of funds for other business purposes such as working capital expenditure, financing of acquisitions and investments. It may not be possible to generate adequate cash flows to service principal and interest payments. In certain cases, lenders also have the right to recall the loan. Such an event could impact the liquidity and credit rating of the Company.



4. Liquidity Risk

Investments in the real estate sector are relatively long term and not liquid in nature. The Company may not be able to liquidate its assets promptly in response to economic, real estate market or other conditions. It may even be required to give a substantial reduction in the price to ensure a quick sale.

5. Land Related Risk

One of the primary inputs for a Real Estate Company is the availability of land. The unavailability or shortage of suitable parcels of land for development could lead to escalation in land prices. Such escalations could adversely affect the business. Also, the availability of land, its use, and development are subject to regulations by various local authorities. In India, the uncertainty of underlying title of land is also a major factor involving the risk of legal disputes and related costs. The land prices are also volatile. A drop in land prices may erode the book value carrying cost of land. This in turn could affect the profitability of the Company.

6. Joint Venture Risk

The Company undertakes certain projects in collaboration with other parties. Credit risk arises when they do not discharge their obligations and in such circumstances, the Company may be required to make additional investments in the joint venture or become liable for the other party's obligations.

7. Project Implementation Risk

The real estate projects are subject to a number of implementation risks such as regulatory delays, construction delays, material shortages, cost overruns, migratory labour, availability of skilled labour, accidents and quality control. The Company's operations may be unfavourably impacted if these risks are not effectively managed.

8. Input Costs Risk

Fluctuating input cost is a risk inherent to the real estate business. The Company's operations are subject to budget overruns due to a number of factors like increase in construction costs, repair and maintenance costs, sub-contracted service costs and labour costs. Increased operating expenses may affect profit margins as the prices of properties sold cannot be altered. Correspondingly, if the selling price of unsold properties is increased, the demand may be adversely affected.

9. Supply Chain Risk

If the suppliers of raw materials curtail, discontinue or otherwise disrupt the supply of materials, the Company's ability to meet the material requirements for projects could be impaired. This could lead to disruption of construction schedules and projects may not be completed on time.



10. Personnel Risk

The Company's performance depends to a large extent on the abilities of its employees. Employee attrition could have an adverse impact on the Company's business. The Company's performance could be affected if it is unable to identify, attract and retain its key employees like engineers and architects.

11. IT and System Risk

The Company uses a software for integrating its core and back-end activities like architecture, engineering, projects and costing. A breakdown of existing IT systems or a delay in implementation could disrupt the Company's ability to track, record and analyse the work in progress, or result in loss of valuable data.

12. Sector Specific Risk

Uncertainties in global and national economic systems, changing demographic profile of the country, inflation – all of these have a bearing on the functioning of companies operating in the real estate sector. The per capita income of the country has witnessed a steady growth and there has been a consequent increase in the purchasing power of customers. However, a downturn in the future may see increased levels of unemployment and a decline in income levels. This may impact the operations of the Company. The Company's business is dependent on the availability of real estate financing in India. Economic slowdown and rising inflation may result in limited availability of funds.

13. Interest Rate Risk

The Company has incurred floating-rate indebtedness for its projects to a certain extent. Interest rates are subject to a number of factors, including government, monetary and tax policies, domestic/international economic and political conditions, and other factors beyond the Company's control. Changes in interest rates may increase the Company's cost of borrowing and impact its profitability.

14. Competition Risk

Real estate developers undertaking similar projects within the same regional markets as the Company would be in direct competition with it. Due to the fragmented nature of the real estate development business, adequate information about competitors' projects may not be available and the Company could run the risk of underestimating the supply in the market.

15. Regulatory Risk

The Company is subject to extensive local, state and central laws and regulations governing the acquisition, construction and development of land, including those related to zoning, permitted land use, fire safety standards, height of buildings, and access to water and other utilities.



16. Legal Risk

The Company is involved in certain legal proceedings relating to the lands owned by it and claims in relation to taxation matters. Any adverse decision may have a significant effect on the Company's business, prospects and financials.

17. Political Risk

Changes in government policy, social and civil unrest, and political developments in or affecting India could affect the Company's business interests. Specific laws and policies affecting real estate, foreign investment and other matters affecting investment in the Company's securities could change.

Risk Containment Strategy and Measures

The Company's endeavour is to produce high-value products for quality conscious and discerning customers. We have a dedicated and robust in-house sales and marketing team, which is entrusted with the task of generating enquiries for the products and translating these into sales.

This reduces the reliance on external agents and brokers. A Customer Relationship Management (CRM) department has also been constituted to exclusively interact with customers, resolve their queries, address issues, streamline the purchase process and receive feedback. The core responsibility of the CRM function is to ensure smooth and hassle-free transactions to the satisfaction of the customer.

On the real estate front, the Company has been steadily expanding its geographic presence. This diversification has reduced its dependence on a single market.

The Company has a proven track record in servicing its debt obligations. The Company is making all efforts to reduce its Gearing Ratio so as to reduce its debt obligations. The management believes in maintaining an optimum level of debt and is committed to reducing its debt equity ratio within 1.00.

Effective methodologies are in place for managing the land portfolio. Extensive diligence is carried out before acquiring land or entering into partnerships for joint ventures or joint development.

Employing well-governed processes ensures that project-level implementation risks are minimised. The Company has an in-house Quality, Safety and Technology department to address quality issues of the end product.

The Company has long-standing relationships with suppliers for the purchase of key materials. The Company also keeps a good number of suppliers for supply of similar items so that the material supply is available uninterrupted in case of problems with one supplier.



With a view to containing the risk of attrition and retaining personnel, effective policies are in place to keep them motivated.

The Company has an in-house IT department, which caters to the development and maintenance of IT systems and associated IT-related issues.

The outlook for long-term demand for real estate in India is stable and positive. The emergence of Tier-II and Tier-III cities, urbanisation, large-scale employment generation in cities, nuclear family setup among other opportunities, will contribute to a substantial increase in demand for real estate and corporate space in the future.

Anant Raj Limited is one of the leading real estate companies in the country. With continuous improvement in construction processes and strengthening marketing and sales activities, we have been able to create a niche for ourselves in the market. Our products have an associated brand value built on quality and delivery, giving us an edge over our competitors. The Company has a strong in-house legal department. It also engages experts to mitigate legal and regulatory risks.

OPPORTUNITY AND DIVERSIFICATION AND INVESTMENT RISK

Expansion into new geographies exposes the Company to risks such as a low level of familiarity with the development of properties in that area and attracting potential customers in a new market. Competitors may be better known in these markets and might enjoy better relationships with landowners and joint-venture partners. They could have early access to information regarding attractive land parcels and be better placed to acquire such land.

Investments usually have a gestation period spanning several years. Associated risks include those relating to obtaining the requisite regulatory approvals for the projects. Changing government policies may also impose restrictions on investments.

Risk Containment Strategy and Measures

The Company's foray into new geographies is based on a thorough analysis of the prevailing market conditions and regulatory environment. Several projects have been successfully executed in the cities that the Company plans to enter and therefore, there is a good understanding of the local factors in play. The Company also engages locally available manpower resources to tackle some of the associated risks with diversification viz. a strong local partner.

GENERAL RISK TREATMENT - MITIGATION

To ensure that the above risks are mitigated, the Company will strive to:

1. Involve all functions in the overall risk identification and mitigation exercise;
2. Link the risk management process to the strategic planning and internal audit process;



3. The Risk Management Committee shall have access to all information necessary to fulfill its responsibilities. It has the powers to seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary;
4. The Risk Management Committee may in its judgment periodically commission risk management analysis of the Company;
5. Adequate disclosures pertaining to the risks (including commodity risks) being faced by the Company, may be made as per the materiality criteria defined in the 'Policy for determination of materiality for disclosure of events or information' of the Company.

BUSINESS CONTINUITY PLAN

Business continuity plan refers to maintaining business functions or quickly resuming them in the event of a major disruption, whether caused by a fire, flood or any other act of god. A business continuity plan outlines procedures and instructions an organization must follow in the face of such disasters; it covers business processes, assets, human resources, business partners and more. Company shall have well documented Business continuity plan for any contingent situation covering all perceivable circumstances.

REVIEW

This Policy shall be reviewed by the Risk Management Committee, at such interval as it thinks fit. Amendments (if any) in the Policy shall be approved by the Board on the recommendation of Management Committee.

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

AMENDMENT

Any change in the Policy shall be approved by the Board of Directors or any of its Committees (as may be authorized by the Board of Directors in this regard). The Board of Directors or any of its authorized Committees shall have the right to withdraw and / or amend any part of this Policy or the entire Policy, at any time, as it deems fit, or from time to time, and the decision of the Board or its Committee in this respect shall be final and binding. Any subsequent amendment / modification in the Listing Regulations and / or any other laws in this regard shall automatically apply to this Policy.