

## **Risk Management Policy**

### **MITCON Consultancy & Engg. Services Limited**

Risk management is an integral part of MITCON's business management and internal control framework. The aim of our risk management is to enable achievement of the Company's strategic, financial objectives and targets in a controlled manner.

#### **1. Risk management framework**

##### **a) Organisation**

Managing Director of the Company organises risk management of the Company with the assistance of Chief Financial officer (CFO). The Managing Director and CFO approve risk management instructions and guidelines depending upon the risk involved in a project, work, new plans and oversee the development of risk management systems and practices of the Company.

Primary responsibility for managing risks rests with the business, where risks also primarily accrue. The Head of business divisions are responsible for organising risk management in their business line. A Head of the Division reports major risks and overall risk status of the business line on case to case basis to Managing Director.

Audit Committee monitors efficiency of the Company's risk management systems through Internal Audit. In addition, the Audit Committee also reviews regularly in its meetings major risks of the Company.

Board oversees risk management and reviews risk management processes of the Company with the assistance of the Audit Committee. Relevant major risks as reported by the Internal Auditors are reported regularly to the Board.

##### **b) Process**

MITCON's risk management consists of a co-ordinated set of activities to identify, evaluate, treat and control all major risk areas of the Company in a systematic and proactive manner.

##### **Evaluation of the risk by Head of the Division**

Head of the Divisions are responsible for treating their risks by taking appropriate actions. These actions typically include mitigating, transferring or absorbing risks, or a combination of these actions. The development of the actions is followed regularly in the organisation.

Risks are categorised according to the following main risk categories:

- External risks
- Internal risks
- Strategic risks

- Operational risks
- Financial risks

### **Project Risk Management process**

Excellence in project management means quality services and good risk and opportunity management. Risk management of projects and assignments is an integral part of MITCON's day-to-day risk management and a key task of every project manager or person responsible for handling any assignment. A systematic risk management process is being evaluated for projects, according to the project's size, complexity and contract model.

The project risk management process is followed throughout the project lifecycle, starting in the prospect and proposal phase and continuing as a regular and systematic process until the closing of the project.

## **2. Description of risks**

Typical risks related to MITCON's business operations are described in this section. The description is not intended to be comprehensive as our operations are subject to other risks as well.

### **i. External risks**

#### **a) Markets**

The economic uncertainties continue and the risk of recession particularly in the Indian market persists. This risk can create uncertainty and delays in clients' decision making. Should the risk materialise, it could create serious problems for clients in arranging financing for investments and could have an adverse impact on MITCON's consultancy business and profitability. The Company aims to reduce its vulnerability to market risks and business cycles by a balanced portfolio of assignments by clients in different industries, markets and geographical areas as well as through sub-contracting and appointment of associates. In economic downturns MITCON's order stock, the activity level of employees and professional charging rates may decline, which would have a negative impact on MITCON's revenues and financial position.

#### **b) Government policies and budgetary allocations**

Our business including of training division and revenues are dependent on projects awarded by government authorities, including central, state and local authorities and agencies and public sector undertakings (Government-owned companies). We are also dependent on the investment by the private sector in infrastructure and other sectors which are in turn linked to government policies relating to private sector participation and sharing of risks and returns. Any adverse changes in government policies and budgetary

allocation could materially and adversely affect our revenues, growth or operations.

### **c) Competition**

The consulting and engineering business is characterised by keen global and local competition. The economic uncertainty has continued and intensive competition in certain sectors and markets prevails. Competition from non-traditional players has also significantly increased in some sectors.

MITCON aims at differentiating itself from its competitors by providing quality and timely services at minimum cost based on its vast experience.

### **ii) Internal risks**

#### **a) Business development**

Organic growth is an important part of MITCON's strategy. The key risks in achieving this strategic goal are potential lack of skilful sales resources, limited amount of suitable projects, and delays in clients' decision making. A significant part of the organic growth is expected to derive from larger and complex projects. There is a limited number of such projects available in the market in the sectors where MITCON operates and the risk profile may be such that MITCON will not decide to pursue them.

### **iii) Operational risks**

#### **a) Ability to attract, recruit and retain skilled personnel**

Our results of operations depend largely on our ability to retain the continued service of our skilled personnel who have specific sector knowledge, understand services we offer and can execute complex assignments. We also need to recruit and train sufficient number of suitably skilled personnel, particularly in view of our continuous efforts to grow our business and maintain client relationships. There is significant competition for management and other skilled personnel in our industry. Loss of any of the members of our senior management or other key personnel or inability to manage the attrition levels in different employee categories may materially and adversely impact our business and results of operations. To overcome this risk, we regularly assess manpower requirement with the help of Head of the divisions and recruit only experienced Manpower.

#### **b) Client Relationships**

Our results of operations depend largely on the number of our client relationships, our ability to maintain relationships and grow our share of clients' business by providing consultancy services,

innovative business solutions and timely execution. We believe successfully developing new client relationships and maintaining existing client relationships are critical for growing our business and consequently our results of operations. The responsibility of client relationships lies with the Head of respective Divisions.

**c) Partners**

Fair number of projects are conducted in co-operation with subcontractors, in consortiums or with other co-operation partners/associates. Partner risks relating to the performance, compliance or financial standing of the partner can involve risk for MITCON. Performance related liability risks are transferred with contractual back-to-back arrangements to each respective co-operation partner to the extent possible. In addition, the Business Division requires checking of co-operation partners' financial status and professional quality standards before entering into any relationship.

Specific instructions on retaining third parties as business partners, including due diligence, confirmation and approvals is followed.

**d) Liability**

Professional services provided to clients involve liability risks. These risks may relate to failure to deliver services in accordance with agreed professional standards, to calculation and similar errors and to performance delays. To mitigate such risks, special emphasis has been placed on quality management and control systems in projects and on limitation of professional liability in contracts. Sometime, Company takes Professional Liability Insurance on case to case basis. Furthermore, certain professional risks are not covered under liability insurances.

**e) Information technology**

Efficiency of MITCON's operations is largely dependent on the use and continuous improvements of information and communication technology systems. Malfunctioning or unavailability of the systems as well as loss, corruption or leakage of data can negatively affect operations of the Company. Inability or major delays in implementing improvements or new systems can negatively affect the efficiency of Company's operations.

MITCON has an appropriate IT organisation, processes and controls in place in order to mitigate these risk, including redundancy, back-ups and appropriate malware protection, encryption technologies and network security controls.

To mitigate this risk, the Company regularly carry out System check-ups to avoid the misuse of System. The Company also has IT policy in place.

**f) Risk of Corporate accounting fraud:**

Accounting fraud or corporate accounting fraud are business scandals arising out of Misusing or misdirecting of funds, overstating revenues, understating expenses etc. The Company mitigates this risk by:

- Understanding the applicable laws and regulations
- Conducting risk assessments
- Enforcing and monitoring code of conduct for key executives
- Instituting Whistleblower mechanisms
- Deploying a strategy and process for implementing new controls
- Adhering to internal control practices that prevent collusion and concentration of authority
- Employing mechanisms for multiple authorisation of key transactions with cross checks
- Scrutinising of management information data to pinpoint dissimilarity of comparative figures and ratios
- Creating a favourable atmosphere for internal auditors in reporting and highlighting any instances of even minor non-adherence to procedures and manuals and a host of other steps throughout the organisation and assign responsibility for leaving the overall effort to a senior individual like Chief Financial Officer.

**g) Legal Risk**

Legal risk is the risk in which the Company is exposed to legal action. As the Company is governed by various laws and the Company has to do its business within four walls of law, where the Company is exposed to legal risk exposure, the Company is having an experienced team of professionals, advisors who focus on evaluating risks involved in a contract, ascertaining our responsibilities under applicable law of contract, restricting our liabilities under the contract and covering risks involved to ensure adherence to all contractual commitments.

Management encourages 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 and industry bodies, chambers of commerce etc. are carefully studied and acted upon where relevant. The Secretary of the Company being the focal point regularly places before the Board supported by a Secretarial Audit by a practicing Company Secretary in compliance with clause 52 of the listing agreement.

#### **h) Compliance with Local Laws**

Company is subject to additional risks related to our international expansion strategy, including risks related to complying with a wide variety of national and local laws applicable for Head Office and Branches as per multiple and possibly overlapping tax structures. Company has put in place robust process at the Branch Level and Head office with the help of external consultants.

### **3. Organisation Structure**

#### **i) Role of the Managing Director and accountabilities**

Managing Director has responsibility for identifying, assessing, monitoring and managing risks.

Managing Director will report on the progress of and on all matters associated with risk management on regular basis to the Board of Directors.

#### **ii) Authority of the Managing Director**

In fulfilling duties of risk management, Managing Director has unrestricted access to Company employees, contractors and records besides independent expert advice on any matter he believe appropriate.

#### **iii) Role of Head of Divisions**

- a) Monitor material business risks for their areas of responsibilities;
- b) Provide adequate information on implemented risk treatment strategies to Managing Director to support ongoing reporting to the Board;

#### **iv) Role of Individual employee**

- a) Recognise, communicate and respond to expected, emerging or changing material business risks;
- b) Contribute to the process of developing the Company's risk management system; and
- c) Implement risk management strategies within their area of responsibility.