GOA CARBON LIMITED

CIN L23109GA1967PLC000076

Risk Management Policy

Introduction:

The term "risk" is defined an exposure to the possibility of loss, injury that could severely impact or bring down the organization.

Risk Management involves reviewing operations of the organization, identifying and evaluating potential threats and the likelihood of their occurrence, and then taking appropriate actions to address the most likely threats to mitigate the risks to minimise the losses to the organization.

Risks specific to the Company and the mitigation measures adopted

1) **Industry Risk:** Variance in the demand and supply of Aluminum and Steel may impact the demand for Calcined Petroleum Coke which will impact the demand for CPC.

   Risk mitigation:
   Aluminium production is shifting from West to East, especially the Middle East, China and India, due to the high cost of operations in the West.
   Hence Demand is coming up closer to the Company's manufacturing facilities, catalysing the growth of the Company.

   Any cyclical effect on this industry will have its impact first on the Aluminum smelters in the western world, where the costs of production are higher and the plants have smaller and fragmented capacities compared to the new capacities coming up in the Middle East and India.

2) **Business Operations Risks:** These risks relate broadly to the company's organisation and management, such as planning, monitoring and reporting systems in the day to day management process namely:
   - Organisation and management risks,
   - Production, process and productivity risks,
   - Business interruption risks,
   - Profitability.

Risk mitigation measures:

- The Organisation has a well defined structure backed by dedicated team of experienced personnel to run operations.
- Proper policies are followed in relation to maintenance of inventories of raw materials, consumables, key spares and tools to ensure their availability for planned production programmes.
- Effective steps are being taken to optimise cost of production on a continuing basis by efficiency improvements taking various changing scenarios in the market.
- Company plans scheduled maintenance shutdowns for preventive maintenance which helps to improve upkeep of the plant.

3) **Foreign Exchange and Interest Rate Risk Management:**

i. The Company imports almost 100% of its raw material Green Coke and has USD currency exposures. A downturn in the value of currency could lead to huge losses or reduction in profits of the Company.

ii. Management foresees foreign currency downturn as a major risk. Variance in the demand and supply of Aluminum and Steel may impact the demand for Calcined Petroleum Coke which will impact the demand for CPC.

Risk mitigation:

i. Management monitors the movement of the currency on daily basis and keeping track of movement of rates. Based on market intelligence gathered, Management takes forward contracts to hedge the currency.

ii. Management does not do speculative hedging.

iii. Management submits the open positions every month in MIS and to the Board every quarter.

4) **Environmental Risk Management:**

This is one of the major risks in future. This risk arises when environmental conditions are compromised for economical considerations. The failure to comply with conditions may lead to closure of operations.

Risk mitigation:

For control of water pollution the Company has setup a proper drainage system for discharge of water outside the plant.

The Company has setup the bag filters to arrest the air pollution from the packaging area.

Spray systems are provided to avoid fugitive emissions as per the requirements.

Extensive plantation of trees around manufacturing plants is undertaken for green belt development.

If there are any changes in the law the management will follow action to mitigate the risks

5) **Realisation Risk:**

This is one of the major risks in future as it may affect the margins and reduce the profitability of the company.

Risk mitigation:

Company accepts this as a major risk.

Company is strategically located closer to customers in India and have advantage over other items of realisation per MT.

Management always assesses the trend in raw material prices in the international market and negotiate the orders with customers after backing up with the coverage of raw material procurement to meet the demand of the customer

6) **Liquidity Risks:**

- Financial solvency and liquidity risks
- Borrowing limits
- Cash management risks.

Risk mitigation measures:

- Proper financial planning is put in place with detailed Annual Business Plans.

- Annual budgets are prepared and presented to the Board.
- Monthly MIS with variance analysis are prepared to have better financial planning.
- Cash flows are prepared, followed and monitored at senior levels to prevent undue loss of interest and utilise cash in an effective manner.
- Regular interactions with bankers and reporting is done to ensure smooth approvals of limits in time.

7) **Credit Risks:**

- Risks in settlement of dues by customers
- Provision for bad and doubtful debts.

Risk mitigation measures:

- Systems put in place for assessment of credit limits of customers and are being monitored strictly.
- Provision for bad and doubtful debts made to arrive at correct financial position of the Company.
- Appropriate recovery management and follow up is in place.

8) **Raw material Supply Risks:**

- It refers to non availability of right kind of raw material at right price and time which will affect production and quality.

Risk mitigation measures:

- Company has long term relationships with Refineries and suppliers. Raw materials are procured from different sources at competitive prices.
- Company is always looking for alternate sources.
- New Refineries are also coming up in China in line with increased demand for CPC with additional Cokers to produce Raw Material.
- Proper production planning and inventory control systems have been put in place.

9) **Human Resource Risks:**

a) Labour Turnover Risks, involving replacement risks, training risks, skill risks, etc.
b) Unrest Risks due to strikes and lockouts.

Risk mitigation:

- 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.
- Labour problems are obviated by negotiations and conciliation.
- Activities relating to the welfare of employees are undertaken.
- Company has a safe working environment.
- Employee Benefits like PF, Gratuity, ESI, etc is provided to the staff.
- Company is also engaging the local community to have a healthy working environment.

10) **Disaster Risks:**

- Natural risks like Fire, Floods, earthquakes, etc.

Risk mitigation measures:

- The Assets of the company are insured against natural risks, like fire, flood, earthquakes, etc. with periodical review of adequacy, rates and risks covered under professional advice.
- Fire extinguishers have been placed at fire sensitive locations.
- Workmen of the Company are covered under ESI, EPF, etc., to serve the welfare of the workmen.

11) **System Risks:**

- System capability and Reliability
- Data integrity risks.
- Coordinating and interfacing risks.

Risk mitigation measures:

- 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.

12)**Legal Risks:**

These risks relate to the following:

- Contract Risks
- Contractual Liability
- Frauds
- Judicial Risks
- Insurance Risks

Risk mitigation measures:

Following are the Risk mitigation measures adopted by the Company to mitigate the risks relating to legal aspects:

- A study of contracts with focus on contractual liabilities, deductions, penalties and interest conditions is undertaken on a regular basis.
- The Legal department vets all legal and contractual documents with legal advice from Legal retainers for different branches of legislation.
- Contracts are finalized as per the advice from legal professionals and Advocates.
- Timely payment of insurance and full coverage of properties of the Company under insurance.
- Internal control systems for proper control on the operations of the Company and to detect any frauds.
- Internal auditors and external auditors also keep track on continuous basis.