



# RISK MANAGEMENT POLICY

## **ZEN TECHNOLOGIES LIMITED**

**(ISO : 9001 : 2008 & ISO 27001 : 2005 Certified)**

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# Zen Technologies Limited: Risk Management Policy

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## I. PREAMBLE

Risk as defined by the Oxford dictionary is a chance or possibility of danger, loss, injury or other adverse consequences.

Risk management, by and large involves reviewing the operations of the organization, followed by identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.

The Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 emphasize the requirement of Risk Management Policy for the Company.

Pursuant to the provisions of the Companies Act, 2013, 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 shall be included in the Board's Report.

The Audit Committee is required to evaluate the internal financial controls and risk management systems of the Company and the Independent Directors shall satisfy themselves that the systems of risk management are robust and defensible.

According to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Company shall lay down procedures to inform Board members about the risk assessment and minimization procedures and the Board shall be responsible for framing, implementing and monitoring the risk management plan for the Company.

This Policy is framed in compliance with the provisions of the Companies Act, 2013 read along with the applicable rules thereto and Regulation 21 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## II. DEFINITIONS:

- **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** means Board of Directors of the Company.
- **Company** means Zen Technologies Limited.
- **Independent Director** means a Director referred to in Section 149(6) of the Companies Act, 2013.
- **Policy or This Policy or Plan** means "Risk Management Policy".
- **Risk Management Committee** means the Committee constituted by the Board to monitor and review the risk management plan and such other functions as it may deem fit, majority of Committee shall consist of members of the Board of Directors. Senior executives of the Company may be members of the said Committee but the Chairman of the Committee shall be a member of the Board of Directors.

## III. INTERPRETATION

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 Regulation(s) as amended from time to time.

## IV. RISK MANAGEMENT PROCESS

- (i) Identification – Recognition / anticipation of the risks that threaten the assets and earnings of the Company
- (ii) Evaluation / Assessment – Estimation of the likely probability of a risk occurrence and its likely severity, categorization of risk and rating of risk

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- (iii) Prevention & Control – Measures to avoid occurrence of risk, limit its severity and reduce its consequences, selecting the risk management technique by category and individual risk
- (iv) Financing – Determining the cost of risk likely to be and ensuring that adequate financial resources are available, implementing the selected technique
- (v) Measure and Monitor effectiveness of controls and respond according to the results and improving the program
- (i) Reviewing and reporting on the Risk Management process at appropriate intervals, at least annually.

### V. RISK MANAGEMENT TECHNIQUE

- Risk Transfer to another party, who is willing to take risk, by buying an insurance policy or entering into a forward contract;
- Risk Reduction, by having good internal controls;
- Risk Avoidance, by not entering into risky businesses;
- Risk Retention, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, strategy for small risks where the cost of insuring against the risk would be greater over time than the total losses sustained and;
- Risk Sharing, by retaining to the extent that can be retained and transferring the balance.

### VI. RISKS SPECIFIC TO THE COMPANY AND MITIGATION MEASURES

#### Financial risks

S. no	Threat/Process	Mitigation Measures
1.	Confidentiality risks	Education and clear cut policy to be circulated and acknowledged by all involved
2	Change in interest rates	To manage debt at levels where fluctuation levels are minimum Cost effective funding should be identified for each project
3.	Exchange rate	Before finalizing the price of the product the exchange rate fluctuations should be observed carefully Economic conditions in the country and outside wherever natural hedge is not available, company to take hedging
4.	Change in taxation policies	Proper tax planning can minimize this risk to an extent Updating with latest amendments in the policies/tax rates to avoid penalties Do sensitive analysis
5.	Country risks	Risks associated with the countries (with which we are doing business) will be examined before getting into any contract
6.	Financial leverage risks	Debt equity ratio is monitored and managed for each project.
7.	Expenditure risks	All the expenditure have to be tied to revenue and revenue generation capabilities. Search for wasteful expenditure will be regularly carried and such expenditure will be reduced /eliminated.
8	Risks in settlement of dues by dealers/customers	Systems are put in place for assessment of creditworthiness of dealers/customers
9	Provision for bad and doubtful	Provision for bad and doubtful debts is made to arrive at

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	debts	correct financial position of the Company. Appropriate recovery management and follow up.
10	Blockage of funds – Delay in realization of sales	Timely realization by rigorous follow-up and meeting the clients

### Manufacturing / Production Risks

S. no	Threat/Process	Mitigation Measures
1.	Delay in approval of Bill of Material (BOM) for each product / outdated BOM approval	Timely release of BOM for each Job order personally monitored by the concerned project leader BOM approval to be updated
2.	Delay in Procurement	(a) Weekly monitoring by Senior Management keeping in view the production plan, (b) Alternate source for all the items wherever no vendor development cost involved, (c) Maintain the stock of Class C items, (d) Advance action for procurement of single source items and long lead items
3.	Employee turn out	(a) Retaining the required technicians by motivating them through monetary and non monetary benefits (job rotation, giving higher responsibility etc). (b) Training more persons on multiple skills
4.	Obsolescence of input material	(a) New input material needs to be integrated and whole product to be tested for reliability. (b) Modification in BOM and associated modifications in production process including the mechanical mounting, interface electronics and software. (c) Updating of documentation on regular basis
5.	Spike in work / spike in orders	(a) Tight feedback loop between CSD, R&D and Production departments to be maintained. (b) Outsourcing and employing workers on contract basis, and limiting our scope of work to the important sub assemblies, final integration, testing etc. (c) Building up WIP on high lead time low cost items in anticipation of orders.
6.	Transportation Risk	(a) Employee accompanies the transport vehicle carrying important goods and keeps informed about vehicle movement. (b) Transit insurance for all shipments arranged.
7.	Schedule delay	Weekly review of the projects by management during the review meetings.

### R&D risks

S. no	Threat/Process	Mitigation
1.	Viability of the product	We are regularly testing the products at the customer site early on to ensure both that the product meets the customer requirement and will help the customer. Or meets the needs of the customer

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2.	Investment risks	Before making the product informal R&D is carried out to estimate the demand internally. Our R&D capabilities are assessed and gaps identified. Only when we are fully confident, we invest and proceed further on the project.
3.	Technology risks	Regularly management and technical team visits exhibitions to check the latest technology available and on the feedback continuous improvements are made to the technology.
4.	Risk of failure	<b>Product Failure</b> – every product is tested rigorously and will ensure that the product is working. Efforts are on to conduct the earlier failure and abandon the project if necessary. <b>Commercial Failure</b> – Successful product is developed to make the customer specific. We price it very competitive and useful. Our products compete with foreign companies and price offered by us is less and while ensuring reasonable margin to Zen
5.	User specifications may be higher than or drastically different from initial expectations	Constant touch with the customer to ensure that we are continuously addressing to their requirement.
6.	Improper design and technical specification study	Appropriate and qualified technical personnel are assigned and regular review of design and technical specifications are taken care to ensure that they are proper.
7.	Cost over run	Minimal Stretch budget has to be fixed for every project. Manpower accounting to be done to ensure that development cost stays within the limit. However if there are cost overrun, complete reexamination of the project will be carried out to check the viability of the project.
8	Confidentiality Risk	Our Intranet is not connected to the Internet and only Senior management and important people are capable to take out the drawings. These people are with the company since many years. Executed NDA. Criminal liability for those who violate the terms.

### Marketing Risks

S. no	Threat/Process	Mitigation
1.	Marketing expenditure	To draft ROI on market expenditure is required and once the draft is done we need to implement and monitor it.
2.	Confidentiality of information	Only most important and necessary is the price may leak out in the tender which is confidential. No one else should know the price except the key people, have to be trust worthy. There is possibility that at the maximum risk of the price being surreptitious. Opening at the customer place before the tender opening time, we need to put the price in full proof covers.
3.	Lost assets such as files, laptops-	Remote back up of all files is in place. Random check of the same for every 6 months to see the robustness of the

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		system needs to be done.
4.	Communication risks/ Version risks- Wrong information on product features given to the client (Standardization of product features and requirements)	The marketing team should be trained properly on the products. Detailed information on the revised product specifications has to be passed on to the marketers immediately after documenting  Information or brochures should be updated with the changing product features.  Communication can be established between technical in-charge and the client to avoid miscommunication.
5.	Delivery schedules	Marketers should keep in view the lead time required before committing a date for delivery.
6.	Lack of coordination among the departments	Weekly meetings are conducted and any issues which remain open within the departments will be addressed and reasons for the delay are monitored. Regular meetings and the database maintenance with updates on the delivery schedules, demos, requirements etc.  Automated system to track the status of the project which helps in follow-up on the commitments.
7.	Reputation risks	The agents should be properly chosen in different countries. Complete back ground should be studied. Before signing off the contracts with the agents the law of the country can be examined carefully.
8.	Competitors risk	Proper study of the features and price of the competitors have to be studied by the marketers before submitting a tender.
9	Development risk	Thorough market survey to be done before recommending the products for development
10	Tenders called off	Monitor the clients continuously by tapping them from time to time to know the progress and to mitigate any issues raised in the process.

### Deliverables risks

S. no	Threat/Process	Mitigation
1.	Weather, natural disasters, accidents	Proper insurance of goods
2.	Unrealistic schedules	Marketing department should know the lead time for production while making the commitment.
3.	Transit delays	Can choose reputed and reliable transporters

### Customer Support Risks

S. no	Threat/Process	Mitigation
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1.	More installations and complaints at a time	Increase in staff and train them to cope up with the demand after doing a statistical study
2.	Sudden increase in customer demand, new products and handling of new customers	Recruiting more people especially from same discipline (retired Army men for defence products)
3.	Human Resource availability	(a) Retaining the required technicians by motivating them through monetary and non monetary benefits (job rotation, giving higher responsibility). (b) Training more persons on multiple skills
4.	Material availability	(a) Stocking sufficient material keeping obsolescence in to account,(b) systematic up gradation plan at user end will be taken up
5.	Losing customers due to improper customer feedback analysis and poor assessment	Ensuring customer satisfaction by feedback collection at various levels like CSD, CISO and project managers randomly and conducting customer feedback review meetings on 1st Tuesday of every month.
6.	Sensitive information, Data, Hardware locks, monitoring	Sensitive information of data, software and hardware locks, monitoring of the same and ensuring all the software sent out of office are only in Setup format.
7	Spending more time for repair	Monitoring the time taken to complete the call and training programs
8	Rolling out solutions	Periodic service analysis meetings will be conducted and solutions will be implemented in all products.
9	Improper Training Risk	Monitoring and evaluating the engineers after training program conducted.

### HR risks

S. no	Threat/Process	Mitigation
1.	Wrong hiring	Thorough evaluation during the interview and background verification. Introduced top grading interview process.
2.	Employee turn out	Retaining talented employees by motivating them through monetary and non-monetary benefits
3.	Key staff being ill and unable to work	Training employees on multiple skills. Have a backup plan for all key staff
4.	Changes in product	Develop skill-set of the employee as per the new recruitments by providing necessary training well in advance
5.	Personnel injury or death	Immediate back up plan
6.	Loosing key staff to competitors	Non-compete letter signed as part of non-disclosure agreement at the time of joining and at the time of exit by the employee. Initiate legal actions wherever required

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7.	Handling media crisis	Will be handled by our PR Firm M/s Gutenberg. An immediate intimation should be given to them for handling the media.
8.	Termination risks	Gather sufficient information and reasons with proofs i.e., disciplinary memo / warnings to justify the decision before termination, counsel/warnings before termination.

### System Risks

S. no	Threat/Process	Mitigation
1.	System capability	EDP department maintains repairs and upgrades the systems on a continuous basis with personnel who are trained in software and hardware.
2.	System reliability	Password protection is provided at different levels to ensure data integrity.
3.	Data integrity risks	Licensed software is being used in the systems.
4	Coordinating and interfacing risks	The Company ensures "Data Security", by having access control/ restrictions.

### Legal Risks

S. no	Threat/Process	Mitigation
1.	Contract Risks	A study of contracts with focus on contractual liabilities, deductions, penalties and interest conditions is undertaken on a regular basis.
2.	Contractual Liability	Vetting of all legal and contractual documents
3	Insurance Risks	Insurance policies are audited to avoid any later disputes. Timely payment of insurance and full coverage of properties of the Company under insurance.
4	Frauds	Internal control systems for proper control on the operations of the Company and to detect any frauds.

### VII Amendments to the Policy

The Board of Directors on its own and / or as per the recommendations of Audit Committee can amend this Policy, as and when deemed fit. Any or all provisions of this Policy would be subject to revision / amendment in accordance with the Rules, Regulations, Notifications etc. on the subject as may be issued by relevant statutory authorities, from time to time. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

### VIII Disclaimer Clause

The Management cautions readers that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.