



## RISK ASSESSMENT PLAN & PROCEDURES

### INTRODUCTION

Under Regulation 17(9) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stated as under "The listed entity shall lay down procedures to inform Board members about the risk assessment and minimization procedures". These procedures shall be periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

### 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 plan or strategy.
- ii) It has therefore become mandatory for the listed 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.

### RISK STRATEGY

Our 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 the Risk cannot be 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;
- Shared, by following a middle path between retaining and transferring risk.

### RISK MANAGEMENT FRAMEWORK

Objectives must exist before management can identify potential events affecting their achievement. Enterprise risk management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the entity's mission. The Objectives of the Company can be classified into

#### Strategic:

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**(Formerly Known as Semac Consultants Limited.)**  
Plot No. 505, 3rd Floor, Udyog Vihar, Phase  
– III, Gurugram,  
Haryana – 122016, India  
Email:  
compliance.officer@semacconstruction.com

**Corporate Identity Number**  
L42900TZ1977PLC000780  
ISO 9001 : 2015

**Registered Office:**  
**Semac Construction Ltd.**  
Pollachi Road, Malumachampatti.  
Coimbatore - 641 021.  
Tel : + 91 422 2610851  
Fax : + 91 442 6655199  
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www.semacconstruction.com



1. Organizational Growth.
2. Comprehensive range of services.
3. Sustenance and Growth of Strong relationships with dealers/customers.
4. Expanding our presence in existing markets and exploring new geographic markets.
5. Continuing to enhance our industry expertise.
6. Enhance our capabilities through technology alliances and acquisitions.

#### **Operations:**

1. Consistent Revenue growth.
2. Consistent profitability.
3. High quality service.
4. Further develop Culture of Innovation.
5. 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.

#### **RISK MITIGATION**

Risk mitigation is an exercise aiming to reduce the loss or injury arising out of various risk exposures.

#### **RISK ASSESSMENT**

Risks are analysed, considering likelihood and impact, as a basis for determining how they should be managed. Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks.

To meet the stated objectives, effective strategies for exploiting opportunities are to be evolved and as a part of this, key risks are identified and plans for managing the same are laid out.

#### **RISK MANAGEMENT AND RISK MONITORING**

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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:**

Economic slowdowns or factors that affect the economic health of our customers' countries may increase risk to our revenue growth.

**2. Fluctuations in Foreign Exchange:**

While our functional currency is the Indian rupee, we transact a significant portion of our business in USD/ Omani Rial/ Euro and other currencies and accordingly face foreign currency exposure from our transactions in foreign currencies and are exposed to substantial risk on account of adverse currency movements in global foreign exchange markets.

We manage risk on account of foreign currency fluctuations through limited hedging of specific transactions with our Bankers etc.

**3. Political Environment:**

Any adverse change in the political environment in our country, would have an impact in growth strategies of the company. Risks that are likely to emanate are managed by constant engagement with the Government Bodies, reviewing and monitoring the country's industrial, labour and related policies and involvement in representative industry-bodies.

**4. Inflation and Cost Structure:**

The cost of revenues primarily includes works contract expenses and hence, there is a moderate degree of inflationary certainty. At organizational level, cost optimisation and cost reduction initiatives are implemented and are closely monitored. The Company controls costs through budgetary mechanism and its review against actual performance with the key objective of aligning them to the financial model. The focus on these initiatives has inculcated across the organization the importance of cost reduction and control.

**5. Technological Obsolescence:**

The company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology. Established contacts with leaders in technology, particularly in

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the areas of the company's operations, enable us to access to newer and evolving processes and their applications in the business of the Company. This has led to the company establishing a lead with customers and sharing with them the benefits of such technological advances quicker than the market.

## **6. 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 Indian stock market listing regulations are creating 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.

We are committed to maintaining high standards of corporate governance and public disclosure and our efforts to comply with evolving laws, regulations and standards in this regard would further help us address these issues.

Our preparation of financial statements in conformity with Indian Accounting Standards issued by ICAI, requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances including consultation with experts in the field, scrutiny of published data for the particular sector or sphere, comparative study of other available corporate data, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. These may carry inherent reporting risks. We believe that the accounting policies related to revenue recognition and Accounting for Income taxes are significant.

## **7. 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 regulations, there is a significant exposure to legal risk exposure. We have experienced professionals and advisors who focus on evaluating the risks involved in a contract, ascertaining our responsibilities under the applicable law of the contract, restricting our liabilities under the contract, and covering the risks involved so that they can ensure adherence to all contractual commitments. Management places and also encourages its employees to place full reliance on professional guidance and opinion and discuss impact of all laws and regulations to

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ensure company's total compliance. Advisories and suggestions from auditors, secretaries, 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. The Board of Directors and Company Secretary of the Company shall ensure that the Company has complied with all applicable laws and regulations.

**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 in each Department to continue the work without any interruption in case of non-availability of functional heads.
- Effective steps are being taken to reduce cost of services on a continuing basis taking various changing scenarios in the market.

**LIQUIDITY RISKS:**

- Financial solvency and liquidity risks
- Borrowing limits
- Cash management risks

**Risk Mitigation Measures**

- Proper financial planning is put in place with detailed Annual Business Plans discussed at appropriate levels within the organisation.
- Annual and quarterly budgets are prepared and put up to management for detailed discussion and an analysis of the nature and quality of the assumptions, parameters etc.
- These budgets with Variance Analysis are prepared to have better financial planning and study of factors giving rise to variances.
- Daily and monthly cash flows are prepared, followed and monitored at senior levels to prevent undue loss of interest and utilise cash in an effective manner.
- Cash management services are availed from Bank to avoid any loss of interest on collections
- Exposures to Foreign Exchange transactions are supported by LCs and Bank guarantees and steps to protect undue fluctuations in rates etc.

**CREDIT RISKS:**

- Risks in settlement of dues by dealers/customers
- Provision for bad and doubtful debts

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- Interest rate risks

**Risk Mitigation Measures:**

- Systems put in place for assessment of creditworthiness of dealers/customers.
- Periodic assessment of the financial reliability of customers, taking into account factors such as credit track record in the market and past dealings with the

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Company for extension of credit to customer Company monitors the payment track record of the customers.

- Performance of impairment analysis at each quarter end on an individual/ consolidated basis for major customers and also other minor receivables.
- The Company evaluates the concentration of risk with respect to trade receivables as low, the trade receivables are located in several jurisdictions and operate in largely independent markets.
- Provision for bad and doubtful debts made to arrive at correct financial position of the Company.
- Appropriate recovery management and follow up.

#### **MARKET RISKS / INDUSTRY RISKS:**

Demand and supply are external factors on which company has no control, but however the Company plans its operations from the experience gained in the past and an on-going study and appraisal of the market dynamics, movement by competition, economic policies and growth patterns of different segments of users.

#### **HUMAN RESOURCE RISKS:**

- Labour Turnover Risks, involving replacement risks, training risks, skill risks, etc.
- High Attrition Rate Risk

#### **Risk Mitigation Measures:**

- 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.
- HR problems are obviated by negotiations and conciliation.
- Activities relating to the Welfare of employees are undertaken.
- Employees are encouraged to make suggestions and discuss any problems with their Superiors.

**DISASTER RISKS:** Natural risks like Fire, Floods, Earthquakes, etc.

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**Risk Mitigation Measures:**

- The properties of the company are insured against natural risks, like fire, flood, earthquakes, etc. with periodical review of adequacy, rates and risks covered under professional advice.
- Fire extinguishers have been placed at fire sensitive locations.
- First aid training is given to watch and ward staff and safety personnel.
- Workmen of the company are covered under ESI, EPF, etc., to serve the welfare of the workmen.

**SYSTEM RISKS:**

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

**Risk Mitigation Measures:**

- EDP department maintains repairs 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.

**Disclaimer Clause**

The Management cautions readers that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

For and on behalf of  
Semac Construction Limited,

**For Semac Construction Limited**

  
**Aakriti Gupta**  
Company Secretary

Aakriti Gupta  
Company Secretary and Compliance Officer

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