

RISK MANAGEMENT

The Company has an effective risk management under which all probable risks are periodically identified, assessed and acted upon to minimize and mitigate their impact. These processes are subject to periodical review by the Management. Some of the risks identified are enumerated below:

i. **Raw Material Risk:**

Sugarcane being the main raw material for sugar, any disturbance in its timely availability will have a substantial impact on the operational cost. This in turn has a significant adverse effect since the market value does not factor the variable cost determined by the climatic conditions and the cane economics.

Mitigation Measure:

The Company always maintains healthy relationship with its farmers. It is one among very few companies in sugar industry paying its farmers within the stipulated time. The risk of raw material short supply is mitigated to a large extent by the goodwill and reputation for ethical dealings earned by the Company since inception. The experiments in farm mechanisation, drip irrigation, improved cane varieties, carefully monitored scheduling of cane planting and harvesting boost the confidence of the Company in mitigation of the risk.

ii. **Policy Risk:**

Central and State governments regulate the cane policies and they have a larger control on this industry by determining the raw material price and also influence the sugar selling price. The controls exercised by the Union and State governments over command area demarcation from time to time. Molasses movement control.

Mitigation Measure:

The Company is a member of South Indian Sugar Mills Association (SISMA) and works closely with it towards developing appropriate policy recommendations to represent the industry needs to the government. Formulation of policy on Ethanol doping, review of cogeneration policy, and review of sugar weightage in WPI are some of the issues addressed in close liaison with SISMA.

iii. Cyclical / Commodity Risk:

The sugar price is determined by the cyclical nature of the sugar business and hence it affects the profitability. Sugar being a commodity traded across the world, its price is influenced by the various factors including the normal supply and demand.

Mitigation Measure:

The Company takes the following measures, which enable the Company to insulate itself against price risk.

- More focus on value-added downstream products
- Integration of sugar with cogeneration power and alcohol.