BFL ASSET FINVEST LIMITED

(Formerly known as BFL Developers Limited)
Regd. Office: 1, Taranagar, Ajmer Road, Jaipur-302006, Ph.:9214018877
CIN: L45201RJ1995PLC010646, Website: www.bflfin.com, E-mail: bfldevelopers@gmail.com

RISK MANAGEMENT POLICY

LEGAL FRAMEWORK

Risk Management is a Key aspect of the "Corporate Governance Principals and Code of Ethics" which aims to improvise the governance practices across the Companies Activities. The Management of Non Banking Finance Company NBFCs have to base their business decisions on a dynamic and integrated risk management system and process, driven by corporate strategy. NBFCs are exposed to several major risks in the course of their business- credit risk, interest rate risk, equity price risk, liquidity risk and operational risk. It is therefore important that NBFCs should introduce effective risk management policy that addresses the issues relating to various business risks. NBFCs are required to ensure that a proper policy framework on Risk Management Systems with the approval of the Board is formulated and put in place. Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

OBJECTIVE & PURPOSE OF POLICY

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, in order to guide decisions on risk related issues.

This Policy represents the basic standards of Risk Assessment to be followed by the company. Changes in the Policy will become effective upon approval by the Board of Directors of the Company. All relevant employees must be thoroughly familiar or made familiar with it and make use of the material contained in this Policy.

The specific objectives of the Risk Management Policy are:

1. To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.

2. To establish a framework for the company's risk management process and to ensure its implementation.

3. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.

4. To assure business growth with financial stability.

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DISCLOSURE IN BOARD'S REPORT

Board of Directors shall include a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.

BACKGROUND

This document lays down the framework of Risk Management at BFL Asset Finvest Limited (hereinafter referred to as the 'Company') and defines the policies and guidelines for the same. This document shall be under the authority of the Audit Committee (hereinafter referred to as the 'Committee'). It seeks to identify market risks inherent in any business operation of the Company and provides guidelines to define, measure, monitor report and control all the identified risks.

The Committee shall be responsible to the Board and the committee shall formally report to the Board, details on the implementation and on the activity undertaken in a given period.

The following serves as the Role and Responsibility of the Committee:

- Implementing risk management policy
- To define the organization structure relating to Risk management
- Risk Management Systems – Recording and Reporting
- Ensure that all hedging strategies are in compliance with the Risk Management Policy and relevant regulatory guidelines
- To define internal control measures to facilitate a smooth functioning of the risk-taking units within the overall risk appetite of the Company
- Ensure exceptional reporting to Board and contingency plans in order to counter possibilities of adverse market movements

RISK IDENTIFICATION

Market Risk can be classified in the following forms –

a)	Liquidity Risk	-	It is the risk that the Company will be unable to meet its financial commitment to a Bank/ Financial Institution in any location, any currency at any point in time. Liquidity risk can manifest in three different dimensions for the Company:
	Funding Risk	-	To replace net outflows due to unanticipated outflows
	Time Risk	-	To compensate for non receipt of expected inflows of funds
	Call Risk	-	Due to crystallization of contingent liabilities or inability to undertake profitable business opportunities when desirable.

b)	Interest Rate Risk	-	It is the risk where changes in market interest rates might adversely affect the Company's financial condition. The short term/immediate impact of changes in interest rates are on the Company's Net Interest Income (NII). On a longer term, changes in interest rates impact the cash flows on the assets, liabilities and off-balance sheet items, giving rise to a risk to the net worth of the Company arising out of all repricing mismatches and other interest rate sensitive positions.

TOOLS OF RISK MEASUREMENT

The Company shall use any of the following measures to ensure that the operations are carried out within its overall market risk appetite:

- Limit – They are control measures set by the Committee.
- Sensitivity Measures – These are to incorporate the best Risk Management practices.
- Triggers – These are formal warning levels, which are designed to draw attention to a specific event.
- All Limits, Sensitivities and Triggers shall be applied at the instrument and/or trader level but can also be applied at higher consolidated levels as well for measuring portfolio risk/ performance on risk parameters.
- The Risk Appetite may be defined in terms of Value-at-Risk shall be applied at consolidated exposure level, depending upon the tools available for such measurement and keeping in mind the cost-benefit analysis.

ROLE OF THE BOARD

The Board will undertake the following actions to ensure risk is managed appropriately:

- The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.

- The Board shall define the roles and responsibilities of the Committee and may delegate monitoring and reviewing of the risk management plan to the Committee and such other functions as it may deem fit.

- Ensure that the appropriate systems for risk management are in place.

- The independent directors shall help in bringing an independent judgment to bear on the Board's deliberations on issues of risk management and satisfy themselves that the systems of risk management are robust and defensible;

- Participate in major decisions affecting the organization's risk profile;

- Have an awareness of and continually monitor the management of strategic risks;
- Be satisfied that processes and controls are in place for managing less significant risks;
- Be satisfied that an appropriate accountability framework is working whereby any delegation of risk is documented and performance can be monitored accordingly;
- Ensure risk management is integrated into board reporting and annual reporting mechanisms;

Review

The Board of Directors, in their board meetings, will oversee the implementation of the system and review its functioning periodically and whenever there is requirement for the same.