

Jai Balaji Industries Limited

Risk Management Policy

“Risk” implies a chance or possibility of danger, loss, injury or any other adverse consequences that might affect the operations of the Company.

Risk Management is an attempt to identify potential risks and devise necessary steps to mitigate them.

We at Jai Balaji Industries Limited (hereinafter referred to as “the Company”) endeavor to develop appropriate risk mitigation measures so as to address the threats posed by the business environment which affects or might affect the growth.

The Company is committed to managing risks in an effective & proactive manner since it recognizes risks as an integral and unavoidable component of business. Further, in order to manage/reduce risks there should be in place effective internal control systems.

The Company operates in single segment. It has an integrated steel plant and manufactures different products in steel sector.

The following are the range of products that the Company deals in:

- Sponge Iron
- Pig Iron
- Steel Bars/Rods
- Billet/MS Ingot
- Ferro Alloys
- Ductile Iron pipe
- Power
- Sinter
- Coke

Some of the common and unavoidable risks include the following:

Environmental & Regulatory, competition, Technology etc.

Environmental & Regulatory risks

The manufacture of steel involves steps that are potentially hazardous if not executed with due care and attention. The Group's businesses are subject to numerous laws, regulations and contractual commitments relating to health, safety and the environment in the countries in which it operates. Indian operations are driven mainly by environmental compliance with norms issued by Ministry of Environment & Forests and respective pollution control boards. The Group has always taken extra efforts to ensure workplace safety in the mines in India and our new construction sites.

Competition

The market for iron and steel is highly competitive and we expect that competition will continue to intensify due to establishment of new capacities, expansion of existing capacities and consolidation of operations across the entire sector. However, with the installation of additional

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capacities with locational and cost advantages, our marketing strategies are being evolved to cover a wider marketing area. Proposals to take the product nearer to the dealer thus reducing transport costs are part of our strategy. Exploiting the traditionally strong relationship with our dealers to market higher production of our products is an equally valid strategy being pursued.

Technological Risks

India has been a growing country with technological advancements taking place in every field. A key challenge of the Group is to ensure that its facilities are equipped with technologies that can produce value added products that are competitive in the market.

The Group's R&D efforts are oriented towards improvements in the existing process and product capability that can serve the customer better. R&D efforts are also being made to advance the Group's proprietary knowledge in order to produce new generations of steel products.

Policy Framework

As a matter of managing risks, it is necessary to identify the potential risks that might interrupt the functioning of the business and can be a hindrance in growth.

JBIL adopts 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.

While considering risks we consider activities at all levels of the organization, viz., Enterprise level; Division level; Business Unit level; Subsidiary and Joint Venture level. All these components are interrelated and drive the Enterprise Wide Risk Management with focus on three key elements, viz.

Risk Assessment – Detailed study of threats and reluctant exposure to risks

Risk Monitoring & Management – Once potential risks are identified, appropriate risk monitoring and management systems are devised.

Other threats and Strategies to manage them

Economic Environment and Market conditions

Economic slowdowns or factors that affect the economic health of our customers' may increase risk to our revenue growth.

Strategically, we seek to continuously expand the customer base to maximise the potential sales volumes and at the same time securing additional volumes from existing customers on the basis of our record of satisfactory performance in our earlier dealings. The efforts to enhance quality of products and upgrading their performance parameters are aimed at deriving optimum value from the existing customer base and targeting a larger customer profile.

Further, In India, the economic slowdown with high interest rates impacts the consumption sectors and capital investments. Considering the fragile macro-environment, the Company has been pursuing an active operating risk management process across the Group that takes into account the market realities.

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The steel industry is subject to cyclical swings arising from factors such as excess capacity, regional demand and supply imbalances and volatile swings in market demand and prices, swings in input prices etc. The Group takes in consideration all these imbalances and devices appropriate plan of action to avoid any uncertain threats, irregularities that may arise as a consequently.

Foreign Exchange Exposure and Fluctuations thereat

Our Strategy is to identify risks we are exposed to, evaluate, measure and find out ways to manage those risks and ensuring regular reporting of the same to the Board and management.

JBIL has various global operations w.r.t. import of raw materials. Volatility in the currency markets can adversely affect the outcome of commercial transactions and cause trading uncertainties.

The Group has foreign exchange internal hedging policies in place to overcome/minimize risks arising out of currency fluctuations and thereby protect its trading and manufacturing margins against rapid and significant foreign exchange movements.

Political

This includes risks arising out of changes in Industrial and Government policies.

It can be managed by constant engagement with the Government, reviewing and monitoring the country's industrial, labour and related policies and keeping pace with the changing scenario.

Raw Material availability and Price Volatility

Raw materials are procured from different sources at competitive prices and alternative sources are developed to ensure uninterrupted supply.

Prices of critical raw materials for steel making like iron ore and coal is often volatile. Therefore mitigating the impact of the price volatility is a key objective of the Company.

Risks Mitigation Steps taken by the Company for its day to day management processes

Risks may arise as a result of interruption in day to day management process due to various reasons like power cuts, lock-outs, natural calamities which are beyond our control. The Company has in place suitable measures to deal with such risks. Some of such measures are as follows:

- The properties of the Company are insured against natural risks
- Fire extinguishers have been placed at various locations
- First aid is available

Disclaimer

The above outlined risks are inclusive and not exhaustive.