



RISK MANAGEMENT POLICY

of

Holani Venture Capital Fund – I

(A scheme of Holani Venture Capital Fund)

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Version 1.0

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1. INTRODUCTION

- 1.1 Holani Venture Capital Fund (“**HVCF**” or “**Fund**”) is the first scheme of Holani Venture Capital Fund (“**HVCF**”), which is registered with SEBI as a Category I AIF vide registration number IN/AIF1/24-25/1489 and The Indenture has been registered under the Registration Act, 1908. The Trust registered with SEBI as a Category I Alternative Investment Fund – VCF, with effect from 03 April 2024 under the AIF Regulations. The Fund is managed by HCA LLP (“**Investment Manager**”). The Fund is sponsored by HCA LLP.
- 1.2 The Fund is a close-ended fund and the term of the Fund will be a period of 4(Four) years from the date of the Closing (“**Term**”), which may be extended for a period of 2 (two) additional year by the contributors. The term may be extended by the Investment Manager for 2 years with the approval of Two-Third Majority of the Contributors obtained under the terms contained in the Contribution Agreements and Applicable Laws.in accordance with the AIF Regulations. The investment objective of the Fund is to provide funding support to for provision to MSMEs as growth capital, through equity to achieve the following objectives:
- (a) enhancing equity, as permitted under relevant SEBI guidelines, to MSMEs;
 - (b) supporting faster growth of MSME businesses and thereby ignite the economy and create employment opportunities;
 - (c) supporting enterprises which have the potential to graduate beyond the MSME bracket and become national / internationalchampions; and
 - (d) supporting MSMEs which help making India self-reliant by producing relevant technologies, goods and services.
- 1.3 In this Risk Management Policy (“**Policy**”), words and expressions shall, unless expressly defined herein, have the meaning ascribed to them in the Fund Documents. It is clarified that references to the Investment Manager under this Policy relate exclusively to the performance of the Investment Manager’s obligations under the Fund Documents.

2. PURPOSE

- 2.1 The purpose of this Policy is for HVCF to identify, analyse and mitigate the risks emanating from the investment decisions of the HVCF-I (scheme). The owner of this Policy will be HVCF and it shall on an as needed basis, delegate certain responsibilities under this Policy to the Investment Manager.
- 2.2 The Investment Manager places utmost importance on the sound management of risk. Good risk management underpins a successful organization and forms an integral part of the management processes andculture.

- 2.3 The Investment Manager recognize that risk is an integral part of the investment and asset management process and proactive identification, assessment, measurement and effective risk management is critical to the success of the Fund.
- 2.4 Through this Policy the Investment Manager endeavor to put in place a process to identify, assess, measure and then manage risks that could impact the Fund's investments, likelihood of re-occurrence of risks, and then suggest appropriate actions to address the most likely and high impact risks.
- 2.5 This Policy provides Fund level risk guidelines encompassing key risk areas such as investment risk, portfolio risk, and compliance risk. It also involves monitoring the risks to which each investment being made by the Fund is subject to, and continuously monitoring such risk.

3. **POLICY OBJECTIVE**

The objective of this policy is three-fold:

- 3.1 To ensure that the Investment Manager identify the risks impacting the HVCF-I and document their process of risk identification, assessment, reporting and monitoring of risk. Risk minimization and risk optimization are integral part of the risk management policy or strategy;
- 3.2 To identify the risk associated with each investment made by the Fund and to track these risks through a risk matrix to be maintained by the Investment Manager; and
- 3.3 To facilitate HVCF and the Investment Manager to implement effective controls and frameworks to ensure risks are managed effectively and in compliance with governance and regulatory requirements.

4. **RISK IMPACTING THE FUND**

As the Fund will be investing in various investee companies, it may be faced with several different types of risks. The potential risks impacting the Fund have been inserted into the Private Placement Memorandum of the Fund, under “**Section IX–Risk Factors**”.

5. **RISK MANAGEMENT FRAMEWORK**

- 5.1 The objective of the risk management framework is to ensure that HVCF and the Investment Manager (in relation to its performance of obligations under the Fund Documents), operate within their agreed risk tolerance and risk limits. This is expected to be achieved by:
 - (a) Effective and efficient continuity of operations;
 - (b) Safeguarding of assets of the Fund;
 - (c) Preservation and enhancement of the Funds' reputation;
 - (d) Reliability of internal and external reporting; and

- (e) Compliance with applicable laws and regulations.

5.2 The risk management framework will focus on the following key elements, viz.:

- (a) Risk Identification
- (b) Risk Assessment
- (c) Risk Reporting and Monitoring

5.3 **Risk Identification:**

5.3.1 The identification of risks is the first step in the risk management framework. Risk identification begins with understanding the objectives of the Fund. The purpose of identification of risks is to identify the events that have an adverse impact on the achievement of both the commercial and non-commercial objectives of the Fund.

5.3.2 An event identified may have negative or positive impact. An event with positive impact represents an opportunity and an event with a negative impact represents a risk.

5.4 **Risk Assessment:**

5.4.1 Risks are analysed, considering likelihood and impact, as a basis for determining how they should be managed. Risk assessment consists of a study of threats, the likelihood of their occurrence and the vulnerability & resultant exposure to such risks. This will be undertaken by maintaining a risk matrix in order to track the risks associated with the investment decisions.

5.5 **Risk Reporting and Monitoring:**

5.5.1 Periodic reporting on risks is required to determine whether the impact or likelihood of the risk is increasing or decreasing and to ensure continuing alignment of organizational resources to priorities. The reporting of key risks and risk handling measures is necessary to:

- (a) Improve the quality of and support timely decision making;
- (b) Determine priorities for action and improvement;
- (c) Enable Board to satisfy themselves that the key risks are being identified and managed to an acceptable level

5.5.2 In the management of risk, the probability of risk assumption, which may threaten the Fund, is estimated with available data and information and appropriate risk treatments are worked for

5.5.3 The Investment manager, while undertaking any investment decisions, shall also consider the risk at the investee company level to which the investment will be subject to

5.5.4 Once an investment decision is made, the risks are to be monitored to ensure they are in line with the Investment Policy.

6. RISK MITIGATION STRATEGY

6.1 The Investment Manager recognizes that risk is an integral and unavoidable component of business and they are committed to managing the risk. The Investment Manager believes that risks cannot be eliminated. However, it maybe:

- (a) **Reduced**, by having good periodic internal controls and continuous monitoring;
- (b) **Avoided**, by not investing into companies having an investment strategy which are not in line with Investment Policy;
- (c) **Mitigated**, by adhering to the investment policy of the Fund enshrined in the Memorandum;
- (d) **Retained**, to avoid higher cost of trying to reduce risk, and;
- (e) **Shared**, by following a middle path between retaining, monitoring and mitigating risk.

7. RISK MITIGATION /RISK CONTROL MEASURES CURRENTLY ADOPTED BY THE FUND:

7.1 The Investment Manager has been adopting various control measures to mitigate the risks arising in the operations of the Fund. Few of them are listed below:

- (a) A comprehensive Investment Policy for the Fund has been adopted;
- (b) A comprehensive investment process for making investments in has been approved;
- (c) A detailed Standard Operating Procedure (SOP) template has been prepared and approved based on which various parties perform their roles and responsibilities in relation to the Fund
- (d) The eligibility criteria for investee companies has been developed;
- (e) Maximum exposure in each investee companies has been capped;
- (f) All expenses should be as per the Fund Documents;
- (g) The Investment Manager is required to take approval of the Board for proposals involving conflict of interest;
- (h) Structuring risks is mitigated by taking appropriate legal advice;
- (i) Appropriate insurance policies that cover various risks to be put in place;

7.2 Going forward the Investment Manager, shall adopt appropriate measures to mitigate the risks arising out of business operations.

