



## **RISK MANAGEMENT POLICY S.A.L. STEEL LIMITED**

### **1. PREFACE**

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S.A.L. Steel Limited is engaged in production of Sponge iron, Iron ore and generating power based on waste heat from kilns with a combined generation capacity of 40 MW are also operated and surplus power is to be sold.

Pursuant to Clause 49 of Listing Agreement, every listed company and such class or classes of companies, as may be prescribed to establish a Risk Management Committee for familiarization of risk involved in our Company, Risk assessment and minimization procedures. The Board shall be responsible for framing, implementing and monitoring the risk management plan for the Company.

The Company through its Board of Directors shall constitute a Risk Management Committee. The Board shall define the roles and responsibilities of the Risk Management Committee and may delegate monitoring and reviewing of the risk management plan to the Committee and such other functions.

The majority of Committee shall consist of members of the Board of Directors.

Senior executives of the Company may be members of the said committee but the Chairman of the Committee shall be a member of the Board of Directors.

Under these circumstances, S.A.L. Steel Limited, being a Listed Company has to establish a Risk Management Policy and to formulate a policy for the same.

### **2. POLICY OBJECTIVES**

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- ✓ To assess the risks faced by the Company and minimize the adverse impact of various risks.
  
- ✓ These risks may threaten the business continuity of the company or may have sizable impact on the profitability of the company.

### **3. SCOPE OF THE POLICY**

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This Policy covers Risk faced by the Company whether Risks are internal, external, technical, non-technical, etc.



#### **4. DEFINITIONS**

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“**Risk Management Committee**” means a Committee constituted by the Board of Directors of the Company in accordance guidelines of Listing Agreement and subsequent amendments from time to time.

“**Board**” means the Board of Directors of the Company.

“**Company**” means the S.A.L. Steel Limited and all its offices.

“**Code**” means Code of Conduct for Directors and Senior Management Executives adopted by S.A.L. Steel Limited.

“**Employee**” means all the present employees and whole time Directors of the Company.

“**Risk**” faced by the Company whether Risks are internal, external, technical, non-technical, etc.

“**Officers**” means an officer appointed to assess the Risk, minimization thereof, placing the same before the Risk Management Committee for its disposal and informing the Risk assessment and minimization the result thereof.

#### **5. RISK IDENTIFIED**

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Following risk have been identified as the risk which may have adverse impact on the profitability of the company and on the business continuity of the company.

1. Commodity Price Risk
2. Foreign Exchange Rate Fluctuation Risk
3. Interest Rate Risk
4. Risk of Product Concentration
5. Labour problems
6. Pollutions control
7. Other Business Risk

#### **5. RISK MANAGEMENT**

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### Commodity Price Risk

The company is exposed to risk of fluctuation of prices of all of its raw materials as well as finished goods products. The basic and key raw material used is cotton which is an agribased product. In addition to the same, there is also risk of fluctuation of prices of other raw materials like yarn, colour and chemical.

The policy for mitigating risk of fluctuation of prices of each commodity type is as under:

### Interest Rate Risk

The Company is exposed to interest rate fluctuations on its rupee and foreign currency denominated borrowings.

To mitigate the said risk, the company should use a judicious mix of fixed and floating rate debts.

The interest rate exposures should be continuously monitored and whenever required, use derivative instrument to minimize interest rate risk and interest costs.

The CFO / Financial Controller and Director(s) are authorized to decide about the various options available to the company from time to time.

### Product Concentration

The company has risk of too much dependence on single product i.e. Denim. To de-risk the same, the company has already started the process reducing too much dependence on single product and going forward for power generation.

As a policy, the continuous differentiation in product mix with a focus on high value added product is to be carried out to reduce cyclical nature and decommo-ditise the denim.

### Other Business Risks

The company is exposed to other risk due to manmade and natural calamities, accidents, etc.



To reduce such risks, all the assets of the company and working human force / manpower of the company should be safeguarded.

To the extent feasible, all precautionary steps and actions should be taken for safety of manpower and assets at operational level.

The same should be adequately insured.

Chairman, Whole Time Director, Vice President, The CFO / Financial Controller, Chief Executive, General Manager, Factory Manager and Director(s) are responsible for taking appropriate actions for safeguarding all the assets of the company.

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