

VINATI ORGANICS LIMITED



CORPORATE POLICY FOR FOREIGN EXCHANGE RISK MANAGEMENT

1. Introduction:

- 1.1. Company's business activities inter-alia include exports and import of materials like Coal, Acrylonitrile and other raw material and capital equipment like machineries, spares etc. which are linked to international prices and major international currencies. As a result the Company is exposed to exchange rate fluctuations on its imports and exports. The Company also avails Foreign Currency (FC) funding in the form of Packing Credit in Foreign Currency (PCFC)/Export Bill Discounting/External Commercial Borrowings (ECB) as the situation warrants. The impact of these fluctuations on the Company's profitability and finances is considered material.
- 1.2. It is therefore, important that the Company manages and mitigates its risk and accordingly develop a Currency Risk Management Policy Document which will provide the necessary guiding parameters.

2. Objective:

- 2.1. To make certain that the Foreign Exchange Risks are effectively identified, assessed, monitored and managed by the Company in consistent with the overall objectives of the Company and in compliance with the legal requirements and regulations of Reserve Bank of India.
- 2.2. To manage Foreign Exchange transactions as a cost-containment exercise only.
- 2.3. To minimize the impact of Forex rate variations on INR value of the committed receipts and payments in foreign currencies while minimizing the cost of such protection.
- 2.4. To ensure FC funding, where availed, does not exceed the cost of Rupee funding of a comparable nature, at the time of availing.
- 2.5. To reduce cash flow uncertainties and improve financial decision making.

3. Policy

- 3.1. Decisions regarding borrowing in Foreign Currency and hedging thereof, (both interest and exchange rate risk) and the quantum of coverage shall be driven by the need to keep the cost comparable.
- 3.2. The Company's revenues are largely generated from exports and hence denominated in foreign currency, predominantly USD. In view of the export oriented nature of sales of the Company Foreign Currency loans are not hedged taking into consideration the anticipated Foreign exchange inflows / outflows in the form of Exports / Imports, unless otherwise warranted.
- 3.3. The tenure of the forward contract, if any, shall be decided considering the tenure of the underlying Foreign Currency transaction, generally not exceeding five years.
- 3.4. The decisions regarding Foreign Exchange transactions shall be made in the Corporate Office only.
- 3.5. In general, the Company shall not enter into Derivatives. However, derivatives if found required to hedge positions, could be entered only with the prior approval of the Board of Directors.
- 3.6. Foreign Currency Transactions shall be recorded in accordance with the guidelines laid down in Accounting Standards.
- 3.7. Day-to-day decisions regarding selling/buying of Foreign Currency for actual transactions of receipts/payments shall be made with the approval of the Chief Financial Officer/Executive Director and the documents in respect of the foreign exchange transactions shall be executed as per the authority given by the Board of Directors.
- 3.8. The officer-in-charge of Treasury Operations at the Corporate Office will maintain a detailed

database of all transactions bank-wise, and arrange for utilization/ cancellation of the same as in tune with the above said Objectives and Policy decisions.

4. Reporting & Review

- 4.1. The details of foreign currency loans/Foreign Exchange Derivative Contracts done in the immediately preceding quarter shall be submitted to the Board at the meeting to be held in the succeeding quarter.
- 4.2. Periodical Audit of the Foreign Exchange Transactions and Hedging carried out, if any, would be done by the internal auditors of the Company and reported to the Management.