

V.S.T. TILLERS TRACTORS LIMITED

Risk Mitigation Policy

Risk Category	Risk Description	Mitigation
<p>Industry Risk</p>	<p>Concentration on Agri Business <u>Specific Risks are:</u></p> <ul style="list-style-type: none"> - Industry Downturn in Agri Industry will adversely affect business - Strong competition and ability to market models faster. <p>High focus on specific Segment <u>Specific Risks are:</u></p> <ul style="list-style-type: none"> - Business will be adversely affected when Agri segment experiences sluggish growth - Highly dependent on subsidy and Govt. policy on Agriculture development. 	<ul style="list-style-type: none"> ▪ Tapping of wider segments in products and geographies including its aftermarket foot print in the core business ▪ Keep the completion at bay by releasing new models ahead of competition in the future. 5 year strategic business plan to be formulated. ▪ Explore & grow businesses in the Engines, Attachments and other Agricultural Machinery, while remaining focused on core business ▪ Diversification in non-agri segment

<p>Raw Material Risk</p> <p>a. Volatility in Raw material, commodity and fuel prices.</p> <p>b. Single source</p>	<p>a. Volatility in prices of raw materials and commodities may impact our profit.</p> <p>b. Single source purchasing increases the bargaining power of the supplier</p> <p><u>Specific risks are:</u></p> <ul style="list-style-type: none"> - Business disruption - Continuous price escalation by the supplier 	<ul style="list-style-type: none"> ▪ Vendor rationalization & Commodity based approach in sourcing, leading to focused negotiation to manage prices of raw materials etc. ▪ Sourcing options to develop alternate sources for all critical single source purchases. ▪ VA/VE efforts by Engineering resulting in material cost reduction through better designs
<p>Quality & Integrity of the Product</p>	<p>Poor quality or integrity of our products may result in reputation and brand damage, resulting in lower volumes and financial claims</p> <p><u>Specific risks are:</u></p> <ul style="list-style-type: none"> - Poor quality of the products - Increase in Cost of Quality leads to bottom-line erosion - Loss of customers & Lost opportunities in new programs 	<ul style="list-style-type: none"> ▪ Effective process control ▪ Supplier cluster programs to improve quality of incoming parts ▪ Warranty procedure & performance sign off with Suppliers.
<p>Volatility in Currency Exchange Rate</p>	<p>Currency exchange gain or loss will impact the bottom line.</p> <p><u>Specific risks are:</u></p> <ul style="list-style-type: none"> - Increase material cost in case of weakening rupee - Lower revenue realization in case of strengthening rupee against USD 	<ul style="list-style-type: none"> ▪ Hedging imports through forward contracts ▪ PCFC¹ to protect exports against currency fluctuation ▪ Restructuring of credit options for both imports & exports
<p>Demand Risk</p>	<p>Inaccuracy in Sales forecasting leads to poor delivery performance thereby leading to loss of customers</p> <p><u>Specific Risks are</u></p> <ul style="list-style-type: none"> - Excess Inventory - Lower vendor ratings (Mysore plant) - Premium freight - Customer Loss 	<ul style="list-style-type: none"> ▪ Implementation of IcSoft for big dealers. ▪ Effective Implementation of demand management in by S&OP. ▪ Measurement of forecast accuracy to smoothen out demand variation ▪ Enhance Vendor Managed Inventory

¹ Packing Credit in Foreign Currency

<p>Information Security</p>	<p>Loss of business data, proprietary & confidential information and disruption of processes due to unavailability of robust IT systems, thereby causing financial damage.</p> <p><u>Specific risks are:</u></p> <ul style="list-style-type: none"> - Failure of IT systems thereby business continuity - Susceptibility to Cyber crime 	<ul style="list-style-type: none"> ▪ Implementation of measures to secure confidentiality and integrity of data ▪ Ensuring data redundancy by storage in data replication center ▪ Far site data recovery center, (proposed) ▪ Robust firewall mechanisms, thereby preventing cyber crimes
<p>Technology Risk</p>	<p>Technological Obsolescence with the changes in technological trends in the Industry</p> <p><u>Specific risks are:</u></p> <ul style="list-style-type: none"> - Loss of Business opportunity, and market share <p>Risks arising through technology partnership</p> <ul style="list-style-type: none"> - by disclosure of technology to competition & being a competitor themselves - Inability to provide effective technical solutions <p><u>Specific risks are:</u></p> <ul style="list-style-type: none"> - Threat of competition from technology partner & competitors - Ineffective utilization of Intellectual Infrastructure bandwidth 	<ul style="list-style-type: none"> ▪ Formulation of technology road map in line with the Industry trends aligning with the 5 year strategic plan. ▪ Collaborate with leading technology partners to shorten the development cycle stay in sync with the market ▪ Assessment of the capability of technical partner through a formal diligence process ▪ Formal engagement model with exclusivity and non-compete provisions in the agreement
<p>People & Organization</p>	<p>Failure to attract with the right skills and talent to seize opportunities, achieve challenging returns and fulfill the strategy</p> <p><u>Specific Risks are:</u></p> <ul style="list-style-type: none"> - Delay in Strategy & project execution & Growth plans 	<ul style="list-style-type: none"> ▪ Alignment of company performance and employee performance incentives through the effective compensation & benefit structure ▪ Develop a talent pipeline through an annual talent review process and talent development ▪ Values culture reinforced through induction, mandatory training, performance management, and employee interaction programs.

Product Liability	<u>Specific risks are:</u> Product Liability Product Guarantee Financial Loss Product recall	▪ The product liability with recall insurance policy is in process of finalization.
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