HIRA FERRO ALLOYS

HIRA FERRO ALLOYS LIMITED

(A Subsidiary Company of M/s Godawari Power and Ispat Limited)

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RISK MANAGEMENT POLICY

1. Objectives of the Policy:

The main objective of this Policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the Policy establishes a structured and disciplined approach to Risk Management, including the development of the Risk Matrix, in order to guide decisions on risk related issues. The specified objectives of the Risk Management Policy are:

i) To ensure that all the current and future material risk exposures of the Company are identified, assessed, quantified, appropriately mitigated and managed;

ii) To establish a framework for the Company's Risk Management process and to ensure its implementation;

iii) To ensure systematic and uniform assessment of risks related with construction projects and operational units;

iv) To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices;

v) To assure business growth with financial stability.

2. Risk Management Policy:

In order to fulfill the objectives of this Policy and to lay a strong foundation for the development of an integrated Risk Management framework, the Policy outlines the following guiding principles of Risk Management:

i) All business decisions will be made with the prior information and acceptance of risk involved.

ii) All business decisions shall be intended towards the enhancement and protection of business values from uncertainties and consequent losses.

iii) All employees of the Company shall be alert, vigilant and aware of risks in their respective domains and their mitigation measures.

iv) The risk mitigation measures adopted by the Company shall be effective in the long-term and to the extent possible be embedded in the business processes of the Company.

v) Risk tolerance levels will be regularly reviewed and decided depending on the change in Company's strategy.

vi) The occurrence, progress and status of all risks will be promptly reported and appropriate actions be taken thereof.

3. **Risk Management Policy Statement:**

The Policy statement is as give below:

i) To ensure protection of the interests of all stake holders through the establishment of an integrated Risk Management framework for identifying, assessing, monitoring, evaluating and reporting of all risks and their mitigation measures.

ii) To provide clear and strong basis for informed decision making at all levels of the organization.

iii) To continually strive towards strengthening the Risk Management System through continuous learning and improvement.

4. **Scope and extent of application:**

The Policy guidelines are devised in the context of the future growth objectives, business profile envisaged and new business endeavors that may be necessary to achieve these goals and the emerging global standards and best practices amongst comparable organizations. This Policy is meant to ensure continuity of business and protection of interests of all the stakeholders and thus covers all the activities within the Company and events outside the Company which have a bearing on the Company's business.

5. **Risk assessment:**

The process of Risk Assessment shall cover the following:

i) Risk Identification and Categorization – the process of identifying the Company's exposure to uncertainty classified as Strategic / Business / Operational.

ii) Risk Description – the method of systematically capturing and recording the Company's identified risks in a structured format.

iii) Risk Estimation – the process for estimating the cost of likely impact either by quantitative, semi-quantitative or qualitative approach.

6. **Implementation of Risk Strategy:**

The following framework shall be used for the implementation of the Risk Strategy:

Based on the Risk Appetite / Risk Tolerance level determined and reviewed from time to time, the Company should formulate its Risk Management Strategy. The strategy will broadly entail choosing among the various options for risk mitigation for each identified risk. The risk mitigation can be planned using the following key strategies:

i) **Risk Avoidance:**

By not performing an activity that could carry risk. Avoidance may seem the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk might have allowed.

ii) **Risk Transfer:**

Mitigation by having another party to accept the risk, either partial or total, typically by contract or by hedging.

iii) **Risk Reduction**:

Employing methods / solutions that reduce the severity of the loss e.g., shotcrete being done for preventing landslide from occurring.

iv) **Risk Retention:**

Accepting the loss when it occurs. Risk retention is a viable strategy for small risk where the cost of insuring against the risk would be greater over time than the total losses sustained. All risks that are not avoided or transferred are retained by default. This includes risks that are so large or catastrophic that they either cannot be insured against or the premiums would be infeasible.

7. **Procedure for Risk Management and Mitigation:**

I) **Identification**:

i) The Departmental Heads will meet periodically to identify specific business risks and analyze its consequences.

ii) Among all the risks identified, the Management will prioritize and focus on key risks and their mitigation measures.

II) **Evaluation and Control**:

i) Identified risks will be assessed in terms of potential consequences and cost of impact.

ii) Risks will be ranked in accordance with their likely impact.

iii) The acceptability of each identified risk will be assessed.

iv) Proposed actions to eliminate, reduce or manage each material risk will be considered and agreed.

v) Responsibilities for the management of each risk will be assigned to appropriate managers.

Based on a cost/benefit assessment of a risk, as is undertaken, some risks may be judged as having to be accepted because it is believed mitigation is not possible or may not be required.

III) **Monitoring:**

As the risk exposure of any business may undergo change from time to time due to continuously changing environment, the updation of the Risk Matrix will be done on a regular basis. The following process will be followed:

i) On an immediate basis:

Monitoring and identification of risks which have substantial impact to the business and to take immediate mitigation measures by the concerned Manager in consultation with the departmental head or other higher authorities.

ii) On monthly basis:

a) The departmental Heads will review the status of risks and actions taken for its mitigation with key staff in their respective areas.

b) Any new or changed risks will be identified and reviewed and mitigation measures will be taken wherever deemed necessary.

c) Particular emphasis has to be given to risks with high intensity and their corrective actions shall be taken forthwith.

iii) On quarterly / annual basis:

a) The Chief Operating Officer will report its collective findings to the Board on quarterly / annual basis.

b) The Risk Management process is reviewed by the Board for efficiency and effectiveness on regular basis.

IV) **<u>Responsibility:</u>**

Everyone in the Company is responsible for the effective management of risk. All staff is responsible for identifying potential risks. Management is responsible for developing risk mitigation plans and implementing of risk reduction strategies. The Risk Management process will be integrated with other planning processes and management activities.

8. **<u>Approval of the Policy:</u>**

The Board will be the approving authority for the Company's overall Risk Management System. The Board will, therefore, monitor the compliance and approve the Risk Management Policy and any amendments thereto from time to time.

9. **<u>Review of the Policy:</u>**

The Policy will be the guiding document for Risk Management and will be reviewed as and when required due to the changes in the Risk Management regulations / standards / best practices as appropriate.

10. **<u>Risks associated with the Company:</u>**

An illustrative list of risks associated with the Company's business and the possible mitigation measures is given as **Annexure** to this Policy. However, this list is not an exhaustive list and may be enlarged with the experience of the Company with unforeseen risk exposures in the course of business from time to time.

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ANNEXURE

<u>Probable Risks associated with the Company's business and its mitigation plans</u>

S. No.	Risks associated	Mitigation strategies
1.	**<u>Economic Risk</u>**: Slow down of economic and subdued growth in infrastructure sector	➢ Market expansion to explore and strengthen presence in new growth segments.
2.	**<u>Financial Risk:</u>** a) Interest rate risk. b) Foreign Exchange risk.	➢ To enter into forward, options and other permissible derivative contracts and analyze the risk involved in such contracts in the best interest of the Company depending on cost benefit analysis. ➢ To comply with RBI and other regulatory requirement, as amended, from time to time and any other rules and regulations with respect to derivatives dealings and other financial transactions. ➢ Authority to unwind the deals entered at any point of time in the best interest of the Company. ➢ To enter and cancel the forward contracts for the Company's foreign currency import/export. ➢ Hedging of future receivables. ➢ To Create Foreign Exchange Fluctuation Reserve, out of profit of the Company, to mitigate risk to cover un-hedged foreign currency exposure. ➢ Evaluate and seek approval for new products and activities.
3.	**<u>Financial Solvency Liquidity Risks :</u>** Borrowing limits Cash management risks	➢ Proper financial planning is put in place. ➢ Annual and Quarterly Budgets and Variance Analyses are prepared to have better financial planning. ➢ Daily and monthly cash flows are prepared. ➢ Cash management services are availed from Bank to avoid any loss of interest on collections. ➢ Exposure to Foreign Exchange transactions are supported by LCs and Bank Guarantee and suitable hedging policy.
4.	**<u>Raw Material Scarcity Risk:</u>** ➢ Interruptions in Mining activities.	➢ Expand network of suppliers for long term supply of raw materials. ➢ Maintain cordial relationship with people engaged in Mines.

	➢ Non-availability of logistics for uninterrupted flow of materials and goods.	➢ Maintain data and relation with various transport agencies. ➢ Advance planning for availing Railway Rakes in time. ➢ Smooth operation of Railway Siding. ➢ Prescribe minimum inventory norms for critical raw materials and monitor regularity in its movement.
5.	**Risk of damage and loss of assets**	➢ Ensure all assets and properties of the Company which are exposed to the risk or loss due to damage, fire and other possible causes are insured. ➢ Obtain transit insurance for all cargo in transit. ➢ Cause preventive maintenance of all the machineries and properties at regular intervals. ➢ Inspection of all major and critical equipments and removal and replacement of damaged /worn-out equipments in time.
6.	**Business Competition Risk and.**	➢ Improve cost competitiveness in all areas. ➢ Speedy disposal of customers' claims. ➢ Meet on time delivery and quality demands. ➢ Establish network of Distributors/ Agents. ➢ Conduct annual customer satisfaction surveys to determine the level of their satisfaction with Company's products and to determine the aspects that need to be improved on an on-going basis. ➢ Establish long term relationship with customers.
7.	**Regulatory Risks**	➢ Regular assessment of the impact of national & international regulations on the Company. ➢ Propose solutions to the Government to protect the interest of the industry. ➢ Closely monitor the future policies of the State & Central Govt.

8.	**Risk of Government Policies**	➢ Assess regularly the impact of Government Policies against the Company and take necessary measures in time. ➢ Propose solutions to the Government to protect the interest of the industry. ➢ Closely monitor the future policies of the State & Central Govt.
9.	**Operational Risks**	➢ Implement predictive programmes and preventive maintenance consistently. ➢ Conduct daily, weekly and monthly studies on the operations performance of the Company's production facilities.
10.	**Manpower Risks**: ➢ Skill depletion in some specialized technical areas. ➢ High Labour turnover. ➢ Non-availability of skilled work-force due to alternate employment options	➢ Involve all employees in the social security programmes. ➢ Adopt HR tools like employee satisfaction survey, exit interviews and implement retention policy to prevent loss of skills. ➢ Adopt recognition systems to have employee delight to arrest the employee attrition. ➢ Emphasis on developing skills among the young employees. ➢ Continued training and development of skills of employees to prepare them for future challenges. ➢ Provisions for adequate safety measures and training on safety aspects. ➢ Providing adequate service benefits.
11.	**Environmental Risks:** ➢ Imposition of stringent environmental norms. ➢ Increasing quantity of waste requiring proper disposal management. ➢ Increased global concern for climate change`	➢ Adopt clean technology to reduce CO_2 emissions. ➢ Develop strategies for proper handling, recycling, harvesting and reuse of waste and rain water. ➢ Compliance with the norms as well as preparing for beyond compliance scenario.

12.	**Credit Risk:** Risks in settlement of dues by clients. Provision for bad and doubtful debts.	➢ Set up an efficient and effective credit control system ➢ Set out payment terms in writing and make sure that all customers are aware of them. ➢ Maintain good customer relation ➢ Assess the creditworthiness and track record of the customers ➢ Close monitoring for recovery of debts ➢ Vigorous follow up for recovery of long outstanding debts. ➢ Assess the creditworthiness and track record of the suppliers before giving advances. ➢ Provision for bad and doubtful debts made to arrive at correct financial position of the Company.
13.	**Logistic Risks :** Use of outside transport sources.	➢ Sourcing committed and dedicated service providers. ➢ Exploring possibility of an in-house logistic mechanism if the situation demands. ➢ Possibilities to optimize the operations, by having a combination of transportation through road / rail and sea / air are explored. ➢ Comprehensive transit risk insurance coverage for all incoming and outgoing goods across the organization.
14.	**System Risks :** System capability System reliability Data integrity risks Coordinating and interfacing risks	➢ EDP department maintains repairs and upgrades the systems on a continuous basis with personnel who are trained in software and hardware. ➢ Password protection is provided at different levels to ensure data integrity. ➢ Licensed software is being used in the systems. ➢ The Company ensures "Data Security", by having access control / restrictions.
15.	Energy Scarcity Risks	➢ In order to minimize the negative impacts of the risk of energy shortages, the Company has initiated the following: • Promote an internal program for energy efficiency through efficiency programs in all operational areas. • Assess the possibility of alternative technologies that are non oil-gas based.
16.	Regulatory and Compliance Risks	➢ The Company has compliance obligations with diverse and complex laws and regulations. Protecting the reputation of the company is an integral part of this objective.