

**RELIALE VENTURES INDIA LIMITED: BHOAL
RISK MANAGEMENT POLICY**

NEED OF THE POLICY:

In term of Section 134, 177, Schedule IV of the Companies Act, 2013 read with the Sub-clause VI of the Clause 49 of the Listing Agreement, the Board of Directors, inter-alia, of every listing company must include a statement in its report to their shareholders indicating development and implementation of a risk management policy disclosing, inter-alia, factors like identification of risk elements, if any, which in the opinion of the Board may threaten the existence of the company.

Besides, the terms of reference of Audit Committee of the company must, inter-alia, comprise of evaluation of risk management systems and that under Schedule IV to the said Act; the independent Directors too are required to satisfy themselves that a robust and defensible system of risk management does exist within the Company.

In view of the aforesaid provisions, being a listed entity it is mandatory for the RVIL to formulate a policy for assessment of risks and determine the responses to these risks, that in the opinion of the Board, may threaten the existence of the company. Accordingly, a policy framework is formulated as under:

Risk Management Defined:

By “**Risk Management**” to “RVIL” means, identification, assessment and determining risk factors and their relative importance followed by coordinated and economical application of available organizational resources to minimize, monitor and control the adverse potential and probable impact of events.

Emergence of risk:

Risks can emerge from internal and external factors like uncertainty in financial markets, market conditions, and failure at any phase of ongoing project(s) legal liabilities, credit risks, accidents, natural causes and disasters and like predictable and unpredictable adverse factors.

RVIL considers risk management as key to maintaining efficient and effective Operations thereby enhancing the shareholders value and for it risk management is a continuous process

RISK MANAGEMENT

The risk and safety management system adopted by RVIL will enable it to identify problem areas with respect to regulations, competition, business risk, development risks, acquisition and retention of talent, health & safety. Business risk, inter-alia, includes financial risk, political risk, fidelity risk, legal risk, employee, guest, asset safety and safety of community and to establish a prevention system to safeguard the future.

Approach to Risk Management:

The Risk Management approach adopted by the RVIL, inter-alia, is a consultative approach and involves identification and description of threats, their characteristics features, evolving a safety policy, assessment of risk impacts, development and implementation of strategies to control risk,. Consultation and training, followed by formulation, maintenance and review of strategies.

The Board of Directors of RVIL will determines risk tolerance level and is committed to a risk management system that balances the need to preserve long term values, cost and objective oriented management of properties of its hotel undertaking, maintenance of good clientele and vendor relationships and inculcating a culture of innovation.. The risk management system is designed to assist the RVIL to achieve its strategic and operational objectives with the vision, strategy, processes, technology and governance of RVIL

In RVIL the risk management function is supported by the audit committee of the Board

RISK STRATEGY

RVIL believes that risk cannot be eliminated altogether but it can be:

- Transferred to another party, who is willing to take risk, say by buying an Insurance policy or entering into a forward contract
- Reduced, by having good internal controls
- Avoided, by not entering into risky businesses
- Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk
- Shared, by following a middle path between retaining and transferring risk

For managing risk more efficiently, RVIL would need to identify the risks that it faces in trying to achieve its objectives. Once these risks are identified, these would need to be evaluated to see which of them will have critical impact on LTH and which of them are not significant enough to deserve further attention. As a matter of policy, these risks are assessed and steps as appropriate are taken to mitigate the same.

RISK MANAGEMENT FRAMEWORK

Identification of potential risks affecting the existence of RVIL calls for- as a precondition- a clear and well defined corporate objectives so that the risk handling strategy is tailored to the mitigation of adverse impact thereof without any detriment to the process of attainment of the objectives. For this purpose, the objectives of the RVIL can be classified into:

Business Strategy:

This en-compasses inter-alia, the strategic and sustained organizational growth, strong and trustworthy relationship with clients, vendors and other interested groups.& enabling exploration, penetrating into new geographical markets.

Operations:

Aimed at consistent growth in term of revenue &profitability with high quality of services, and attracting, employing and retaining quality manpower with facilities of augmenting their skill tailored to the anticipated improvement in quality of services.

Reporting:

- Maintain high standards of Corporate Governance and public disclosure

Compliance:

It includes ensuring stricter adherence to policies, procedures and laws/ rules/ regulations/ Standards

In principle, risks always result as a consequence of an activity or non-activity . Controlling of Risk /Risk mitigation is an exercise aiming to reduce the loss or injury arising out of various risk exposures. Risk Management and Risk Monitoring are important in recognizing and controlling risks.

Adopting systematic approach to mitigate risks associated with accomplishment of objectives, operations, development, revenues and regulations RVIL shall constitute a Risk Assessment and Minimization Committee with Functional heads as members. The Committee will submit its half yearly report to the Audit Committee and Board of Directors dwelling upon the measures taken for mitigation of Risk in the organization It considered activities at all levels of the organization, viz., Corporate level; Hotel undertaking level. All these components are interrelated and drive the Risk Management System with focus on three key elements, viz.

1. Risk Assessment
2. Risk Management
3. Risk Monitoring

RISK ASSESSMENT

In RVIL risks are identified and analyzed, considering their probability and impact, as a basis for determining how they should be managed. Risk Assessment consists of a study of threats and vulnerability and consequential exposure to various risks.

RISK MANAGEMENT AND RISK MONITORING

In risk management and monitoring, the probability of risk is estimated with available data/ information and appropriate risk treatments are worked out in the following areas:

1. Economic Environment and Market conditions

The hospitality industry is prone to impacts due to fluctuations in the economy caused by changes in global and domestic economies, changes in local market conditions, excess supply of rooms, reduced national demand for rooms and associated services, competition in the industry, government policies and regulations, fluctuations in interest and foreign exchange rates and other social factors. As the demand for hotels is tied to economic growth, a recession could also lead to a downturn in the hotel industry.

2. Socio-political risks

In addition to economic risks, Hotel industry faces risks from the national and international socio-political environment, and is affected by political instability, conflict between nations, terrorist activities, natural calamities, etc. which may affect the level of travel and business activity. Risks that are likely to emanate from these events may be managed by constant engagement with the Government of the day, reviewing and monitoring the country's industrial, labor and related policies and involvement in representative industry-bodies.

3. Competition

The Indian subcontinent with increasing opportunities and potential for high growth has become the focus area of major international chains. Several of these chains have established and others have their plans to establish hotels to take advantage of these opportunities. This culminates into intensive competitive environment. The success of RVIL will depend on its ability to compete in key areas such as room rates, quality of accommodation, service level and locational factors, and to some extent on the quality and scope of other amenities, including food and beverage facilities.

4. Combating pricing pressures

To counter pricing pressures caused by strong competition, RVIL has been focusing on increasing its operational efficiency and continues to take initiatives to move up the guest satisfaction scale besides with due attention to cost reduction and cost control initiatives.

5. Inflation and Cost Structure

Hotel industry is generally prone to a high operating leverage. At organizational level, cost optimization and cost reduction techniques are deployed monitored. RVIL tries to controls costs through technique of flexible budgeting, periodical review and controls & measures actual performance on the yard stick of budget with the objective of aligning them to the financial budgets..

6. Financial Reporting Risks

Dynamism in legal environment in general and in particular changes in laws, regulations and standards relating to accounting, corporate governance and disclosure norms can create risk of uncertainty

RVIL is committed to maintaining high standards of compliances, corporate Governance and public disclosure and complying with laws, regulations and standards and the presence of requisite professional on its Roll would further help it address these issues.

Like other corporate entities, RVIL is responsible to prepares its financial statements in conformity with Accounting Standards issued by the ICAI In preparation of which it must resort to estimates and assumption that may affect the reported amount of assets and liabilities, disclosures exposing RVIL to inherent reporting risk.

To take care of this kind of risk, RVIL resort to consultative approach and tries to tailor its financial statement to the required accounting standards and it believe that the accounting policies related to revenue recognition and Accounting for Income taxes are significant.

7. Risk of accounting fraud:

Accounting fraud ,inter-alia, comprises of misusing or misdirecting funds, over or understating revenues. RVIL seeks to mitigate this risk by understanding applicable laws and regulations, assessing risk, deployment of whistle blower mechanism and internal auditors, adhering to internal control use of ratio analysis technique, developing and implementing multiple authorization system tailored to key transactions with cross checks,

8. Legal Risk

Legal risk is the risk in which RVIL is exposed to legal action. As a listed entity, the RVIL must operate within the ambit of applicable corporate and other lawss

To identify and mitigate legal risks, RVIL has a compliance management system in the organization comprising of a good number of requisite professionals. Besides, quarterly compliance reports from functional heads are taken and the non-compliances and delays, if any, are reported to the Audit Committee and the Board of Directors

9. Compliance with Local Laws

RVIL is subject to additional risks related to complying with a variety of local laws and restrictions. It has always been an effort of RVIL to have a faultless process in the form of external consultants to mitigate and minimize such compliance risk under municipal laws and other local laws of the land.

10. Hotel Management Quality aspects

To achieve the objective of risk-free hotel management, RVIL is committed to forge its Human resources into a team aimed at promoting on continuous basis, improvement in quality of hotel services with focus on adherence to targeted commitment to quality and a mechanism is installed for customer feedback.

11. Environmental Risk Management

RVIL strives to protect the environment in all its activities and to avoid any situation causing a risk to the environment and community at large.

12. Human Resource Management

The HR department under the superintendence and control of Nomination and Remuneration Committee of the Board adds value to the hotel undertaking by ensuring that right person is entrusted with right job and responsibility and that Human resources grow and contribute towards organizational excellence.

Risk in matters of human resources are sought to be minimized and contained by a policy of providing equal opportunity to every employee, inculcating in employees a sense of belongingness & commitment, & putting them through training in spheres other than their segment of specialization. Besides, a process of whistle blowing is also in force to encourage employees to report, inter-alia, risk factors, instance of fraud and mismanagement without any fear and they are encouraged to make suggestions on innovations, cost saving procedures, free exchange of other positive ideas relating to hospitality industry etc.

RVIL believes that a satisfied and committed employee will give his best and create an atmosphere that cannot be conducive to risk exposure.

Employee-compensation is always subjected to fair appraisal systems with the participation of the employee and is consistent with job content, peer comparison and individual performance.

Packages are inclusive of the proper incentives and take into account welfare measures for the employee and his family.

RVIL seeks to provide an environment that rewards entrepreneurial initiative and performance.

OTHER RISKS AND MITIGATION MEASURES

RVIL considers that its hotel undertaking is exposed to the following other risks that can be averted and /or their adverse effect can be mitigated in the manner described hereunder:

(1) Business dynamics: The key risk is variation of the occupancy rates including seasonal occupancy rates for certain key room units.

As a risk mitigation measure, RVIL predicts peak and normal season demand and a operating policy tailored to them is formulated well in advance and deployed with due regard to cost and customer satisfaction factors .

(2) Business Operations Risks: These risks relate broadly to organization and management, such as planning, monitoring and reporting systems in the day to day management process namely:

- Organization and management risks,
- Time, cost and quality risks related to development,
- Business interruption risks,
- Profitability

To provide against the aforesaid risk constituents the RVIL functions under a well-defined organization structure with a pattern of flow of information tailored to the structure thereby eliminating the chances of departmental conflict and communication gap. Time and experience tested procedures are followed in relation to maintenance of inventories and consumables and steps tailored to market scenario are taken to reduce cost of services without compromising quality aspect of the services

(3) Liquidity Risks are taken care by the process of preparation of • Annual Business Plans/ adopting consultative approach with focus on nature and quality of assumptions

(4) Credit Risks

This risk comprises of settlement of dues by customers/travel agents

RVIL has a recovery management and follow up system tailored to its size and volume of business and in the matter of assessment of credit worthiness it is guided by its past experience. This system is functioning well in as much as till date it has not felt the necessity of creating even provisions for bad and doubtful debts.

(5) Logistics Risks This risk emerges from and associated with deployment of contractual sources/ vendor services. To take care of this risk RVIL as a matter of policy tries to avoid much dependence on outside services and go for creation of in-house facilities in a planned manner

(6) Market Risks/Industry Risks

Generally, this category of risks relates to demand and Supply, quantity and quality of supplies, veracity of suppliers, supply lead time, risk of interruption in supplies of product and services for use in the hotel are included.

To mitigate this category of risks, the RVIL resorts, inter-alia, to following measures

1. As a matter of policy it chooses multiple sources of supplies to meet its requirements at competitive prices
2. Alternative dependable sources are identified to ensure uninterrupted supply
3. Although, demand and supply being external factors are beyond the control of RVIL, it uses its past experience and keep carrying periodical study of behavior pattern of its clients and suppliers, pattern of competition and appraise periodically the likelihood of their impacts on the business of its hotel undertaking and make efforts to enhance, customer base, reduce demand supply gaps

(7) Human Resource Risks

To take care of this kind of risk, RVIL has proper recruitment policy for different levels in the organization supported by a performance appraisal system for revision of compensation package on yearly basis. Besides, manpower is put thorough need based periodical training programmers to up upgrade their skills. Negotiations, conciliation and organizing Welfare programmes are the measures used to obviate labour problems Periodical meetings are also held to encourage employees to make suggestions and discuss any problems with their Superiors

(8) Disaster Risks

In RVIL Mitigation of natural risks like fire, floods, earthquakes, etc. are sought, inter-alia,

1. by insuring the hotel property against the risk and the risk followed by review of insurance cover as to its adequacy and other related aspects.
2. Fire extinguishers are placed at all fire sensitive locations
3. First aid training is given to watch and ward staff and safety personnel
4. Workmen are covered under ESI, EPF, etc., to serve the welfare of the workmen

(9) IT System Risks: These risk comprises, inter-alia of risk relating to Capability and reliability of systems, data entry and risk of Coordinating and interfacing risks and to mitigate the same following measures are in vogue on continual basis:

1. Maintenance department maintains, repairs and upgrades the systems on continuous basis with personnel who are trained in software and hardware
2. Password protection is provided at different levels to ensure data integrity
3. Licensed software is being used in the systems
4. "Data Security", by having access control/ restrictions

(10) Legal Risks

These risks relate to Contract and contractual liability risks, frauds, Judicial Risks, insurance Risks, health and Safety Hazards

Risk Mitigation Measures adopted by RVIL comprises of:

1. A pre-contract study with focus on contractual liabilities, deductions, penalties and interest conditions is undertaken on a regular basis
2. The Finance/Legal department vets and finalizes all legal and contractual Documents with need-based legal advice from external Legal professionals/expert counsels
3. Deployment of Internal Auditors and control systems for proper control on the operations of RVIL to detect any frauds
4. Insurance policies are put through audit to avoid any later disputes
5. Providing full insurance coverage to properties of the hotel undertaking
6. Regular medical check-up of the employees located at the hotels to avoid any cause, infection or spread etc. of any communicable diseases

(11) Foreign Exchange and Interest Rate Risks

This category of risk comprises generally of

- Currency exposures in the form of Sundry Debtors, Sundry Creditors etc.
- Currency exchange rate fluctuations

- Interest costs fluctuation according to interest rate movements during the life of the loan
- Resetting of interest rates on an entity's loans from banks or other lenders

- • Impact of interest rate on short-term investments

- • Impact of interest rate changes on the value of long-term financial assets and liabilities

RVIL does not have significant exposure to foreign exchanges resulting into almost no exchange fluctuation risk.

However, on need basis RVIL would prefer to consult its bankers and explore possibility of evolving suitable exposures in the form of credit and other instruments to mitigate exchange rate fluctuations

Borrowing on fixed or floating interest rate are totally avoided as of today, the RVIL is a zero debt company.

RISK TOLERANCE LEVEL

RVIL's risk tolerance level will always be guided and circumscribed by its focus on the need to maximize long term distribution of risk and the fundamental long term value of its properties and services. It will adopt a risk management strategy that aims to identify and minimize the potential for loss, and at the same time maximizing strategic opportunities for growth in service delivery and profitability.

ROLES AND RESPONSIBILITIES

(a) Board responsibility

The Board of Directors of RVIL is responsible for the oversight of the risk management framework, risk management policy and procedures risk profile, risk management and assessing the effectiveness of risk oversight and management.

(b) Audit Committee

The Audit Committee of RVIL is responsible for advising the Board on risk and compliance management and to assist the Board in fulfilling its risk management and oversight responsibilities.

(c) Risk Assessment and Minimization Committee

The Risk Assessment and Minimization Committee will drive the process of risk management and report new risks or changes to existing risks to the Audit Committee and will submit its half yearly report to the Audit Committee/ Board about the measures taken for mitigation of Risk in the organization.

(d) Function Heads, and Hotel VP & General Manager Responsibility

All Function Heads, and the VP and General Manager of the Hotel undertaking are responsible to ensure that systems, processes and controls in the hotels are in place to position identified risk at an acceptable level.

(e) Responsibility of Employees:

All employees of RVIL and its hotel undertaking must report any new risks or changes to existing risks to their managers or supervisors as soon as they become aware of the risk.

(f) Responsibility of External auditor

The external auditor is responsible for providing an independent opinion of the financial results of RVIL In undertaking this role, the auditor also provides Comments on the management of risk and assists RVIL in the identification of risk.

REPORTING OF RISK

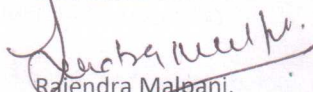
The Risk Assessment and Minimization Committee must report new risks or Changes to existing risks to the Chairman of the Audit Committee as soon as Practicable after becoming aware of such risks. The intended outcomes of the risk management programme include:

- a) the establishment of a robust risk management framework and internal control system that enhances RVIL ability to meet its strategic objectives;
- b) improved operating performance and reliable internal and external reporting;
- c) increased awareness and management of risk;
- d) Compliance with policies and procedures and applicable laws and regulations.

This policy will be reviewed at least annually by the Audit Committee to ensure its effectiveness, application and relevance.

DISCLAIMER

The Management of RVIL hereby cautions readers of this policy that the RVIL Management does not possess and claim expertise in the matter of assessment of factors of risk and measure to mitigate them and that the list of risks factors contained hereinabove are not exhaustive and are informative only and that, therefore, Readers are requested to exercise their own best judgment in assessing various risks associated with RVIL.


Rajendra Malpani,
Executive Director.

Bhopal: Feb 2, 2015
