

GATEWAY DISTRI PARKS LIMITED

RISK MANAGEMENT POLICY

Back Ground and Implementation

Gateway Distriparks Limited (GDL) is a Container Logistics company. It operates Container Freight Stations to service the EXIM trade at ports. GDL has formalized a risk management policy, to identify, evaluate, monitor and minimize identifiable risks, to which GDL is subject to. In compliance with Companies Act, 2013 and clause 49 of Listing Agreement, GDL has laid down procedures about the risk assessment and risk minimization.

The Board of Directors and the Audit Committee of the Company shall periodically review the risk management policy of the Company, so that the management can control the risk through properly defined procedures.

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 Assessment and Mitigation:

	Structure	Infrastructure	Processes	Awareness	Risk Assessment / Minimization Procedures
Business Risks					
Business concentrated among few large shipping lines & consolidators	Management is actively involved in expanding the customer base of the company through new services / locations. Board monitors customer retention / addition.	Company is part of trade associations and is in continuous dialogue with shipping lines / consolidators. Customer visits to CFS are arranged and Management visit customer premises.	Customer wise volumes / CFS-wise business are monitored & Volumes are reported to the Board.	No customer accounts for more than 20% of business.	-Customer wise business is monitored -Diversification to new locations -Value added services are implemented -Long term contracts -Closely working with shipping lines/ consolidators
Use of contract labour involves risk of increase in costs	Managements is actively involved in monitoring labour costs / performance. Board approves long term labour contracts.	There is continuous dialogue with the current contractor and other operators.	Long-term arrangement is entered into.	Labour accounts for less than 15% revenues.	Operations costs are reviewed on periodic basis as % of revenue.
Large portion of revenues are generated at few locations	Management is actively identifying / setting up in new business / services. Board reviews profitability / potential of new ventures.	New opportunities come to the company through business partners / advisers and our internal knowledge on the subject as leaders in this field.	Board has identified new areas of growth & formulated long-term strategy.	Geographical expansion to new locations at Punjab Conware, Chennai / Vizag & Kochi were done in past.	-Monthly revenue / throughput statements -Diversification of locations

Handling of hazardous cargo	Cargo received in CFS is monitored for nature of hazard.	IT systems is used to monitor hazardous cargo	On line monitoring & system reports are used to monitor / measure risk.	Adequate insurance cover & operating guidelines handled have been put in place.	-IT systems generated reports -Insurance policies
Increase / non-availability of transport for containers	Management continuously monitors transport arrangements / pricing / alternatives	The company is in contact with equipment providers / operators to ensure adequate availability.	Management continuously monitor transport arrangements. & Practices.	Long-term Operations & Management arrangements are entered into / adequate equipment procured.	-Monthly activity reports -Long term arrangement
Loss of senior managerial personnel	Management is responsible for hiring / retention of personnel, under Board approval.	The company is in contact with trade to identify senior personnel.	The operations of various CFS / are done locally & adequate personnel are recruited at various places.	Recruitment / loss of managerial personnel is informed to Board.	-Monthly personnel report -ESOPs / salary increase / promotions / training
Insurance risks / risks of claims / business interruption	Professional Risk Advisors identifies insurable risks and continuously keeps Management informed about mitigation measures.	Professional Risk Advisors use risk identification techniques and identify policies from all insurance companies.	Professional Risk Advisors study risk profile & report periodically to Management..	Adequate insurance policies have been taken to minimize risk.	-Reporting on risks / major claims -Insurance policies - Yard planning , safety, security measures.
Contingent liability in respect of continuity bonds given to customs	Management liaises with Customs to ensure that the bond amounts are reasonable and conditions are complied with and report on bonds / invocation to Directors.	Customs circular s / notices provide the information about bond terms / amount.	Contingent liabilities are informed to Board on periodic basis.	Policy changes are closely monitored by Management.	- Reporting on contingent liabilities
IT risks	An operational policy to systematically tackle IT risks is in place.	The IT department continuously monitors the IT system for improvements and installs new software / hardware solutions as required.	The IT system is reviewed by external / internal agencies from time to time.	IT policy has been communicated to the staff.	Any serious issues are informed to the Directors periodically.
Financial risks					
Non-realization of revenues	Monthly statements are sent to debtors / President. Periodic report sent to Board .	Statement is generated from accounting package & sent to debtors. Debtors exceeding 3 months are reviewed & provided for, as required.	Management decide on continuation of service for defaulters. Management decide on write offs with approval of Board.	70% of revenue is collected instantly. Remaining amount is collected on 15- days billing cycle from major shipping lines / consolidators. Board is informed about ageing of receivables.	-Ageing report sent to Customers for follow up. -70% of revenues are collected instantly -Cargo / containers are available as security -Assurance from shipping lines for H&T / ground rent on auction containers -Write-offs require Board approval

Investments	Investments are approved by Board, based on advice of professional Advisers.	Surplus funds are kept in fixed deposit with bankers.	Investments are made only in debt / liquid funds of short-term duration.	Investments are made with Management approval. Reports are sent to Board periodically.	-Periodic reports are sent to Board -Investments are made only in debt / liquid funds
Interest rate risks	All borrowings are approved by Board and are at "Fixed rate" / benchmarked to Bank prime rate only. Investments are approved by Board based on professional advice by reputed financial advisers.	Interest rate offered by Bank is reviewed by Management.	All the investments are made in FD with Bank. Investments are made only for short-term duration.	Investments are made based on Board approval / advice from reputed financial advisers. Investments are made only in FDs with bankers /and debt / liquid funds.	-Periodic report sent to Board -Investments are made only in debt / liquid funds / FDs with banks
Liquidity risks	Daily cash flow is circulated to Dy. CEO / CFO, with forecast of next week included.	Collections / payments are centralized and monitored on daily basis.	Cash flows / collections are informed to Board on monthly basis. All loans have predetermined payment dates. 70% of Collections are made instantly and balance is recovered on fortnightly billing basis. Major vendors are paid on fortnightly / monthly basis.	Adequate amounts are kept in FDs/ liquid funds to meet requirement of funds which are paid on predetermined dates. / intervals. Overdraft limit is availed with Bank.	- Daily cash flows are sent to Dy. CEO / CFO. -Periodic cash flows are sent to Board. -Payments are made at predetermined intervals / dates. -Overdraft facility available with Bank. -Investments are made in liquid funds / FDs with banks.
Market risks					
Increase in competition from new / existing players	Management continuously monitor & report on competition to the Board on monthly basis	Company is part of trade associations and continuously monitors competition through reports from the port & other sources.	Company has identified locations where it will expand & new customers / services it will cater to.	All activities are monitored for profitability. Strategy in place to work closely with shipping lines.	-Market data is reported to Board -New locations, customers / services are reviewed by Board.
Limited control over pricing of services	Management is actively involved in identifying / setting up in new business / services.	Value added services required by specific customers are reviewed for providing at GDL facilities.	Operational profitability is reviewed.	New services like are targeted to generate additional earnings.	-Discounts are offered based on volumes / long-term contract. -Value added services are provided.
Event risks					
Floods, earthquake, accidents, spillage, strikes etc.	Management monitors / reports on events to Board, which evaluates the events & consequences.	Monitoring of events, reporting and insurance are undertaken on proactive basis.	Monthly reports from various locations cover all likely events which can significantly impact operations	Reports are monitored by Board. Outside professional review of various contingencies / events are also made.	-Monthly reporting of likely events -Immediate reporting of all untoward incidents to Management / Board. -Insurance cover -Liaison with local agencies / associations -Safety / disaster procedures -Systemic efforts to cover all expected contingencies / events

Business risks - Business concentrated among few large shipping lines & consolidators, Large portion of revenues are generated at few locations and Event risks - Floods, earthquake, accidents, spillage, strikes etc., in severe form, could threaten the existence of the company.

The Company has a system- based approach to business risk management. Backed by strong internal control systems, the current risk management procedures have the following elements:

- Effective procedures and vigorous implementation ensures that business risks are effectively addressed.
- Appropriate structures have been put in place to effectively address the inherent risks in business.
- A strong and independent Internal Auditor carries out risk focused audits, enabling identification of areas where risk managements processes may need to be improved. The Audit Committee reviews internal Audit findings and provides guidance on strengthening internal controls. The Audit Committee also monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.

The combination of policies and processes as outlined above adequately addresses the various risks associated with the Company's business. The Management of the Company periodically reviews the risk management framework to maintain its quality and relevance, in order to effectively address the emerging challenges in a dynamic business environment.