RISK MANAGEMENT POLICY

FOR

D.S.KULKARNI DEVELOPERS LTD.

PREFACE:

Risk is an inevitable and necessary adjunct to the functioning of an organisation. Whether it is strategic decision making or carrying out the normal day-to- day operations of a Company, almost every activity involves an element of risk or uncertainty. Risk Management assists in identification, assessment and prioritisation of the various risks faced by a Company. It helps the organisation to understand potential risks, its impact and provides an opportunity to be prepared with alternative risk responses to mitigate/reduce the occurrence or impact of such risks.

The Company's primary activity is promotion and development of real estate projects. This policy mainly covers the risks associated with the business of the Company i.e. real estate promotion and development. Being primarily engaged in the construction and development of properties, the Company is exposed to varying degrees of uncertainty both at the micro and macro levels which affects the economy as a whole and the sector as well. Effective risk management is, therefore, crucial for the Company to optimise its performance.

OVERVIEW:

This is in compliance with Section 134 (3) (n) of the Companies Act, 2013 and Regulation 4(20)(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which requires the Company to develop and implement a Risk Management Policy and to lay down risk assessment and minimisation procedures.

The Policy shall come in force w.e.f. 10th February, 2016.

ROLE OF BOARD OF DIRECTORS

The Board of Directors of the Company oversee the development of Risk Management Policy and the establishment, implementation and monitoring of the Company's risk management system, in accordance with the policy. The Board has the authority to amend this Risk Management Policy from time to time

ROLE OF THE MANAGING DIRECTOR AND EXECUTIVE DIRECTOR

The Managing Director and the Executive Director have responsibility for identifying, assessing, monitoring and managing risks. The Managing Director and Executive Director are also responsible for identifying any material changes to the Company's risk profile and ensuring, with approval of the Board, the risk profile of the Company is updated to reflect any material change. Implementation of the risk management system and day-to-day management of risk is the responsibility of the Managing Director and Executive Director, with the assistance of senior management, as required. The Managing Director and Executive Director are required to report to the Board as to the effectiveness of the Company's management of its material business risks on a regular basis.

ROLE OF THE HEADS OF THE DEPARTMENTS

Heads of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Managing Director and Executive Director.

Indicative Internal Risk Factors

1. **Litigations -** Our Company, its Promoters, Directors and Group Entities may get involved in certain litigations, the outcome of which could adversely affect our business prospects, reputation, financial condition and results of operations.

2. **Failure to procure contiguous parcels of land –** In the ordinary course of our business, we seek to enter into arrangements with land owners to procure land parcels to form a contiguous land mass, upon which we undertake construction and develop our properties. Failure in it, may adversely affect our business, results of operations, financial condition and prospects as

3. **Legal defects and irregularities to the title:** There may be various legal defects and irregularities to the title on the lands that we own or on which we have development rights, which we may not be able to fully identify, resolve or assess. Prior to acquisition of, or entering into a development agreement with respect to any land, we conduct due diligence and assessment exercises on the land.

4. **Indebtedness:** The indebtedness and the conditions and restrictions imposed by the financing arrangements entered into by our Company could adversely affect the ability to conduct the business and operations of our Company.

5. **Performance of the real estate market:** Our business is heavily dependent on the performance of the real estate market and the availability of real estate financing in India. The real estate market is significantly affected by changes in economic conditions, government policies, interest rates, income levels, demographic trends and employment, among other factors. These factors can negatively affect the demand for and valuation of both our Land Reserves and Projects under Development.

6. **Anticipating customer requirements:** The success of our business is dependent on our ability to anticipate and respond to customer requirements both in terms of type and location of our properties. Failure to anticipate and respond to customer requirements, could lose potential customers to competitors, which in turn could adversely affect the business prospects and results of operations of our Company.

7. **Growth sustainability:** We may not be able to sustain our growth or maintain a similar rate of growth, which may have an adverse effect on the financial condition and results of operations of our Company.

8. **Negative cash flow:** Company may experience net negative cash flow. Any negative cash flows in the future may adversely affect the results of operations and financial

condition.

9. **Unscheduled delays and cost overruns -** While Company, endeavours to meet its scheduled timelimes, however there may be delays, in the normal course of its business, for the handover and delay of some of our projects. These delays may result in a loss of reputation among our customers who may not prefer our offerings in the future.

10. **Competition:** We face intense competition in our business and may not be able to compete effectively, particularly in regional markets where we may not have significant experience.

11. **Losses in Subsidiary Companies -** Some of our subsidiaries have incurred losses during the last three (3) financial years. It may continue to incur losses in future periods, which could have an adverse effect on our results of operations.

12. **Sub-Contractors –** The Company is dependent on various sub-contractors or specialist agencies to construct and develop its projects. The Company enters into agreements with third party contractors to construct projects in accordance with specifications and quality standards and under the time frames provided by the Company. If such contractors are unable to complete our developments within the specifications, quality standards or time frames specified by us, or at all, our business, reputation and results of operations could be adversely affected. In addition, we generally provide warranties for a period of three (3) years for construction defects and may be held liable for such defects.

13. **Price rise -** A significant challenge that any real estate developer faces is dealing with adverse movements in the cost of building materials. The real estate sector is dependent on a number of components such as cement, steel, bricks, wood, sand, gravel, paints, etc. As the revenues from sale of units are predetermined, adverse changes in the price of any raw material or unavailability of these raw materials at reasonable prices would affect the business and profitability of our Company.

14. **Timely Completion** - Some or all of our Projects under Development may not be completed by their expected completion dates or at all which may have an adverse effect on the business and results of operations of our Company. Our Projects under Development may be subject to changes and modifications from our currently estimated management plans and timelines as a result of factors outside our control.

15. **Joint Venture –** The Company also undertakes certain projects in co-operation with joint venture partners, who may not perform their obligations satisfactorily and whose interests may differ from that of Company and the Company cannot assure that they will in fact provide such services, on a timely basis or at all, which could adversely affect our as well as our joint ventures' business and results of operations.

16. **Rising land prices -** As the demand for land increases, it also results in an increase in the competition for acquiring such land leading to high prices of land. Further, changes in any of regulations applicable to our business, are likely to have an effect on the price of land.

17. **Implementation Risk -** Given the long lead time of the real estate development projects undertaken, face various kinds of implementation risks, including regulatory delays, construction delays, material shortages, unanticipated cost increases, cost overruns, inability to satisfactorily conduct business with partner and tensions with our joint venture partners, is enhanced.

18. **Approvals or Licences –** The Company requires certain approvals or licences in the ordinary course of business, and the failure to obtain them in a timely manner or at all, may adversely affect our operations.

19. **Unavailability of major components -** The unavailability of raw material, labour, or an increase in their costs, may adversely affect our results of operations.

20. **Other liabilities –** The Any such risk could result in exposing us to material liabilities, increase our expenses, adversely affect our reputation and may result in a decline in our revenues. We cannot assure that we may be able to prevent any such incidents in the future. Any such risk could result in exposing to material liabilities, increase our expenses, adversely affect our reputation and may result in a decline in our revenues. The Company cannot assure that it may be able to prevent any such incidents in the future.

Indicative External Risk Factors

21. **Global and Indian Economic Conditions -** Lack of improvement in or worsening global and Indian economic conditions have affected and may continue to materially and adversely affect the demand for real estate as well as the availability of financing in India.

22. **Slowdown in economic growth -** Our results of operations and financial condition are dependent on, and have been adversely affected by, conditions in the financial markets, particularly in India, and the condition, including the uneven recovery, of the global economy. Slowdown in economic growth in India and certain other countries could cause our business to suffer.

23. **Political instability -** Political instability, changes in the Government or natural calamities may adversely affect economic conditions in India, which may impact our business, financial results and results of operations.

24. **Communal disturbances -** Terrorist attacks, communal disturbances, civil unrest and other acts of violence or war involving India and other countries may adversely affect the financial markets and our business.

25. **Downgrade of credit ratings -** India's sovereign ratings reflect an assessment of the Indian government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due. No assurance can be given that any statistical rating organisation will not downgrade the credit ratings of India.

The Company's risk management system is always evolving. It is an ongoing process and it is recognised that the level and extent of the risk management system will evolve commensurate with the development and growth of the Company's activities. The risk management system is a "living" system and the documentation that supports it will be regularly reviewed and updated in order to keep current with Company circumstances.