

MPIL CORPORATION LIMITED

RISK MANAGEMENT POLICY

Introduction

The term “risk” means possibility of danger, loss, threat, injury or other adverse consequences. “Risk management” is the process to identify and manage threats that could severely impact or bring down the organization. Generally, this involves reviewing operations of the organization, identifying potential threats to the organization, and then taking appropriate actions to address the most likely threats.

As per clause (n) of sub-section (3) of Section 134 of the Companies Act, 2013, the Directors’ Report shall include a statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company.

It has therefore become mandatory for companies to prepare a comprehensive framework of risk management for assessment of risks and determine the responses to these risks so as to minimise their adverse impact on the organisation.

The Company recognises that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner. The Company believes that risk may not be fully eliminated, however, it can be:

- Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract;
- Reduced, by having good internal controls;
- Avoided, by not entering into risky businesses;
- Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and;
- Shared, by following a middle path between retaining and transferring risk.

In today’s challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the Company are imperative. The common risks inter alia are changing regulations, competition, business risks, technology obsolescence, investment risks, retention of talent and expansion of facilities. Business risks include financial risks, political risks, fidelity risks, legal risks.

For managing risk more efficiently, the Company would need to identify the risks that it faces in trying to achieve the objectives of the firm. Once these risks are identified, the risk manager would need to evaluate these risks to see which of them will have critical impact on the firm and which of them are not significant enough to deserve further attention.

This Policy is designed to address the process of Risk Management in the Company.

Risk Management Framework

The objectives of the Company can be classified into:

Strategic:

- Organizational Growth
- Long term and strong relationships with customers

Operational

- Consistent Revenue growth and profitability
- Ensuring safety of Assets and upkeep of properties
- Managing Investments for capital growth and returns

Reporting

- Maintain high standards of Corporate Governance and public disclosure.

Compliance

- Adherence to policies, procedures, standards, laws, rules and regulations

Risk Management and Risk Monitoring

Risk Management and Risk Monitoring are important in recognizing and controlling risks. The entirety of enterprise risk management is monitored and modifications made as necessary.

Risk mitigation is an exercise aimed to reduce the loss or injury arising out of various risk exposures by adopting systematic approach associated with accomplishment of objectives, operations, revenues and regulations. The Company believes that this would ensure mitigating steps proactively and help to achieve stated objectives.

In the management of Risk, the probability of risk assumption is estimated with available data and information and appropriate risk treatments worked out in the following areas:

1. Economic Environment and Market conditions

Variation in economic environment directly affects the Company as company is mainly into investment activity.

2. Financial Reporting Risks

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, Securities and Exchange Board of India (SEBI) rules, and stock exchange listing regulations are creating some unforeseen uncertainty for companies. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such corporate governance standards.

The Company is committed to maintaining high standards of corporate governance and public disclosure to comply with evolving laws, regulations and standards in this regard.

Risk of Corporate accounting frauds

Accounting frauds or corporate accounting frauds are business scandals arising out of misuse 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 vigil mechanisms
- 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 to the Management.

3. Legal Risk

Legal risk is the risk in which the Company is exposed to legal action.

Management places and encourages its employees to place full reliance on professional guidance and opinion and discuss impact of all laws and regulations to ensure total compliance. Advisories and suggestions from professional agencies and industry bodies, Chambers of Commerce, etc are carefully studied and acted upon where relevant.

The Company has established a compliance management system in the organisation with the Company Secretary being the focal point to get monthly compliance reports from functional heads and the same being placed before the Board. Periodic Compliance Audit is conducted by an independent Auditor. Secretarial Audit report by a practising Company Secretary in compliance with the provisions of the Companies Act is a regular check for the management.

4. Human Resource Management

The Company ensures that the right person is assigned to the right job and that they grow and contribute towards organisational excellence. The Company seeks to provide an environment that rewards entrepreneurial initiative and performance.

Risk in matters of human resources are sought to be minimised and contained by following a policy of providing equal opportunity to every employee, inculcate in them a sense of belonging and commitment and also effectively train them in spheres other than their own specialisation. Employees are encouraged to make suggestions on innovations, cost saving procedures and free exchange of other positive ideas relating to manufacturing procedures. It is believed that a satisfied and committed employee will give of his best and create an atmosphere that cannot be conducive to risk exposure.

Employee compensation is always subjected to fair appraisal system with the participation of the employee and is consistent with job content, peer comparison and individual performance. Compensation packages are inclusive of the proper incentives and take into account welfare measures for the employee and his family.

Risks specific to the Company and the mitigation measures adopted

1) Operation Risks:

These risks relate broadly to the company's organisation and management, such as planning, monitoring and reporting systems in the day to day management process namely:

- Organisation and management risks
- Profitability

Risk mitigation measures:

- The Company functions under a well-defined organization structure.
- Flow of information is well defined to avoid any conflict or communication gap between two or more Departments.
- Second level positions are created to continue the work without any interruption in case of non-availability of personnel.
- Proper policies are followed in relation to maintenance of records of investments.
- Effective steps are taken to keep operating costs at an optimum level.

2) Liquidity Risks:

These include:

- Financial solvency and liquidity risks
- Cash management risks

Risk Mitigation Measures:

- Daily and monthly cash flows are prepared, followed and monitored to prevent undue loss of interest and to utilise cash in an effective manner.
- Cash management services are availed from Bank to avoid any loss of interest on collections.
- Surplus funds are invested in low risk investment instruments, to get better returns on idle funds.

3) Human Resource Risks:

These include:

- Staff Turnover Risks, involving replacement risks, training risks, skill risks, etc.
- Harassment of Employees.

Risk Mitigation Measures:

- The Company has proper recruitment policy for recruitment of personnel at various levels in the organization.
- Proper appraisal system for revision of compensation on a periodical basis has been evolved and followed regularly.
- Employees are trained at regular intervals to upgrade their skills.
- Activities relating to the welfare of employees are undertaken.
- Employees are encouraged to make suggestions and discuss any problems with their superiors.
- The Company has established a Harassment Policy and Whistle Blower Policy to provide a secured environment and to encourage the employees to report unethical, unlawful or improper practices or activities in the company and to prohibit managerial personnel from taking any adverse action against those employees who report the same.

4) Systems Risks:

These include:

- Systems capability
- Systems reliability
- Data integrity risks
- Coordinating and interfacing risks

Risk Mitigation Measures:

- The Company carries out procedure for maintenance and upgrades the systems on a continuous basis with personnel who are trained in software and hardware.
- Password protection is provided at different levels to ensure data integrity.
- Licensed software is being used in the systems.
- The Company ensures 'Data Security' by having access control/ restrictions.
- Periodical backup of data is being taken.

5) Legal Risks:

These risks relate to the following:

- Contractual Liability
- Frauds
- Judicial Risks

Risk Mitigation Measures:

Following measures are adopted by the Company to mitigate the risks relating to legal aspects:

- Contracts/ Agreements are finalized as per the advice from legal professionals and Advocates. The Company keeps records and documentation relating to each contract/ Agreements and legal cases.
- Timely payment of insurance and full coverage of properties of the Company under insurance.
- Internal control systems for proper control on the operations of the Company and to detect any frauds.

6) Interest Rate Risks:

This relates to risks on account of fluctuation in interest rates.

Risk Mitigation Measures:

- Investments are made in short term/ medium term financial products to ensure that yields are predictable and more or less certain.

7) Risk to properties:

These include:

- Unauthorised occupation
- Damage to property
- Issues relating to title

Risk Mitigation Measures:

- Adequate security personnel are employed to ensure no unauthorised entry into the company owned and leased properties.
- Insurance cover is taken for any possible loss due to fire, theft, etc.
- Original property title and ownership documents are kept in the secured safe and periodic title search is carried out to confirm that the title is clear.