

**KIOCL Limited,
Koramangala, II Block,
Bangalore – 560 034**

RISK ASSESSMENT & MINIMIZATION POLICY

KIOCL Limited
Risk Assessment & Minimization Policy

Preface

Risk Assessment & Minimization Policy helps the Organization in achieving desired performance and profitability targets. It also helps in complying with laws, rules and regulations. It helps to minimize /avoid damage to the entity and associated consequences. In the scheme of Corporate Strategies, this Policy is highly significant and forms one of the main responsibilities of the Management. Risk Assessment & Minimization Policy should be an integral part of Corporate Management. All activities associated with this need to be aligned to achieve the Corporate Goals. It needs involvement of all departments. Suggestions from all corners for developing Risk Management & Minimization Policy are welcome. This enables in updating/revising the Policy to meet the changing situations on continuous basis.


Chairman-cum-Managing Director

Place: Bangalore

Date: 12/8/2011

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SL NO	ACTIVITY	SUB SL NO.	RISK ASSOCIATED	NATURE OF IMPACT OF THE RISK	LIKELIHOOD OF OCCURENCE	MINIMISATION POLICY
1	Public procurement	a	Resorting to retendering/cancellation of the tender when it is in the final stage of approval	Extremely detrimental effect on the Organization	Likely	<p>a) High value purchases are covered under Integrity Pact Programme to insulate the subject risk from occurrence.</p> <p>b) Preventive Vigilance Policy adopted by the Organization's Vigilance Department.</p> <p>c) Strict Compliance with all the relevant Guidelines of CVC</p> <p>d) Wide Publicity among suppliers on major initiatives of the Organization to ensure fairness, transparency in Public procurement.</p> <p>e) Wide publicity among the suppliers and also the employees of the Organization on the GOI resolution on Public interest disclosures and protection of informer etc.</p> <p>f) Procurement / investment decisions are put to extra due diligence to determine their need and requirement to achieve the objective intended to.</p>
		b	Lack of adequate assessment of needs in the Material Purchase Requisitions. (the needs are not adequately or objectively defined, viz., technical specifications either too vague, not based on performance requirements or defined/ tailored to favor one supplier)	Significant but containable	Possible	<p>a) A check list based verification at the indenter's end and also at the Purchase Officer's end to obviate the subject risk in respect of technical specifications is stipulated.</p> <p>b) Barring items of proprietary nature, for the other items, the policy stipulated is for public procurement through Limited Tender or Open Tender mode as deemed fit.</p>

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	Public procurement	c	Inadequate or irregular choice of procurement procedure/sources.	Significant but containable	Possible	The choice of mode of procurement is decided on case to case basis. The indenter makes reference to the suggested sources of supply in the indent based on the market information available with him, complexity of the item(s) and the time frame within which the item(s) is/are required. The same shall be reviewed by the Purchasing Officer and modified, if additional proven sources for the item(s) are available according to the registered vendor list and action initiated accordingly, with approval. Where the value is high, Open Tender mode is adopted for requirements, which are not proprietary in nature. E-procurement mode is followed for Open tenders beyond Rs. 5Lakhs.
		d	Insufficient timeframe for preparation of bid/procurement.	Significant but containable	Possible	The initiation of the procurement actions shall take place ahead of requirement realistically looking at the consumption pattern, service hours covered by the equipment, preventive maintenance schedules and realistic delivery schedules. Procurements against breakdown requirements shall be bare minimum and shall not exceed 10% of total number of MPRs.

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	Public procurement	e	Cartel formation	High Impact	Likely	<p>a) To prevent cartel formation, the names of qualified bidders shall be announced only after the submission of bids to prevent cartel formation. Prior announcement of the bidder's names shall not be done.</p> <p>b) For cases that should be subject to competition, open bidding mode is the appropriate form and the same is adhered to.</p> <p>c) E-procurement is adopted in maximum possible tenders as this mode provides immunity to cartel formation.</p>
		f	Inadequate knowledge of latest trends in the Market.	High Impact	Likely	Intensive training in respect of public procurement processes, procedures, guidelines governing them etc., is given to all the officers carrying out the job of public procurement. Also, the Purchase Manual and Quality Management System Manual provide guidelines for implementation by all the concerned.

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2	Market Security for Sale of Pellets	a	Increased Competition	Medium	High	<ul style="list-style-type: none"> a) Migrating to sale of pellets with guaranteed specification from selling pellets on 'No Complaint Basis'. b) Expanding customer base. c) Exploring possibilities of despatches through other modes apart from sea route.
		b	Price Fluctuation	High	High	<ul style="list-style-type: none"> a) Securing permanent source of raw material – captive mines. b) Control cost of production. c) Entering in to term contracts for sale of pellets.

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3	Security of Iron Ore Supplies	a	Non Availability of right quality of Iron Ore	High Impact	High	a) To make efforts to identify, obtain and develop Captive Mines. b) To obtain supplies of right quality iron ore and entering in to Long Term Contract with reliable suppliers.
		b	(i) Mode of Transportation – Road Pilferage, Mix-up, Supply of illegally mined ore.	Very High Impact	High	To avoid Transportation of Iron Ore by Road.
			(ii) Mode of Transportation – Rail Handling Loss, Transit and Ground Loss	High Impact	Medium	a) Inspection of wagons of rakes at loading station and required action thereof to be put in place. b) Avoid multiple handling. c) Developing infrastructure for bulk material handling system at receiving station at KIOCL, Mangalore.
			(iii) Mode of Transportation – Sea Handling and Ground Loss	High Impact	Low	Developing infrastructure for mechanical unloading from ship at New Mangalore Port and ore conveying system to KIOCL Plant.

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4	Competitiveness of the product.	a	<p>Products manufactured by KIOCL becoming uncompetitive. (KIOCL's products could not be competitive due to high cost of sales or inferior quality. The products can also not be sold at prices lower than manufacturing cost as it would lead to registering losses. In the present situation, the requirements are to aim at reducing the conversion costs in respect of pellet manufacturing and also to make BFU viable through value addition.)</p>	Extremely detrimental impact on the organization	Likely	<p>a) At PPU, augmenting facilities for consistent quality of output such as installation horizontal pressure filters, sourcing/blending of high quality additives, consistent process control.</p> <p>b) At BFU, products to be consistently within the specified range, achieved through assured input raw material quality particularly iron ore at mining cost. Also resorting to product ranger expansion such as DISP/Billets.</p> <p>c) Availability of Captive Iron Ore Mines with suitable grade ore makes the Organization economically more viable. Policy of the Organization is to pursue the allotment of Mines in favour of the Company.</p>

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5	Non-allotment of mining lease	a	Procurement of iron ore from outside sources involving higher costs and inconsistent quality.	Extremely detrimental impact	High	Long term agreement with the suppliers of Ore to supply specific quality of ore at a specified rate.
6	Environmental issues.	a	Disruption of production/ Closure of the unit.	Extremely detrimental impact	Rare	a) Adherence to all the norms, rules & regulations, prescribed by various Acts. b) Implementation of Environmental Management System as per ISO: 14001: 2004 Standard.
7	Change in Technology.	a	Becoming uncompetitive due to emergence of low cost technology.	Extremely detrimental impact	Possible	Constant up-gradation of knowledge by studying the improvement in technology used elsewhere and adapting the same to the extent possible.

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8	Government duties and taxes, Interest Rate volatility and Shift in Government Policies.	a	Increased duties & taxes levied, announcement of change in policies by the Government, volatility of Interest rates etc., add up to the cost of production/sales.	Minor Impact and at times may be significant.	Likely	Taking up the likely issues affecting the performance of Company with the concerned Associations and MoS well in advance so that the concerns are addressed to the extent possible while Government prepare the policies on the same.
9	Diversification.	a	Lack of diversification.	Significant in long run	Rare	Exclusive department is established to explore new business avenues available for the Company. The progress on various projects contemplated, is reviewed in weekly review meetings of HoDs.
10	Production risks	a	Various productions risks are: a) inability to achieve the targeted quantity of production b) inability to achieve targeted quality product	Extremely detrimental impact	Possible	Daily review meetings departmentally, and at HoDs level at site and Weekly review meetings of HoDs at inter location level, and monthly review meetings at Corporate level to address the issues concerning both quantity and quality of production towards initiating remedial measures.

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11	Excess Manpower.	a	Manpower available in a unit, where operations have been shut down.	High Impact	Present Situation at Kudremukh location.	a) Introduction of VR Scheme to downsize manpower. b) Transfer to other working locations of the Company. c) Plan for diversification projects and transfer the employees for the execution of the same.
12	Industrial Relations.	a	Adverse Industrial relations. (Cordial industrial relations are prime requisite for achieving production targets. Adverse industrial relations affect performance of the Company)	Extremely detrimental impact	Rare	Review meetings with different bodies of the recognized union are conducted. The reviews are on production, safety and employee welfare requirements.

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13	Process Water Supply	a	Disruption of production due to non-availability of continuous water supply from Kudremukh location.	Extremely detrimental impact	Possible	Take up with the all the authorities concerned for permission to provide continued water supply from kudremukh. Also explore the possibilities of other sources from which water can be drawn to meet the plant needs.
14	Corruption, fraud & white collar crimes.	a	Loss of morale among employees and loss of resources; if corruption, fraud and white collar crimes are unnoticed.	Extremely detrimental impact	Likely	a) Recognition and appreciation of high integrity performances. b) Structured procedures for handling corruption, fraud & white collar crimes, Standard code of ethics and conduct are framed.
15	Succession Plan	a	Vacuum at senior level due to retirement during year 2011 to 2015.	Extremely detrimental impact	Likely	Succession plan in place by re-locating competent senior officers in responsible positions so as to ensure smooth succession.

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16	Non availability of qualified technical personnel to handle new projects.	a	Lack of qualified technical personnel would hamper the progress of new projects.	High Impact	Possible	Recruitment of GE(T)'s / Executives with relevant experience.
17	Man Power Attrition	a	High Levels of Man Power Attrition	High Impact	Possible	<ul style="list-style-type: none"> a) Prefer internal candidates to fill vacancies. b) If suitable candidates are not available internally, recruitment on full time employment basis from outside is done. c) Salaries & perks comparable with other best PSUs are being offered