

Risk Management Overview

In the rapidly changing business environment, the company is exposed to a number of risks that could impact its businesses adversely. It is imperative to identify, analyse and address such risks and at the same time leverage opportunities for achieving our objectives. TCE has adopted the Enterprise Risk Management (ERM) process that recognises and seeks to address the key risks across bid stage and execution stage for projects, while also evaluating strategic, financial, operational, legal and reputational risks amongst others at Business Unit (BU) & TCE level.

The risk management process and its elements continue to evolve and are enhanced further based on stakeholder feedback/inputs with a view to supporting organisation strategy requirements. The ERM process is designed to address key risks across bid stage and execution stage for projects, while also evaluating strategic, financial, operational, legal and reputational risks amongst others at Business Units, Corporate Functions & TCE level.

Risk Management Organisation: The Risk Function at Central level is primarily driven by Chief Risk Officer with guidance from the MD and the Board. Business Unit level Risk Officers (BUROs) assist the Corporate Risk Team in deploying Risk Frameworks with an aim to embed risk process in the day to day business activities.



Key Risks and How we Mitigate Them

Risk Category	Key Risk Areas	Mitigation Strategies	Areas Impacted
Economic Risk	<ul style="list-style-type: none"> 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, political and economic uncertainty, etc. Uncertain global economic and political conditions on account of the pandemic may negatively impact the ability and willingness of our clients to announce or fund projects, pay our invoices in time. 	<ul style="list-style-type: none"> TCE has multiple Business Units (BU) across sectors, making it immune to a downturn in any single sector. Diversify business across sub-sectors, geographies, opex vs CAPEX, etc. Proper due diligence of clients, projects to ensure at bid time that viability, funding tie up etc. are in place. 	<ul style="list-style-type: none"> Ability to generate new business, generate revenue out of existing business as well as make collections for current and past dues
Business Acquisition & revenue flow	<ul style="list-style-type: none"> There is a good deal of uncertainty in getting new business as forecasted. Acquisition depends on several factors external to TCE like economic trends, risks like a pandemic, government policy, market conditions, etc. Delays or reduction in new orders affects the targeted revenues. Revenue generation could also be negatively impacted due to internal issues like lack of matching skill sets to requirements, inadequate planning, etc. 	<ul style="list-style-type: none"> Identify new sectors / areas / adjacencies of growth Develop new key accounts & enter new areas through partnerships, etc. Build customer connect & deepen the relationship, especially for key accounts. Ensure rigorous project risk management. 	<ul style="list-style-type: none"> Reduced revenues and profits Employee morale affected
Locked Working Capital and Cashflow	<ul style="list-style-type: none"> Many of our contracts have milestone-based payment terms, due to which, we may incur significant costs before we can raise bill and subsequently receive payment. Cash flows from projects can fluctuate significantly over the execution period depending on the timing of the contract, financing contingencies, delays, etc. Due to the current pandemic, our clients could be severely stressed in terms of funding ability and liquidity which may negatively impact our cash flows from past, existing and future projects 	<ul style="list-style-type: none"> Follow-up to get the collection in line with the contract terms Enhanced focus on contract & claims management through review rigour at various levels to ensure project delivery with profitability Due diligence and factoring in locked capital or cash flow impact into our bid pricing. Where possible, negotiating for favourable payment terms and granular milestones 	<ul style="list-style-type: none"> Impact on working capital. Higher cost of financing the project.
Concentration Risk	<ul style="list-style-type: none"> If one or few clients have a substantially large share of revenue of a business unit, the loss of or a significant reduction in business from such client(s) will have a negative impact on the revenues. Despite good relationships and performance by TCE, such client(s) may sometimes be forced to reduce, delay or cancel their contracts due to changed business scenario or changes in policy. 	<ul style="list-style-type: none"> Conscious efforts at dependence or concentration on any single client or sector. Develop newer key or large accounts Strengthen business relationships with clients at all levels 	<ul style="list-style-type: none"> Inability to achieve acquisition and revenue targets Impact on profits
Cost Overrun	<ul style="list-style-type: none"> Costs may increase in projects beyond budgeted estimates due to various reasons like: <ul style="list-style-type: none"> Higher quantum of resources required Schedule delays Scope creep Resources being unoccupied while being deployed on the project Higher actual cost of outsourced work 	<ul style="list-style-type: none"> Ensuring the study of secondary data to identify issues/risks that emerge during project execution, quantify the same and factor into the prices. Follow project and contract management best practices to avoid delays and cost overruns. 	<ul style="list-style-type: none"> Lower profitability Disputes with client

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Human Resources	<ul style="list-style-type: none"> • People are our company's most important resource; hence our business success is dependent on the ability to hire, retain, and utilise qualified personnel in a profitable manner. • During times of reduced business, the challenge would be effectively training resources in required skill sets and utilise the available workforce profitably. 	<ul style="list-style-type: none"> • Developing specific learning and re-skilling programs. • Better and flexible manpower planning practices • Enhancing employee engagement practices • Build a relationship with outsourcing agencies for access to resources with specific skill sets and/or those required urgently. 	<ul style="list-style-type: none"> • Reduction in revenue and profits • Quality of deliverables affected • Negative impact on the Brand value
Liabilities	<ul style="list-style-type: none"> • Our project execution activities may result in liability as per Contract conditions. • 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. 	<ul style="list-style-type: none"> • Adequate professional liability insurance at the organisation and project level • Proper due diligence at bid time to avoid taking up of large liabilities, adhering to contract requirements and professional best practices to avoid imposition of penalties or liabilities. 	<ul style="list-style-type: none"> • Unexpected and huge costs • Negative impact on profitability • Negative impact on reputation and brand value
Intellectual Property (IP)	<ul style="list-style-type: none"> • Although we protect our intellectual property through contractual arrangements, registration, licensing, NDAs, etc., we may not be able to completely prevent infringement of our IPs. • Our employees could inadvertently or purposely cause an infringement of the client's or third party's IP rights. • Litigation to determine the scope of IP rights, even if ultimately successful, could prove to be costly. 	<ul style="list-style-type: none"> • Strengthen process, contracts & other mechanisms to safeguard our IP, confidential information & trade secrets. • Provide training to employees on the importance of respecting 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. 	<ul style="list-style-type: none"> • Unexpected and huge costs • Consumption of a significant amount of senior management's attention and time. • Negative impact on reputation and brand value
Loss of confidential information / Data violation / breach /	<ul style="list-style-type: none"> • Processes are being followed to properly identify confidential information of the company and other stakeholders and prevent leakage. However, there remains a risk of loss of confidential information either by oversight or on purpose. • The chances of a data breach are increased in a Work From Home scenario. 	<ul style="list-style-type: none"> • Training and sensitisation of employees about the importance of maintaining confidential information. • Obtaining specific NDAs / Confidentiality agreements from employees/partners. • Tightening of IT security measures. 	<ul style="list-style-type: none"> • Unexpected and huge costs • Loss of business. • Negative impact on reputation and brand value
JV / Partnerships	<ul style="list-style-type: none"> • We perform certain contracts as a member of joint ventures, partnerships, and similar arrangements. There is a risk that our partners may be unable to fulfil their contractual obligations to us or our clients. • We would have limited ability to control actions of our JV partners, including non-performance, default, bankruptcy or legal compliance. 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Impact on quantity and quality of project deliverables. • Loss of revenue and profit. • Loss of reputation. • Legal costs and waste of time.
International Operations	<ul style="list-style-type: none"> • Our international operations are exposed to additional risks and uncertainties, including unfavourable political developments and weak foreign economies. E.g. unexpected changes in foreign government policies and regulatory requirements, Potential non-compliance with regulations and evolving industry standards, Renegotiation or nullification of our existing contracts, Social, political, and economic instability; Currency fluctuations, etc. 	<ul style="list-style-type: none"> • Proper due diligence during bid time in terms of country or location risk. Avoid excessively risky, unsafe, economically unstable or weak countries or geographies. • Have systems and processes to ensure compliance to all key regulatory, govt and contractual compliances, standards, laws, etc. 	<ul style="list-style-type: none"> • Loss of business • Safety and security risk of personnel. • Impact on revenue and profits. • Impact on strategic targets for improving our global footprint.