Risk Management Overview

In a complex and interconnected world, any event happening around the globe impacts most economies and organisations positively or negatively. Organisations must identify and mitigate the risks they are exposed to. It may not be possible to eliminate the threats but what matters is whether risks are treated well to ensure that the risk levels are within the risk appetite for achieving organisational objectives.

TCE has developed the Enterprise Risk Management (ERM) Framework and process in line with the Business Value Chain of the Company and best practice recommendations of Standards like ISO 31000 and the COSO framework. The company's Risk Management procedure captures and evaluates risks throughout the project's lifecycle, i.e., from the bid stage to the closure of the project. Risk Management System captures and shares the risk data for bids and projects through dashboards and reports to support risk reviews, mitigation and monitoring, risk reporting, etc.

Steps taken by the Company to deal with risks in these highly uncertain times are as shown in the figure below:

Preparation of sector-wise industry risk and opportunity analysis for each BU.

Detailed review of Bids more than a certain threshold. Regular project reviews of top risk projects from each BU and revision of BU and Function risk registers considering the COVID19 scenario.

The ERM team challenges the annual business plan numbers and presents a possible achievement of targets in Low/Base/High scenarios.

The Risk team develops and shares country profiles covering both risk and opportunities.

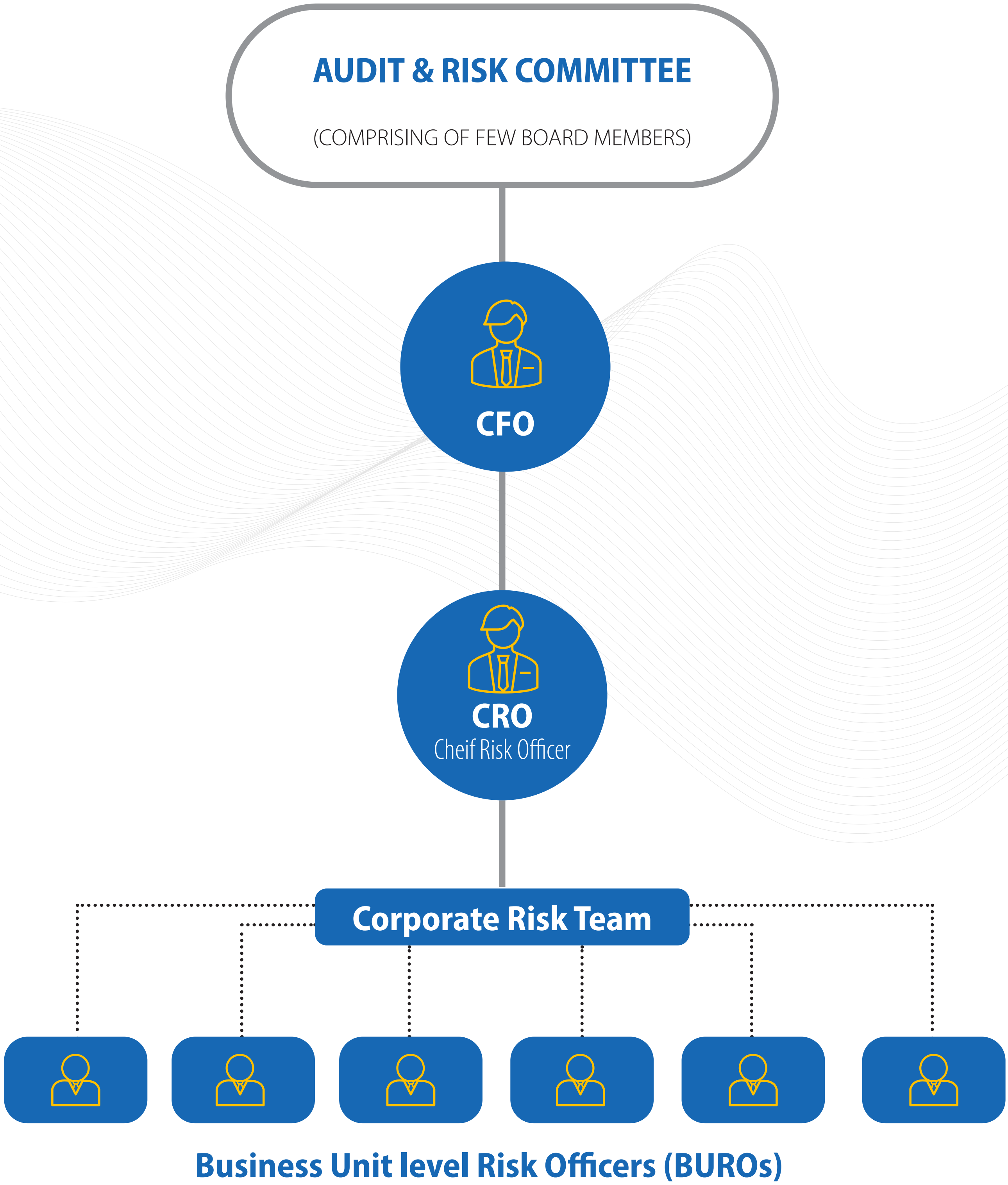
Increased focus on training key stakeholders comprising BU Risk Officers, Business Development and Project Management Teams help strengthen the risk culture across levels within the organisation.

We have continued with our practice of conducting daily management calls to deal with all kinds of risks / uncertainties that cropped up during the year.

All the above steps have helped to strengthen our Governance and Risk processes to aid decision making. The Enterprise Risk Management (ERM) team also regularly presents to the Corporate Management Committee (CMC) and the Audit & Risk Management Committee of the board on the risk assessment and mitigation procedures adopted to enhance the effectiveness of the risk management process.

The TCE Risk Management Team have begun offering risk management services to external clients for a fee. Currently the risk management services are being packaged alongwith our Engineering Consultancy and Project management services to existing TCE clients.

Risk Management Organisation: The Risk Function at the central level is primarily driven by Chief Risk Officer with guidance from the MD, CFO, and the Board. Business Unit level Risk Officers (BUROs) assist the Corporate Risk Team in deploying Risk frameworks within the business units.



Key Risks and How We Mitigate Them

	Economic Risk	Business Acquisition & Revenue Flow	Human Resources
KEY RISK AREAS	• Demand for our services is mainly CAPEX based. Sectors in which our clients operate may get impacted by economic downturns, reductions in government or private spending, and political & economic uncertainty. • Uncertainties presented by the rise in inflation, Russia-Ukraine conflict, and supply chain issues may impact project viability which may delay the owner's CAPEX plans or may hit their ability to make timely payments in existing projects.	• External factors like economic trends, black swan risks like pandemics, government policy changes, market conditions, geopolitical conditions etc., may impact the business acquisition. • Delays or reduction in new orders affects the targeted revenues. • Revenue generation could also be negatively impacted due to internal issues such as inability to deploy the right workforce, inadequate planning.	• Shortfall of critical resources in case of high attrition in some business units. • Black swan events and risks like pandemics may impact our ability to deploy workforce at sites worldwide. • Competition and our ability to attract talent in current market conditions may be a challenge.
MITIGATION STRATEGIES	• TCE has multiple Business Units (BUs) across sectors making it less dependent on any single industry and enabling us to capture new opportunities. • Proper due diligence of clients, ensuring projects viability, funding tie-up etc. are in place.	• Identify areas / geographies / business models for growth. • Develop new key accounts & enter new areas through partnerships, etc. • Deepen customer connect.	• Enhancing employee engagement practices. • Developing specific learning and re-skilling programs by providing adequate training. • Proactive strategies to attract suitable talent from various sources. • Focus on providing a safe environment and ensuring employee's well-being.
AREAS IMPACTED	• Ability to generate new business, Accrual targets, generate revenue from existing business and make collections for current and past dues, project delays leading to cost increase, etc.	• Reduced jobs in hand • Revenues, cashflows and profits.	• Delay in deliverables/projects. • Reduction in revenue and profits. • Increased workforce costs in case of any immediate hiring required for critical positions.

Key Risks and How We Mitigate Them

	Locked Working Capital & Cashflow	Loss of confidential Information / Data Violation / Breach	Concentration Risk
KEY RISK AREAS	• Many of our contracts have milestone-based payment terms, due to which high costs may be incurred before actual billing and collection. • Cash flows from projects can fluctuate significantly over the execution period depending on the delays, contingencies, etc.	• Our work involves exchange of project data, inputs as well as deliverables by project teams spread across different geographies. Besides certain bid specific, critical financial and employee data are also being shared through physical and computer networks. Hence there are risks associated with loss of client confidential, intellectual property and personal data.	• Specific dependencies on certain key clients, types of business models, geographies or sectors may hurt our revenues. • Despite good relationships and performance by TCE, such client(s) may have to reduce, delay, or cancel their contracts due to changed business scenario.
MITIGATION STRATEGIES	• Enhanced focus on contract & claims management to ensure project delivery with profitability. • Due diligence and factoring in locked capital or cash flow impact our bid pricing.	• Processes are being followed to correctly identify confidential information and prevent leakage. Training and sensitisation of employees. • Obtaining specific NDAs / Confidentiality agreements from employees/partners. • Tightening of IT security measures.	• Conscious efforts to reduce dependence or concentration on any single client, geography, or sector. • Develop newer key or large accounts. • Strengthen business relationships with clients at all levels.
AREAS IMPACTED	• Impact on working capital & higher cost of financing. • Negative cashflow	• Loss of sensitive information. • Negative impact on reputation and brand value. • Loss of business	• Volatility or fluctuations in business performance. • Inability to achieve acquisition and revenue targets.

Key Risks and How We Mitigate Them

	Cost Overrun	Liabilities	Intellectual Property (IP)
KEY RISK AREAS	• Costs may increase in projects due to various reasons like: ◊ A higher quantum of resources required ◊ Schedule delays ◊ Resources being unoccupied while being deployed on the project	• Our project execution activities may result in liability as per Contract conditions. • Force Majeure conditions being activated. • We could be exposed to significant monetary damages, claims or reputation risks due to deficiencies in service, any catastrophic event at our project sites, etc.	• Although we protect our intellectual property through contractual arrangements, registration, licensing, NDAs, etc., we may not be able to prevent infringement of our IPs completely. • Our employees could inadvertently or purposely cause an infringement of clients' or third parties' IP rights. • Litigation to determine the scope of IP rights, even if ultimately successful, could prove to be costly.
MITIGATION STRATEGIES	• Ensuring vital bid stage contractual review and study of primary/secondary data to identify issues/risks, quantify the same and factor into the prices. • Follow project and contract management best practices to avoid cost overruns.	• Adequate professional liability insurance at the organisation level. • Proper due diligence at bid time to avoid taking up significant liabilities, adhering to contract requirements and professional best practices to prevent the imposition of penalties or liabilities.	• Strengthen process, contracts & other mechanisms to safeguard our IP, confidential information & trade secrets. • Provide training to employees on the importance of respecting the IPs of our company and those of other stakeholders and the high price that we might become liable to pay in case of IP infringements.
AREAS IMPACTED	• Lower profitability • Disputes with client	• Unexpected costs to correct deficiencies. • Negative impact on profitability. • Increased litigations / legal disputes.	• Unexpected and huge costs. • Consumption of a significant amount of senior management's attention and time. • Negative impact on reputation and brand value.

Key Risks and How We Mitigate Them

	Joint Ventures (JVs) / Partnerships	International Operations
KEY RISK AREAS	• We perform specific contracts as a member of JV, in partnership, and in similar arrangements. There is a risk that our partners may not fulfil their contractual obligations to us or our clients. • We would have limited ability to control the actions of our JV partners, including non-performance, default, bankruptcy, or legal compliance.	• Our international operations are exposed to additional risks and uncertainties, including unfavourable political developments and weak economies. E.g., unexpected changes in govt. policies, geopolitical issues, potential non-compliance with regulations and evolving industry standards, renegotiation or nullification of our existing contracts, social, political, and economic instability, currency fluctuations, etc.
MITIGATION STRATEGIES	• Proper due diligence of JV partner during pre-bid/ bid stage, esp. on financial ability, experience, and track record. • Strong back-to-back contractual arrangement to pass on liabilities and penalties to JV commensurate with their share in the partnership.	• Perform and maintain country risk analysis on an ongoing basis for clearly identifying new geographies as Go / No-go. • Proper due diligence during bid time regarding country or location risk. Avoid excessively risky, unsafe, economically unstable, or weak countries or geographies. • Have systems and processes to ensure compliance with all critical regulatory, govt. and contractual submissions, standards, laws, etc.
AREAS IMPACTED	• Impact on time and quality of project deliverables. • Loss of revenue and profit. • Increased litigations and hence loss of reputation.	• Loss of business • Safety and security risk of personnel • Impact on revenue and profits • Impact on strategic targets of improving our global footprint.