MIRC ELECTRONICS LTD.

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RISK MANAGEMENT POLICY

1. INTRODUCTION

1.1 This Policy sets out MIRC Electronics Limited's ("MIRC" or the "Company") system of risk oversight, management of material business risks and internal control.

1.2 MIRC recognizes that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company.

2. PURPOSE

The purpose of this Policy is to:

(i) encourage an appropriate level of risk tolerance throughout the Company;

(ii) establish procedures to analyze risks within agreed parameters across the Company;

(iii) establish appropriate risk delegations and corresponding risk management framework across the Company; and

(iv) ensure MIRC has a risk management framework that can noticeably respond the risk profile of the Company.

3. RISK APPETITE

3.1 A critical element of the Company's Risk Management Framework is the risk appetite, which is defined as the extent of willingness to take risks in pursuit of the business objectives.

3.2 The key determinants of risk appetite are as follows:

(i) shareholder and investor preferences and expectations;

(ii) expected business performance (return on capital);

(iii) the capital needed to support risk taking;

(iv) the culture of the organization;

(v) management experience along with risk and control management skills;

(vi) longer term strategic priorities.

3.3 Risk appetite is communicated through the Company's strategic plans. The Board and Management monitor the risk appetite of the Company relative to MIRC's actual results to ensure an appropriate level of risk tolerance throughout the Company.

4. RISK MANAGEMENT FRAMEWORK

MIRC believes that risk should be managed and monitored on a continuous basis. As a result, the Company has designed a dynamic risk management framework to allow MIRC to manage its risks effectively and efficiently, enabling both short term and long term strategic and business objectives to be met.

The Company's approach to risk management is summarized below:

4.1 Identification of risks

To ensure key risks are identified, MIRC defines risks in the context of the Company's strategy; documents risk profiles, including a description of the material risks; and regularly reviews and updates the risk profiles.

The Company's Risk Profile is summarized below.

4.2 Assessment of risks

The Risk assessment methodology shall include:

i. collection of information
ii. identification of major risks
iii. rating of each risk on the basis of Consequence, Exposure, prioritization of risks
iv. operation-wise exercise on risk identification, risk rating, control mechanism, action and fixing up responsibility
v. programme for risk level reduction plan and setting level of responsibility and accountability
vi. formulation of action plan for Monitoring Risk reduction, evaluation and correction

4. 3 Measurement and control

Identified risks are then analyzed and the manner in which the risk is to be

i. managed and controlled is then determined and agreed.
ii. The generally accepted options are:
    a. accept the risk (where it is assessed the risk is acceptable or if avoiding the risk presents a greater risk through lost opportunity)
    b. manage the risk (through controls and procedures)
    c. avoid the risk (stop the activity)
    d. transfer the risk (outsourcing arrangements)
    e. finance the risk (through insurance)

4. 4 Continuous assessment

The Company's Risk Management Framework requires a continuing cycle of implementing, monitoring, reviewing and managing risk management processes.

5. RISK PROFILE

The identification and effective management of risks is critical in MIRC's achieving strategic and business objectives. The Company's activities give rise to a broad range of risks which are considered under the following key categories of risk:

The same are categorized as Internal and External.

Internal Risks are related to

i. Marketing Risks,
ii. Financial Risks,
iii. Operational Risks,
iv. Human Resources and Succession Risks,
v. Legal and Regulatory Risks
vi. Compliance Risks.

External Risks.

Government levies and Taxes**.**

6. RISK OVERSIGHT

The Company has laid down well defined procedures for its various activities. All the operations and transactions in the Company are carried out in accordance with applicable rules, regulations, company's manuals and policies, as may be applicable to it, so as to assess risk, if any, associated with such operations/transactions and minimize the same.

Governance Structure

MIRC's Risk Management Framework is supported by the Board of Directors, Management and the Audit Committee. The Board is responsible for approving and reviewing MIRC's risk management strategy and policy. To assist the Board in discharging its responsibility in relation to risk management, the Board has delegated certain responsibilities to Management. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk, so that the strategic and business objectives of the Company can be met.

The Audit Committee of the Board, will evaluate risk management system and financial reporting.

Assurance

There are different levels of assurance in relation to the effectiveness and efficiency of MIRC's Risk Management Framework and associated processes and controls. Assurance also comes from the monitoring, oversight and reporting undertaken by the Audit Committee, as well as from the independent testing, review and reporting undertaken by external audit. Process, surveillance, controls or other reviews are performed as required. Having the right people and promoting an appropriate risk culture are critical to the future success of MIRC. As a result, the Company is committed to fostering a culture of risk awareness, transparency and responsiveness.

7. REVIEW OF POLICY

The Board will review this Policy from time to time to ensure it remains consistent with the Board's objectives and responsibilities.

8. PUBLICATION OF POLICY

This Policy will be available on the Company's website and the key features will be published in the annual report.

**ANNEXURE **
Risks Assessed for Risk Management and Mitigation

INTERNAL RISKS

5.1 Marketing Risks

i) Demand for company’s product may be affected by global and national economic conditions. Any development which decelerates the demand for the company’s product would have adverse effect on the company.
ii) The Company faces significant competition in the electronic industry and failure to compete effectively could have a material effect on the business.
iii) The business in relation to certain electronic products is seasonal in nature and there are slowing down of demand in certain times of the year.
iv)The electronic industry is characterized by continual change, product innovations and evolving industry standards. Any failure to keep up with the customer preference and innovations may affect demand.

5.2 Financial Risks

i) The company does not have positive cash flows and may affect business cycle.
ii) The fluctuations in foreign exchange rates may adversely affect business financial performance if it fluctuates it may impact business and pricing;
iii) The business requires substantial fund and non fund based working capital facilities and due to insufficient cash flows or not being able to source the funds may impede business.
iv) The company has contingent liabilities and in the event of the same materializing in future the same will have negative effect in the future.

5.3 Operational Risks

i) Loss or shutdown of any manufacturing facilities or accidents or damage to any plant and machinery or information technology system may have a material effect on business.
ii) Significant increase in the prices of key raw materials or inability to procure raw materials from the suppliers could have adverse effect on the operations.
iii) The Company does not have long term contracts with the dealers and any loss of dealers may affect operations.

5.4 People Risks

Inability to attract and retain quality and appropriate people; inadequate succession planning; and inappropriate culture may affect business.

5.5 Legal and Regulatory Risks

Legal proceedings and commercial rights if determined against the company can have adverse effect.

5.6 Compliance Risks

Non conformance with or inability to comply with rules, regulations, prescribed practices, internal policies and procedures or ethical standards can have adverse effect.

EXTERNAL RISKS

5.7 Taxes and Custom Duties

Tax and other levies imposed by the Government of India and State Government may affect the tax liability and may result in additional tax exposure.