Cello World Limited

(formerly known as 'Cello World Private Limited')

Admin Office : Cello House, Corporate Avenue, 'B' Wing, 8th Floor, Sonawala Road, Goregaon (East), Mumbai-400 063, (INDIA),
Tel : 2685 1027 / 2685 3080, Fax : (022) 2685 3333, e-mail : cello.sales@celloworld.com, cellothermoware@hotmail.com
Website: https://celloworld.com **CIN: U25209DD2018PLC009865**
Regd. Office: 597/2A, Somnath Road, Dabhel, Nani Daman, Daman & Diu - 396 210. (INDIA)

Cello World Limited

RISK MANAGEMENT POLICY

Section 134(3) read with Section 177(4) of the Companies Act, 2013 (the "Act") read with Regulation 21 and Part D of Schedule II of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")

Admin Office : Cello House, Corporate Avenue, 'B' Wing, 8th Floor, Sonawala Road, Goregaon (East), Mumbai-400 063, (INDIA),
Tel : 2685 1027 / 2685 3080, Fax : (022) 2685 3333, e-mail : cello.sales@celloworld.com, cellothermoware@hotmail.com
Website: https://celloworld.com **CIN: U25209DD2018PLC009865**
Regd. Office: 597/2A, Somnath Road, Dabhel, Nani Daman, Daman & Diu - 396 210. (INDIA)

RISK MANAGEMENT POLICY

1. PREAMBLE

In accordance with the provisions of Section 134(3) read with Section 177(4) of the Act, read with applicable rules thereto and Regulation 21 read with Part D of Schedule II of the SEBI Listing Regulations, the Board of Directors of the Company at its meeting held on July 28, 2023 constituted the Risk Management Committee (hereinafter referred to as committee) of the Board of Directors and also stipulated terms of reference in line with the Act, in order to appoint the persons under the Risk Management Committee, formulated and approved this Risk Management Policy ("**Policy**") in its duly convened and held meeting of the Board ("**Board**"), dated July 28, 2023.

2. OBJECTIVE

a) A framework for identification of internal and external risks specifically faced by the listed entity, in particular including financial, operational, sectoral, sustainability (particularly, ESG related risks), information, cyber security risks or any other risk as may be determined by the Committee.

b) Measures for risk mitigation including systems and processes for internal control of identified risks.

c) To formulate a Business continuity plan.

d) To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management system.

e) To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity.

f) To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken.

RISK MANAGEMENT POLICY

1. TITLE

This Policy shall be called the "Risk Management Policy."

Admin Office : Cello House, Corporate Avenue, 'B' Wing, 8th Floor, Sonawala Road, Goregaon (East), Mumbai-400 063, (INDIA),
Tel : 2685 1027 / 2685 3080, Fax : (022) 2685 3333, e-mail : cello.sales@celloworld.com, cellothermoware@hotmail.com
Website: https://celloworld.com **CIN: U25209DD2018PLC009865**
Regd. Office: 597/2A, Somnath Road, Dabhel, Nani Daman, Daman & Diu - 396 210. (INDIA)

2. PREAMBLE

Part D Schedule II of the SEBI Listing Regulations, requires the Risk Management Committee to formulate a detailed Risk Management Policy. The Company's risk management policy relates to identification, assessment, monitoring and mitigation of various risks to our business. Cello World Limited like any other business entity is exposed to various risk factors in its day to day operations. The Policy shall identify risks to the business of the company and formulate measures to mitigate such risks.

3. DEFINITIONS

For the purpose of this Policy the following terms shall have the meanings assigned to them hereunder:

g) "**Act**" means the Companies Act, 2013, read with the rules thereunder, as amended.

h) "**Board**" means the board of directors of the Company.

i) "**Committee**" means the Risk Management committee of the Board.

j) "**Company**" means Cello World Limited.

k) "**Director**" means a member of the Board.

l) "**policy for appointment and removal of director, key managerial personnel and senior management**" means this Policy, as amended from time to time.

Words and expressions used and not defined in this Policy shall have the meaning ascribed to them in the SEBI Listing Regulations, the Securities and Exchange Board of India Act, 1992, as amended, the Securities Contracts (Regulation) Act, 1956, as amended, the Depositories Act, 1996, as amended, or the Act.

4. CLASSIFICATION OF RISKS

Risk can be identified as being internal or external. Further, subject-matter wise risk can be classified as:

1. Operational risks;
2. Financial risks;
3. Sectorial risks;
4. Sustainability risks (particularly, environment, safety and governance related risks);
5. Information, Cyber security risks; and
6. Other Risks

Admin Office : Cello House, Corporate Avenue, 'B' Wing, 8th Floor, Sonawala Road, Goregaon (East), Mumbai-400 063, (INDIA),
Tel : 2685 1027 / 2685 3080, Fax : (022) 2685 3333, e-mail : cello.sales@celloworld.com, cellothermoware@hotmail.com
Website: https://celloworld.com **CIN: U25209DD2018PLC009865**
Regd. Office: 597/2A, Somnath Road, Dabhel, Nani Daman, Daman & Diu - 396 210. (INDIA)

I. OPERATIONAL RISKS

Operational Risks/Business risk relates to the risks involved in the day to day business activities carried out within an organisation, arising from structure, systems, people, products or processes. The Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Broadly, there are risk associated to manufacturing and trading operations:

A. Risks related to manufacturing operations:

1. Competition, imports, economic cycle and uncertainties in the domestic markets.
2. High cost of inputs / packing materials, disruption of supply chain, e.g. raw material, unavailability of requisite manpower, etc.
3. Quality Issues.
4. Government policies with regard to taxation on imports and domestic production which affects demand and putting pressure on prices.
5. Change in Government policies.
6. Inadequate coverage of insurance policies in certain circumstances.

Measures for risk mitigation:

The Company shall take following steps to mitigate the aforesaid manufacturing operational risks:

1. Improving quality of its services and products.
2. Continuous investing in research and development and technology for improvements.
3. Introduction of new products and new categories.
4. Reducing dependence on import suppliers by domestic sourcing and in-house manufacturing.
5. Continuous endeavour to reduce raw materials/packing and other input costs.
6. Reduction in power and fuel costs by investing further in solar projects for captive consumption.
7. Producing and supplying good quality products. Tightening selection criteria and parameters.
8. Maintaining insurance coverage of the type and in the amounts which commensurate with business operations.
9. Strict adherence to the government policies with respect to the taxation of import or domestic production, price mechanism and consumption of fuel and gases.

B. Risks related to trading operations:

1. Depending on stockist, dealers and other channel partners and agents ("dealers") for the sale and distribution of our products.
2. Loss of our major dealers or a decrease in the volume of products may adversely affect our revenues and results of operations.
3. No assurance on continuation of current relationship with our dealers or expanding network.
4. Our dealers may fail to adhere to the plan and meet the targets and the standards we set for them in respect of sales and after-sales support, which in turn could adversely affect our business performance and also customers' perception of our brand and products.
5. Global political factors like change in governments resulting in application of stricter trade policies and degrading social conditions like spreading of COVID-19 all over the world are beyond our control.
6. Dependency on prevailing regulatory, economic, social, and political conditions in India. These factors influence the Indian economy, which, in turn, significantly affects the results of our operations. These factors are:

    1. political instability, terrorism, or military conflict in India, or other countries globally;
    2. occurrence of natural or man-made disasters;
    3. any increase in Indian interest rates or inflation;
    4. any exchange rate fluctuations;
    5. any scarcity of credit or other financing in India, resulting in an adverse impact on economic conditions in India and scarcity of financing for our expansions;
    6. instability in financial markets; and
    7. other significant regulatory or economic developments in or affecting India.

7. Dependency on economic and market conditions in India and other jurisdictions. The Indian economy may be affected by global economic uncertainties and liquidity crises, domestic policy, the domestic political environment, volatility in interest rates, currency exchange rates, commodity prices, electricity prices, adverse conditions affecting agriculture, rising inflation rates and various other factors.

Measures for risk mitigation:

The Company may take following steps to mitigate the aforesaid trading operational risks:

1. Retain our dealers by providing incentives and other offers to sell our products. Conducting regular meeting to understand the ground issues with various dealers.
2. Strategically sourcing products both from international and domestic markets.
3. Developing Ecommerce/direct online selling capabilities further for reducing dependence on dealers and distributors.

4. Expand the distribution network and exploring global market opportunities.
5. Increase the direct connect with customers by introducing brand loyalty and other engagement programs
6. Framing, following, updating and adhering Standard Operating Policies (SOPs) to meet the requirements regulatory, economic, social changes and emerging economic and market conditions.

II. FINANCIAL RISKS

The Company may be exposed to the following financial risks:

1. Claims from debtors due to quality and other issues in the past supplies, return of goods and consequent delays in recovery of dues.
2. High interest cost.
3. Any change in Indian tax laws.
4. Any adverse order passed by the appellate authorities, tribunals or courts would have an impact on our profitability.
5. High financial risks in the form of credit risk, volatility in the equity market, change in interest rates, monetary policies framed by the Government and Reserve Bank of India.
6. Access to capital.

Measures for risk mitigation:

1. With the all-round efforts to increase the turnover, profitability and resultant liquidity position of the Company, the Company may meet its financial obligations to bank in time;
2. Accounts of sticky debtors to be reconciled and settled.
3. Reducing the size of its investment portfolio and parking surplus funds primarily in safe, liquid assets.

III. SECTORAL RISKS

Measures for risk mitigation:

The Company's brand "CELLO" enjoys a first mover advantage and significant brand equity. Marketing investments to further strengthen the brand may mitigate the impact of aggressive competition. The Company has listed its products on its own e-commerce portal www.celloworld.com

IV. SUSTAINAIBILITY RISKS ENVIRONMENT, SOCIAL AND GOVERNANCE RELATED RISKS AND THEIR MITIGATIONS:

Environmental, social and governance (ESG) are three central factors in measuring the sustainability and ethical impact of a company. ESG factors, though non-financial, have a material impact on the long-term risk and return of investments. Responsible investors evaluate companies using ESG criteria as a framework to screen investments or to assess risks in investment decision-making. The Company shall take proper steps for managing resources and preventing pollution, reducing emissions and climate impact, and executing environmental reporting or disclosure.

Social risks refer to the impact that companies can have on society. The Company shall undertake social activities such as promoting health and safety, encouraging labour-management relations, protecting human rights and focusing on product integrity. Social positive outcomes include increasing productivity and morale, reducing turnover and absenteeism and improving brand loyalty.

Governance risks include the rapidly changing legislative framework in India which requires a very stringent compliance by corporate entities to the provisions of the Companies Act, 2013, Secretarial Standards, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, and various other regulations framed by SEBI on a regular basis, which provide stringent provisions including imposition of penalty and prosecution.

The Company shall ensure compliance with the changing regulations as a constant monitoring process and in time. The Company shall also ensure reporting of ESG related disclosures as mandated under Regulation 34 (2) (f) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

V. INFORMATION AND CYBER SECURITY RISK AND ITS MITIGATION

Information (Data) and Cyber security risk is the probability of exposure or loss resulting from a cyberattack or and data breach on the organization. Organizations are becoming more vulnerable to cyber threats due to the increasing reliance on computers, networks, programs, social media and data globally. Data breaches, a common cyberattack, have massive negative business impact and often arise from insufficiently protected data. The proliferation of technology enables more unauthorized access to the organization's information than ever before. Third-parties are increasingly provided with information through the supply chain, customers, and other third and fourth-party providers. Data breaches have massive, negative business impact and often arise from insufficiently protected data.

The following as potential targets under cyber security risk:

Admin Office : Cello House, Corporate Avenue, 'B' Wing, 8th Floor, Sonawala Road, Goregaon (East), Mumbai-400 063, (INDIA),
Tel : 2685 1027 / 2685 3080, Fax : (022) 2685 3333, e-mail : cello.sales@celloworld.com, cellothermoware@hotmail.com
Website: https://celloworld.com **CIN: U25209DD2018PLC009865**
Regd. Office: 597/2A, Somnath Road, Dabhel, Nani Daman, Daman & Diu - 396 210. (INDIA)

1. Risks associated with incorporation and maintenance of Enterprise Resource Planning (ERP) Systems;
2. Customer data;
3. Employee data;
4. Intellectual property;
5. Third and fourth party vendors;
6. Product quality and safety;
7. Contract terms and pricing;
8. Strategic planning; and
9. Financial data.

Measures for risk mitigation:

The Company shall take the following steps to mitigate the aforesaid information and Cyber Security risks:

1. Administering security procedures, training and testing
2. Maintaining secure device configurations, up-to-date software, and vulnerability patches
3. Deployment of intrusion detection systems and penetration testing
4. Configuration of secure networks that can manage and protect business networks
5. Deployment of data protection and loss prevention programs and monitoring
6. Restriction of access to least required privilege
7. Encryption of data where necessary
8. Proper configuration of cloud services
9. Implementation of vulnerability management with internal and third-party scans
10. Recruitment and retention of cybersecurity professionals

VI. OTHER RISKS

Natural calamities could have an adverse impact on the Indian economy which, in turn, could adversely affect our business, and may cause damage to our infrastructure and the loss of business continuity and business information.

1. Global or regional climate change or natural calamities in other countries where we may operate could affect the economies of those countries. There have been outbreaks of diseases in the past.
2. Any outbreak of health epidemics may restrict the level of business activity in affected areas, which may, in turn, adversely affect our business.

Admin Office : Cello House, Corporate Avenue, 'B' Wing, 8th Floor, Sonawala Road, Goregaon (East), Mumbai-400 063, (INDIA),
Tel : 2685 1027 / 2685 3080, Fax : (022) 2685 3333, e-mail : cello.sales@celloworld.com, cellothermoware@hotmail.com
Website: https://celloworld.com **CIN: U25209DD2018PLC009865**
Regd. Office: 597/2A, Somnath Road, Dabhel, Nani Daman, Daman & Diu - 396 210. (INDIA)

Measures for risk mitigation:

The Company shall take various insurance policies to cover the risk associated with its business namely:

1. Consequential loss policy covering loss of profits caused due to fire;
2. Standard fire and special perils policy to cover the material damage for various goods (products) in which the company deals; and
3. Taking appropriate insurance policies to cover risk related to its assets – both immovable like office premises, various residential premises owned by the Company as well as for various goods (products) in which the Company deals.
4. Framing and issuing detailed safety guidelines for its employees and workers.

5. MEASURES FOR RISK MITIGATION INCLUDING SYSTEMS AND PROCESSES FOR INTERNAL CONTROL OF IDENTIFIED RISKS

1. The Company shall review the risk based control system and evolve a procedure for risk assessment and timely rectification which will help in minimisation of risk associated with any strategic, operational, financial and compliance risk across all the business operations. These control procedures and systems will ensure that the Board is periodically informed of the material risks faced by the Company and the steps taken by the Company to mitigate those risks.
2. Risk Management Committee of Board of Directors of the Company shall meet at least twice in a year to identity risk faced by each department and steps taken by each department to mitigate the same.

6. REVIEW AND AMENDMENT OF THIS POLICY

This policy will be reviewed at least once in two years by the Board / Committee.

The Board of Directors, either on its own or as per the recommendations of Risk Management Committee, can amend this Policy, as and when it deems necessary.

7. LIMITATION AND AMENDMENT

In the event of any conflict between the Act or the SEBI Regulations or any other statutory enactments ("**Regulations**") and the provisions of this policy, the Regulations shall prevail over this policy. Any subsequent amendment / modification in the Regulations, in this regard shall automatically apply to this policy.

8. BUSINESS CONTINUITY PLAN

Business Continuity Plans (BCP) are required to be defined for risks corresponding to unplanned disruption in service. The BCP typically contains a checklist that seeks to address risks of high nature immediately so that no disruption in business is occurred.