RISK MANAGEMENT

Managing risks proactively

We manage our risks with utmost prudence and aim to create and amplify value for our stakeholders in a constantly evolving and dynamic external environment.

We follow the globally recognised 'COSO' framework of Enterprise Risk Management (ERM). ERM enables us to understand the potential upside and downside of all factors that affect our business. Once the risks are identified, they are assessed and managed in order to:

› Protect our shareholders and the interests of other stakeholders
› Achieve our business objectives
› Enable sustainable growth

We have also constituted a sub-committee of Directors to oversee the ERM framework and ensure:

› Execution of decided strategies with a focus on prompt action
› Monitoring risks arising out of unintended consequences of decisions or actions related to performance, operations, compliance, incidents, processes and systems and managing them appropriately

Risk management process
- Risk identification
- Risk assessment
- Risk recording
- Risk mitigation
- Risk monitoring

Top identified risks and mitigation measures

R1
COVID-19 pandemic

The two consecutive waves of the COVID-19 pandemic has adversely affected life and economies. During the initial few months of FY 2021-22, global and domestic economic revival along with human life remained under stress.

Response strategies

We continue to take precautionary and proactive measures to control the spread of coronavirus amongst our workforce. We have undertaken various measures such as:

› Strict adherence to guidelines issues by various government authorities
› Compulsory wearing of masks and following COVID appropriate behaviour at plants and offices
› Random testing of staff returning from outstation travel
› Setting up quarantine centres across all plant locations

Vaccination remains the key to combat the pandemic. We actively arranged for vaccination drives across our plants and offices for our employees in collaboration with local hospitals. As on date, almost our entire staff, including associates; are fully vaccinated.

R2
Geo-political risk

Due to the Russia-Ukraine crisis, oil and natural gas prices have increased which have in turn affected logistics costs, resulting in higher inflation. Further, prices of key raw materials also face uncertainty in pricing.

Response strategies

› Broadening sourcing options across different geographies and multiple vendors
› Blending more petcoke with thermal coal to keep fuel cost in check
› Use of agri-waste as fuel to help reduce dependency on coal

R3
Demand-supply dynamics

There is volatility in demand coupled with rising inflation. Demand-supply risks can affect consumer spending. Moreover, with increased fuel costs there is a potential of affecting margins.

Response strategies

› Widening market base and increased value addition, focusing on quality and customer relationship
› Better market intelligence with inputs from the marketing team

R4
Raw material

The price and availability of raw materials may be adversely affected by factors beyond our control, with issues such as increased demand for raw materials, interruption in production by suppliers, change in supplier allocation, price and currency fluctuations, policy changes and transport costs, etc.

Response strategies

› Tracking commodity markets
› Options to broad-base sourcing
› Building captive capacities for slag and clinkers
› Use of agri-waste as fuel to help reduce dependency on coal
› Relationship management for regular supply and timely signals about the future
› Tracking government policies/developments in sourcing countries

RISK MANAGEMENT

R5
Infrastructure and logistics

Any form of disruption in transportation of goods and supplies, electricity grid, communication systems or any other public facility has the potential to impact normal business activities, in turn impacting financial conditions of the business. Such disruptions also result in increased costs to the company.

Response strategies

› A centralised logistics cell facilitates and ensures minimal logistics cost by adopting the most economical mode of transport
› Appropriate budget allocation and resource prioritisation to meet the demand of present and future infrastructure set-up
› Right combination of transportation through road/rail to optimise operations and cost

R7
Attract and retain the desired talent/manpower

Attracting and retaining employees with the requisite skillset and experience is critical to maintain current operations and future plans of expansions. While our labour relations are good, we cannot discount future disruptions due to disputes or other problems.

Response strategies

› Strong HR policies and processes in place for hiring and retaining talent
› Competitive compensation and robust performance management system to reward employees
› Group-wide employee re-designation exercise carried out in alignment with the market scenario
› Providing attractive ESOP to retain talent
› Creating a separate pool of employees across bands and grooming them for next-level roles through specially designed Future-Fit Leadership Development programs in collaboration with IIM Ahmedabad, ISB Hyderabad and Cornell University, USA
› Providing online learning courses for employees in collaboration with 'Skill-soft' to develop project management, team building, communication and other skills

R6
Environment, health & safety

The cement business involves emission of carbon and other gases, which poses a threat to the environment. This makes the business prone to physical risks of climate change. The cement plants and facilities are also associated with hazards including accidents involving moving machinery, on-site transport, forklifts and overhead cranes; explosions and resulting fires. These conditions may result in severe damage or destruction of property, equipment and environment and cause personal injury or even fatalities among our personnel.

Response strategies

› Closely monitoring compliance
› Regularly tracking changes in technology, regulations and changing norms
› Emphasis on the use of sustainable products that are safe for consumers
› 'Safety' has been added as a mandatory key result area (KRA) for employees
› Use of agricultural waste as biomass energy for manufacturing to improve ambient air quality and cut carbon emissions
› Regular medical check-up of labour
› Coordinating safety training, mock drills, best practices, structures audit, hazard and operability study (HAZOP) study
› Strong security arrangements such as security check-posts, entry pass/identity cards, access control system; CCTVs stationed at critical locations
› Monthly apex safety meetings for review of safety aspects, fatal accidents and near-miss accidents, if any
› Medical facilities and mediclaim policy for employees and their families

R8
Reputation

Non-compliance with established and evolving regulations in the areas of tax, environment, market competition and failure to meet the expectations of our stakeholder among others can have potential damage to the business.

Response strategies

› Strict adherence to applicable statutes through compliance checklists, internal communication and regular audits
› Robust corporate governance practices and Code of Conduct
› Effective stakeholder and performance management

R9
Finance

Potential risks associated with financing, transactions, credit and liquidity among other factors. The lack of liquidity may impact our targeted operational capacity/financial obligations. Inflation and interest rate fluctuations may affect financial results.

Response strategies

› Tracking and monitoring external events that impact financial performance
› Regularly reviewing financing, hedging, pricing and procurement policy considering exposure, emerging scenario and track record among other aspects
› Effective monitoring of internal performance and cash flows through internal meetings and continuous improvements in information and communication systems

R10
Confidentiality, integrity and availability of data & systems

Our operations are exposed to a wide array of cyber risks. Digital security is paramount to ensuring seamless operations, given our investments and extensive deployment in digital services. A potential breach could lead to loss of process control and impact day-to-day functions. Data and cyber security risks could damage the company's reputation and lead to financial loss.

Response strategies

› Undertaking measures to control system vulnerability
  a. Vulnerability assessment and penetration testing for all public-facing assets
  b. Firewall hardening rule sets implemented
  c. Firewall remediation tool deployed and improvements done in identified areas
› Incorporating cybersecurity and privacy into everyday business decisions and processes
› Cyber security awareness programme conducted across all locations
› Continuous monitoring of threats, followed by prompt response, investigation and remediation of cyber security-related incidents and data breaches