SMS LIFESCIENCES INDIA LIMITED

[Risk Management Policy]

INTRODUCTION

Risk Management Policy ("Policy") of SMS Lifesciences India Limited **("Company")** is formulated under the requirements of Section 134(3) of the Companies Act, 2013, which requires a statement to be included in the Boards Report of the Company, 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, this may be put up on the Company's website and reference may be drawn thereto in its Board report.

Furthermore, Regulation 17(9) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, requires that the Company set out procedures to inform the Board of risk assessment and minimization procedures and makes the Board responsible for framing, implementing and monitoring the risk management plan of the Company.

This Policy shall be available at the website of the Company at www.smslife.in/policies.php

OBJECTIVE AND PURPOSE

In line with the Company's objective towards increasing stakeholder value, a risk management policy has been framed, which attempts to identify the key events / risks impacting the business objectives of the Company and attempts to develop risk policies and strategies to ensure timely evaluation, reporting and monitoring of key business risks.

The Audit Committee is required to evaluate the internal financial controls and risk management systems of the Company pursuant to Section 177 of the Companies Act, 2013 and the Independent Directors shall satisfy themselves that the systems of risk management are robust and defensible as per Schedule IV of the Companies Act, 2013.

APPLICABILITY

The framework is applicable across the Company (to all its business units, subsidiaries and functions).

This policy underpins Company's efforts to remain a competitive and sustainable company, enhancing of operational effectiveness, while the framework is designed to help the Company meet its objectives, there can be no assurance that risk management activities will mitigate or prevent risks from occurring.

DEFINITIONS

In this Policy unless the context otherwise requires:

- **'Audit Committee'** shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 177 of the Companies Act, 2013.
- **'Board of Directors'** or **'Board'** means the collective body of the directors of the Company.
- **"Executive Director"** means Director in the whole time employment of the Company.
- **'Independent Director"** means a Director referred to in Section 149(6) of the Companies Act, 2013.
- **'Senior Management Personnel (SMP)'** means the employees of the Company who are members of its core management team (excluding the Board of Directors) i.e. it would comprise of all members of the management of the Company one level below Executive Director.
- **"Functional Heads"** means the employees of the Company who is accountable for their relevant function or department.

Terms that have not been defined in this Policy shall have the same meaning assigned to them in the Companies Act, 2013 and/or any other SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.

COMPONENTS

Risk management approach is composed primarily of following components:

- **Risk Identification:**

  Functional heads shall identify internal and external events that may have an adverse impact on the achievement of Company's objectives. These risks shall be captured in written form with all the relevant information such as risk description, root cause and any existing mitigation plans.

- **Risk Assessment:**

  Risks identified shall be assessed / rated on likelihood and impact based on the risk appetite defined for the Company by senior management members. Based on the risk rating, top risks for the Company shall be prioritized for developing the risk mitigation plan.

- **Risk Treatment:**

  Risk mitigation plans shall be developed by respective functional heads for risks owned by them. Well-defined action plans should be agreed upon with timelines for implementation and the mitigation plans shall be discussed with the concerned senior management to seek approval.

- **Risk Monitoring:**

  Periodic review of the risks and their mitigation plans shall be conducted by the SMP. It shall also define the roles and responsibilities of the functional heads across the Company.

  The Audit Committee shall annually review the status of the Risk Mitigation plan and based on the materiality of the event, the same may also be updated to the Board.

ACCOUNTABILITY

Individual functional heads are responsible for managing risks owned by their respective departments.

They are responsible to identify and implement risk mitigation plans in line with leading industry practices / trends or as adopted / agreed by senior management to bring those risks within the risk appetite limits.

Summarized roles and responsibilities of key risk elements are enumerated below:

1) Financial Statement

Risk Elements	Risk Mitigation Controls
Accounting entry	Accounts team shall post the Journal entries in accounting software on a day to day basis. Entries shall be posted to the software only after getting the authorization from department head on vouchers. The Vouchers shall be attached with all the corresponding supporting.
Review and Checking	On a monthly basis, the financial information submitted on the accounting software will be checked and reviewed by the accounts head along with the vouchers. Every Voucher shall be duly checked and authorized by the appropriate functional heads of the Company.
External Reporting	Quarterly financial statements will be prepared by competent personnel and reviewed by the CFO and thereafter submitted to the statutory Auditors of the Company for audit purposes.
Internal Audit	The Internal Auditor of the Company shall carryout the Internal Audit of the Company on quarterly basis and be reviewed by the Audit Committee before publishing the quarterly results to the Exchange.

2) Cash Inflows and Outflows

Risk Elements	Risk Mitigation Controls
Payment Authorization	Every payment shall be done only after getting the Authorization from the CFO and / or Executive Director. Further, bank payments shall be processed through secure channel by the authorized personnel.
Cash payments	Cash Payment can be authorized by the Accounts Manager and / or CFO of the Company if the amount is less than ₹5,000/-
Accounting entry	Every payment shall be duly updated in the systems and voucher shall be attached with corresponding supporting.

3) Fixed Assets

Risk Elements	Risk Mitigation Controls
Assets Purchase	CFO shall review the capital expenditure to ensure all expenditures are properly recorded in the general ledgers in accordance with the applicable accounting standards. Asset Register shall be maintained by the concerned persons and reviewed by the Accounts manager on a regular basis.
Depreciation	Accounts head and / or CFO shall calculate the depreciation in consultation with Internal Auditor of the Company and shall charge the same against each asset.

4) Inventory Management

Risk Elements	Risk Mitigation Controls
Master File Maintenance	Accounts Manager and / or competent personnel shall be responsible for maintaining all the files and registers with respect to inventory management.

5) Logistics

Risk Elements	Risk Mitigation Controls
Insurance	The goods may be insured against loss in transit or any subsequent losses based on the operational profitability as decided by the operations team and its shall be supervised by the Operational Department Head.

6) Human Resources & Payroll

Risk Elements	Risk Mitigation Controls
Employee Master	HR-Manager shall be responsible for maintaining the updated payroll of the employees of the Company
Time Keeping	HR-Manager shall be responsible for maintaining timekeeping for the Company.
Employees Benefits and Payments	HR-Manager in consultation with the Accounts Manager is responsible for making the employee payments and shall ensure that the benefits for employees are duly credited with government.

7) Procurement & Sales

Risk Elements	Risk Mitigation Controls
Procurement Process	Procurement shall be based on the Purchase order (PO) created by the Procurement team and authorised by Executive Director(s) and CFO. Entire process shall be implemented and monitored through the accounting software.
Invoicing Process	Internal Communication (IC) shall be generated based on the POs for initiating the payments, being approved by the CFO and / or Executive Director. The entire process shall be implemented and monitored through the accounting software.

8) Information Technology

Risk Elements	Risk Mitigation Controls
Internet & email Communications	Internal and External communication shall be only through the designated email.
Website & ERP	IT team shall ensure the security of the systems and accounting software. Any cyber security incidents or breaches or loss of data or documents shall be updated to Board and intimated to Stock Exchanges as per Regulation 27(2)(ba) of SEBI (LODR) Regulations, 2015 on quarterly basis.
Back up Procedures	On a weekly basis, IT team shall take the backup of data and shall keep it in secure custody.
New ID creations	Requests for creation of new User Ids shall be forwarded from the HR team to the IT team with the acknowledgement of Executive Director.

9) Customer Credit

Risk Elements	Risk Mitigation Controls
Credit limits	Customer credit limit shall be reviewed by Executive Director and / or CFO for sales forecasting and customer needs on a periodic basis. Any adjustments or corrections shall be based on past collection history and future business forecasts.
Receivable Management	Accounts manager, on quarterly basis, shall review the trade receivables and update the bad debt reserve as needed. The bad debt reserves shall then be reviewed by CFO and shall ensure that the calculation is in accordance with approved accounting standards / guidelines. Maximum Credit period shall not exceed 180 days from the invoice generation.
Export proceeds	In case, any export proceeds are outstanding for more than 9 (nine) months then Company has to submit an application to RBI (through AD Bank) for condoning the delay in receipt of export remittances and same has to be reported to Audit Committee.
MSME Payment	On a half yearly basis, CFO has to ensure that no payment is outstanding to any MSME for more than 45 days. In case any payment exceeds the specified timeline then the same needs to be updated to the Board.

AMENDMENT

The Board of Directors of the Company, subject to applicable laws, rules & regulations, may amend / substitute any provision(s) with a new provision(s) or replace this entire policy with a new policy, as per the recommendations of the Audit Committee.

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This policy was reviewed and approved in the Board meeting held on 11th November, 2023.