



# KANCO TEA & INDUSTRIES LIMITED

Registered Office : "Jasmine Tower", 3rd Floor  
31 Shakespeare Sarani, Kolkata - 700 017, India, Telefax : 2281-5217  
E-mail : contact@kancotea.in, Website : www.kancotea.in  
Corporate Identity Number (CIN)-L15491WB1983PLC035793

## **Risk Management Policy of KANCO TEA & INDUSTRIES LIMITED**

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### **Introduction**

KTIL recognises risk management as an integral component of good corporate governance and fundamental in achieving its strategic and operational objectives. It improves decision-making, defines opportunities and mitigates material events that may impact shareholder value.

The "Risk Management Policy" is laid for rationalizing and monitoring risks of the Company, limiting the liability of top management by carefully articulating decision making process, ensuring integrity of financial reports, and finally providing a degree of confidence necessary for proper functioning of the organization.

Since risk taking is intrinsic to business growth, all business organizations face risks either from internal operations or from external environment. The basis of any business is a healthy appetite of risk. This is why one of the greatest and most important challenges for CEO and CFO is to define the optimal risk level of their business to ensure that the activities of the organisation produce risk-adjusted returns.

### **Definitions**

Risk is defined as the chance of a future event or situation happening that will have an impact upon company's objective favourably or unfavourably. It is measured in terms of consequence and likelihood.

Risk Management encompasses risk assessment plus the evaluation of risks against established tolerances, their treatment and monitoring

### **Methodology**

KTIL has adopted an enterprise wide framework that incorporates a system of risk oversight, risk management and internal control designed to identify, assess, monitor and manage risks consistent with the Industry in which it is operating. KTIL applies risk management in a well-defined, integrated framework that promotes awareness of risks and an understanding of the company's risk tolerances. This enables a systematic approach to risk identification, leverage of any opportunities and provides treatment strategies to manage, transfer and avoid risks.

### **Scope**

This policy applies to all employees at any level of seniority and consultants working on behalf of Company. KTIL's Risk Management Policy and risk model has been developed to include the following key categories:

- Business policy and processes
- Strategy
- Governance
- Employees
- Customers



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- Financial
- Values and Reputation

## Risks Specific to our Company

### Nature Related Risk

Tea being a agricultural produce is affected by the vagaries of weather. Weather plays a major role in determining the final output of produce. Both excess and scarcity of rainfall play havoc with the final output of produce. KTIL has carried out extensive drainage network to deal with the problem arising out of excess rainfall. KTIL has a detailed plan of action for bringing its plantation areas under irrigation and more than 70% of its plantation areas are under irrigation now.

### Pest Management

Tea bushes are prone to attack by various pests like cater pillars, Loppers, Red Slugs, Red Spiders, Helopeltis, Thrips, Green Fly, etc. KTIL has experienced competent senior personnel in the garden, who controls pest by way of timely detection and spray of agro-chemicals. KTIL has also a policy of keeping adequate agro chemicals in stock in anticipation of pest attack during a particular month based on past behavior of pests. KTIL is working out on a plan on integrated pest management, which will promote the use of physical, biological and mechanical control methods, and the least possible use of agrochemicals.

### Labour

Tea being a labour intensive industry is prone to loss of output due to labour unrest. KTIL provides all its workforce employed in the estate along with their families access to drinking water, food, housing and basic medical care as per the guideline of Plantation Labour Act,1951 and Assam Plantation Labour Rules. Workers are paid the official agreed wage as per the agreement entered into between the recognised trade-union and KTIL. KTIL follows a strict 'Non-Discrimination Policy' on the basis of race, creed, gender, political opinion and membership of trade union. KTIL always aim to maintain cordial relationship with its workforce.

### Market Risk

The tea prices are volatile and affected by the conditions prevailing in the market. The inferior quality teas are affected more by volatility in prices in comparison to top quality teas. KTIL's thrust on making top quality teas minimized the risk due to volatility in prices.

### Bought Leaf Operation

KTIL purchases green leaves from outside suppliers and produces it under a different mark called Lakmijan to protect its own mark Mackeypore. KTIL processes the bought leaves separately from its own leaves. The physical segregation of own tea leaves and bought leaves manufacturing process is clearly visible. The sharp volatility in price of teas produced from bought leaves may affect the profitability severely and therefore KTIL adheres to fast selling policy for its teas produced from bought leaves.



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## **Risks due to Fire, Accident, Theft, Etc.**

KTIL has taken appropriate insurance policy to safeguard itself against loss that may arise from risks associated with fire, earthquake etc.

## **Risk due to Fraud**

KTIL has installed adequate internal control measures to minimise the occurrence of fraud and internal audit is also conducted at regular intervals by an external agency.

## **Risk of Doubtful and Bad Debt**

The credit worthiness of sundry debtors is checked by the senior management to fix the credit period, if any to be given. The background check of new party is also carried out before deciding on the credit period.

## **Responsibilities**

The Board is ultimately responsible for identifying and assessing internal and external risks that may impact KTIL in achieving its strategic objectives. The Board is responsible for determining the company's risk appetite, overseeing the development and implementation of the risk management framework and maintaining an adequate monitoring and reporting mechanism. The Board is also responsible for reviewing and approving the risk management framework and risk appetite on an annual basis.

Management is responsible for ensuring that risks are identified, analysed, evaluated and mitigated. Management must develop a sustainable control environment to manage significant risks and champion the implementation of risk management processes within their business operations. Management monitor and report on material risks identified through the Internal and external Audit process.

The Internal Control Policy and Internal Audit program must be aligned to the company's risk profile and is responsible for providing independent assurance in relation to the effectiveness of processes to manage particular areas of risk. The scope of internal audit's risk- based program is modified as and when necessary.

## **Modification**

The Board may review the policy annually to ensure effectiveness and that its continued application and relevance to KTIL's business and modify the policy from time to time keeping in parity with the requirement of laws and changing business environment.

9<sup>th</sup> May 2014

*C. Hanuman*  
9/5/14  
Chairman