

MS 492-II: Business Risk Management

Final Project Report

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A. Company Overview:

Company: 'Prasad Group'

Headquarters: Ahmedabad

Sector: Plastic Auxiliary Equipment Manufacturing

Annual Turnover: INR 319 Cr. | Employee Headcount: 400+ (Approximately 250 Blue-Collar Labourers, 150 White-Collar Employees)

Founded in 1984 and headquartered in Ahmedabad, 'Prasad Group' is a prominent player in 'plastic auxiliary equipment manufacturing.' With an annual production exceeding 2500 units and 1,25,000 sq. meters of floor space, it delivers top-quality products and technical services, earning its place among Asia's largest auxiliary equipment suppliers. Renowned for cutting-edge plastic processing machinery, Prasad's global reach extends through a pan-Indian network of sales and service offices strategically placed in major cities.

The group has 14 regional offices, one in every major city of the country, strategically placed to offer proximity to significant manufacturing towns. The company also has an office in Daman, which has one of the highest concentrations of polymer processing plants. The group's technological prowess is amplified through collaborations with several European leaders, including Koch Industries (Germany), GWK (Germany), Crizaf (Italy), and MO.DI.TEC (France) and Rapid Industries (Sweden); where the tie-up with each company focuses on a different domain of auxiliary equipment manufacturing, like grinding machinery, chilling plants, conveyor technologies, materials storage solutions, etc. Prasad Group's Ahmedabad facility, functioning primarily as an assembly plant, showcases a synergy of products from various manufacturing units, with stakeholders ranging from owners, directors, and partner companies to employees, suppliers, and investors.

B. Sector Overview:

The plastic auxiliary equipment manufacturing sector, often overlooked, plays a vital role in the vast domain of plastics. The global market for plastic processing machinery was valued at USD 23.22 billion in 2022 and is projected to reach USD 24.14 billion in 2025. Characterized by fragmentation, the sector is dominated by small and medium-sized enterprises (SMEs) catering to local demands. At the same time, global giants like 'Wittmann,' 'Piovan,' and 'Maguire' maintain a significant market presence. Innovation is driven by automation, energy efficiency, and 'Industry 4.0' integration, responding to sustainability concerns that boost demand for machinery, promoting recycled plastic use and waste reduction. Profitability is susceptible to fluctuations in raw material prices, competition from low-cost manufacturers, and economic downturns. Despite challenges, the plastic auxiliary equipment industry offers steady growth potential, requiring continuous innovation to stay competitive in the dynamic market. Some major companies in this sector in the Indian market are 'Prasad Group,' 'Reynolds Chillers,' 'Conair,' and 'Shini.'

C. Materiality Assessment:

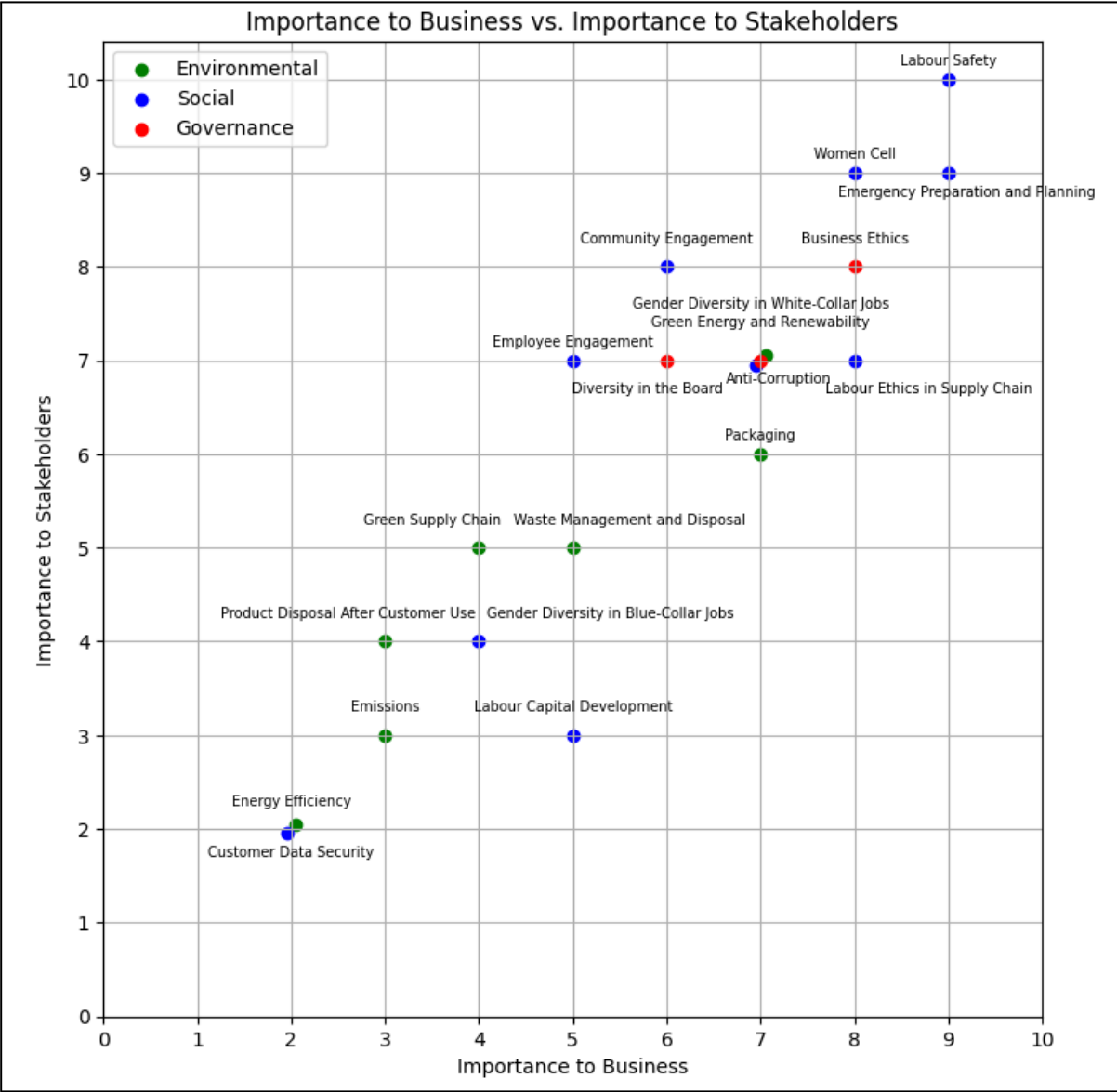


Fig. 1: Pre Materiality Index

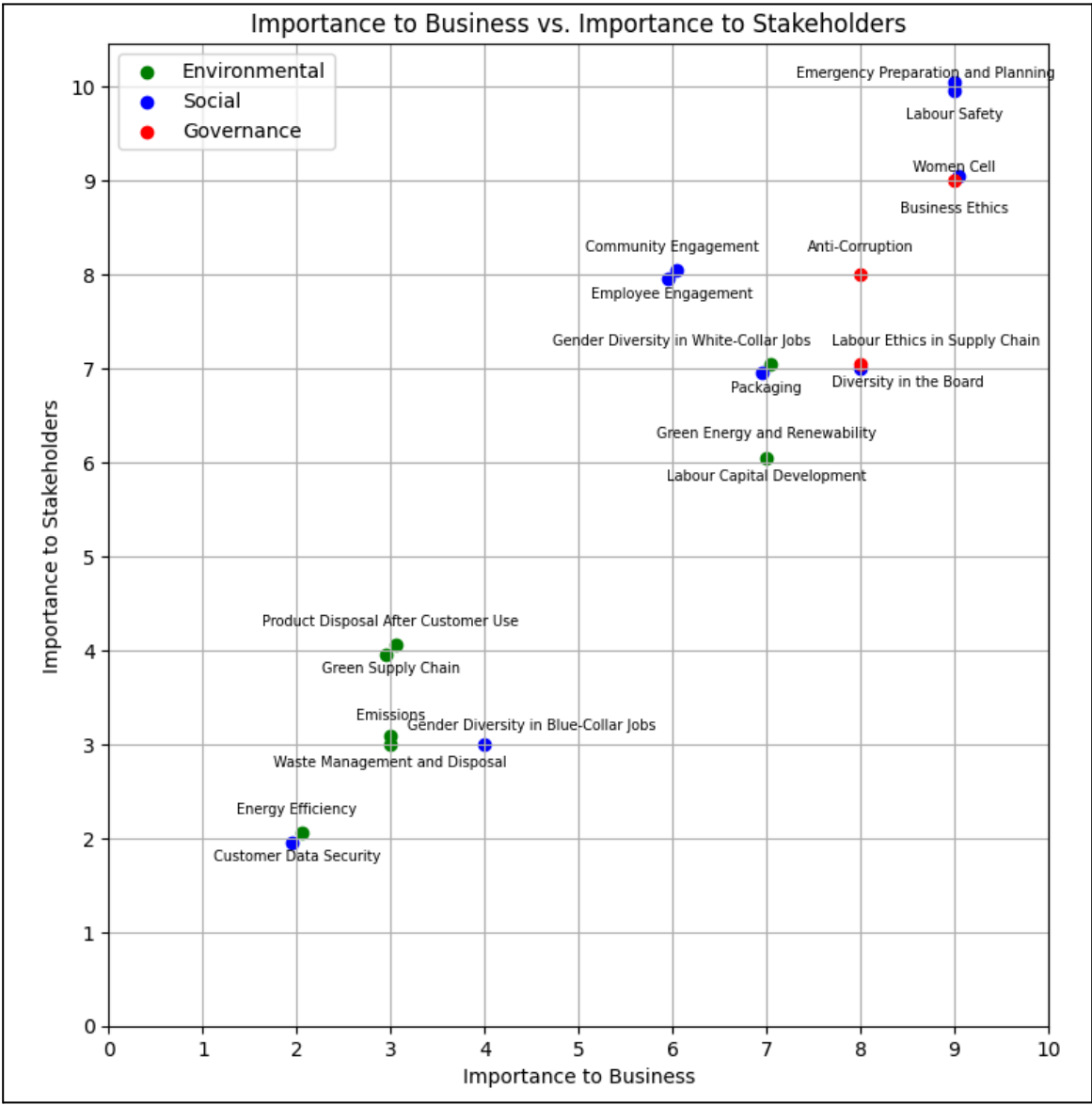


Fig. 2: Post Materiality Index

D. ESG Factors Overview:

I. Environmental Factors:

We initially thought of Prasad Group as an equipment manufacturer, but following additional research, we discovered that it is an auxiliary equipment assembling company. Individual parts and components are received from multiple vendors and assembled using human labour and heavy machinery. The limited waste generated is predominantly related to defective parts, which are promptly returned to the suppliers. Waste management and emissions were found to be of minor concern as there is no discharge of toxic or hazardous waste. However, a noteworthy aspect is the vast plot of land and roof area with substantial potential for solar panels. The installation of solar panels has been relatively sparse. Our discussions with the founder revealed plans to leverage this potential for renewable and cost-effective energy.

Integrating sustainability into the supply chain poses challenges due to the reliance on external vendors for parts. Packaging, a pivotal aspect of industrial operations, has not received thorough consideration regarding materials. However, the company acknowledges the importance of efficiency and renewability in packaging, indicating a prospective focus in the future. The limited scope for collection, reuse, and recycling of products post-consumer use is attributed to the nature of the individual parts, which, once damaged, cannot be repaired to their original capacity.

II. Social Factors:

The company strongly emphasizes community engagement, implementing social initiatives such as supporting elementary schools and organizing interactive workshops for children to gain industry knowledge. While the awareness of the importance of 'women in industry' is acknowledged, there's a notable gender imbalance, with only about 10% of employees and engineers being female. The organization has yet to address this disparity, although it is in the early stages of forming a cell specifically for female employees to address their concerns. Currently, there are no women labourers since the company claims that women find it difficult to work in such roles. There is no formal channel for the employees to put forward grievances, and the company has a weak HR department. The company is taking steps to enhance employee engagement through various activities like annual days and kite-flying events.

In terms of worker safety, significant measures have not been implemented. Workers often lack proper safety gear, such as helmets and boots. Additionally, minimal precautions are taken for potential emergencies like fires or earthquakes. There is ample room for improvement and planning in safety and emergency procedures, especially considering the industrial nature of the workspace.

III. Governance Factors:

The company's current board consists mostly of family members, lacking diversity. The company strongly emphasizes ethics. We also identified the need for a robust mechanism to check and prevent corruption, a sentiment echoed by the owner. While ethics and anti-corruption measures are prioritized. The company has yet to initiate measures to ensure the confidentiality of customer, employee, and operational data, presenting a significant opportunity for improvement and addressal. Finally, prudent land use becomes paramount with the industry spread across a vast land area.

E. Action Plan:

Reference Standard	Action	Current Scenario	Actions	[Priority Low, Medium, High]	Responsibility	Deadline	Completion indicator	Cost
IFC Performance Standard 2	Labour Safety	Not every worker wore workshop shoes. Helmets were missing, as just a few people were given helmets. There were no routine safety checks, and wearing safety equipment was voluntary. There was no policy for ensuring safety measures.	<ol style="list-style-type: none">Develop and implement a comprehensive safety policy, including mandatory use of workshop shoes, helmets, and other required safety equipment, with strict enforcement and accompanying training for all personnel.Establish a routine system for regular safety checks to ensure all workers adhere to safety protocols.Distribute helmets and other safety gear to all employees, ensuring everyone can access safety gear.Implement a reporting mechanism for employees to highlight safety concerns and issues.	High	Head of Operations	Enforcement of Policy and Training: Within 6 months	Safety Protocols Being Followed, Signed Affirmation of Safety Gear Distribution, Established Checking and Reporting Mechanisms	Difficult to estimate.
IFC Performance Standards 1 and 3	Packaging	Stretch films, polythenes, and thermocol were extensively used to wrap incoming raw material. Shipping to Chandigarh was disrupted owing to the ban on plastic.	<ol style="list-style-type: none">Explore and invest in alternative eco-friendly packaging material.Develop a phased plan to replace non-eco-friendly materials with sustainable alternatives gradually.	High	Head of Operations	Exploration and Investment in Alternate Materials: Within 3 months Overall Plan Implementation: Within 6 months	Alternate Packaging Materials being Adopted	Depends on the materials being chosen; hence difficult to estimate.
IFC Performance Standard 4	Emergency Preparation and Planning	There were no predetermined assembly spots. There were no evacuation arrangements, and drills were only conducted on rare occasions. Most individuals stated, "Humare yaha aag nahi lagti, assembly line hai."	<ol style="list-style-type: none">Conduct a thorough risk assessment to identify potential emergencies and develop clear evacuation plans.Establish designated assembly points strategically located for quick and safe evacuation.Schedule regular drills and comprehensive training sessions to ensure employee familiarity with procedures and preparedness.Display information in multiple languages, ensuring all employees understand the protocols.	High	Head of Operations, Shop Floor Manager	Overall Risk Assessment: Starting immediately, within 6 months	Risk Assessment and Evacuation Plan Report, Display of Multilingual Safety Protocol Across the Plant	Fixed cost depending on the area of the office/plant.

Reference Standard	Action	Current Scenario	Actions	[Priority Low, Medium, High]	Responsibility	Deadline	Completion indicator	Cost
IFC Performance Standard 2	Gender Diversity in White-Collar Jobs	Approximately 10% of employees are female. The company is aware of this stark difference in the ratio and intends to rectify it.	<ol style="list-style-type: none"> 1. Conduct a thorough review of existing hiring processes to identify potential biases. 2. Implement measures to ensure equal opportunities for female candidates and actively promote gender diversity through targeted recruitment initiatives. 3. Establish employee diversity and inclusion training programs, emphasizing gender sensitivity. 	Medium	Director, Head HR	Review of Existing Hiring process: Within 2 months Target Recruitment Initiatives: Over the next 2 years	Increased Gender Diversity	No apparent cost.
IFC Performance Standard 2	Diversity in the Board	Currently, the board comprises of only family members. The owner acknowledges the need for a more diverse board.	<ol style="list-style-type: none"> 1. Initiate a board assessment to identify skill gaps and areas requiring diversity. 2. Establish a nomination committee to actively seek external candidates, considering diverse backgrounds and experiences. 3. Develop and implement a transparent and unbiased selection process for new board members. 	Medium	Director, Head HR	Existing Board Assessment: Over the next 3-4 months Incorporating Diversity within the Board: 2 years	Completed Board Assessment Report, Functional Nomination Committee in Operation	No apparent cost.
IFC Performance Standard 2	Employee Engagement	There is no formal channel for addressing grievances, ideas or concerns. A relatively flat hierarchy. The workers simply approach their respective heads. The HR department is understaffed, with only a few personnel. There were yearly festivities such as annual day and a kite flying festival in which everyone, from workers to directors, participated.	<ol style="list-style-type: none"> 1. Implement regular feedback sessions or surveys to gather ideas and concerns from employees. 2. Strengthen the HR department and create formal channels of communication. 3. Introduce periodic group meals to enhance informal communication between different employee groups (engineers, staff, etc.). 4. Provide regular recognition and awards to well-performing employees. 	Medium	Head HR	Establishment of Formal Channels of Communication: Within 3-6 months Overall Plan: Within 1 year	Increased Communication and Morale amongst Employees	No apparent cost.
IFC Performance Standard 2	Women Cell	There is no committee to address sexual harassment, casual sexism, etc. There was no separate channel through which women could file their complaints.	<ol style="list-style-type: none"> 1. Establish a dedicated Women's Cell, creating a confidential channel for women to submit complaints. 2. Establish a committee which can conduct an unbiased review and has the authority to take necessary actions. 3. Conduct regular awareness campaigns and talks on preventing sexual harassment and promoting a respectful workplace. 	High	Head HR	Establishment of First Women's Cell: Within 3 months Development of Policies: Within 1 year	Documented Policies for Addressing Complaints, Active and Confidential Complaint Channel, Establishment of a committee	No apparent cost.

Reference Standard	Action	Current Scenario	Actions	[Priority Low, Medium, High]	Responsibility	Deadline	Completion indicator	Cost
IFC Performance Standard 2	Labour Ethics in Supply Chain	The company mainly involves assembly rather than manufacturing and orders parts from multiple vendors. The purchasing department picks vendors only based on quality, pricing, and delivery time. There is no background check for underage labour, adequate labour guidelines, etc.	<ol style="list-style-type: none"> Revise vendor selection criteria, implementing a thorough background check focusing on labour standards, anti-child labour policies, and workplace safety. Conduct regular audits to ensure compliance with safety regulations and standards. Establish a mechanism for reporting and addressing labour-related issues within the supply chain. 	High	Head of Purchasing	Revision of Vendor Selection criteria: Within 6 months Implementation of Background Checks: Within 3 months	Documented Background Checks for All Vendors, Collaborative agreements with Vendors on Compliance	No apparent cost.
IFC Performance Standard 4	Anti-Corruption	The company places high faith in the purchasing department, which procures materials from vendors. There are no formal policies or frameworks to avoid corruption. No checks have been conducted in the past.	<ol style="list-style-type: none"> Conduct an external audit of past procurement transactions to identify potential irregularities. Yearly review of policies. Anti-corruption awareness and training for employees involved in procurement. Introduce a confidential reporting mechanism for employees to report any suspected corrupt practices. Set up a standard bookkeeping practice to include more detailed and transparent financial records. 	Medium	Director, Head of Sales and Head of Purchasing	External Audit of Past Transactions: Within 3 months Review of current policy: Within 1 month	Documented Anti-Corruption Framework, Signed Audit Report	No apparent cost.
IFC Performance Standards 1 and 3	Green Energy and Efficiency	The company has a vast plot of land and roof area with a huge potential for solar panels. The heavy machinery requires large amounts of energy. However, very few solar panels have been installed.	<ol style="list-style-type: none"> Conduct a feasibility study for solar energy and develop a comprehensive plan and timeline for panel installation. Integrate smart energy management systems to monitor and optimize energy consumption. Promote employee awareness and engagement in energy-saving practices. 	Medium	Director, Plant Heads	Feasibility Study, Development of Implementation Plan, Budgeting: 6 months Procurement and Installation: Phase-wise over 2-3 Years	Solar panel Installation Plan, Finalized Budget for Procurement, Installed Solar Panels with Energy Production	Approx. INR 15-25 Lakhs.