TARC LIMITED

Risk Management Policy

INTRODUCTION

This policy is in compliance with SEBI (Listing Obligations and Disclosure Requirements) regulations, 2015 and provisions of the Companies Act, 2013 read with Rules made thereunder which requires the Company to lay down procedure about risk assessment and risk minimization.

The Company is in the business of Real Estate development and like any other business, exposed to various risks in the normal course of its activities.

OBJECTIVES

The Company's Risk Management Policy relates to identification, assessment, monitoring and mitigation of various risks to our business. The policy seeks to minimize adverse impact on our business objectives and enhance stakeholder's value.

RISK MANAGEMENT FRAMEWORK

(A) Risk Management Structure:

The Board of Directors of the Company has constituted a Risk Management Committee ("Committee") who shall periodically review and monitor the risk management plan of the Company so that the Management controls the risk through properly defined structure. The Board of Directors of the Company may re-constitute the composition of the Committee, as it may deem fit from time to time.

The 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 Committee from time to time.

(B) Risk Management Program:

The Company's risk management program comprises of a series of processes, structures and guidelines which assist the Company to identify, assess, monitor and manage its business risk, including any material changes to its risk profile.

To achieve this, the Company has clearly defined the responsibility and authority of the Company's Board of Directors and of the Committee, to oversee and manage the risk management program, while conferring responsibility and authority on the Company's senior management to develop and maintain the risk management program in light of the day-to-day needs of the Company.

Regular communication and review of risk management practice provides the Company with important checks and balances to ensure the efficacy of its risk management program.

(C.) Risk categories & Mitigation Measures:

The following broad categories of external and internal risks have been considered in the risk management framework:

1. Liquidity 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.

Risk Mitigation measures

The Company has a proven track record in servicing its debt obligations. The Company is making all efforts to reduce its debt. Further, daily and monthly cash flow statement are prepared and monitored at senior levels to prevent undue loss of interest and to utilize cash in an effective manner.

2. Sales Market Demand Risk

Entry of new competitors has a direct effect on demand and sales. 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. A shift in customer preference may have an adverse effect on the Company's business and operating results.

Risk Mitigation measures

The Company has a dedicated 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 and resolving their queries.

3. 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.

Risk Mitigation Measures:

Effective methodologies are in place for managing the land portfolio. Extensive diligence is carried out before acquiring land or entering into partnerships/ joint ventures. Review of city infrastructure plan/possibility of future expansion of roads is also considered.

4. Human Resource Risks

The Company's performance could be affected if it is unable to identify, attract and retain its key employees.

Risk Mitigation Measures:

The Company has proper recruitment policy for recruitment of personnel at various levels in the organization. The staff compensation levels are almost on par with the best in the domestic industry. All efforts are made to ensure an innovative work environment for all our employees. Proper appraisal system for revision of compensation on a periodical basis has been evolved and followed regularly.

5. Legal Risk:

In the ordinary course of our business, the Company is involved in legal proceedings including disputes, litigations or arbitrations or other proceedings any may face proceeding in the future which could result in costs and a diversion of effort. The outcome of such proceedings is beyond the control of the Company and this is therefore a risk factor.

Risk Mitigation Measures:

The Company uses ethical business practices to ensure minimum possible litigation including public interest litigation. The legal department vets all legal and contractual documents. A study of contracts with focus on contractual liabilities, deductions, penalties and interest conditions is undertaken on a regular basis.

6. IT System Risks & Cyber threats:

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. Further cyber threats will always be a concern for the Company.

Risk Mitigation Measures:

IT department maintains and upgrades the systems on a continuous basis. Password protection is provided at different levels to ensure data integrity. Segregation of duties with respect to access, view and modification of information systems are validated periodically.

7. Procurement 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.

Risk Mitigation Measures:

The Company has long-standing relationships with suppliers for the purchase of key materials. Raw materials are procured from different sources at competitive prices. Alternative sources are developed for uninterrupted supply of raw materials and proper inventory control systems have been put in place.

8. Interest Rate Fluctuations 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.

Risk Mitigation Measures:

Cost optimization and cost reduction initiatives are implemented and are closely monitored. The Company controls costs through continuous review against actual performance with the key objective of aligning them to the financial model.

9. 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.

Risk Mitigation Measures:

The Company has an in-house construction department; Increased usage of mechanized equipment. Penalty clauses in agreement with Contractors for delay implementation; Usage of newer and appropriate systems, processes and technologies to minimize external dependencies.

10. Disaster Risks:

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

Risk Mitigation Measures:

The properties of the Company are insured against natural risks like fire, flood, earthquakes etc. with periodical review of adequacy, rates and risk covered under professional advice. Fire extinguishers have been placed at fire sensitive locations.

RISK MANAGEMENT COMMITTEE

The day to day oversight and management of the Company's risk management program has been conferred upon the Committee. The Committee is responsible for ensuring that the Company maintains effective risk management and internal control systems and processes, and provides regular reports to the Board of Directors on the effectiveness of the risk management program in identifying and addressing material business risks. To achieve this, the Committee is responsible for:

- managing and monitoring the implementation of action plans developed to address material business risks within the Company, and regularly reviewing the progress of action plans;
- setting up internal processes and systems to control the implementation of action plans;

- regularly monitoring and evaluating the performance of management in managing risk;
- providing management and employees with the necessary tools and resources to identify and manage risks;
- regularly reviewing and updating the current list of material business risks;
- regularly reporting to the Board on the status of material business risks;
- reviewing and monitoring cyber security; and
- ensuring compliance with regulatory requirements and best practices with respect to risk management.

SENIOR MANAGEMENT

The Company's Senior Management is responsible for designing and implementing risk management and internal control systems which identify material risks for the Company and aim to provide the Company with warnings of risks before they escalate. Senior Management must implement the action plans developed to address material business risks across the Company.

Senior Management should regularly monitor and evaluate the effectiveness of the action plans and the performance of employees in implementing the action plans, as appropriate. In addition, Senior Management should promote and monitor the culture of risk management within the Company and compliance with the internal risk control systems and processes by employees. Senior Management should report regularly to the Risk Management Committee regarding the status and effectiveness of the risk management program.

EMPLOYEES

All employees are responsible for implementing, managing and monitoring action plans with respect to material business risks, as appropriate.

BUSINESS CONTINUITY PLAN

The Risk Management Committee will:

- assess the potential factors that could harm the business of the Company and create a Business Impact Analysis.
- review the Business Impact Analysis with senior management and key Stakeholders to ensure visibility.
- identify the resource requirement on the basis of Business impact Analysis.
- determine a recovery strategy based on the needs of the business

- develop the framework for continuity plan, establish and organize the recovery teams.
- develop a plan of relocation in the case of disruption or disaster.

- create a test plan and subsequent exercises that can be performed by the business to ensure that the business continuity plan works successfully.

- update the Business Continuity plan as needed based on the tests and exercise.

REVIEW OF RISK MANAGEMENT PROGRAM

The Company will regularly evaluate the effectiveness of its risk management program to ensure that its internal control systems and processes are monitored and updated on an ongoing basis. The division of responsibility between the Board, the Committee and the Senior Management aims to ensure the specific responsibilities for risk management are clearly communicated and understood.

The reporting obligation of Senior Management and Committee ensures that the Board is regularly informed of material risk management issues and actions. This is supplemented by the evaluation of the performance of risk management program, the Committee, the Senior Management and employees responsible for its implementation.

REVIEW OF RISK MANAGEMENT POLICY

This policy shall be reviewed at least once in every two year considering the requirements of legislation and the changing industry dynamics.

AMENDMENTS

The Board of the Company may amend and/or modify this Policy in whole or in part, at any time, subject to the same being in compliance with the applicable laws.

DISCLAIMER CLAUSE

The Management cautions readers that the risk outlined above are not exhaustive and are for information purposed only. Management is not an expert in assessment of risk factors, risk mitigation measures. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.