

# **RAIN INDUSTRIES LIMITED**

## **RISK MANAGEMENT POLICY**

# **RAIN INDUSTRIES LIMITED**

Regd. Off: Rain Center, 34, Srinagar Colony, Hyderabad - 500073, Telangana State,  
India. CIN: L26942TG1974PLC001693

## **RISK MANAGEMENT POLICY**

### **1. Introduction**

Risk evaluation and management is an important tool in the decision making process. Identification of risks and taking effective steps for mitigation of risks will result into substantial saving.

### **2. Business Profile**

**Rain Industries Limited** (herein after referred to as Rain/Company) a Company incorporated under the Companies Act, 1956 and having its Registered office at “Rain Center”, 34, Srinagar Colony, Hyderabad – 500 073, Telangana State, India. Rain is the ultimate holding Company of Rain Group. Rain is engaged in the business of Trading of Green Petroleum Coke. Rain’s subsidiary Companies are engaged in the business of Manufacturing and Sale of Cement, Calcined Petroleum Coke, Coal Tar Pitch, Chemicals and Generation of Power in India and outside India.

### **3. Constitution of Risk Management Committee:**

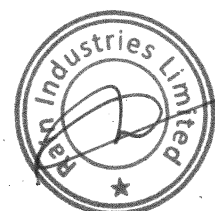
#### **i) Composition**

The Risk Management Committee shall consist of minimum three Directors with atleast one member being an Independent Director. .

The Chairman of the Risk Management Committee shall be elected by its members from amongst themselves.

#### **ii) Quorum**

The Quorum for the meeting of the Risk Management Committee shall be a minimum of two members or 1/3rd of the Members of the Risk



Management Committee, whichever is higher.

**iii) Meetings**

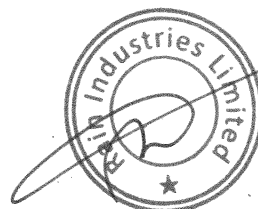
The Committee shall meet atleast two times in a year. The gap between two meetings shall not exceed 180 days.

**iv) Secretary**

The Company Secretary shall act as Secretary to the Committee.

**v) Role and Responsibilities of the Committee**

1. To formulate a detailed Risk Management Policy which shall include:
  - a. A framework for identification of internal and external risks specifically faced by the Company, in particular including financial, operational, sectoral, sustainability (particularly, Environment, Social and Governance related risks), information, cyber security risks or any other risk as may be determined by the Committee.
  - b. Measures for risk mitigation including systems and processes for internal control of identified risks.
  - c. Business continuity plan.
2. To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
3. To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
4. To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;



5. To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
6. The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee;
7. The Risk Management Committee shall coordinate its activities with other committees, in instances where there is any overlap with activities of such committees, as per the framework laid down by the board of directors.

#### **vi) Powers**

The Risk Management Committee shall have the following powers:

1. To seek information from any employee; and
2. Obtain outside legal or other professional advice and Secure attendance of outsiders with relevant expertise, if it considers necessary.

#### **4. Reporting**

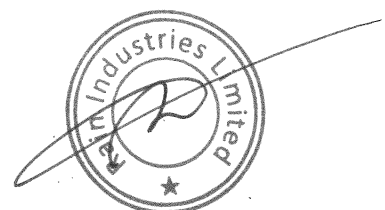
The Committee shall report on its activities and summarize any recommendations to the Board.

#### **5. The Company is exposed to following Risks**

##### **A) Industry Risks**

These risks broadly relate to the Company's business or industry namely:

- Economic risks
- Market Structure
- Business dynamics
- Competition risks effecting tariffs, prices, costs, revenues and



- customer preferences.
- Political risks due to uncertainty in a country or major policy changes.

### **Risk Mitigation Measures adopted by the Company**

These risks are external risks on which Company have no control. But Company with the experience gained during the past is able to predict certain changes in the market and taking measures to overcome from such adverse situation.

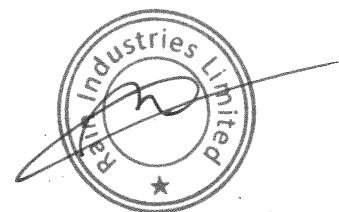
Following are the Risk mitigation measures adopted by the Company to mitigate the external risks:

- The Company sells in different markets to have the advantages of shifting from one market to other market (where prices are stable or increasing);
- The Company is taking effective steps for reduction of cost of production by increasing the efficiency in operation by adopting new technology;
- The Company is changing the various product mix to meet the specification of the customers from time to time; and
- The Company from the experience gained from the past is able to predict the Demand in a area during particular month and accordingly the supply of product is diverted from one area to another.

### **B) Business Operations Risks**

These risks relate broadly to the Company's organization and management such as planning, monitoring and noncompliance with the rules and regulations in the day to day management process namely:

- Risk of business interruption due to plant operations failure;
- Risk of business interruption due to Non compliance with legal requirements;



- Non conformance to product quality requirements;
- Non compliance with Safety, Health & Environmental regulations;
- Challenge of inventory management and procurement of requisite quantity and desired quality of raw material at a competitive price, due to strain on existing sources and increased supplier power; and
- Foreign Currency fluctuations may have a large impact on Rain's financial results.

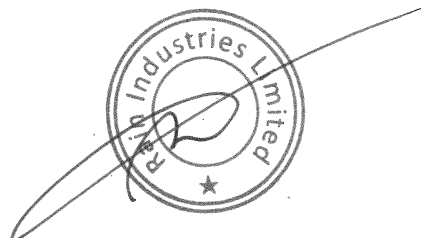
### **Risk Mitigation Measures adopted by the Company**

Following are the Risk mitigation measures adopted by the Company to mitigate the risks relating to the Business Operation:

- Preventive maintenance schedule is being followed to avoid breakdowns;
- Regular Compliances are being done for different parts of the geography where Rain has operating facilities;
- Regular monitoring process is being undertaken to observe any deviation from the standard internal control system and corrective measures are taken; and
- Foreign currency exposures are managed through a hedging policy. The policy is reviewed periodically to ensure that the risk from fluctuating currency exchange rates is appropriately managed.

### **C) Human Resource Risks**

- Personnel risks such as Labour turnover risks involving replacement risks, training risks, cost risks, skill risks, etc.; and
- Unrest Risks due to Strikes and lockouts.



### **Risk Mitigation Measures adopted by the Company**

Following are the Risk mitigation measures adopted by the Company to mitigate the risks relating to the Human Resources:

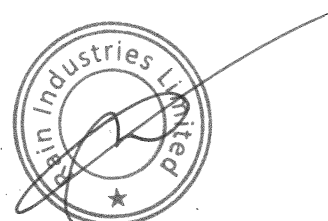
- Company has proper recruitment policy for recruitment of personnel at various levels in the organization;
- Company has proper appraisal system for giving yearly increment and also promoting the employees to a higher level in the Hierarchy;
- Training is provided to the employees at regular intervals to upgrade their skills;
- Labour problems are solved by Negotiations with the Trade Union;
- Bonus, Gratuity and other benefits are being paid within the stipulated time as per the rules of the Company and also as prescribed under various statutes; and
- Activities relating to Welfare of employees are being taken on top priority.

### **D) Market Risks**

These risks relate to market conditions namely:

#### **Carbon Products**

- Low demand of Aluminum resulting lower prices for Aluminum thereby decreasing the demand for Calcined Petroleum Coke (CPC) and Coal Tar Pitch (CTP) affecting operating profits;
- Inability to pass through the increased input cost to the customers; and
- Non availability of Green Petroleum Coke.



## **Cement**

- Slowdown in housing, real estate and infrastructure projects;
- Intense competition in the cement industry adversely affecting operating profits; and
- Low Capacity utilization and high input cost.

## **Chemicals**

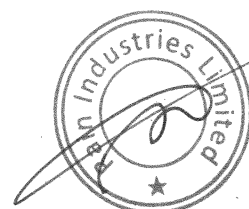
- Commodities risk resulting from changes in market prices for purchase of raw material; and
- Low demand from manufacturing sector which represents the primary customer base for chemical business.

## **Risk Mitigation Measures adopted by the Company**

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

## **Carbon Products**

- Periodically detailed study is being made to assess the demand and supply of CPC and CTP. The increase in use of Aluminum in some of the key industries such as transportation (including aerospace), construction, packaging and consumer electronics is expected to give a boost to CPC and CTP industries as there is no economically viable substitute available for these products; and
- Measures are being taken to achieve cost effectiveness and optimum price realization by utilizing competitive advantage in procuring raw material; and
- Rain is utilizing a wider range of GPC raw materials, alternative raw material like shot coke and other non-traditional anode cokes which is produced by more refineries and are available at discount.





## **Cement**

- Cost control measures are being exercised by deleveraging balance sheet, improving the Cement to clicker blend ratio and improving capacity utilization; and
- Exploring new markets to improve sales.

## **Chemicals**

- Pricing and procurement risks are reduced through worldwide procurement; and
- Improvement in supply network.

## **E) Political Risks**

These risks relate to Political uncertainties namely:

- Elections
- War Risks
- Country/Area Risks
- Fiscal/Monetary Policy Risks.

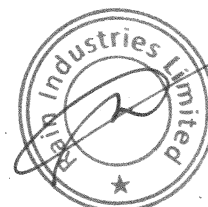
## **Risk Mitigation Measures adopted by the Company**

These are external risks on which Company has no control. These risks are common to every industry. The Management gets updates on change in policy of the Government on the Industry. As per the policy of the Government, the Management of the Company formulates its strategy for its growth.

## **E) Credit and liquidity Risks**

These risks relate to commercial operations namely:

- Working Capital Management



### **Risk Mitigation Measures adopted by the Company**

Following are the Risk mitigation measures adopted by the Company to mitigate the risks relating to the Credit and liquidity:

- The Company is having adequate working capital limits (Fund based and Non-fund based) to run the business;
- Working Capital Limits (Fund based) are being utilized judiciously to meet the gap between the requirement and availability of funds; and
- Working capital limits (Non Fund based Bank Guarantee & Letter of Credit). Bank Guarantee's will be utilized, to meet the Statutory and Regulatory purpose, whereas Letter of Credit's will be used for Material procurement purpose.

### **F) Disaster Risks**

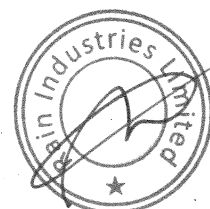
These risks are generally of following nature namely:

- Natural risks like fire, floods, earthquakes, typhoons, etc.

### **Risk Mitigation Measures adopted by the Company**

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

- Company has insured all its Properties from Natural risks like Fire, Floods, Earthquakes etc;
- Fire Extinguishers at fire sensitive locations have been put up;
- First aid training to watch and ward staff and safety personnel is given;
- Workmen of the Company are covered under ESI, PF, EPF to meet the events of death, disablement and sickness compensation; and



- The Company personnel are trained regularly for handling such disasters to protect property and human.

### **G) System Risks**

These risks relate to the Company's Information Technology environment namely:

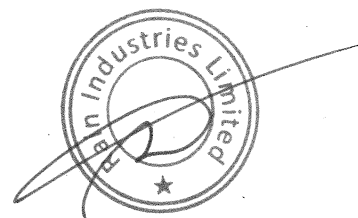
- **Loss of Availability:** If a mission-critical IT system (SAP) is unavailable to its end users, the organization's mission may be affected.
- **Loss of Integrity:** System and data integrity refers to the requirement that information be protected from improper modification. Integrity is lost if unauthorized changes are made to the data or IT system by either intentional or accidental acts.
- **Loss of Confidentiality:** System and data confidentiality refers to the protection of information from unauthorized disclosure.

### **Risk Mitigation Measures adopted by the Company**

In the information technology age which every Company is exposed to the risks relating to reliability, data integrity and confidential risks.

Following are the Risk mitigation measures adopted by the Company to mitigate the risks relating to the IT System:

- SAP infrastructure is managed and hosted by IBM in a secure data center. SLA for infrastructure availability is 99.97% in a year;
- In case of hardware failures, "Same Business Day" replacement has been agreed upon with service providers/vendors;
- A Disaster Recovery site with RPO of 2 hours and RTO of 4 hours is implemented to secure the SAP application as well as data;



- Network infrastructure at all locations has redundancies in case of local failure/s;
- A stringent change management procedure is being followed to make configuration changes to hardware as well as software changes;
- Change requests with impact analysis are approved by the respective business teams;
- All changes are tested in a simulated environment by the business teams and approved. Approved changes are then migrated to the Production (live) systems;
- Authorizations to perform transactions and view reports are governed by the principle of “NEED TO KNOW” and “SEGREGATION OF DUTY”;
- Creation and changes to the authorizations are governed by the change management policy; and
- Half yearly review of the authorizations is conducted and reviewed by the business team to ensure that sanctity of authorizations is maintained.

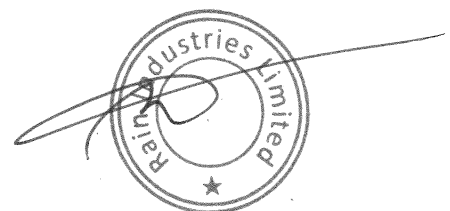
## **H) Legal Risks**

These risks relate to the following:

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

## **Risk Mitigation Measures adopted by the Company**

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



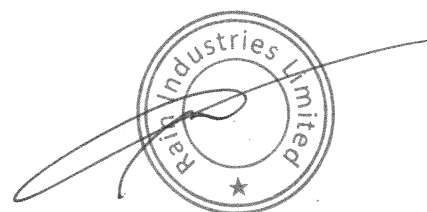
- It is ensured that contracts executed with clients and contractors contain a contractual liabilities, deductions, penalties and interest conditions;
- A Legal department has been put in place with the personnel having requisite legal qualifications;
- Conflicts will be resolved as per the advise from legal professionals like Advocates;
- Proper care in terms of reading of different clauses in insurance Policy is being taken while taking insurance on the properties of the Company to avoid any dispute at the time of claim;
- Systems have been put in place to make timely payment of insurance and full coverage of properties of the Company under insurance;
- Internal control systems are existing in the Company to have proper control on the operations of the Company and to detect any frauds; and
- Internal audit is done by a independent audit firm to ensure whether the operations of the Company are being done in accordance with the defined systems and procedures.

## **6. Internal Control System**

The Company has adequate internal control systems and procedures with regard to purchase of stores, raw materials including components, plant and machinery equipment, sale of goods etc.

The Company has clearly defined roles and responsibilities for all managerial positions and all operating parameters are monitored and controlled.

The Senior Management of the Company continually visits the Plants



and other operating locations and assesses the Internal Control system and advises for corrective measures if required.

The Company operates its Accounting System under SAP. The Company has appointed independent Professional Audit Firm as Internal Auditors to review the Internal Control System of the Company. The Internal Auditors carry out their review process and present their observations in every quarter to the Senior Management and the Audit Committee. Accordingly, necessary actions are being taken to strengthen the system.

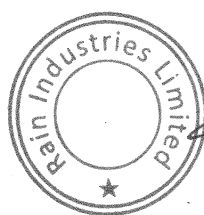
## **7. Review of the Risk Management Procedure**

The Risk management procedure shall be reviewed by the Audit Committee and the Board of Directors on a Quarterly basis at the time of review of Quarterly Financial Results of the Company.

## **8. Disclaimer Clause**

The Management cautions readers that the risks outlined above are not exhaustive. Therefore, readers are requested to exercise their own judgment in assessing various risks associated with the Company.

Place : Hyderabad  
Date : July 22, 2021



**for Rain Industries Limited**

  
**Jagan Mohan Reddy Nellore**  
**Director**