# RISK MANAGEMENT POLICY OF RADICO KHAITAN LIMITED

## 1. Background

This Policy governs risk management pertaining to post-invoicing foreign currency risk and interest rate risk on the books of the Company. All currency risk management activities mandated by this Policy are strictly for the purpose of mitigation of volatility in the P/L on account of fluctuations in exchange rates. No derivative transactions that are speculative in nature shall be undertaken. This Policy only addresses risk on account of INR movement vis-à-vis foreign currencies in which the Indian entity has import, export or loan exposures.

This Policy document lays down the framework and operating guidelines within which currency and interest rate risk management activities of the Group may be carried out. This Policy supersedes any previous document, procedure or practice on the subject of currency risk management and shall be operational once it is approved by the Board of the company.

## 2. Currency and interest rate risk management program

### 2.1. Currency risk management philosophy

"The Company seeks to protect the net margin in the P/L by reducing the impact of volatility in currency movements."

Based on the Company's philosophy, currency risk management activities shall focus on creating off-setting positions through use of hedging instruments. Currency risk management activities shall always focus on reducing positions created through genuine underlying business activities. Positions should never be enhanced as a result of currency risk management activities.

To implement the risk philosophy of the Company, management of currency risk positions shall be undertaken by designated officials of the company who are authorized by board to enter into the forward and derivatives instruments to hedge the currency risk on positions created through genuine underlying business activities.

### 2.2. Interest rate risk management philosophy

"The Company seeks to mitigate risk of increase in the cost of borrowings by reducing the impact from movement in the underlying benchmark rate and of volatility in currency movements."

The interest rate risk management philosophy focuses on optimizing the cost of borrowing on an ongoing basis. Interest rate risk management activities shall always focus on optimizing the cost of borrowing and arrive at a fixed cost of borrowing where possible by use of swaps or other instruments. This would include hedging interest rate risk, ensuring adherence to debt covenants and meeting repayment obligations

The management of interest rate risk shall be undertaken by designated officials of the company who are authorized by board to enter into the derivatives instruments to hedge the interest rate risk on borrowings of the company

## 2.3. Objectives of the currency and interest rate risk management policy

The currency and interest rate risk management policy has been framed to meet the aforesaid philosophy of the currency and interest rate risk management program. This policy provides the operating parameters within which all currency and interest rate risk management activities should be undertaken. Any currency risk management activity not authorized by this Policy or not carried out by the authority stated in this Policy shall be treated as an unauthorized activity. The objectives of this Policy are as follows:

- Recognition and mitigation of currency and interest rate risks arising from movements in forex markets and the underlying benchmark for interest rate
- Define strategies to manage currency and interest rate risk
- Standardization and centralization of currency and interest rate risk management activities
- Defining approved activities to ensure that actions of the designated officials do not lead to enhancement of risk in any manner
- Compliance with guidelines defined by the local regulators in whose jurisdiction cash flows and hedging activities take place
- Seek approval by the Board of Directors to undertake currency and interest rate risk management activities based on the principle of risk mitigation
- Delegation of authority for operationalizing the currency and interest rate risk management activities

The ground rules defined in this policy must be adopted without exception. Any exception to rules defined within the Policy would require approval from the authority mentioned in the Policy.

# 3. Foreign exchange risk management strategy

### *3.1. Exposure recognition*

The currency risk may be recognized on a monthly basis based on the net outstanding position of foreign currency debtors, creditors and loan exposures. The exposure recognition rate shall be equal to the weighted average invoicing rate for debtors and creditors and draw-down rate on foreign currency loans.

### *3.2. Quantum of foreign exchange exposures*

To determine the extent of currency risk at any point of time, the Company may evaluate the net open position for each currency. Accordingly, net open position by currency can be computed in the following manner:

- Debtors (Accounts receivables) in foreign currency shall be treated as long positions
- Creditors (Accounts payable) in foreign currency shall be treated as short positions
- Any borrowings in foreign currency whether in the form on working capital borrowing or otherwise shall be treated as a short position
- Payments due on account of capex imports shall be treated as short positions.

### 3.3. *Bucketing of exposures*

All exposures can be bucketed based on settlement dates i.e. date of actual cash flow expectation. Exposures due in the next 3 months shall be bucketed in weekly time buckets. Exposures due thereafter shall be bucketed in monthly time buckets. Creditors based on sight/usance L/C which are repaid through draw-down of buyers' credit shall be recognised in the maturity bucket corresponding to the ultimate repayment of buyers' credit. Timing mismatches within a time bucket will be ignored unless the higher volatility expectations over-ride cost of hedging considerations. Currency mismatches within each time bucket will be addressed either through adjustment of cash flow schedule and commitments or through hedging.

### 3.4. *Hedging currency risk*

- **Exposure creation and communication:** The designated officials will obtain the net open positions from the system. Updation will be monitored on a weekly basis. The designated officials will make changes to the hedge ratios only with the consent of the CFO.
- **Rate for exposure recognition:** The exposure recognition rate can be the weighted average invoicing rate for debtors and creditors and draw-down rate on foreign currency loans.
- **Determining the exposure to be hedged:** The hedge ratio shall be decided by the CFO and designated officials as approved by the board. The hedge ratio can be determined after considering the potential impact on EBITDA based on historical currency volatility. The CFO and designated officials as approved by the board shall determine the hedge ratio for individual months depending on the overall hedge ratio band.
- **Tenor for hedging:** Tenor for the hedges will be decided by the by the CFO and designated officials as approved by the board on the basis of the credit terms of the underlying contract. Requirement for extension of the existing hedges, if any, resulting from modification in credit terms taken on a case to case basis by CFO and designated officials as approved by the board
- **Settlement of hedges:** Since hedges for post-invoicing risk are taken to manage settlement risk, they should ideally be settled on the date of actual remittance. Early delivery or cancellation of hedges can be undertaken with prior approval from the CFO and designated officials as approved by the board

### 3.5. *Specific strategies to manage each attribute of currency risk*

| SNo | Aspect of hedging strategy | [illegible] parameter |
|---|---|---|
| 1 | Stage of exposure recognition | At the stage of invoicing for the entity |
| 2 | Tenor for hedging | As per the credit terms of the underlying contract |
| 3 | Currency being hedged | Choice of currency being hedged<br>Dealing in third currency |
| 4 | P&L item to protect | Revenues of the entity |
| 5 | Benchmark rate for protection | Invoicing rate for entity |
| 6 | Markets that may be used for hedging | On-shore markets |
| 7 | Maximum limit for hedging | Upto value of foreign currency outstanding |

## 4. *Interest rate risk management strategy*

Since long term borrowings are taken mainly to fund projects with a defined internal rate of return ('IRR'), it is important for the Group to arrive at a fixed and determinable cost of borrowing where possible. This would allow the Group to crystallise borrowing costs at inception. The following guidelines shall be adhered to by the officials while managing interest rate risk:

- The Group may not swap borrowings into foreign currencies with the intention to undertake a carry trade. The only case where the Group can swap into foreign currencies is when future receipts are expected in foreign currencies. Carry trades with an intention to purely make upfront cash flows by swapping into a low interest rate currency are strictly prohibited.
- The Group will not enter into interest rate swaps that convert a fixed rate obligation into a floating rate obligation without approval of CFO and designated officials as approved by the board
- The Group will only enter into interest rate swaps that convert floating rate obligations into fixed rate obligations after taking cognizance of the hedging cost involved.
- At the time of availing non-USD denominated funding, the Group shall compare the fully hedged fixed cost of the non-USD denominated borrowings with the fixed cost of USD denominated borrowings. Where the fully hedged cost of non-USD denominated funding is cheaper, the Group shall opt for such funding.

All floating rate loans may be fully swapped into fixed rate loans at the time of draw-down based on the approval from the CFO and designated officials as approved by the board. Where the cost of hedging does not justify such a swap or justifies such a swap only for a part of the tenor, the interest rate risk may be unhedged with the specific approval of the CFO. In case of loans with long tenors, hedges may be taken at a later stage

## 5. *Regulatory compliance*

All hedging transactions undertaken in the forex markets in India are governed by the RBI. The RBI's guidelines as per its 'Risk Management and Inter-bank Dealings' circular dated July 1, 2011 must be adhered to by the Company at all times.

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urther, as per the RBI notification on modifications to Comprehensive guidelines on derivatives dates November 2, 2011, the Company should have a board approved policy which contains the following

| Sno | Content | Section |
|---|---|---|
| 1 | Guidelines on risk identification, measurement and control | 2,3 |
| 2 | Guidelines and procedures to be followed with respect to revaluation and monitoring of positions | 8 |
| 3 | Designation of officials authorized to undertake transactions and limits per transaction assigned to them and a requirement that the assignment of limits to an official would be on per transaction basis. | 7.4 |
| 4 | Accounting policy and disclosure norms to be followed in respect of derivative transactions | 8 |
| 5 | A requirement to disclose the MTM valuations appropriately | 8 |
| 6 | Mechanism regarding reporting of data to the Board including financial position of transaction etc | 6 |

| | | |
|---|---|---|
| 7 | Clear guidelines for conducting the transactions and a process for a periodical review of operations and annual audit of transactions to verify compliance with the regulations | 6,7,8 |
| 8 | The limit assigned, to individual banks for undertaking derivative transactions. | 7.2 |
| 9 | The names and designation of the officials of the company authorised to undertake particular derivative transactions on behalf of the company | 7.4 |
| 10 | The names of the people to whom transactions should be reported by the bank. These personnel should be distinct from those authorized to undertake the transactions. | 7.4 |
| 11 | The names and designation of person(s) authorised to sign the ISDA and similar agreements; | 7.4 |
| 12 | Specific products that can be transacted by the designated officials named therein. | 7.4 |

## 6. *Governance and organization framework*

### 6.1. *Constitution*

The Policy envisages to empower CFO and designated officials as approved by the board which will function and report to the Board of Directors. They shall be the single governance and oversight body for currency and interest risk management activities.
The principles relating to constitution are as follows:

- Greater involvement of the Board in setting limits and performance oversight
- Transparent and structured reporting inculcated as part of a process
- Consistency in risk appetite and risk taking by Business Divisions through sharing of information and consistency parameters for setting limits
- Approval of risk management strategies

### *6.2. Authority matrix*

| S No | Authority | Extent of Authority | | | |
|---|---|---|---|---|---|
| | | Approve | Review | Propose | Delegate/ Perform |
| 1 | New risk management strategy | | ✓ | ✓ | |
| 2 | Strategic hedging initiatives | ✓ | ✓ | ✓ | ✓ |
| 3 | Exceptions to the Policy | ✓ | ✓ | ✓ | |
| 4 | Overall risk appetite of the Group | | ✓ | ✓ | |
| 5 | New activities | ✓ | | ✓ | ✓ |
| 6 | Execution of risk management | ✓ | ✓ | | ✓ |
| 7 | Existing risk management strategies and exposure profile | | ✓ | | ✓ |
| 8 | Investments in enhancement of treasury management function | ✓ | ✓ | ✓ | |
| 9 | Policy parameters | ✓ | ✓ | | |
| 10 | Performance measures | | ✓ | | |
| 11 | Day-to-day operations | | | | ✓ |
| 12 | Risk reports | | ✓ | | |
| 13 | Revision in limits (within the overall risk appetite) | | ✓ | ✓ | |
| 14 | Revision in limits (in excess of overall risk appetite) | | ✓ | ✓ | |
| 15 | Accounting and regulatory compliance | | ✓ | | |

### *6.3. Key parameters*

Quorum: At least 2 persons

Frequency of meeting: Regular business meeting shall be conducted

Business review meeting should be conducted once every quarter. Emergency meetings may be conducted whenever required. Additionally, ad-hoc meetings may take place for approval and ratifications

Approval mechanism: All approvals should be provided through mandates within delegated authority by Board ratification and approval of limit breaches may be allowed within the delegated authority.

Reporting: The shall report on a quarterly basis to the Board. The officials shall obtain approval/ ratification/ expansion of limits from the Board. The officials will be represented by CFO in the board meetings

## 6.4. *Organization framework*

All currency risk management activities shall be undertaken centrally by the CFO and the designated officials as per the board. There shall be a strict segregation of duties between the dealing function and non-dealing function namely the Front Office and Back Office. Accounting for treasury activities may be carried out separately by the Accounts function or the Back Office.

## 6.5. *Role of Chief Financial Officer*

The Chief Financial Officer shall oversee the activities of the Treasury Department.The role of the Chief Financial Officer shall be as follows:

- Review risk-taking activities and decisions taken by the designated officials
- Review/Perform hedging operations on a continuous basis
- Review effectiveness in terms of cost/ benefit of instruments/ strategies and recommend performance measures
- Review the overall cash flow position on an ongoing basis
- Recommend changes to the policy, as and when required
- Facilitate internal audit and independent external review of the currency risk management function
- Monitor open positions on an ongoing basis and ensure that net open positions are contained within the defined hedge ratios
- CFO may execute or instruct Front Office to execute transactions relating to foreign exchange risk management
- Interact with entities to understand exposure profile and cash flow position on an ongoing basis
- Enforce compliance with the Foreign Exchange and Interest Rate Risk Management Policy
- Provide reports to the board as required
- Provide market insights to the board
- Propose changes/ modifications to strategies
- Interact with external parties to be informed about market movements

## 6.6. *Role of Front Office*

The front office includes the designated officials as approved by the board along with the CFO.

Trade execution:

- Obtain competitive quotes for every deal before concluding
- Execute the necessary currency risk management transactions and settlements within assigned benchmarks
- Before a deal is finalized with counter-party ensure that each risk component of the deal is correctly measured, modelled, priced and reassembled in a structure that is consistent with the description of the deal

Networking:

- Responsible for day-to-day monitoring of financial markets
- Review and monitoring of currency movements, interest rate movements, volatilities, pricing data etc to support decision-making
- Interact with counter-parties and market participants on an ongoing basis

Compliance:

- Review reporting procedures and controls to ensure compliance with the Policy
- Adopt appropriate risk management procedures and measurement methodologies to ensure compliance with this policy
- Ensure effective implementation of currency risk management policy objectives and its compliance

Reporting and monitoring:

- Review proposed hedging limit exceptions
- Reviewing adequacy of controls for currency risk management MIS and infrastructure, recommending automation if required
- Ensure that the overall risk limits are not breached
- Establish in writing that the deal has been executed

Initiatives:

- Review the risk elements of the underlying exposure and hedge portfolio and recommendations for the board
- Review performance versus benchmarks and risk limits, and provide comments to the board as needed

## *6.7. Role of Back Office and Accounts*

Confirmation and Settlements:

- Confirm settlements with counter-parties/ banks on daily basis
- Follow up unmatched inward confirmations, from counter-parties
- Once transactions are executed, the contract should be routed through an approval process based on level of authorization. It also needs to ensure that all signatures are obtained and filed
- Monitor receipts and payments of balances due and immediately notify the appropriate personnel

Reporting:

- Prepare risk management and performance reports including daily/ monthly/ quarterly and other management reports and file all MIS date wise
- Monitor changes in the regulations related to currency risk management operations

Control:

- Monitor and report limit exception and violation issues on a monthly basis
- Review, understand and monitor the currency and interest rate risk management activities in detail and compliance with policies and procedures.
- Review the approved instruments for appropriateness to currency risk management objectives and, if needed, recommend changes in conjunction with the CFO

Policy compliance:

- Report on compliance with policies and procedures to the CFO on a monthly basis
- Monitor the procedures for new instruments and transactions to ensure that their risks and implications can be identified, measured and controlled
- Limit violation should be communicated immediately to the CFO

Documentation:

- Ensure that appropriate controls & MIS are in place as new instruments, counter parties and risk limits are approved
- Assign transaction identification numbers and ensure appropriate allocation to portfolios at the transaction inception
- Ensure that all legal formalities in respect of the transactions undertaken are adhered to and reviewed

Passing accounting entries:

- Account for transactions at inception
- Account for settlements in a timely manner
- Compliance with AS-11
- Reconcile the internal MIS and accounting records

P&L computation:

- Compute Accounting P/L
- Compute P/L against benchmarks
- Compute impact of change in currency and interest rates of P/L based on existing holdings

Performance measurement:

- Track measurement against benchmarks
- Perform mark to market computations

### *6.8. Delegation of authority to undertake transactions*

| Sno | Transaction | CFO | Front Office | Back Office/ Accounts |
|---|---|---|---|---|
| 1 | Risk management strategy | Review/ Approve | Advise | |
| 3 | Deal execution | Approve | Perform | Review |

| | | | | |
|---|---|---|---|---|
| | | & Perform | | |
| 4 | Deal capture | Approve & Perform | Perform | Validate |
| 5 | Confirmation with counter-parties | Review &Perform | Review &Perform | Perform |
| 6 | Deal settlement | Review | Review | Perform |
| 7 | New activity initiation | Review | Advise | Evaluate |
| 8 | Allocation of limits | Review/Propose | Advise | Evaluate |
| 9 | Accounting | | | Perform |
| 10 | Risk profile of instruments | Review | Advise | Evaluate |
| 11 | Increasing tenor for hedging | Evaluate and present to Board | Advise | |
| 12 | Policy administration and review | Review | Review | Perform |
| 13 | Transaction reporting | Review | Review | Perform |
| 14 | Performance reporting | Review | Review | Perform |
| 15 | Breach of policy | Review/Ratify/approve/Propose | Review | Report |
| 16 | Regulatory compliance | Review | Review | Perform |
| 17 | Appointment of personnel | Approve | | |

### *6.9. Power to approve policy exceptions*

Breaches should be approved by the First Authority and in its absence subsequent authorities. In any case all breaches should be intimated to all approving authorities.

| SNo | Type of breach | First authority | Second authority | Third authority |
|---|---|---|---|---|
| 1 | Errors in reporting exposures by Business Divisions | Business Division Head | CFO | CEO |
| 2 | Inappropriate benchmark for hedging decisions | CFO | CEO | |
| 3 | Undertaking unauthorized activity | CFO | CEO | Board |
| 4 | Breach of limits defined in the Policy | CFO | Board | |
| 5 | Transacting at off-market rates | CFO | Audit Committee | Board |
| 6 | Errors in recording transactions | CFO | CEO | |
| 7 | Accounting and regulatory compliance | Zero Tolerance* | | |
| 8 | Any other policy parameters | CFO | CEO | Board |

**Zero tolerance would mean an immediate investigation into the breach by the of persons (internal or external) designated for the purpose. Action to be taken based on the investigation.*

## 7. *Authorized activities for currency and interest rate risk management*

The Group may engage only in those hedging activities that are defined in this Section. The Group is strictly prohibited from the execution of transactions that cannot be categorized as designed to reduce risk exposure to various market factors.

Any activity that is speculative in nature is strictly prohibited. Expansion in the scope of activities will be permitted only after prior approval from the Board. Any personnel found to be indulging in activities that do not form part of the authorized activities shall be debarred from hedging with immediate effect pending an investigation. Whether an activity is speculative or not depends on the nature of the transaction and the purpose for entering into such a transaction.

### 7.1. *Authorized instruments*

This Policy permits use of the following instruments and only against specific situations:

- **Plain vanilla forward contracts:** Plain vanilla forwards on-shore are permitted for managing timing mismatch risks.
- **Plain vanilla option contracts:** Plain vanilla purchased call option and put option positions are permitted. The Group should ensure that naked call options are not written at any point in time. To optimize the cost of hedging, it is important for the Group to optimize the premium paid for option contracts. The Group may consider using call spread / seagull (premia may be upfront or rear-ended) and put spread / seagull structures (premia may be upfront or rear-ended) to optimise the premium. As a principle, where the Group has managed to improve on the benchmark rate, the amount earned above the target rate may be earmarked to buy options.
- **Currency futures:** Currency futures may be permitted by the CFO on a case to case basis. It may be noted that currency future contracts require margin payments based on mark to market carried out on a frequent basis. To avoid the liquidity pressure on account of margin payments, currency future contracts may be discouraged.
- **Zero cost structures:** A zero cost structure should be assessed on a case by case basis and risk-return should be assessed by reviewing the off-setting cash flows under different scenarios. A zero cost structure shall be permitted only after receiving specific approval from CFO.
- **Interest rate swaps:** Floating to fixed interest rate swaps are permitted. Fixed to Floating interest rate swaps may also be taken with prior approval from CFO or Board. The cash flow exchange dates of the interest rate swaps should coincide with the cash flow exchange dates of the underlying borrowing obligation.
- **Currency swaps:** Currency swaps are permitted for a maximum tenor corresponding with the tenor of the underlying mismatch risk. The cash flow exchange dates of the swap should coincide with the cash flow exchange dates of the underlying borrowing obligation

The following considerations should also be taken into account while selecting an instrument:

- Premium, whether implicit or explicit, front ended or rear-ended as part of any transaction
- Margin payments should be avoided as far as possible as they lead to liquidity pressure. Management of margin payments may be done through negotiation with counterparties and spreading the exposure across multiple counterparties.

### 7.2. *Authorized counterparties*

All hedging transactions should necessarily be undertaken with the authorized dealers and Banks in India.
The Company may undertake hedging transactions with the following banks/ dealers:

| Name of bank | Limits |
|---|---|
| ICICI Bank | ▪ INR 525 crore |
| ________ | ▪ ________ |

### 7.3. *Authorized currencies*

Hedges shall be taken only in currencies in which commercial transactions are undertaken. Usually the currency pairs for hedging transactions of the company are USD-INR, EUR-USD , EUR-INR , GBP-USD , GBP-INR etc. Third currency hedging is strictly prohibited.

### 7.4. *Authorized personnel for undertaking hedging transactions*

All hedging operations are required to be undertaken only by the CFO and designated officials as per the board (the Front Office). No hedging operations shall be undertaken by any person other than the aforesaid personnel. All hedging transactions undertaken should be backed by a counterparty confirmation. The counterparty confirmation should necessarily be signed and authorized by the CFO and the designated officials as per the board. The hedging transactions may be undertaken on behalf of the Company with the authorized counterparties in line with the following delegation of authority:

| Name of person | Designation | Products | Limits |
|---|---|---|---|
| Mr. Dilip Kumar Banthiya | Chief Financial Officer | Authorized Instruments | Maximum tenor: tenor of the underliyng Single deal limit: 100% of the value of the underlying |

The hedging transactions may be reported by the bank to the following:

| Name of person | Designation |
|---|---|
| Mr. Kapil Dev Vashistha | Senior General Manager – Corporate Finance and Treasury |

### 7.5. *Hedging Tenor*

Hedging transactions should not exceed a tenor of mismatch identified. The tenor of hedging transactions shall not exceed the tenor of underlying contracts. The hedge tenor may be extended with the prior approval of the CFO.

### 7.6. *Hedge ratios and target rates*

The hedge ratio shall be evaluated on a monthly basis and shall be revised in line with the market volatility and risk quantification exercise, which is to be carried out by the Back Office. The risk appetite shall be initially determined by the CFO based on the principles defined in Section 3.

## 8. *Accounting for treasury management activities*

### 8.1. *Accounting for currency risk management activities*

The Group shall adhere to AS-11 for all hedging transactions. The Treasury Committee shall decide on the date for transitioning to AS-30. Until such transition is made, foreign exchange risk management activities may be accounted for as per AS-11. The chronology of accounting for currency risk management activities is explained below:

**<u>Applicability of accounting guidance:</u>**

| SNo | Type of hedging instrument | Treatment under AS-11 | Treatment under ICAI notification |
|---|---|---|---|
| 1 | Forward contracts taken against recognized foreign currency debtors | ✔ | |
| 2 | Other derivative instruments | | ✔ |

**<u>The chronology of accounting for currency risk management activities is explained below:</u>**

| SNo | Accounting event | Treatment under AS-11 | Treatment under ICAI notification |
|---|---|---|---|
| 1 | On execution of hedge | None | None |

| SN o | Accounting event | Treatment under AS-11 | Treatment under ICAI notification |
|---|---|---|---|
| 2 | Revaluation of hedge taken | Forward premium is amortised over the life of the contract. Difference between spot reference and prevailing spot rate on revaluation date is taken to P/L account | Difference between hedge rate and prevailing forward rate to be taken to P/L account in case of a loss. Gains are not recognised |
| 3 | Recognition of foreign currency debtor | Book payables at prevailing currency rate | |
| 4 | Revaluation of assets and liabilities | Difference between booking rate and revaluation rate taken to P/L | |
| 5 | Settlement of hedge | Difference between settlement rate and hedge rate/ revaluation rate to be taken to P/L | Difference between settlement rate and hedge rate/ revaluation rate to be taken to P/L |

## *Operational controls*

### *9.1. Segregation of duties*

There should be a strict segregation of duties between the dealing and non-dealing functions. All dealing transactions should be undertaken only by the Front Office. Personnel engaged in dealing shall be termed as the Front Office and shall only be involved in deal execution. Deal settlement, exchanging of confirmations with counterparties is the job of the Back Office. Back Office shall be involved in monitoring, risk measurement and regulatory compliance.

### 9.2. *Use of master agreements*

All derivative transactions entered into by the Group should be governed by terms specified in a standard ISDA agreement. The ISDA agreement may be undertaken on behalf of the Company in line with the following delegation of authority:

| Name of person | Designation |
|---|---|
| Mr. Dilip Kumar Banthiya | ▪ CFO |

### 9.3. *Transaction confirmation*

Confirmations of all transactions should be received within 5 working days from deal execution. Counter parties should also be encouraged to send such confirmations within the stipulated period. Confirmations must form part of the deal documentation.

### 9.4. *Deals conducted at unfavourable rates*

It is the duty of the Front Office to ensure that every deal is conducted at the most competitive quote. In case deals are conducted at unfavourable rates compared to most competitive quote, the Front Office is required to document the reason for the same. Every such deal shall be backed by a sound rationale.

## 10. *Annexures – Abbreviations*

| | |
|---|---|
| AS | Accounting Standard |
| BoD | Board of Directors |
| CFO | Chief Financial Officer |
| CDR | Corporate Debt Restructuring |
| Forex | Foreign Exchange |
| INR | Indian Rupee |
| ISDA | International Swaps and Derivatives Association |
| MTM | Mark to Market |

| | |
|---|---|
| **P/L** | Profit and Loss |
| **RBI** | Reserve Bank of India |
| **USD** | United States Dollar |