

OCTAL CREDIT CAPITAL LIMITED
L74140WB1992PLC05593
16A, Shakespeare Sarani,
Unit II, 2nd Floor, Kolkata-700071
Email: octalcredit1992@gmail.com
Website: www.occl.co.in

OCCL'S RISK MANAGEMENT POLICY

A. Overview

The Risk Management (RM) at OCCL encompasses practices relating to identification, assessment, monitoring and mitigation of various risks to our business. Risk Management Policy of our Company seeks to minimize unfavorable impact on our business objectives and develop stakeholder value. Further, our risk management practices seek to sustain and enhance long-term competitive advantage of the Company.

B. Purpose

The purpose of this policy is to address unanticipated and unintended losses to the human resources, financial assets and property of the Organisation without unnecessarily limiting the activities that advance the Organisation's mission and goals. The board is responsible to frame, implement and monitor the Risk Management Plan of the company.

C. Principles

The effective management of risk is vital to the continued growth and success of OCCL. For risk management to be effective, all operations must apply the following principles to the context of their particular business and its objectives:

- Risk management must create and protect value
- Risk management is integrated into organisational processes.
- Explicit risk management helps decision-makers make informed choices.
- Risk management is focused on the sources of uncertainty around the achievement of objectives
- Risk management must be tailored to the context and fit for purpose
- Risk management is dynamic, iterative and responsive to change.

D. Risk Management Policy Statement

OCCL recognizes that Risk management is one of the key principles of effective Corporate Governance. The Risk management policy is given below:-

- i. To Continuously thrive for available risks in the Organisation which directly or indirectly effect the functioning of the Organisation.
- ii. To ensure the protection of rights & values of Shareholders by establishing a well organized Risk Management Framework.
- iii. Selecting, maintaining and enhancing the risk management tools used by the Program to provide analyses that inform and support the investment actions of the entire Organisation.

E. Identification, Measurement and Assessment of Risk

- i. Management's responsibility, as delegated by the Board, is to operationalize the Risk Management Program and ensure that formal procedures are in place to identify and define risk with input from representatives across the enterprise.
- ii. Measurement of risk is completed considering both quantitative and qualitative means using the likelihood and impact criteria as developed by Management and as reviewed by the Board.

F. Risk categories

The following broad categories of risks have been considered in our risk management framework:

- ❖ **Market Risk** : Risks emanating out of the choices we make on markets, resources and delivery model that can potentially impact our long-term competitive advantage. Risks relating to inherent characteristics of our industry including competitive structure, technological landscape, extent of linkage to economic environment and regulatory structure
- ❖ **Operational Risk** : Risks inherent to business operations including those relating to client acquisition, service delivery to clients, business support activities, information security, physical security and business activity disruptions.
- ❖ **Interest Risk** : Interest rate risk is the risk where changes in market interest rates might adversely affect an NBFC's financial condition. The changes in interest rates affect company in some way. The immediate impact of changes in interest rates is on company's earnings (i.e. reported profits) by changing its Net Interest Income (NII). As such OCCL is into funding of loans which are always fixed rate loans. The company manages this risk on NII by pricing its loan products to customers at a rate which covers interest rate risk. The risk from the earnings perspective can be measured as changes in the Net Interest Income (NII) or Net Interest Margin (NIM). Measurement of such risk is done at the time of deciding rates to be offered to customers. Once interest rate risk is measured, lending rates are finalized. Given

the interest rate fluctuation, the company has adopted a prudent & conservative risk mitigation strategy to minimize interest risk.

- ❖ **Credit Risk :** Ownership structure could have a key influence on an NBFC's credit profile in that a strong promoter and strategic fit with the promoter can benefit an NBFC's earning, liquidity and capitalisation, and hence its credit profile. In assessing an NBFC's ownership structure, the parameters examined include, among others: the credit profile of the promoter, shareholding pattern of the NBFC, operational synergies of the NBFC with its promoter, level of involvement of promoter in the NBFC and level of commitment, and track record of the promoter in providing fund support.

- ❖ **Liquidity Risk :** Measuring and managing liquidity needs are vital for effective operation of company. The importance of liquidity transcend individual institutions, as liquidity shortfall in one institution can have repercussions on the entire system. Board should measure not only the liquidity positions of company on an ongoing basis but also examine how liquidity requirements are likely to evolve under different assumptions. Experience shows that assets commonly considered as liquid, like Government securities and other money market instruments, could also become illiquid when the market and players are unidirectional. Therefore, liquidity has to be tracked through maturity or cash flow mismatches. For measuring and managing net funding requirements, the use of a maturity ladder and calculation of cumulative surplus or deficit of funds at selected maturity dates is adopted as a standard tool.

- ❖ **Human Resource Risk :** OCCL's Human Resource adds value to the entire company by ensuring that the right person is assigned to the right job and that they grow and contribute towards organizational excellence. Our growth has been driven by our ability to attract top quality talent and effectively engage them in right jobs. Risk in matters of human resources are sought to be minimised and contained by following a policy of providing equal opportunity to every employee, inculcate in them a sense of belonging and commitment and also effectively train them in spheres other than their own specialisation. Employees are encouraged to make suggestions on innovations, cost saving procedures, free exchange of other positive ideas etc. It is believed that a satisfied and committed employee will give of 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.

- ❖ **Regulations and compliance :** The company is exposed to risk attached to various statutes and regulations. The company is mitigating these risk through regular review of legal compliances carried out through internal as well as external compliance audit.

G. Responsibility

Responsibility for risk management is shared across the organisation. Key responsibilities include:

- ❖ Controlling the risks through a formal program is necessary for the well-being of the organization and everyone in it. The jobs and services the organization provides, the safety of the workplace and other benefits all depend to an extent on our ability to control risks.
- ❖ The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented an effective risk management framework. Detailed work on this task is delegated to the Audit Committee, and reviewed by the full Board.
- ❖ The Audit Committee assists the Board in overseeing the group's risk profile and is responsible for overseeing management's actions in the identification, management and reporting of material business risks.

H. Reporting Requirements

The Organisation, Enterprise reporting process will evolve as requirements and risk management leading practice evolve. Annual content will include a risk profile setting out the most significant risks faced by the enterprise, and for each risk will:

- ❖ describe the risk;
- ❖ document the key activities and controls to mitigate/manage the risk;
- ❖ identify the residual risk;
- ❖ refer to action plans taken to address any weaknesses; and
- ❖ draft a risk appetite statement for each key strategic risk.

Further, on a quarterly basis, updated information materially affecting the risk profile (e.g. market developments) will be provided which will enable the Board to understand the likely future risk profile of the Enterprise. These will be reported to the Board by the Audit Committee as soon as practicable and at least quarterly.

RISK MANAGEMENT SYSTEM (RMS)

INTRODUCTION

RMS stands for Risk Management System - To manage the risk of the company/client from the volatility of the market. Risk is inherent in all aspects of a commercial operation, however for financial institutions; credit risk is an essential factor that needs to be managed.

Credit risk is the possibility that a borrower or counter party will fail to meet its obligations in accordance with agreed terms. Credit risk, therefore, arises from the company's dealings with clients who may carry out transactions and not pay the losses suffered.

RMS CONCEPTS:

Cash: The clear balance available in the customer's ledger account in our books.

Credit Assessment: A thorough credit and risk assessment should be conducted prior to the opening of client accounts, and at least annually thereafter. The RM should be the owner of the customer relationship, and must be held responsible to ensure the accuracy of the entire credit application submitted for approval. RMs must be familiar with the company's margining policies and should conduct due diligence on new clients.

In addition, the following risk areas should be addressed:

Financial capacity: KYCs should ask for nature of income of the prospective client and the quantum of such income. An insight is absolutely necessary to draw in mind the financial capacity of the client.

Payment History: The delay between incidence of payment and the time when the payment becomes due needs monitoring. A deteriorating situation is alarming and may require reduction of exposure by the concerned party.

MANAGEMENT OF RISK :

Primary Responsibility for Risk Management at client level shall vest with Authorized Person. The Company manages the risks of clients by formulating and implementing a Risk Management System.

At the same time, we have to consider respective client's trade history/experience with us, his financial capacity and/or credit worthiness and referrals. In case, there is debit balance, client is required to provide sufficient margin / securities / funds to carry out his request for fresh buying or to create fresh position.