



**JOY REALTY LIMITED**

**RISK MANAGEMENT POLICY**

## Introduction

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Joy Realty Limited is in the business of Real Estate development, prone to inherent business risks like any other organisation. To minimize the adverse consequence of risks on business objectives the Company has framed this Risk Management Policy. The guidance provides a route map for risk management, bringing together policy and guidance from Board of Directors.

The company is committed to high standards of business conduct and to good risk management to:

- ✚ avoid major surprises related to overall control environment
- ✚ have more effective management of change
- ✚ have more effective use of resources
- ✚ have better decision making
- ✚ achieve sustainable business growth
- ✚ protect company's assets
- ✚ ensure compliance with applicable legal requirements
- ✚ safeguard stakeholders interest

This document is intended to formalize a risk management policy the objective of which shall be identification, evaluating, monitoring and minimizing identifiable risks.

## Legal Requirement

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Joy Realty Limited being a listed company is required to adhere to the regulations made both by the Companies Act, 2013 and the Listing Agreement governed by the Securities and Exchange Board of India (SEBI). Where any stipulation is common between the regulations, more stringent of the two shall be complied with.

### **Requirement as per Companies Act, 2013**

Responsibility of the Board: As per Section 134 (n) of the Act, The Board of Directors' report must include a statement indicating development and implementation of a risk management policy for the Company including identification of elements of risk, if any, which in the opinion of the Board may threaten the existence of the Company.

Responsibility of the Audit Committee: As per Section 177 (4)(vii) of the Act, the Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include evaluation of internal financial controls and risk management systems.

Responsibility of the Independent Directors: As per Schedule IV [Part II-(4)] of the Act, Independent directors should satisfy themselves that financial controls and the systems of risk management are robust and defensible.

### **Requirement of the Listing Agreement**

Responsibility of the Audit Committee: As per Clause II.D, The role of the audit committee shall include the reviewing of the company's financial and risk management policies.

### **Introduction to risk**

Risks are uncertain events that may take place and they may have a negative impact on reaching the organization's objectives. Risk management is the process of recognizing, assessing, and mitigating the impact of risks that might potentially cause financial losses, affect market reputation or resources. While risks cannot be entirely avoided, the management has placed measures to manage them effectively in line with regulations, objectives and company's values. In the current economic scenario, managing risks has become more challenging. However, through this policy, an attempt has been made to address the nature of all identifiable risks applicable to the company and the methods employed by the company to address them.

The Risk Management Policy of the company is intended to:

- ✓ to serve as a document wherein risks affecting the entire organization, at a macro-level are recognised
- ✓ to describe the measures employed by the management in managing these risks across all divisions and functions

### **Opportunities and Threats**

As in any other business, the real estate sector is also likely to face competition from existing as well as new players. However, the company hopes to address the competitive threat on the strength of its emphasis on quality of construction, adoption of innovative designs and provision of qualitative services and of course, by using its advantage of experience.

The real estate sector in India has undergone rapid changes in the past few years. New competitors have entered the core area of our operations in recent times. The fight for the market share has intensified with competition resorting to higher advertising costs.

### **Risk and Concerns**

A big risk which the developers are facing is price risk. Real estate price cycles have the maximum impact on the margins of the developers, because land costs account for a large portion of the constructed property.

The other risk to which the developers are exposed is demand risk which indicates the ability to sell properties based on location, brand, track record, quality and timelines of completion. Most real estate developers try to address this risk by undertaking market surveys in order to assess the demand for their properties.

Sustained availability of housing loans at a cheaper rate is one of the reasons for growth in demand for housing units. Uncertain interest rates lead to uncertainty in the real estate market. Change in Government Policies including change in Tax structure will also affect the Progress of the Real Estate Industry.

The company has identified risks that may have a significant impact on the business, if ignored. The company has established a set of proactive and reactive measures to address them. These risks were determined based on detailed analysis of the markets where we operate, nature of our products and services rendered, and inherent risks in various functions.

## **Risks specific to the Company and the mitigation measures adopted**

### **1. Business Operations Risks**

These risks relate broadly to the company's organisation and management, such as planning, monitoring and reporting systems in the day to day management process namely:

- + Organisation and management risks,
- + Production, process and productivity risks,
- + Business interruption risks,

#### **Risk mitigation measures**

- + The Company functions under a well-defined organization structure.
- + Procedures and roles are well defined to avoid any conflict or communication gap between two or more Departments.

### **2. Liquidity Risks**

- + Financial solvency risk
- + Liquidity (Working Capital) risks
- + Borrowing limits
- + Cash management risks

#### **Risk Mitigation Measures**

- + Proper financial planning is put in place with detailed Annual Business Plans discussed at appropriate levels within the organisation.
- + Daily and monthly cash flows are prepared, followed and monitored at senior levels to prevent undue loss of interest and utilise cash in an effective manner.

### **3. Sales Market Demand Risk**

Customers play a vital role in determining the performance of a real estate Company.

- + Entry of new competitors has direct affect on demand & sales
- + Downturn in economy could 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.
- + Shift in customer preference may also have an adverse effect on the Company's business and operating results.

## **Risk Mitigation Measures**

Company plans new projects based on

- ✦ Based on the experience gained in the past.
- ✦ A study is done of market dynamics, movement by competition, economic policies and growth patterns of different segments of users.

### **4. Procurement Risk**

- ✦ Supply Risks – Quantity & Quality
- ✦ Suppliers lead time, interest rate risks
- ✦ Raw material rates
- ✦ Interruption in the supply of raw material

## **Risk Mitigation Measures**

- ✦ Raw materials are procured from different sources at competitive prices.
- ✦ Alternative sources are developed for uninterrupted supply of raw materials
- ✦ Proper inventory control systems have been put in place.

### **5. Human Resource Risks**

Labour Turnover Risks, involving replacement risks, training risks, skill risks, etc.

## **Risk Mitigation Measures**

- ✦ Company has proper recruitment policy for recruitment of personnel at various levels in the organization.
- ✦ Proper appraisal system for revision of compensation on a periodical basis has been evolved and followed regularly.
- ✦ Employees are trained at regular intervals to upgrade their skills.
- ✦ Labour problems are obviated by negotiations and conciliation.

### **6. Legal Risks**

These risks relate to the following:

- ✦ Contract Risks
- ✦ Contractual Liability
- ✦ Judicial Risks

## **Risk Mitigation Measures**

- ✦ A study of contracts with focus on contractual liabilities, deductions, penalties and interest conditions is undertaken on a regular basis.
- ✦ The Legal department vets all legal and contractual documents with legal advice from Legal retainers for different branches of legislation.

### **7. IT System Risks**

- ✦ System capability
- ✦ System reliability
- ✦ Data integrity risks
- ✦ Coordinating and interfacing risks
- ✦ Information Security

### **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.
- ✦ Licensed software is being used in the systems.
- ✦ Segregation of duties with respect to access, view and modification of information systems are validated periodically.
- ✦ On appointment of an employee, approvals from functional heads are obtained to facilitate creation of an employee ID. Access to required information systems is dependent on an employee ID.

### **Disclaimer Clause**

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