

**JAYASWAL NECO INDUSTRIES LIMITED**  
**SUBMISSION OF**  
**RISK MANAGEMENT PLAN**  
**BY THE**  
**RISK MANAGEMENT COMMITTEE**  
**OF THE**  
**BOARD OF DIRECTORS**

**Basic Premise and Background:-**

The Board of Directors of Jayaswal Neco Industries Limited (JNIL) had adopted a Risk Management policy on 12<sup>th</sup> February, 2015. Through Risk Management the Company expects to proactively identify potential critical problems for the Company's business and be able to take appropriate measures that are considered the most optimal.

Risk management is an attempt to identify and manage threats that could severely affect or be detrimental to the organization. Generally, this involves reviewing operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats.

This policy has been framed to ensure efficient and effective assessment and management of risk in the achievement of the objectives of the Company on an ongoing basis.

JNIL recognizes that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner.

For managing Risks more efficiently the company has identified and comprehensively evaluated the risks in terms of their significance that it faces in trying to achieve its objectives.

As a matter of policy, these risks are assessed and steps as appropriate are taken to mitigate the same.

## **Risk Management Framework**

The Company's Board of Directors had constituted a Risk Management Committee with the defined roles and responsibilities.

The Committee hereby submits its Risk Management Plan to the Board of Directors about the measures taken for mitigation of the identified Risks in the organization.

Enterprise risk management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the entity's mission and are consistent with its risk appetite.

JNIL seeks to adopt systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues and regulations. The Company believes that this would ensure mitigating steps proactively and help to achieve stated objectives.

JNIL believes that the activities at all the levels of the organization, viz., Enterprise level; Division level; Business Unit level; are considered in the risk management framework. All these components are interrelated and drive the Enterprise Wide Risk Management with focus on three key elements, viz.,

- (1) Risk Assessment
- (2) Risk Management
- (3) Risk Monitoring.

### **Risk Assessment:-**

Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed.

Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks.

To meet the stated objectives, effective strategies for exploiting opportunities are to be evolved and as a part of this, key risks are identified and plans for managing the same are laid out.

## **Risk Management and Risk Monitoring:-**

In the management of Risks the probability of risk assumption is estimated with available data and information and appropriate risk treatments worked out in the following areas:

1. **Economic Environment and Market conditions**
2. **Fluctuations in Foreign Exchange**
3. **Political Environment**
4. **Competition**
5. **Revenue Concentration**
6. **Inflation and Cost Structure**
7. **Technological Obsolescence**
8. **Financial Reporting Risks**
9. **Risk of Corporate accounting fraud**
10. **Legal Risk**
11. **Quality and Project Management**
12. **Environmental Risk Management**
13. **Human Resource Management**

In principle, risks always result as consequence of activities or as consequence of no activity. Risk Management and Risk Monitoring are important in recognizing and controlling risks. The entirety of enterprise risk management is monitored and modifications made as necessary.

## Risk Mitigation:-

Risk mitigation is an exercise aimed at reducing the loss or injury arising out of various risk exposures.

The objective of the JNIL's Risk Management Policy is to manage and ultimately to achieve a substantial reduction in JNIL's risk exposure and maintain it at an acceptable levels.

## Risk Management Plan:-

Sr.No.	Identified Risks	Risk Management and Mitigation measures
1	Economic Environment and Market conditions	<i>Having a robust marketing department with active perusal of the macro economic and sector wise growth particularly in public and private infrastructure, real estate and automotive and auto components sectors as against projected levels by the Government which has direct correlation to the market availability for the Finished Steel and Casting products of the Company.</i>
		<i>Active perusal of the market conditions, dumping scenario, liquidity position of the customers.</i>
		<i>Having a vigilant and proactive Corporate Affairs Department with representations to the various Central and State Ministries directly and through various associations on the measures to be taken to improve the market scenario, rectify the excise and import duty structure on inputs and output, put restrictive and punitive anti dumping measures to protect the domestic industry, direct tax proposals, address state laws, regulation issues etc.</i>
		<i>Constant process of Product and Market Research and Development, Product Innovation and identifying Customers needs and redressal mechanism of their issues and grievances.</i>
		<i>Development of new markets and new customers with specific thrust on new areas.</i>
		<i>Tracking global market conditions, industrial scenario, gauging its likely impact on the</i>

		<i>Indian situation and taking proactive measures to insulate the Company from the same.</i>
		<i>Taking expert advice on the implication of various Central and State Government policies and its likely impact on the business situation of the Company and the steps to be taken to effectively counter any negatives and take quick advantage of positive developments .</i>
2	Fluctuations in Foreign Exchange	<i>Having Robust Foreign Exchange management department with constant forex market tracking.</i>
		<i>Having access to daily Forex Research Reports of the Experts and subscribing to Forex research and analysis softwares.</i>
		<i>Constant tracking and evaluation of the Global events having a possible impact on the Forex Outflows/Inflows.</i>
		<i>Keeping track on the Reserve Bank of India measures and their steps to curb Forex volatility and keeping track on the Stock markets with possible correlation to the Forex Market.</i>
		<i>Pursuing forward looking and active hedging policy to hedge the forex risks on account of Raw Material, Capital Goods Imports and servicing of any Foreign Currency Loans. The underlining aim being to freeze the costs and not to engage in speculation.</i>
		<i>Complying with Reserve Bank of India guidelines by furnishing mandatory quarterly certification by the management on the Unhedged Forex exposure and yearly certification jointly signed by the management and the Statutory Auditor to all the Bankers of the Company.</i>
		<i>To ensure that the Company is not levied any costs for extra provisioning required by the Banks on the Unhedged Forex exposure vis a vis the Earnings of the Company as per the FEDAI Guidelines.</i>
3	Political Environment	<i>Having a Strong Corporate Affairs department with expert negotiation and liasioning skills to</i>

		<i>negotiate issues at the Local, State Government and the Central Government ministries.</i>
		<i>Having a non aligned approach i.e. being apolitical without any political affiliation.</i>
		<i>Maintaining cordial relations with all the parties.</i>
		<i>Assessing the likely impact of the change in the Governments on the business of the Company by analyzing the election manifestos of the party who is expected to win the elections and deciding proactive strategies in business by anticipating likely policy actions.</i>
		<i>Maintaining ethical and transparent approach of dealing with all the parties and their governance structure including bureaucracy at local, state and central government levels.</i>
4	Competition	<i>Be an active member of the Pig Iron, Sponge Iron and Iron &amp; Steel Manufacturing Associations, Foundry, Power and Mining Associations. Participate in the panel discussions on various topics and attend meetings promptly.</i>
		<i>Gauge and analysis the competition in the Sector, key strengths of the competitors including in process and product quality and market penetration, exploring feasibility to incorporate those strengths in the Company.</i>
		<i>The marketing depots and zones should give ground level feedback on the customer satisfaction, penetration of those markets by the competitors, pricing strategies of the competitors, their cost competitiveness etc.</i>
		<i>Actively analysis and understand the technologies used, processes adopted by the competitors by engaging in vital discussions with the suppliers, chartered engineers, contractors. To try to incorporate any positives for the betterment of the Company.</i>
5	Revenue Concentration	<i>Periodically analyze segment, product, zone wise revenue generation and share .</i>
		<i>The Research and Development department should constantly try to innovate and develop</i>

		<i>new products and get them approved by the customers, constantly strive to develop new markets for the products including exports to avoid concentration risks.</i>
		<i>To enter into new markets the company to evaluate the possibilities of tie ups with channel partners for marketing the product in hitherto under penetrated regions, entering into technology sharing pacts , if required to develop new products.</i>
6	Inflation and Cost Structure	<i>Inflation risks are inherent in any growing economy . Developing early tracking signals of spiraling inflation, thereby ordering critical and high value equipments and materials by entering into contracts at better prices and keeping finances ready to honor the commitments.</i>
		<i>Keeping sufficient contingencies in appraising Project costs while financing them with the Banks/Financial Institutions.</i>
		<i>Exploring possibility of awarding Turn Key Basis Fixed Price EPC Contracts to reputed contractors to ward off the effects of cost escalations due to inflation.</i>
		<i>The same would ensure completion of projects without cost overruns.</i>
		<i>Recruiting quality manpower in relative downturn in economy .</i>
		<i>Constantly evaluate production processes to improve on yield, reduce wastages, recycle/use wastes in further processes, eliminate processes which can be avoided.</i>
		<i>Constantly look at ways and means of production, projects execution, financing cost rationalization.</i>
		<i>Constantly analyze and compare cost sheets with that of the competitors by engaging the help of outside technical experts and look at ways and means to reduce the costs.</i>
7	Technological Obsolescence	<i>The plant heads in coordination with the project department to constantly monitor the technology in use by the competitors, availability of new technology with its</i>

		<i>perceived benefits in the market and develop quick strategies to acquire latest technologies to derive competitive edge for the Company's production processes and the product.</i>
		<i>Constantly engage with reputed national and international suppliers and chartered engineers to know the best in class technologies being developed and used and explore commercial feasibility of its acquisition by the Company.</i>
8	Financial Reporting Risks	<i>Have a team of professionally qualified CAs, ICWAs in units and Corporate Accounts departments and CSs in Secretarial Department.</i>
		<i>Impart the Financial and Secretarial professionals constant training by encouraging them to attend all the relevant seminars , group discussions on Financial reporting requirements, making them aware of the risks of improper reporting and disclosures , making them fully conversant with the Accounting Standards, Guidance Notes, Auditing Standards of ICAI, Secretarial Standards of ICSI, IFRS reporting requirement, reporting and disclosure requirements under the Companies Act,2013.</i>
		<i>Have robust compliance monitoring on periodic basis to ensure that all the Financial reporting and disclosure requirements are complied with in stipulated time.</i>
		<i>Engage in constant discussions with the Company's Statutory Auditor, practicing Company Secretary who is doing Secretarial Audit of the Company and the Cost Auditor of the Company to ensure effective compliance with all the Financial reporting requirements.</i>
9	Risk of Corporate Accounting Fraud	<i>Have a full fledged Internal Audit department for all the divisions of the Company. The Audit team should submit periodic reports to the top management and immediately bring to notice any possibility of accounting fraud being committed. The top management in turn should report the matter to the Board of Directors with</i>



		<i>the remedial measures being taken.</i>
		<i>If required the Company should engage the services of Forensic Audit experts to unearth possibility of Corporate Frauds and to implement effective checks and balances in the system to avoid their recurrence.</i>
		<i>Engage with the accounting professionals on periodic basis to make them understand the need and importance of ethics, transparency and need to follow best accounting practices. Make them aware of the serious consequences of committing accounting frauds.</i>
10	Legal Risks	<i>Have a full fledged in house Legal Department. Engage the services of best legal experts on case to case basis.</i>
		<i>Evaluate legal risks, analyze possible consequences and develop strategies regarding the cases being filed against and by the Company.</i>
		<i>Ward off against the possibility of engaging in frivolous litigation which becomes a drag on the resources and the time of the Company.</i>
		<i>Give adequate disclosures of the litigation to the stakeholders in the Notes to Accounts of the Company.</i>
11	Quality and Project Management	<i>To have a competent Quality Control department to ensure product quality and minimum rejections.</i>
		<i>To have a Project Management Committee and strong projects technical and commercial department to monitor the planning, execution, procurement and to tackle various issues regarding the various projects being implemented .</i>
		<i>Engage the services of Owners and Lenders Engineers to facilitate in Projects monitoring and implementation.</i>
		<i>Ensure timely completion of the Projects without cost overruns.</i>
12	Environmental Risk Management	<i>Have a robust Environmental Management Department with highly qualified personnel.</i>

		<i>Ensuring timely compliance with all the Statutory approvals including MOEF, State Pollution Conservation Board etc.</i>
		<i>Ensuring implementation of all the stipulations given in the Statutory Approvals.</i>
		<i>Having environmental friendly equipments and production processes.</i>
		<i>Ensuring sufficient green cover in all the plants.</i>
		<i>Having effective waste disposal mechanism, tapping waste head/gas by utilizing the same for power generation.</i>
13	Human Resource Management	<i>To have a Human Resource Management Department in all the units manned by qualified HR professionals.</i>
		<i>Recruiting right people for the right job at optimum costs.</i>
		<i>Developing and implementing strategies to train manpower on the organizational objectives, goals, departmental requirements.</i>
		<i>Develop effective motivational and employee retention strategies to ensure their effective performance and their longevity to ward off the risks from them leaving the Company.</i>
		<i>Comply with all the Statutory Departmental compliances and formalities in timely manner like PF, Pension Fund, ESIC etc.</i>
		<i>Maintain cordial relations , environment and discipline in the organization.</i>
		<i>Complying with the requirements of all the labour laws, complying with CSR activities and ensuring mandatory CSR expenditure as stipulated by the Companies Act,2013.</i>
		<i>Ensuring proper departmental structures, delegation of authority structure in every department so that dependency on few people is reduced and risks from their resignations can be countered.</i>
		<i>Engaging the services of top notch HR Consultancy firms to hire right talent in minimum time.</i>