RISK MANAGEMENT POLICY
OF
POWER MECH PROJECTS LIMITED

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1. BACKGROUND:

The Securities and Exchange Board of India ("the SEBI") has notified SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI (LODR) Regulations") vide notification no. SEBI/LAD/NRO/GN/2015-16/013, dated 2nd September, 2015, which was effective from 2nd December, 2015 (90 days from the publication in official gazette).

In accordance with Section 134(3)(n) of the Companies Act, 2013, a company is required to 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 and further as per Regulation 17 of the SEBI (LODR) Regulations, the board of directors shall be responsible for framing, implementing and monitoring the Risk management plan for the listed entity. Accordingly, to mitigate and manage risk at "Power Mech Projects Limited(PMPL)" (hereinafter referred to as the "Company"), the Company has formed the policy (the "Risk management Policy") for the same. This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in the operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

Accordingly, to mitigate and manage risk at "Power Mech Projects Limited", the Company has formed the policy (the "Risk Management Policy") for the same. This document shall be under the authority of the Board of Directors of the Company. It seeks to identify risks inherent in the operations of the Company and provides guidelines to define, measure, report, control and mitigate the identified risks.

2. OBJECTIVES:

The objective of Risk Management Policy at Power Mech Projects Limited is to preserve shareholder value to the extent practically feasible and to ensure sustainable business growth with stability by identifying and mitigating major operating, and external business risk. In order to achieve the key business objectives, the policy establishes a structured and disciplined approach to Risk Management,

including the development of the Risk Register, in order to guide decisions on risk related issues.
The specific objectives of the Risk Management Policy are:

1. To establish a framework for the company's risk management process and to ensure its implementation.

2. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.

3. To assure business growth with financial stability.

4. To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated, minimized and managed i.e. to ensure adequate systems for risk management.

To achieve these objectives, Power Mech Projects Limited shall adhere to the following core principles:

1. **Effective Risk Management Process:** The Risk Management Team constituted by the Board shall have the overall responsibility to ensure effective risk management process within the company

2. **Coordination:** Every function/ department/ office in the organization shall work in coordination to ensure effective implementation of this risk management policy.

3. **Risk Culture:** Informed and consistent risk related decisions shall be taken; noncompliant behaviors shall not be tolerated and risk management shall be dealt professionally.

4. **Proactive Leadership:** Risk identification (including identification of the risk of lost opportunities), risk assessment, risk response and risk monitoring are ongoing activities and shall form an integral part of the company's operations, management and Decision Making process. All the identified risks shall be updated in the central repository.

5. **Transparency and Compliance:** The risk management activities along with the most Significant risks shall be reported and the material failures in mitigation measures shall be escalated through reporting line to the relevant levels of organization structure.

3. DEFINITIONS:

I. Risk

Risk is any uncertain future situation or event, which could influence the achievement of Company's objectives or realization of opportunities, including strategic, operation, financial and compliance objectives.

II. Risk Management

Risk Management is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect achievement of a corporation's strategic and financial goals.

III. Risk Strategy

Risk Strategy of a company defines the company's standpoint towards dealing with various risks associated with the business. It includes the company's decision on the risk tolerance levels and acceptance, avoidance or transfer of risks faced by the company.

IV. Risk Treatment:-

Risk avoidance/ termination – decision not to become involved in, or action to withdraw from, a risk situation.

Risk transfer –sharing with another party the burden of loss or benefit or gain, for a risk.

Risk reduction/ mitigation – actions taken to lessen the probability, negative consequence, or both, associated with a risk.

Risk acceptance/ retention–the acceptance of the burden of loss or benefit or gain, for a risk.

V. **Risk appetite:-**

Risk appetite is an expression of how much risk an organization is prepared to take. It can vary over time and from work area to work area. If the Company's risk appetite is clearly articulated to staff, they can take this into account when making their decisions.

4. RISK MANAGEMENT:

Risk Management Committee shall identify the key risks and report them to the Board of Directors and Audit Committee, which shall ensure that the risk management activities are undertaken as per this policy. The main objective of the Risk Management Committee shall be to provide an enterprise-wide view of key risks within the organization to the Board of Directors and Audit Committee.

Analysis of all the risks thus identified shall be carried out by Mr. GDV Prasada Rao, Chairman of the Risk Management Committee of the Company through participation of the vertical/functional heads and a preliminary report shall be placed before the Risk Management Committee.

Risk management policy and processes will enable the Company to proactively manage uncertainty and changes in the internal and external environment to limit negative impacts and capitalize on opportunities.

5. RISK MANAGEMENT PROCESS:

a) Risk Identification:

Management identifies potential events that may positively or negatively affect a company's ability to implement its strategy and achieve its objectives and performance goals. Potentially, negative events and represent risks are assigned a unique identifier. The identification process is carried out in such a way that an expansive risk identification covering operations and support functions are put together and dealt with.

b) Risk categorization:

All the risks that have been identified shall be classified under the following risk categories - Strategic, Financial, Operational and Compliance risk.

- **Strategic Risk** - Risk of loss resulting from business factors. These risks adversely affect the achievement of strategic objectives and may impair overall enterprise value.
- **Financial Risk** - Risk directly impacting the balance sheet and access to capital.
- **Operational Risk** - Risk of loss resulting from inadequate or failed processes, people and information systems.
- **Compliance Risk** - Risk of loss resulting from legal and regulatory factors, such as strict privacy legislation, compliance laws, and intellectual property enforcement.
- **Cyber Risk**- Cyber risk commonly refers to any risk of financial loss, disruption or damage to the reputation of an organization resulting from the failure of its information technology systems.

From the point of view of tracking, risks have further been divided on the business units handling the risk mitigation.

- **Corporate Level Risk** - These risks will be handled by the corporate team and would require mitigation for the entire organization. For e.g., financing, strategy, design risks etc. would need mitigation from corporate offices.

- **Unit Level Risk** - These risks will be handled by respective risk managers and will set the risk management procedures and reporting key risks to the risk management committee as per standard operating procedures.

c) Risk Assessment:

Risk assessment allows an entity to consider the extent to which potential events have an impact on achievement of objectives. Assessing risk enables tracing the reasons/drivers for existence of a risk elements and helps developing appropriate mitigation action.

Risk Rating is the result of the product of impact and likelihood of occurrence of a risk with the consideration of controls in place.

The risks identified shall be evaluated by their likelihood and impact parameters as per the following methodology:

Impact Rating: Determination of Financial, Operations, Legal & Regulatory impact due to risk occurrence

Risk Category	Impact Parameters	Measurement Reference		
		Low (Rating 1)	**Medium (Rating 2)**	**High (Rating 3)**
Financial	Impact on key company financials such as operating revenue	Insignificant impact on company financial operating revenue (Cost of impact is likely to be less than Rs. 1 Crores p.a.- Less than 0.1% of revenue)*	Moderate impact on company financials operating revenue (Cost of impact is likely to be between Rs. 1-10 Crores p.a.- Between 0.1%-1% of revenue)*	Significant impact on company financials - operating revenue (Cost of impact is likely to exceed Rs.10 Crores p.a.- 1% of revenue)*
Strategic	Impact on key strategies for organization such as customers, employees and vendors	Minimum impact on stakeholders	Moderate impact on stakeholders	Significant impact on stakeholders
Operations	Impact on service availability, productivity third party relationships, brand value and reputation	Minimal impact on operations	Moderate impact on operations	Significant impact on operations

Compliance	Legal and Regulatory breach and its consequences due to non-compliance to legal and regulatory requirements	Minimal or No Impact	Moderate compliance failures detected, limited penalties	Significant compliance failures detected, show cause notice or Significant penalties
Cyber	Impact on reputation of organization or financial loss	Minimal or No Impact	Moderate impact on stakeholders/ financials	Significant impact on stakeholders/ financials

* Materiality levels may change based on scale of operations.

d) Risk Mitigation:

Management develops appropriate responsive action on review of various alternatives, costs and benefits, with a view to managing identified risks and limiting the impact to tolerance level. Risk Mitigation Plan drives policy development as regards risk ownership, control environment timelines, standard operating procedure (SOP) etc. There are certain strategies for mitigating risk such as Risk Avoidance/ Termination, Risk Acceptance/Retention, Risk reduction and Risk Transfer etc.

e) Risk Monitoring:

As the risk exposure of any business may undergo change from time to time due to continuously changing environment, the risks with their mitigation measures shall be updated on a regular basis. Risk to monitored on continuous basis quarterly or half yearly for the implementation of better actions.

f) Risk Reporting:

Periodically key risks are reported to Board or empowered committee with causes and mitigations undertaken / proposed to be undertaken.

6. APPLICATION:

This policy applies to all areas of the Company's operations.

7. ROLE OF THE BOARD:

The Board will undertake the following actions to ensure risk is managed appropriately:

- The Board shall be responsible for framing, implementing and monitoring the risk management plan for the company.

- The Board shall define the roles and responsibilities of the Risk Management

- Committee and may delegate monitoring and reviewing of the risk management plan to the Committee and such other functions as it may deem fit

- Ensure that the appropriate systems for risk management are in place.

- Be satisfied that processes and controls are in place for managing less significant risks;

- Ensure risk management is integrated into board reporting and annual reporting mechanisms

8. PERIODICAL REVIEW:

This policy shall be reviewed at a minimum at least every year to ensure it meets the requirements of legislation & the needs of organization.

9. DISCLOSURE IN THE BOARD'S REPORT:

Board of Directors 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.

10. APPROVAL AND MODIFICATION:

The Board will be the approving authority for the company's overall Risk Management System. The Board will, therefore, approve the Risk Management Policy and amend, modify or review this Policy in whole or in part, at any point of time, as may be deemed necessary.