



# INDIA CARBON LIMITED

REGISTERED OFFICE: NOONMATI, GUWAHATI-781020, ASSAM  
CORPORATE OFFICE: 4<sup>TH</sup> FLOOR, 6 OLD POST OFFICE STREET, KOLKATA-700001

## **RISK MANAGEMENT POLICY**

### **1. BUSINESS RISKS-**

a. Long Term Fixed Price Contracts- One of the company's main customer is NALCO, a GOI Navaratna Company, who places order on a 12 -16 months with delivery period basis on a firm and fixed landed price, including duties and taxes, railway freight etc.

As they are one of the major buyers, all calciner including GOI calciner, namely NRL accepts these terms. As these customer supplied from the companies Budge Budge plant which imports majority of its raw material and hence the company is exposed to variation in price of imported raw material as it is not possible to import a 12 - 16 months requirement in one ship.

b. Foreign Exchange Risk – Variation in foreign exchange rates between US dollar and Indian rupees, as all imports are in US dollar.

c. Risk in Fluctuation in Quality- These can lead to higher consumption, that is lower yield, lower productivity or lower than expected daily consumption leading to longer carrying of such slow moving inventory.

### **Risk Mitigation Measures:**

- Risk on account of foreign currency fluctuations to be managed through limited hedging of specific transactions with the Bankers of the Company.
- View based hedging to be preferred over the offshore hedging
- All the significant transaction to be entered through hedging must be consulted with the Companies foreign exchange consultant
- Efforts to be made to enter in to a firm and fixed price contracts for the raw material
- During price offer / negotiation keep margin for expected cost increase, such as salaries and wages, labour, electricity consumables, freight and for variation due to exchange risk etc.

### **2. Financial Reporting & Regulatory Risk-**

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, Securities and Exchange Board of India (SEBI) rules, and Indian stock market listing regulations are creating uncertainty for companies. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is



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provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such corporate governance standards. Many a new regulation & Act like GST, IFRS, IFC and Ind As are at the verge of enactment and the Company faces the risk towards the financial reporting risk according to the new Act and regulation.

### **Risk Mitigation Measures:**

- Maintain high standards of Corporate Governance and public disclosure
- Ensure stricter adherence to policies, procedures and laws/ rules/ regulations/ standards.
- External expert advice to be sought or consultant to be appointed as and wherever necessary

### **3. Legal and Compliance Risk**

Legal and Compliance risk is the risk in which the Company is exposed to legal and Statutory action. As the Company are governed by various labor and corporate laws and have to do its business within four walls of law, where the Company is exposed to legal risk exposure.

### **Risk Mitigation Measures:**

- The Company has established a compliance management system in the organization and Secretary of the Company being the focal point will get the quarterly compliance reports from functional heads and being placed before the Board supported by a quarterly Secretarial Audit report by a practicing Company Secretary in compliance with the listing agreement.
- Management places and encourages its employees to place full reliance on professional guidance and opinion and discuss impact of all laws and regulations to ensure company's total compliance. Advisories and suggestions from professional agencies and industry bodies, etc. are carefully studied and acted upon where relevant.
- Due diligence to be done by external professional as and whenever feel it necessary by the management of the Company for devising a proper internal control system for preventing non compliance and finding violation if any done by the Company under any act unwillingly

### **4. Human Resource Management Risk**

Labor Turnover Risks, involving replacement risks, training risks, skill risks and Unrest Risks due to Strikes and Lockouts etc are the major risk faced by the Company and hence



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the company must frame a suitable policy for retention of the Key Managerial Personnel of the Company on long term basis.

India Carbon Limited have a well defined Human Resources Development (HRD) Department, they add value to the organization by ensuring that the right person is assigned to the right job and that they grow and contribute towards organizational excellence. The growth has been driven by the Company's ability to attract top quality talent and effectively engage them in right jobs. Risk in matters of human resources are sought to be minimized and contained by following a policy of providing equal opportunity to every employee, inculcate in them a sense of belonging and commitment and also effectively train them in spheres other than their own specialization. Employees are encouraged to make suggestions on innovations, cost saving procedures, free exchange of other positive ideas relating to manufacturing procedures etc. It is believed that a satisfied and committed employee will give of his best and create an atmosphere that cannot be conducive to risk exposure. Employee-compensation is always subjected to fair appraisal systems with the participation of the employee and is consistent with job content, peer comparison and individual performance.

The Company seeks to provide an environment that rewards entrepreneurial initiative and performance.

### **Risk Mitigation Measures:**

- Company has proper recruitment policy for recruitment of personnel at various levels in the organization.
- Proper appraisal system for revision of compensation on a periodical basis has been evolved and followed regularly.
- Employees are trained at regular intervals to upgrade their skills.
- Labor problems are obviated by negotiations and conciliation.
- Activities relating to the Welfare of employees are undertaken.
- Employees are encouraged to make suggestions and discuss any problems with their Superiors.

### **5. Sudden Requirement for capital risk:**

Among much other risk, sudden requirement of capital for some unforeseen purpose is one of the major risks faced by the Company. Sudden requirement of capital may arise any time towards extension of plant, sudden break down of plant, modification of plant or due to Natural Risks like Fire, Floods, and Earthquakes etc. In this regard the company



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must have some arrangement, provision and policy to meet up the requirement of capital as mentioned before.

Settlement of dues by customers, financial solvency, liquidity risks, borrowing limits, Provision for bad and doubtful debts and cash management risk are the others major risk element faces by the Company.

### **Risk Mitigation Measures:**

- Proper financial planning to be put in place with detailed Annual Business Plans discussed at appropriate levels within the organization
- Systems to be put in place for assessment of creditworthiness of customers
- Appropriate recovery management and follow up
- Cash management services are availed from Bank to avoid any loss of interest on collections
- Provision for bad and doubtful debts made to arrive at correct financial position of the Company.
- Exposures to Foreign Exchange transactions are supported by LCs and Bank guarantees and steps to protect undue fluctuations in rates etc.

### **6. Purchasing power Risk**

The Company faced price risk on both the procurement of raw material as well as delivery side. The position of the Company remains quite tight in regards to the purchasing power of raw material as well as negotiation of the price of the final products.

The Budge Budge plant of the Company is highly exposed and vulnerable due to the fluctuation in the rate in the foreign exchange as the plant is highly dependable on import for its raw material. Moreover due to the poor industrial condition of metals and Ferro alloys industries the customer of the company getting stringent day by day while negotiating the price of the final products on delivery side.

### **Risk Mitigation Measures:**

- The Company purchase raw material for Budge Budge plant from IOC and other sources as and whenever possible



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- Price Variation Clause to be included with some orders as and wherever the management would feel that the order exposed to changes in the Price of its final products and/or Exchange Risk
- Hedging are done as and whenever the management fits and proper in order to mitigate the risk of the price on procurement side
- The management of the Company always maintains a good relationship with both its customers and as well supplier of raw material

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