

# IMP POWERS LIMITED

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## RISK MANAGEMENT POLICY

### INTRODUCTION:

The term "Risk" means *a chance or possibility of danger, loss, injury or other adverse consequences.*

Risk Management is an attempt to identify and manage the possible threats that could severely impact or bring down the organization and thereafter taking appropriate actions to address the most likely threats in the organization.

**Paragraph (C) of sub-clause IV of Clause 49 of the Listing Agreement states that:**

*"The company shall lay down procedures to inform Board members about the risk assessment and minimization procedures and that the same shall be periodically reviewed."*

The Ministry of Corporate Affairs, Government of India has also accepted the concept of Risk Management and its relevance to the smooth functioning of the Corporate sector in India and has therefore introduced a specific provision on Risk Management under paragraph (II) (C) of Corporate Governance voluntary guidelines, 2009, which states that:

### Risk Management:

- i. The Board, its Audit Committee and its executive management should collectively identify the risks impacting the company's business and document their process of risk identification, risk minimization, risk optimization as a part of a risk management policy or strategy.
- ii. The Board should also affirm and disclose in its report to members that it has put in place critical risk management framework across the company, which is overseen once every six months by the Board. The disclosure should also include a statement of those elements of risk, that the Board feels, may threaten the existence of the Company.

It has therefore become mandatory for all the listed Companies to adopt a comprehensive framework of Risk Management for assessment of risks and determine the responses to these risks, so that its adverse impact on the organization could be minimised.

### RISK STRATEGY:

**IMP** 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 the Risk cannot be eliminated. However, it can be reduced, by having good internal

controls; avoiding risky businesses affairs or taking up risky projects in anticipation of higher profits.

IMP Powers Limited, established in 1961, is having state of the art plant at Silvassa, and is a very old player in Power equipment, manufacturing entire power and distribution transformers.

IMP has adequate capacity to manufacture transformers for a wide range of applications thus ensuring timely deliveries as per customer requirements.

The product portfolio of the Company includes entire range of Power and EHV Transformers, industrial meters and testing equipments. Continuous R & D, adoption of new technology keeps IMP products one of the best in the field. Backed by continuous in house applied technical research and with use of best quality raw materials have enabled IMP to comply with the latest existing standards both national and international. Thousands of IMP Transformers are working round the clock in India as well as across the globe.

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: Regulations, competition, Business risk, Technology obsolescence, Investments, retention of talent and expansion of facilities. The Business risk, inter-alia, further includes financial risk, political risk, fidelity risk, legal risk

For managing Risk more efficiently the various Departments within the Company would need to identify the risks that it faces in its attempt to achieve long-term objectives. Once these risks are identified, the Departmental Heads, would need to evaluate these risks, in order to see which of them will have critical impact on the Company and which of them are not significant enough to deserve further attention.

As a matter of policy, these risks shall be assessed and steps as appropriate measures to be taken to mitigate the same.

## **RISK MANAGEMENT FRAMEWORK:**

The Objectives behind the Enterprise Risk Management ensures that the Company has in place a well defined framework to set objectives that are consistent with its risk appetite.

The Objectives of the Company can be classified into

Strategic:

- Organizational Growth.
- Comprehensive range of products.

- Sustenance and Growth of Strong relationships with dealers/customers.
- Expanding our presence in existing markets and penetrating new geographic markets.
- Continuing to enhance our industry expertise.
- Enhance our capabilities through technology alliances and acquisitions.

#### Operations:

- Consistent Revenue growth.
- Consistent profitability.
- High quality production.
- Further develop Culture of Innovation.
- Attract and retain quality technical associates and augmenting their training.

#### Reporting:

- Maintain high standards of Corporate Governance and public disclosure.

#### Compliance:

- Ensure stricter adherence to policies, procedures and laws/ rules/ regulations/ standards.

In principle, risks always is a result as consequence of activities or as consequence of non-activities. 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 aiming to reduce the loss or injury arising out of various risk exposures.

IMP seeks to adopt a systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues and regulations. The Company believes that the proactive mitigating steps would help to achieve stated objectives.

**The Company has constituted a Risk Assessment and Minimization Committee with the functional heads as its members:**

<b>Sr. No.</b>	<b>Name of Functional Head</b>	<b>Department</b>
1.	Mr. Kamal Toshniwal	Marketing
2.	Mr. M.P.Singh	Manufacturing/ Production
3.	Mr. G.L. Joshi	Purchase
4.	Mr. S. L. Surana	Stores & Logistics /Admin
5.	Mr. Himanshu Bhat	Human Resources/ Admin
6.	Mr. Deepak Shah	Accounts & Finance
7.	Ms. Renuka Nair	Legal
8.	Mr. Swapnil More	EDP

The Committee shall meet on quarterly basis to review and discuss about the Risk Analysis subject to the recommendation and approval of the top Management and thereafter to submit its periodical report to the Board, about the measures taken for mitigation of Risk in the organization.

## **ELABORATIVE QUESTIONARIE PUT BEFORE THE DEPARTMENTAL HEADS OF THE COMPANY:**

### **MARKETING DEPARTMENT:**

**Concerned Person : Mr. Kamal Toshniwal, Sr. VP-Marketing**

- What are the Risks arising out of the Demand and Supply, Quantities, Qualities in the Market? Any Interest Rate Risk?
- What are Methods adopted by the Marketing Department for reviewing its effectiveness based on reports and findings of investigations on the status of market risk management?
- Whether the Risks confronted by the Marketing Department are identified and what are the remedial measures implemented?
- Whether any Arrangements on the market risk measurement and analysis methods (techniques, assumptions, etc.)?
- What are the Market Risk monitoring Methods and the limits established for the same?
- Any other risks related to your Department and the possible measures undertaken to mitigate the risk?

**PRODUCTION/ MANUFACTURE DEPARTMENT:**

**Concerned Person: Mr. M.P.Singh Head Operations**

**Power supply Risk:**

- Any Risks due to shortage of power supply or its possibility in the near future?
- Risk arising from conservation of Energy, Technology Absorption?
- Any other risks related to your Department and the possible measures undertaken to mitigate the risk?

**PURCHASE DEPARTMENT:**

**Concerned Person: Mr. G.L. Joshi, VP-Procurement**

- Any increase in the Raw Material rates?
- Whether any interruption in the supply of Raw Material?
- Whether any Risks relating to the inputs Better Technology, better sizing, handling, rolling and input weights etc.?
- Any other Risks related to your Department and the possible measures undertaken to mitigate the Risk?

## **STORES /LOGISTICS DEPARTMENT:**

**Concerned Person: Mr. S. L. Surana -VP-Commercial,**

### **STORES**

- Whether there is a proper Check on the inventories?
- Whether suitable inventory control measures implemented?
- Whether there an appropriate stock Valuation Method put in place and any risk arising therefrom?
- Any other Risks related to your Department and the possible measures undertaken to mitigate the Risk?

### **LOGISTICS:**

- Risk arising from Non availability of resources, labour force?
- Risk from capacity utilization and risks Risk related to transportation?
- Any other Risks related to your Department and the possible measures undertaken to mitigate the Risk?



**HR & ADMIN DEPARTMENT:**

**Concerned Person: Mr. Himanshu Bhatt, General Manager-HR**

- Whether there is any Labour Turnover Risks, involving replacement risks, training risks, skill risks, etc.?
- Any Unrest Risks due to Strikes and Lockouts?
- Risks arising from the Natural calamities like Fire, Floods, Earthquakes, etc.
- Any other Risks related to your Department and the possible measures undertaken to mitigate the Risk?

## **ACCOUNTING FINANCE AND TAXATION RELATED RIKS:**

**Concerned Person: Mr. Bhanwar Singh, DGM-Accounts**

### **Accounting Related Risks:**

- Whether any Accounting related Risk arising out of Misusing or misdirecting of funds, overstating revenues, understating expenses etc.?
- Any Foreign currency exposures are recognized from the time an import/export order/contract is signed and as per contractual maturity prior to opening of Letters of Credit and/or Purchase Orders by customers?
- Do we have an Integrated accounting system?
- Whether there is complete control over stock movements?

### **Internal control Procedures:**

- Whether there is adequate control within the Company over security and safety issues?
- Whether there is lack of control over stock used in the manufacturing process?
- Whether there is lack of reconciliation between stock records and entries to the accounting records?
- Is there proper mechanism for record keeping/archiving and back-up routines?

### **Risks Associated with Cash Handling**

- Any Theft of cash?
- Whether the payments are illegally transferred or diverted by making duplicate payments, payments made to the wrong person, or by increasing the value of one payment at the expense of another?
- Whether any Cash received is not brought to account?
- Any Accounting records are falsified or amended to allow unauthorised payments?
- Any Invoices are falsified or duplicated in order to generate a false payment?
- Whether there is any Unauthorised use of cheques and payable orders?
- Any theft of proceeds on sale of assets or services?
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## **Finance Related Risks:**

### **Borrowings and liquidity Risks:**

Whether the Debt Equity Ratio is adequately placed?

Any Financial solvency and liquidity risks?

Any risk arising out of Borrowings?

Any risk arising out of Cash management ?

### **Credit Risks:**

Whether any Risk in settlement of dues by dealers/customers ?

What are the Provision for bad and doubtful debts?

### **Interest rate risk:**

- Any risk of loss resulting from changes in interest rates?

### **Foreign exchange risk:**

- Any risk of loss resulting from the difference between assumed and actual foreign exchange rates?

## **Taxation Related Risks:**

- Whether the statutory dues are regularly collected and paid within the time limits?
- Whether there is due compliance of all the laws i.e. Income tax laws, sales tax laws, central excise etc. and the Assessment for the relevant financial year?
- Any other Risks related to your Department and the possible measures undertaken to mitigate the Risk?

## **LEGAL DEPARTMENT:**

### **Concerned Person: Ms. Renuka Nair, Manager-Legal**

- Any Contract Risks or Contractual Liability suffered by the Company?
- Any Judicial Risks or Insurance related Risks?
- Any Frauds to which the Company may be subjected?
- Risks arising from the pending Legal cases by or against the Company?
- Any Directors Liability for the Personal Guarantees given by them?
- Whether there is due compliance of all Laws, rules and regulations to which the Company is subjected?
- Any Change in the Laws, rules and regulations and its impact on the Company?
- Any other Risks related to your Department and the possible measures undertaken to mitigate the Risk?

**EDP:**

**Concerned Person: Mr. Swapnil More**

- Risk arising out of storage of data?
- Risks from Computer related virus and whether sufficient Anti-virus measures incorporated?
- Whether sufficient Back-up facilities are put in place?
- Any Precautionary and preventive Measures implemented?
- Any theft or sale of sensitive/ restricted documentation or information?

## **RISK ANALYSIS AND THE BROAD AREAS COVERED:**

In order to manage the Risk faced by the organization as a whole, the probability of risk is identified with reference to the available data and information, in respect of the following areas:

### **Risk Summary**

<b>Sr. No.</b>	<b>Risk Description</b>	<b>Type of Risk</b>
1.	<b>Economic and Marketing Conditions</b>	<b>External</b>
2.	<b>Production / Manufacture, conservation of Energy and technology Absorption</b>	<b>Operational/ External</b>
3.	<b>Purchase Segment, interruption in supply and Pricing pressures</b>	<b>External</b>
4.	<b>Stores, inventory control and stock valuation</b>	<b>Operational</b>
5.	<b>Logistics related</b>	<b>External</b>
6.	<b>HR / Admin management</b>	<b>Operational/ External</b>
7.	<b>Accounting, Finance &amp; Taxation related</b>	<b>Operational/ Financial</b>
8.	<b>Insurance Related</b>	<b>Operational</b>
9.	<b>Legal, compliance with all applicable laws, rules regulations</b>	<b>Operational/ External</b>
10.	<b>EDP, data protection</b>	<b>Operational/ External</b>

## RISK ANALYSIS DEPARTMENT WISE:

### 1. Economic & Marketing conditions:

Our customers are concentrated not only domestic market, but the Company is also having strong presence in International market. It regular supplies transformers to UK, Italy, Jordan, Oman, Australia, New Zealand, African continent, Sri Lanka, Nepal etc.

IMP has adequate capacity to manufacture transformers for a wide range of applications thus ensuring timely deliveries as per customer requirements.

However, due to absence of a level playing field for the domestic industry to compete with imported electrical equipment, especially from China and Korea is a clear and present threat. Although net imports of transformer segment have declined, the imports from that of China and Korea, have grown by about 130% over the last fiscal.

### 2. Production / Manufacture:

We have 750 kva capacity diesel generator to run the plant. For temperature rise test, electrical power from Electricity Dept, Admin of Dadra & Nagar Haveli, GOI is required. Risk is that we will not be able to do type test of trfrs & supplies to customer will be affected when power shortage occurs since delivery of product can start only after approval of type tests by customers. Diesel shortage, if this occurs in India, production will have to be curtailed matching availability level since all our 4 nos of vacuum drying plants run on diesel.

Further, when there is shortage of both electrical power & diesel (to run DG sets & vacuum drying plants), production will be severely affected.

There is no alternative action or proposed to be taken in near future to mitigate this risks.

Conservation of energy does not pose any risk since various measures are being taken on continual basis to conserve energy by use of fuel/power efficient equipments .Any future GOI directive will not pose any risk since matching plant/machinery will be installed in allowed time frame.

Technology absorbtion risk - if latest technology is not acquired , there could be high risk of becoming non-competitive in the market in about 5 years & very high risk in 10 years since new design & manufacturing technologies are emerging from leading manufacturers as a continuous process .

### **3. Purchase Segment:**

Interruption in supply of majority Raw Material like Copper, CRGO, T. Oil, M.S. Tank & OLTC etc. is a risky affair. At present we are facing great difficulties in procurement of Copper Rods as Copper smelter plant of Sterlite is closed since last month & one big smelter plant of Hindalco has gone in maintenance.

We are also facing problem in supply of M.S. Tank from Maharashtra vendor as they are not able to get material due to LBT strike since last month.

There are always chances of sudden rise in copper, T. oil & other Raw Material prices due to various internal & external factors including speculation.

Our Major Raw Material except few material like OLTC, Bushings etc. are on free door delivery basis for which the vendors are responsible for the insurance cover, however for non-covered insurance material, it should be ensured that we have proper insurance cover policy for all the un-covered domestic raw material, component, capital goods, imported Raw Material etc.

The existing software in Silvassa stores also have risk factor – precautions are taken by taking the back-up.

### **4. Stores related:**

Inspite of proper Check on the inventories by implementing appropriate inventory control measures and Stock valuation system, there is a risk involved in counting due to space constraint at the end of the month.

The Gate entry of Material and Quantity received are manually operated and there is no System in place, though ERP is under process.

Daily Stock / Min. Stock identification could not happen due to man power shortage and delay in data formation is a risky affair due to lack of accuracy.

### **5. Logistics related:**

The Logistic policy is under process and the issues relating to transportation are closely monitored eg. Theft, Looting, etc. The risk of under developed sites and non readiness of plinth are involved when our load reaches to substations.

### **6. HR & Admin Management:**

The employees are recruited as per the required competencies. Only specific on job trainings is given which have resulted in fruitful utilization in the interest of the Company.



The Company is full equipped with all the provisions to safeguard our men, material and property against the risk arising from the natural calamities like Fire, Floods, Earthquakes, etc.

The Risk related to Labour Turnover, involving replacement risks, training risks skills risks etc. are not applicable to the Company.

**7. Accounting, Finance & Taxation related:**

Accounting related Risk arising out of misusing or misdirecting of funds, overstating revenues, understating expenses etc. overcome by understanding the applicable laws and regulations, Conducting risk assessments, Deploying a strategy and process for implementing the 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 and creating a favourable atmosphere for internal auditors in reporting and highlighting any instances of even minor non-adherence to procedures and manuals.

Financial solvency and liquidity risks, Borrowing limits and Cash management risks can be eliminated through Proper financial planning, Annual and quarterly budgets are prepared and put up to management for detailed discussion and an analysis, Daily and monthly cash flows are prepared and Cash management services are availed from Bank to avoid any loss of interest on collections.

Risks in settlement of dues by dealers/customers, handled by way of assessment of creditworthiness of dealers/customers systems and of the Provision for bad and doubtful debts made to arrive at correct financial position of the Company, through Appropriate recovery management and follow up.

No taxation related risk as the statutory taxes and dues regularly collected and deposited.

**8. Insurance related:**

Assets/ goods in transit adequately/ properly secured as we have the Fire insurance policy as well as sales turn over policy.

The property of Company is secured, the Company has taken insurance policy to cover all risk like wise flood, fire, earthquake, natural calamity, terrorism etc.

No theft of assets (or their unauthorised use) or theft or sale of sensitive/ restricted documentation or information.

We have CGL insurance policy, directors and officer liabilities policy group accident policy, work compensation policy etc

**9. Legal Related:**

There are no contractual liability and personnel guarantee. And that there are hardly any pending matters against the Company and most of them are on the verge of completion.

**10. EDP/ Data Protection:**

All the system of Head Office and Factory is protected with the Anti Virus. Head Office Backup Stored in Management Residence of every Month. Factory Backup Stored in Head Office. Then all the System is protected with USB / PEN DRIVE / CD ROM etc. and all the personal Email Website is monitored so that nothing can be leaked outside.