Pyxis Finvest Limited

(formerly known as BCB Finance Limited)

Risk Management Policy

Overview

Risk Management could be defined as the process of identifying and measuring uncertain events which may affect resources or operations of the Company adversely and, accordingly, taking necessary safeguards against any potential damage or loss.

Risk Management aims to improvise the governance practices across activities of Pyxis Finvest Limited (the "Company"). Company's Risk Management Policy (the "Policy") will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

Objective

The specific objectives of the Policy are:

- To establish a framework for the Company's risk management process and to ensure its implementation.
- To ensure that all the current and future material risk exposures of the Company are identified, assessed, measured, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.
- to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business
- to assure business growth with financial stability
- To ensure the protection of rights & values of Shareholders by establishing a well-organized Risk Management Framework
- to enable compliance with appropriate laws & regulations, wherever applicable, through the adoption of best practices.

Identification, Measurement and Assessment of Risk

Management's responsibility is to operationalize this Policy and ensure that procedures are in place to identify and define risk across all areas of operations.

The gravity of the risk shall be measured after considering all its probable impacts including financial and non-financial impacts, and in case of any doubts or suspicion, the Board or seniors should be consulted without delay.

Risk categories

The following broad categories of risks have been considered in the Policy:

- **Market Risk:**

  Risks emanating out of the choices we make on markets and resources that can potentially impact Company's long-term competitive advantage. Risks relating to inherent characteristics of the industry including competitive structure, technological landscape, extent of linkage to economic environment and regulatory structure.

- **Operational Risk:**

  Risks inherent to business operations including those relating to client acquisition, service to clients, business support activities, information security, physical security and business activity disruptions.

- **Interest Risk:**

  Interest rate risk is the risk where changes in market interest rates might adversely affect an NBFC's financial condition. The changes in interest rates affect company in some way. The immediate impact of changes in interest rates is on company's earnings by changing its Net Interest Income (NII). The company should manage this risk on NII by pricing its loan products to customers at a rate which covers interest rate risk. The risk from the earnings perspective can be measured as changes in the Net Interest Income (NII) or Net Interest Margin (NIM). Measurement of such risk should be done at the time of deciding rates to be offered to customers. Once interest rate risk is measured, lending rates should be finalized. Given the interest rate fluctuation, the company should adopt a prudent & conservative risk mitigation strategy to minimize interest risk.

- **Credit Risk:**

  Ownership structure could have a key influence on an NBFC's credit profile. A strong promoter and strategic fit with the promoter can benefit an NBFC's earning, liquidity and capitalisation, and hence its credit profile. In assessing an NBFC's ownership structure, the parameters examined include, among others: the credit profile of the promoter, shareholding pattern of the NBFC, operational synergies of the NBFC with its promoter, level of involvement of promoter in the NBFC and level of commitment, and track record of the promoter in providing fund support.

- **Liquidity Risk:**

  Measuring and managing liquidity needs are vital for effective operation of company. The importance of liquidity transcend individual institutions, as liquidity shortfall in one institution can have repercussions on the entire system. Management should measure not only the liquidity positions of the Company on an ongoing basis but also examine how liquidity requirements are likely to evolve under different assumptions. Therefore, liquidity has to be tracked through maturity or cash flow mismatches. For measuring and managing net funding requirements, the use of a maturity ladder and calculation of cumulative surplus or deficit of funds at selected maturity dates can be adopted as a standard tool.

- **Human Resource Risk:**

  Company's human resource adds value to the entire Company by ensuring that the right person is assigned to the right job and that they grow and contribute towards organizational excellence. Risk in matters of human resources are sought to be minimised and contained by following a policy of providing equal opportunity to every employee, inculcate in them a sense of belonging and commitment and also effectively train them in spheres other than their own specialisation. Employees should be encouraged to make suggestions on innovative ideas, cost saving procedures, etc. It is believed that a satisfied and committed employee will give of his best and create an atmosphere that cannot be conducive to risk exposure. Employee-compensation should be fairly appraised and should be consistent with job content, peer comparison and individual performance.

- **Regulations and compliance:**

  The company is exposed to risk attached to various statutes and regulations. The company should mitigate these risks by strictly adhering to applicable laws and reporting requirements. A review of legal compliances should be carried out through audits.

<u>Responsibility & Reporting</u>

The Board is responsible to frame, implement and monitor the Policy and may change, alter or amend the same as and when required. However, although the management and decision-making powers vest in the Board of Directors, respective heads of all departments shall also be responsible for implementation of the Policy and systems for managing risks as may be applicable to their respective areas of functioning and report to the Board, wherever required.

The Board should make required disclosure about the Policy as required under the Companies Act, 2013.

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