

CHOKHANI SECURITIES LTD

RISK MANAGEMENT POLICY

Back Ground and Implementation

i. Chokhani Securities Ltd. (CSL) is a Non-banking Finance Company prone to inherent business risks 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.

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

ii. 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 net work.

iii. Head of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Board and the Audit Committee.

Risk Management System

Opportunities and Threats

The Government of India has deregulated and liberalized the Real Estate Sector after liberalization of a number of other sectors of the economy. Commercial space for organized retailing, Hotels and Hospitality and IT Sector are also required. The Growth of India's middle class creating demand for housing, Rising FDI levels have increased commercial space requirements by foreign firms and expansion in organized retail sector.

Fluctuations in market conditions may affect our ability to sell our projects at expected prices, which could adversely affect our revenue and earnings. Potential limitations on the supply of land could reduce our revenue or negatively impact the results of Company's operations. As seen in the recent past the Government policies have been supportive e.g. reduction in stamp duty and change in the tenancy law and abolition of land ceiling Act.

As in any other business, the real estate sector is also likely to face competition from existing as well as new players, both domestic as well as foreign. However, your Company hopes to address the competitive threat on the strength of its emphasis on quality of construction, adoption of innovative designs and provision of qualitative services and of course, by using its advantage of experience.

The Company remains firmly committed to its objective of high quality coupled with aggressive cost reduction initiatives. The performance of the Company in Contracts Division is satisfactory but sometimes we have to face cost escalation and catastrophic seasonal conditions which cause delay in the implementation of the works. The Company is putting its impetus to real estate sector once again.

The real estate sector in India has undergone rapid changes in the past few years. New competitors have entered the core area of our operations in recent times. The fight for the market share has intensified with competition resorting to higher advertising costs. This combined with substantial increase in costs of critical inputs like cement, steel etc., have neutralized the impact of Government's positive policies for real estate sector.

Risk and Concerns

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.

Risk Management Policy

The Company has laid down procedures to inform the Board members about the risk assessment, if any, and procedure to minimize the same

For Chokhani Securities Limited

**Sd/
Ramakant R Chokhani
Director**