

Risk management guidelines and policy
JINDAL HOTELS LIMITED

Preface



Risk is pertinent to virtually all business activities through the varying degree and forms. It is the constant endeavor of the Company to indentify access, prioritize and manage existing as well as emerging risk in planned and cohesive manner. Jindal Hotels Limited ("the Company") recognizes that risk management is an integral part of good management practice. Risk Management is an essential element in achieving business goals and deriving benefits from market opportunities.

The Company is committed to managing risk in a manner appropriate to achieve its strategic objectives. The Company will keep investors informed of material changes to the Company's risk profile through periodic reporting obligations.

This document sets out the risk management guidelines of the Company. The guidelines are intended to assist the Company to establish a sound system of risk oversight and management and internal control that will effectively:

- (a) identify, assess, monitor and manage risk; and
- (b) inform investors of material changes to the Company's risk profile.

The Board and Senior Management will take a pro-active approach to risk management, ensuring that a Company wide system is in place which addresses all material internal and external risk factors facing the Company, which includes:

- (a) financial;
- (b) legal and regulatory;
- (c) operating; and
- (d) commercial risks, including health, safety and environment.

Philosophy

The continued successful safeguarding, maintenance and expansion of the Company's businesses requires a comprehensive approach to risk management. It is the policy of the Company to identify, assess, control and monitor all risks that the business may incur to ensure that the risks are appropriate in relation to the scale and benefit of the associated project, business or practice and to ensure that no individual risk or combination of risks result in a likely material impact to the financial performance, brand or reputation of the Company.

Fundamental values of the Company are respect for our employees, customers and shareholders and integrity in everything we do. By acknowledging that risk and control are part of everyone's job, and by incorporating risk management into JHL daily business practices the Company will be better equipped to achieve strategic objectives, whilst maintaining the highest ethical standards. All staff is expected to demonstrate the highest ethical standards of behavior in development of strategy and pursuit of objectives. Individually and collectively the Company's employees shall consider all forms of risk in decision-making.

Risk Management Framework

The Company to have a Risk Management framework, which shall provide the mechanism for risk assessment and mitigation.

The Company's risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are to be continuously benchmarked with international best practices.

At present it is the responsibility of the Board to assess the adequacy of the Company's internal control systems and that its financial affairs comply with applicable laws and regulations and professional practices. Regular consideration is given to all these matters by the Board. The Company has in place an internal control framework to assist the Board in identifying, assessing, monitoring and managing risk. The framework can

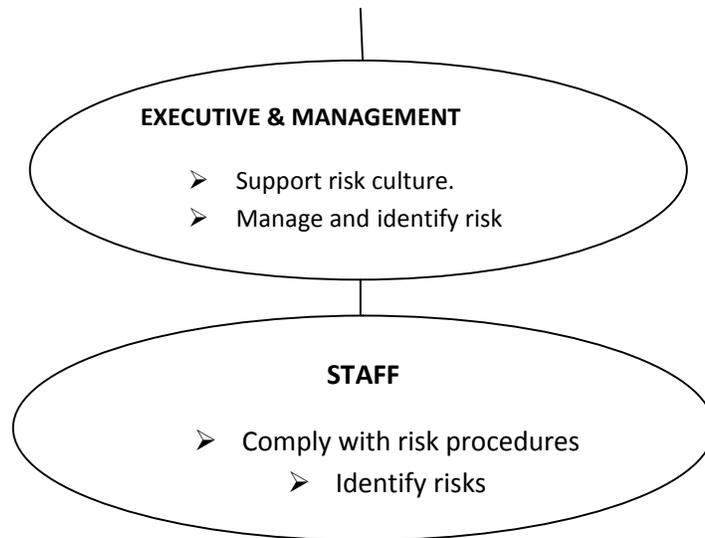
be described under the following headings: · Continuous Disclosure/ Financial Reporting· Operations Review · Investment Appraisal .The Company’s internal control system is monitored by the Board and assessed regularly to ensure effectiveness and relevance to the Company’s current and future operations. Procedures have been put into place to ensure the CEO/ MD and the CFO (or equivalent) state in writing to the Board that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control and that the Company’s risk management and internal compliance and control system is operating efficiently and effectively.

In parlance to CA 2013, the Risk Management Committee (RMC) of the Company shall comprise of the MD, the Director and members of senior management. The Committee to ensure that the Board/ directors and the management are aware of all material actual and potential risks facing the business and that a system to identify monitor and assess those risks is implemented and regularly monitored and reviewed. Summaries of reviews conducted by the Committee/s have to be reported to the Board on a regular basis. Policies approved from time to time by the Board of Directors/Committees of the Board form the governing framework for each type of risk. During the year, the RMC to review the risks associated with the business of the Company, its root causes and the efficacy of the measures taken to mitigate the same. Thereafter, the Audit Committee and the Board also to review the key risks associated with the business of the Company, the procedures to be adopted to assess the risks and efficacy of mitigation measures.

Governance Framework

Provides a high level overview of the risk governance structure of the organization indicating who is involved in risk and their role. This may be represented pictorially:





Risk Management Committee

Pursuant to provisions Section 134 sub section (3) (n) of the Companies Act, 2013 and Clause 49 (VI) C of the Revised Listing Agreement every listed Company to constitute Risk Management Committee which will monitor and review the risk management plan. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the committee and such other functions as it may deem fit.

Role and responsibilities of the Committee

The Committee is responsible for identifying the risks that face the Company. These will include both internal and external risks.

The Board is responsible for:

- (a) establishing the Committee and implementing the risk management system;
- (b) overseeing the activities of the Committee; and
- (c) at least quarterly/ half yearly, reviewing the effectiveness of the implementation of the risk management system.

The Board expects that the Committee will provide periodic reports of the results of the risk management process to the Board and relevant management. In particular the Board anticipates that the Committee will:

- (a) research and review reference materials and background information relating to risk management in the Company's industry as a basis to assess whether or not the process used by the Company is appropriate and represents the best practices for the industry;

- (b) research and review current developments, trends, industry information related to the business conducted by the Company and other sources of information to determine risk and exposure that may affect the Company;
- (c) review corporate policies, the Board and Audit Committee members' meeting minutes to determine the Company's business strategies, risk management philosophy and methodology, appetite for risk and acceptance of risks;
- (d) review previous risk evaluation reports by management, internal and external auditors;
- (e) compile information to evaluate the effectiveness of risk litigation monitoring and communication of risks;
- (f) review the adequacy and timeliness of recording of risk management results;
- (g) review the completeness of management's risk analysis and action

CONSTITUTION OF RISK MANAGEMENT COMMITTEE

S no.	Name	Designation	Position in committee
1	Mr. Piyush Shah	Managing Director	Chairman
2	Mr. Nilesh Shah	Non Executive Director	Member
3.	Ms. Palak Gandhi	Chief Financial Officer	Member

Internal control and risk management

The Committee has overall responsibility for the Company's internal control environment, and must strive to ensure that:

- (a) The Company has an integrated framework of control, based on formal procedures and appropriate delegation of authority and responsibility;
- (b) There is a disciplined approach to identification and management of risk;
- (c) Management has established and implemented a system for identifying, assessing, monitoring and managing material risk through the Company; and
- (d) These systems include internal compliance and controls.

Types of risk

The risks involved in a hospitality Industry and the specific uncertainties for the Company continue to be regularly monitored and the Board of the Company formally reviews such risks at least quarterly/half yearly. All proposals reviewed by the Board include a consideration of the issues and risks of the proposal. The potential exposures associated with running the Company are managed by the Directors and Chief Financial Officer who have significant broad-ranging industry experience, work together as a team and regularly share information on current activities. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk. The Company's main areas of risk include:

Operational – associated with continuous disclosure obligations, Internal Business Processes ;Financial- Accounting risk ;Forensic Risk- Identity Theft and Computer fraud ;Strategic Risk- External Forces: competitors, suppliers, customers, agents, advisers;Knowledge risk – employees ;Compliance Risk-Internal Audit ; market risk – changes in economic conditions, commodity prices and investor sentiment; political risk – changes in the political situation and regulatory environment ;Reputation risk and brand management are particularly important to hotel management companies and remain the number one rated risk globally. The reputation of an organization is the selling point to guests. A large portion of the hospitality risk managers’ duties contribute greatly to the reputation of the brand, such as handling guest claims, helping the hotel recover from catastrophic losses and managing employee injury illnesses.

(a few eg : inflation, increases interest rates and borrowing expenses, higher energy costs, salaries, legal expenses, real estate taxes and other operating expenses at hotel properties may reduce our revenues;)

DRIVERS OF KEY RISK

FINACIAL RISK	STRATEGIC RISK
Externally driven	Externally driven
Interest Rate	Competition
Foreign Exchange	Customer changes
Credit	Industry Changes
Internally Driven	Customer Demands
Liquidity & cash Flow	Internally Driven
Account Controls	R& D

OPERATIONAL RISK	HAZARD RISK
Externally driven	Externally driven
Regulation	Natural events
Culture	Environment
	Suppliers
Internally Driven	Internally Driven
Information Systems/ Supply Chain	Products & Services

Compliance and control

The Committee is responsible for establishing and implementing a system for identifying, assessing, monitoring and managing material risk throughout the Company.

Risk management statement

One critical component of the Company's risk management system is the management of financial risk. A critical control of financial risk is financial reporting. The integrity of the Company's financial reporting relies upon a sound system of risk management and control.

Accordingly, the chief executive officer and chief financial officer, to ensure management accountability, are required to provide the statement in stating that the financial reports of the Company are based upon a sound risk management policy.

For Jindal Hotels Limited

Date : 22nd July 2014

Place:Vadodara

Piyush D Shah

Managing Director

Important Note:

In the meeting of Board Directors held on 22nd July, 2014 it was decided to constitute a Risk Management Committee with regard to provisions of Clause 49 VI of the Listing Agreement.

Pursuant to amendment in the Revised Listing Agreement on 15th September,2014, Clause 49 shall not be mandatory , for the time being, in respect of listed companies whose paid up equity share capital is not exceeding Rs.10 crore and Net worth not exceeding 25 crore, as on the last day of previous financial year (i.e. 31st March, 2014) as SEBI had received representations from market participants including companies and industry associations, highlighting certain practical difficulties in ensuring compliance, seeking clarifications on interpretation of certain provisions and suggesting various options to ease the process of implementation.

The Board of Directors discussed the requirements of Clause 49 VI of Listing Agreement in their meeting held on 11th November, 2014.

The Audit Committee in their meeting held on 11th November, 2014 had proposed that for the time being the Risk Management Committee (RMC) not to be constituted, as already the functions of RMC is performed by the Board. The Board consented to the proposal of Audit Committee.

For Jindal Hotels Limited

Date : 11th November 2014

Place: Vadodara

Piyush D Shah

Managing Director

* (This note forms part of the above Risk Management Policy)