MANGALAM ENGINEERING PROJECTS LIMITED
RISK MANAGEMENT POLICY
(2015-16 onwards)

1. INTRODUCTION

1.1 Mangalam engineering Projects Limited (MEPL) is a NBFC company. This policy aims to set out the general principles for risk identification and management including a system of risk oversight, management of material business risks and internal controls and systems to mitigate such risks.

1.2 Mangalam recognizes that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company.

2. PURPOSE

The purpose of this Policy is to:

(i) to establish appropriate levels of risk tolerance throughout the Company;

(ii) set forth procedures to analyse risks within agreed parameters across the Company;

(iii) establish appropriate risk delegations and corresponding risk management framework across the Company; and

(iv) ensure Mangalam has a risk management framework that can noticeably respond the risk profile of the Company.

3. RISK APPETITE

3.1 A critical element of the Company's Risk Management Framework is the risk appetite, which is defined as the extent of willingness to take risks in pursuit of the business objectives ,

3.2 The key determinants of risk appetite are as follows:

> shareholder and investor preferences and expectations;
> expected business performance (return on capital);.
> the capital needed to support risk taking;
> the culture of the organisation: .
> management experience along with risk and control management skills;
> longer term strategic priorities.

3.3 The Risk appetite is communicated through the Company's business objectives and strategic plans. The Board and Audit Committee monitor the risk appetite of the Company relative to actual results to ensure an appropriate level of risk tolerance throughout the Company.

4. RISK MANAGEMENT FRAMEWORK

4.1 The Company has designed a dynamic risk management framework to manage its risks effectively and efficiently, so as to meet its business objectives.

4.2 The Company's approach to risk management is summarised below:

4.2.1 Identification of risks
To ensure key risks are identified, the Company:

> defines risks in the context of the Company's strategy;
> documents risk profiles, including a description of the material risks; and
~ regularly reviews and updates the risk profiles.

4.2.2 Assessment of risks

The Risk assessment methodology shall include:
> collection of information
> identification of major risks
> rating of each risk on the basis of

Consequence
Exposure
Probability

> prioritisation of risks
> operation-wise exercise on risk-identification, risk-rating, control mechanism, action and fixing up responsibility

> programme for risk level reduction plan and settling level of responsibility and accountability
> formulation of action plan for Monitoring Risk reduction, evaluation and correction

4.2.3 Measurement and control

Identified risks are then analysed and the manner in which the risk is to be managed and controlled is then determined and agreed. The generally accepted options are:

> accept the risk (where it is assessed the risk is acceptable or if avoiding the risk presents a greater risk through lost opportunity)
> manage the risk (through controls and procedures)
> avoid the risk (stop the activity)
> transfer the risk (outsourcing arrangements)
> finance the risk (through insurance)

4.2.4 Continuous assessment

The Company's Risk Management Framework requires a continuing cycle of implementing, monitoring, reviewing and managing risk management processes.

5. RISK PROFILE

The identification and effective management of risks is critical in achieving strategic and business objectives. The Company's activities give rise to a broad range of risks which are considered under the following key categories of risk:

5.1 Strategic Risks

> Lack of responsiveness to changing economic or market conditions, including commodity prices and exchange rates, that impact the Company's operations;
> Ineffective or poor strategy developed;
> Ineffective execution of strategy.

5.2 Financial Risks

> Financial performance does not meet expectations;
> Capital is not effectively utilised or managed;
> Cash flow is inadequate to meet financial obligations;
> Financial results are incorrectly accounted for or disclosed; and

> Credit, market and/or tax risk is not understood or managed effectively.

5.3 Investment Risks

Failure to provide expected returns for defined objectives and risks such as underperforming as compared to the stated objectives and/or benchmarks.

5.5 Human Resources Risks

> Inability to attract and retain quality and appropriate people;
> Inadequate succession planning; and
> An inappropriate culture.

5.6 Legal and Regulatory Risks

> Legal and commercial rights and obligations are not clearly defined or understood; and

> Commercial interests not adequately protected by legal agreements.

5.7 Compliance Risks

> Non conformance with or inability to comply with rules, regulations, prescribed practices, internal policies and procedures or ethical standards.

6. RISK OVERSIGHT

The Company has laid down well defined procedures for its various activities. All the operations and transactions in the Company are carried out in accordance with applicable rules, regulations, company's operating procedures and policies and Government and regulatory guidelines as applicable so as to assess risk, if any, associated with such operations/transactions and minimize the same.

6.1 Governance Structure

The Company's Risk Management Framework is supported by the top executives of each Division, the Audit Committee and the Board of Directors.

6.2 Responsibilities of top Executives

6.2.1 The top Executives are responsible for monitoring that appropriate 'processes and controls are in place to effectively and efficiently manage risk, so that the strategic and business objectives of the Company can be met.

6.2.2 When considering the Audit Committee's review of financial reports, the Board Is assured by the Whole-time Director and the Company Secretary, that the Company's financial reports give a true and fair view, in a\l material respects, of the Company's financial position and comply in all material respects with relevant accounting standards. This statement also confirms that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in relation to financial reporting risks.

6.2.3 Similarly all Unit Heads also confirm to the Audit Committee and to the Board that the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially Change the position.

6.3 Audit Committee

6.3.1 The Audit Committee is a committee of the Board, with delegated responsibilities in relation to risk management and the financial reporting processes within the Company.

6.3.2 The Committee is also responsible for monitoring overall compliance with laws and regulations.

6.3.3 The Committee reviews and approves the risk management frame work as and when it considers appropriate.

6.4 Assurance

6.4.1 There are different levels of assurance in relation to the effectiveness and efficiency of the Risk Management Framework and associated processes and controls.

6.4.2 At first instance, assurance is provided from management through Management reports and process. The reports and process will be founded on a sound system of risk management and internal control and that the system was operating effectively in all material respects to strategic, shareholder, operational and financial risks.

6.4.3 Assurance also comes from the monitoring, oversight and reporting undertaken by the Audit Committee, as well as from the independent testing, review and reporting undertaken by Independent external auditors who provide an audit opinion as required by law.

6.4.4 Internal Auditors of the various units of the Company will carry out a review of each unit quarterly identifying the risk affecting each unit, its effect on the Company and the steps taken by the unit to mitigate those risks.

6.4.5 Process, surveillance, controls or other reviews are performed as required.

7. REVIEW OF POLICY

The Audit Committee and the Board of Directors review this Policy from time to time to ensure it remains consistent with the Board's objectives and responsibilities.

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