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# POLICY ON RISK MANAGEMENT

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According to provisions of Companies Act, 2013 and  
SEBI (LODR) Regulations, 2015

**THE VICTORIA MILLS LIMITED**  
Victoria House, Pandurang Budhkar Marg, Lower Parel, Mumbai - 400013.  
February 10, 2015



## THE VICTORIA MILLS LIMITED

### POLICY ON RISK MANAGEMENT

This Policy is in compliance with clause 49 of the Listing Agreement which requires the company to lay down procedures about the risk assessment and risk minimization.

- a) The Board of Directors of the Company and the Audit Committee of Directors shall periodically review the risk management policy of the company so that management controls the risk through properly defined network.
- b) Head of Department shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning.

#### **1) Introduction and Background:**

The Victoria Mills Limited (the “Company”) in business of Property Development is prone to inherent business risk like any other organization. This document is intended to formalize a risk management policy the objective of which shall be identification, evaluating, monitoring and minimizing identifiable risks. The Company recognizes that risks are inherent in any business activity, that there is a place for responsible risk taking, and that its risk management framework needs to support the Company in managing risks appropriately given the nature of its business.

#### **2) Purpose:**

The purpose of this policy is to have adequate measures against the activity which may have high risk and to have proper system to protect the company against such risk which may evolve during any business activity and to minimize the risk evolved.

#### **3) Nature of risks involved in the business activity:**

##### **3.1 Liquidity Risk:**

The real estate investment market is still in its infant stage. The time required for liquidity of real estate property can vary depending on the quality and location of the property.

##### **3.2 Regulatory Risk:**

In terms of acquiring land to construct villa permission from various government bodies are required. Being a developing and growing sector, the rules, regulations and legalities demonstrate frequent changes, making it seem as a cumbersome investment option to the investors.



### **3.3 Property Market Transparency Risk:**

The Indian property market has low transparency when compared to the more mature and developed real estate markets. Although market transparency has improved, reliable and consistent information on the Indian property market is still not easily available.

### **3.4 Ownership and Land Title Issue:**

Lack of information and low transparency in the real estate segment in India, coupled with the age old property related issues discourages the investment of the large players in the semi urban and rural areas thus slacking an overall growth of the real estate sector.

### **4) Risk and Concern:**

A big risk which the developers are facing is price risk. Real estate price cycles have the maximum impact on the margins of the developers, because land costs account for a large portion of the constructed property. The other risk to which the developers are exposed is demand risk which indicates the ability to sell properties based on location, brand, track record, quality and timelines of completion. Most real estate developers try to address this risk by undertaking market surveys in order to assess the demand for their properties. Sustained availability of housing loans at a cheaper rate is one of the reasons for growth in demand for housing units. Uncertain interest rates lead to uncertainty in the real estate market. This trend of rising interest rate may dampen the growth rate of demand for housing units. Change in Government Policies including change in Tax structure will also affect the Progress of the Real Estate Industry.

Although major initiatives in the infrastructure of road and transportation have been made, yet the availability of Power still needs the attention of policy makers.

The lack of uniformity in the regulatory environment concerning the real estate, as also the availability of quality manpower and reliable databases on industry, are concerns that need to be addressed for attracting FDI inflows in the industry.

**The combination of policies and processes as outlined above adequately addresses the various risks associated with your Company's businesses.**