

RISK MANAGEMENT POLICY

1. Regulatory requirement

Pursuant to section 134 and 177 of the Companies Act, 2013 ("Act") and rules made thereunder and Regulation 21 of the SEBI, (Listing Obligations and Disclosure Requirements), Regulation 2015, the Company shall lay down policy and procedures to inform Board members about the risk assessment and risk management. The procedures shall be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

2. Objective

To ensure adequate systems of risk management of the Company i.e. to identify, assess, mitigate minimize such expenses to the extent possible and to assure business growth financial stability.

3. Company Business

MSP Steel has set up its manufacturing plant at Raigarh, Chhattisgarh. The Company has manufacturing facilities for production of Pellet, MS Billets, TMT Bars ,Sponge Iron , Structural Products and Power. Raw material is locally procured and also imported.

In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative.

4. Risk Assessment

Risks are analyzed, considering the likelihood impact, as a basis for determining how they should be managed. Risk Assessment consists of a detailed study of threats and resultant exposure to various risks prevailing on different areas of the Company. Key risks are identified and accordingly plan for managing the same are prepared. Company identified the following risks:-

4.1 Regulatory Risks

Regulatory risks arises from the change in Govt. policies, law relating to industry, business, foreign policies and commitments to other countries etc. Our preparation of financial statements in conformity with Indian GAAP and in accordance with the Indian Accounting Standards issued by ICAI, requires us to make true and fair estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the reporting period.

4.2 Business Risks

Business risks as assessed in our business has been further classified as under:-

4.2.1 Financial Risks

The market volatility on prices of raw material, finished products, foreign exchange fluctuations impact the financials of our industry and the business.

- **Political Risks**

The likely impact of any political disturbance or instability within the country or in neighboring countries impact economy and consequently business and industry. The geo-political and economic conditions anywhere in the world are also risks the business strategies frequently.

- **Legal Risks**

Legal risk is the risk in which the Company is exposed to legal action for non-compliance of statutory obligations as per various applicable laws and rules. The Company is governed by various laws and the Company has to undertake its business within four walls of law, where the

Company is exposed to legal risk exposure which entail stringent penalties and in some cases criminal liabilities.

- **Foreign Exchange Fluctuation Risks**

Company has foreign exchange exposure both on account of import of raw material and capital goods and also exports. Currently export are mainly to Nepal and few other countries and mainly INR denominated. Normally trade is done in USD denomination. All these currencies are subject to many factors and varies in value daily and impact the demand of foreign currencies for transactions. Local currency are also affected materially. Foreign Exchange Fluctuation Risks directly impact the business. A close watch is therefore needed to plan the business of the Company.

4.2.5 Technological Obsolesce Risks

In the world of competition technology plays important roles for business development and growth. Technological obsolesce risks the replacement of existing plant and machinery, which may cost heavily and impact profitability.

- **Human Resource Risk**

Steel industry is a cyclical industry where rate of labour turnover is higher which impact the efficiency of the human resource. Human Resource risk generally impact the productivity and quality of the products. Thus Company retain the experienced and qualified workforce to reduce the labour turnover.

5. Management

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

5.1 Economic environment and Market Conditions

Strategically, we seek to continuously expand the customer base to maximize 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. Historically, the strength of our relationships has resulted in significant recurring revenue from existing customers.

To counter pricing pressures caused by strong competition, the Company has been increasing operational efficiency and continued to take initiatives to move up the quality control scale besides cost reduction and cost control initiatives.

5.2 Political Environment

The business of the Company being spread all our the globe, the geo-political and economic conditions anywhere in the world are also frequently discussed at senior management level with the help of media, agents and embassy reports.

- **Competition**

We believe that we are strongly positioned in our designated market commanding a premium for our product. Additionally, efforts to bring down the cost of production are being implemented with a optimum workforce backed by high-end production technology, establishment of captive power generation. Constant monitoring and up gradation of the technology along with re-alignment of processes to bring down production cost help us to thwart competition.

5.4 Revenue Concentration

We have adopted prudent norms based on which we monitor and prevent undesirable concentration in a geography, industry, or customer. Concentration of revenue from any particular segment of industry is sought to be minimized over the long term by careful extension into other

activities, particularly in areas the company has some basic advantage such as availability of land, technical or manpower resources. Our revenues are spread across dealers/Retailers/Projects across different Geo graphics and end user, no particular segments or customer not more than 15% of our annual revenue.

- **Inflation and Cost Structure**

The cost of revenues has a very high degree of inflationary certainty. To De-risk, the Company carefully decide for procurement of long delivery and strategic raw materials and stores and those amenable to just-in-time inventories including contacts with exporters of coal and other material.

At organizational level, cost optimization and cost reduction initiatives are implemented and are closely monitored. The Company controls costs through continuous review against actual performance with the key objective of aligning them to the financial model.

- **Foreign Exchange Risk Management**

Foreign exchange risk arises mainly in the form of (a) Import of raw materials and capital equipment (b) Export of Finished Goods and (c) ECB/FCNR and trade related borrowing. To counter import and export related issue we undertake hedging of currency as soon as the commercial of the transaction are finalized. For borrowing related foreign exchange we undertake active hedging in consultation with our lenders.

- **Technological Obsolescence**

The company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology.

The company's policies also include a favorable dispensation for replacement of Machinery and Equipment on a constant basis to take advantage of such technological movements. All the manufacturing plants and R&D equipments are continuously updated to make them relevant as per latest standards of inspection and regulatory audits.

5.7 Financial Reporting Risks

We are committed to maintain high standards of corporate governance and public disclosure and our efforts to comply with evolving laws, regulations and standards in this regard would further help us address these issues.

Our preparation of financial statements in conformity with Indian GAAP and in accordance with the Indian Accounting Standards issued by ICAI, requires us to make true and fair estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during the reporting period.

We follow declared accounting policies consistently, qualify and disclose the effect of changes in that wherever required. Our accounting and financial reports are based on Indian Accounting Standards issued by the Institute of Chartered Accountants of India, New Delhi.

- **Legal Risk for non-compliance of Statutory obligations**

We have an experienced team of professionals, advisers who focus on evaluating the risks involved in a contract, ascertaining our responsibilities under the applicable law of the contract, restricting our liabilities under the contract, and covering the risks involved so that they can ensure adherence to all contractual commitments.

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, legal firms and industry bodies, chambers of commerce etc. are carefully studied and acted upon where relevant.

5.9 Environment Risk

The Company has setup facility to arrest the air pollution from its coal based power plant and other operations of the plants. Extensive plantation of trees around manufacturing are undertaken for green belt development.

5.10 Industry Safety Risk

Company also takes all measures to avoid any mishap or incident during the operations of the plant.

- **Human Resource Management**

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. Packages are inclusive of the proper incentives and take into account welfare measures for the employee and his family.

6. Role of Board

The Board shall be responsible for framing, implementing and monitoring the Risk Management Plans for the company.