

BRAWN BIOTECH LIMITED

CIN: L74899DL1985PLC022468

Regd. Office: C-64, Lajpat Nagar-1, New Delhi-110024

Tel: 011-32911528, Fax: 011-23275208, E-Mail – solution@brawnbiotech.com

Website: www.brawnbiotech.com

RISK MANAGEMENT POLICY OF BRAWN BIOTECH LIMITED

This is in compliance with clause 49 of Listing Agreement, which requires the Company to lay down procedures about the risk assessment and risk minimization.

- i. The Board of Directors of the Company and the Audit Committee of Directors shall periodically review the risk management policy of the Company so that management controls the risk through properly defined network.
- ii. Head of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and the Audit Committee.

1. Risks and Concerns

Raw material risk

Our raw material is molasses, which is a by-product of sugarcane but due to a disturbing conditions in the market, the sugar mills production have cut down. Thus, the availability of molasses can be difficult. So non-availability of molasses/good quality molasses could negate the qualitative and quantitative production of yeast.

Risk mitigation

The Company procures its molasses from the sugar mills from in and around the Uttar Pradesh. This is on quota basis allotted by the Excise Department. Thus such risk of high costs due to rise in prices of the raw material is very difficult to mitigate but the company is trying to cut down its procurement cost and effective utilization of available resources to run the business successfully.

Quality risk

Highest quality parameters are a must for any food related business or industry and any negligence in regard to the same could lead to severe consumer attrition.

Risk mitigation

The Company ensures the conformance to the highest quality standards coupled with fully automated and hygienic production units, laced with adequate and comprehensive quality checks, resulting in superior products. The quality of the Company's products has not only led to better acceptance in even the fiercely competitive markets; but also has resulted in high repeat business on account of increased customer loyalty.

The Company has strong focus on Research & Development, which enables it to introduce new varieties of yeast and derive a first mover's advantage for the initial specific period. BBL has intensified its branding initiatives in recent years, to ensure a credible brand, which would differentiate the Company's product from the other multinationals.

Competition risk

Competitors with cheaper variants of yeast can actually capture the market with lower price schemes. Being multinationals, they have the advantage of advanced know how and technology, which reduces the market share of the company.

Risk mitigation

The Company believes that in the long run, quality of yeast is the sole consideration for its clients and has therefore never compromised on its ageing or its high-end processing.

The Company sells all the varieties under credible brands, which caters to all the major consumers, assuring them of the superior quality of the Company's products, leading to better realisations, even in the wake of foreign competing brands.

Realisations Risk

Any decline in the realisations would directly affect the Company's performance.

Risk mitigation

The Company sells all its varieties of yeast in B2B Segment, ensuring that while the quality is maintained on one hand; on the other hand its products don't get compared with the quality of the other multinational's yeast. Debtors Statements are regularly monitored at Executive level.

Other risks

Apart from the risks mentioned above, the Company's business is exposed to other operating risks, which are mitigated through regular monitoring and corrective action.

2. Risk Management System

As a diversified enterprise, the company has always had a system- based approach to business risk management. Backed by strong internal control systems, the current risk management framework consist of the following elements:

- The Corporate Governance Policy clearly lays down the roles and responsibilities of the various entities in relation to risk management. A range of responsibilities, from the strategic to the operational is specified in the Governance Policy. These role definitions, inter alia are aimed at ensuring formulation of appropriate risk management policies and procedures, their effective implementation and independent monitoring and reporting by Internal Audit.
- A combination of centrally issued policies and divisionally – evolved procedures brings robustness to the process of ensuring business risks are effectively addressed.
- Appropriate structures have been put in place to effectively address the inherent risks in businesses with unique / relatively high risk profiles.
- A strong and independent Internal Audit Function at the corporate and operational level carries out risk focused audits across all activities, enabling identification of areas where risk managements processes may need to be improved. The Audit Committee of the board reviews internal Audit findings, and provides strategic guidance on internal controls. Monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.
- The combination of policies and processes as outlined above adequately addresses the various risks associated with your Company's businesses. The senior management of the Company periodically reviews the risk managements framework to maintain

its contemporariness so as to effectively address the emerging challenges in a dynamic business environment.

Risk of loss of assets & manpower

There are many risks relating to the assets of the company like breakdown, fire, burglary, theft, flood, earthquake, etc. which could result in loss of production. Similarly, a company is run by the personnel, without which no business can exist. A healthy manpower is an asset of the company. There arises risks associated with such manpower like unexpected death, illness, accidents at the site, and other health risks. Company cannot produce anything without these assets.

Risk mitigation

Company has taken various insurance policies for its assets like Standard fire and special peril policy, Burglary policy, Machinery policy, and Stock insurance for all its assets. Company also provides insurance facility to all its employees.