

DHANUKA AGRITECH LIMITED

Risk Identification, Assessment & Mitigation document

Risk is the uncertainty associated with the outcome of an event, depending on factors influencing it. Risk is inherent in every form of enterprise and different risks have different impact on business. Risk in agricultural-inputs sector is considered to be relatively high, due to the dependency on Environmental factors.

Risk Management:

Risk Management is a pro-active approach towards better control and management of an organization. It comprises risk identification, assessment and mitigation. The first step is to identify all relevant risks – internal and external. The next step is to assess the probable impact of the risks on the business - high, medium or low. Finally, the Management has to decide its response strategy to manage each risk and take appropriate action.

A formal Risk Management process and its periodic review help in establishing a culture that results in better business and risk management. It puts Management in a better position to determine the best course of action to mitigate the risks.

Objectives of Risk Mitigation Plan:

The objectives of risk mitigation plan are to decide risk response strategies for the various risk items which have been identified and assessed during the risk analysis, to enable appropriate action in the right direction to manage risk.

The following three key questions can be posed while planning risk mitigation measures:

1. What options are available and which ones are appropriate for us in current scenario?
2. What are the tradeoffs in terms of costs, benefits and risks among the available options?
3. What shall be the future impact of current decisions?

Risk Response Strategy:

A well-defined risk response strategy can help to avoid or reduce the identified risks.

A risk may be:

- Unidentified, unmanaged or ignored (by default).
- Recognized, but no action taken (absorbed as a matter of policy).
- Avoided (by taking appropriate steps).
- Reduced (by an alternative approach).
- Transferred (to others through contract or insurance).
- Retained and absorbed (by prudent strategy).
- Handled by a combination of the above.

A. **INTERNAL RISK FACTORS:** Internal risks are those which are essentially within the Company's control. We have attempted to cover all relevant Internal risks falling under the 7 M's of Management: Man, Money, Machine, Material, Method, Management, Measurement.

S.NO.	CATEGORY	INTERNAL RISK FACTORS	RISK ASSESSMENT: LIKELIHOOD/ IMPACT	RISK RESPONSE STRATEGY	RESPONSE ACTIONS
1	Man	Mis-handling of hazardous chemical and poisonous substances in the manufacturing process	L: Low I: High	Risk Reduction	Adequate training and safety measures

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2	Man	Labour related conflicts	L: Low I: Medium	Risk Reduction	Agreement with Labour union at Gurgaon Factory
3	Money	Exposure to Foreign Exchange rate fluctuation	L: Medium I: Medium	Risk Transference	Partly covering Forex exposures by taking forwards contracts, futures, options and cost reduction structures including cancellations and re-booking at appropriate times by Company Officials as may be authorized by the Board or Banking, Finance & Operations Committee of the Company and complying with applicable laws, disclosure policies & norms and reporting of transactions etc. Frequent reviews and Statutory audit, including internal checks and controls.
4	Money/ Machine	Fixed Assets	L: Low I: Low	Risk Transference	Insurance coverage
5	Material	Development of resistance by pests to Company's products in the long term rendering them ineffective	L: Low I: Low	Risk Reduction	Introduction of new products and tie-ups with International manufacturers of molecules
6	Material	Dependence on Strategic collaborations for supply of technicals	L: Low I: High	Risk Retention	Maintaining amiable relations and a win-win approach towards existing collaborators and exploring new possibilities through two-pronged approach: a) widening of existing collaborations by adding new products b) exploring opportunities for collaborating with more companies
7	Material	Increase in raw-material prices	L: Medium I: Low	Risk Reduction	Prices are mutually decided with suppliers, upfront at beginning of each fiscal for tie-up products with MNCs
8	Method	Indiscriminate/Faulty use of the products by farmers	L: Low I: Medium	Risk Reduction	Dhanuka Doctors and field staff train and educate farmers
9	Method	Inadequacy of documented plans, policies and process flows, business contingency plan	L: Low I: Low	Risk Reduction	Appropriate steps are being taken to streamline this.

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10	Management	Dependence on Key Management Team – Attrition Management, back-ups and Succession planning	L: Low I: Medium	Risk Reduction	Training and development of next level are being taken.
11	Measurement	Inaccuracy of forecasts, Inventory & Logistic mis-management could result in unexpected reduction in sales due to stock-outs or surplus of stocks, wastages, theft, pilferage	L: Low I: High	Risk Reduction	Proper planning & controls are being implemented through professional advice

B. EXTERNAL RISK FACTORS: External risks refer to risks external to the business itself and are largely beyond the Company's control. We have attempted to cover all relevant External risks as per PEST Analysis: Political/Legal, Economic, Social and Technological. In addition, Environmental factor has also been incorporated, as it has a major impact on our Industry.

S.NO.	CATEGORY	EXTERNAL RISK FACTORS	RISK ASSESSMENT	RISK RESPONSE STRATEGY	RESPONSE ACTIONS
1	Environment	Environmental conditions beyond the control of the Company like floods, droughts, monsoons, etc. can adversely affect operations of the Company	L: Medium I: High	Risk retention	Usually, rain is not evenly spread out over the country. Hence, even if rains are scarce in one territory, the sales in other territories, which have better rainfall averages out the shortfall in sales
2	Environment	Considering seasonality of the Company's business, sales may be low during off-season	L: Medium I: Medium	Risk reduction	Efforts are made to ensure availability of adequate stocks during peak season, to maximize sales, so that the total turnover meets targeted sales
3	Social	Sales of the Company are to a large extent dependent on the overall area under cultivation and the cropping pattern adopted by the farming community in India; increasing urbanisation	L: Low I: Low	Risk reduction	Products are being introduced which increase productivity per hectare. Some new products which directly increase productivity are Dhanzyme, Dhanzyme Gold, Maxyld. Also, there are new products which indirectly increase productivity by protecting seeds from soil and seed borne diseases e.g. Vitavax power, Vitavax FF

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4	Social	Increasing influence of NGO's / media wrt organic foods, side-effects of pesticides on health and environment	L: Low I: Low	Risk reduction	Educating people about the increasing food needs of an increasing population and extent of side-effects of pesticides usage. Also environment- friendly, new low- dosage, but high- efficacy products are introduced to minimise damage to health & environment. For instance, if 500 ml/ acre weedicide was being used earlier, now only 8 gm/ acre is being used because of advanced chemistry products.
5	Technological	Competition from other established companies and future entrants into the industry, both domestic and international, development of new molecules	L: Medium I: Medium	Risk reduction	Continuous exploration & strategic collaborations with International companies for new technologically advanced and more effective products
6	Economic	General State of the Economy & Industry	L: Medium I: Medium	Risk absorption	India is an agriculture dominated economy, where 60% of population is dependent on agriculture for livelihood and ours is an agri-inputs company. Also, we plan to start exports.
7	Economic	Farmers incomes and Minimum Support Prices	L: Low I: Low	Risk absorption	Farmers incomes and Minimum Support Prices are increasing, which is beneficial to our industry
8	Political/ Legal	Failure to comply with/ changes in stringent quality norms prescribed by the Government, environmental & other laws / regulations / Policies/ litigation	L: Medium I: Medium	Risk reduction	All due steps are taken to ensure timely compliances
9	Political/ Legal	Changes in Government Policies relating to hazardous Industries	L: Medium I: High	Risk reduction	The Company is setting up its plant in Chemical Zone in Keshwana, Rajasthan

To be reviewed	FY 2016-17
Persons responsible for review	CFO/ CS