

Indo Rama Synthetics (India) Limited

Amendment in Policy on Foreign Exchange Risk Management

Objectives of the Policy

The objective of the Forex Hedging is to manage FX risk in an effective way to address volatility in Forex movement to take care business profitability. More specifically:

- a) The Treasury is a support function for business and not a profit center.
- b) All the hedging activity is done to protect the business scenario.

Foreign Exchange Risk Management

The Board had approved Hedging Policy in its Board Meeting dated July 25th, 2021 & further modified in its Board Meeting dated 10th February, 2022, whereby Company covers 50% of its Forex Short Position under FX Hedging.

It has been observed that Domestic pricing of the products of the Company especially PSF is being influenced by Import Parity pricing and any FX movement in USD is also reflected in the pricing of the product, whereas it has negligible effect in domestic pricing of POY & DTY, since both products are sold at a discount against Import Parity pricing.

Thus, in our Existing Hedging Policy, it is imperative to incorporate Dollarized Inventory concept. If the Net Hedging position is Short, FX Position needs to be covered accordingly and if it is Long FX Position needs to be sold.

Board hereby modifies its Hedging Policy to incorporate dollarized inventory in the working of net hedging position and to cover 50% of said net position by way of hedging / forward sale considering FX Short / Long positions.

Note: This Policy modified and approved by the meeting of the Board of Directors held on November 1, 2022.

Indo Rama Synthetics (India) Limited

Note on Foreign Exchange Risk Management

Objectives of the Policy

The objective of the Forex Hedging is to manage FX risk in such a way as to ensure that the company's business margins are protected. More specifically:

- a) The Treasury is a support function for business and not a profit center.
- b) All the hedging activity is done to protect the business margins.

Foreign Exchange Risk Management

1. The foreign exchange exposure profile of the Company is as follows:

- a) Exports: The annual export turnover of the Company is ~ \$58 million for FY20-21. (Estimated for CY21 – 117 Mn)
- b) Imports: The annual import purchase for FY 20-21 is ~\$ 69.44 million (Estimated for CY21 – 140 Mn). Out of the same, ~\$ 25-30 million is outstanding at any point of time. Imports are likely to increase due to Imported PTA procurement.

2. The foreign exchange USD / INR Trend is as follows:

Rupee weakening

Date	Closing Rate	Yearly Change	CAGR - 9 YRS Since 2012	CAGR - 5 YRS	CAGR - 2 YRS
30-06-2021	74.33	-1.56%	3.74%	2.02%	3.85%
30-06-2020	75.50	9.40%			
30-06-2019	69.02	0.80%			
30-06-2018	68.47	6.02%			
30-06-2017	64.58	-4.36%			
30-06-2016	67.52	6.10%			
30-06-2015	63.64	5.77%			
30-06-2014	60.17	1.32%			
30-06-2013	59.39	6.79%			
30-06-2012	55.61	24.42%			
30-06-2011	44.70	-3.76%			
30-06-2010	46.44				

- a. Hedging Cost – USD/INR: 4.5 ~5.0%

3. Forex Position – IRSL – 3 Years

Ex-Rate	30.06.2021	31.03.2021	31.03.2020	31.03.2019
USD	74.3350	73.115	75.69	69.17
EURO	88.3843	85.80	82.86	77.7
JPY	0.6728	0.66	0.70	0.63
Forex Exposure - Short Position				
Trade Payable (Net of Advances /Receivables & Export Transit Inventory)				
USD - Mn	20.72	36.81	5.69	7.93
EURO - Mn	0.17	0.02	0.01	0.14
JPY - Mn	72.91	69.37	59.58	55.43
Advance from Customers (Refundable)				
USD - Mn	5.01	0	16.02	
Loans Not Considered as Fx Capitalized				
USD - Mn				
EURO - Mn				
TOTAL				
USD - Mn	25.72	36.81	21.71	7.93
EURO- Mn	0.17	0.02	0.01	0.14
JPY- Mn	72.91	69.37	59.58	55.43
TOTAL - USD Equivalent - Mn	26.52	37.45	22.27	8.56
Hedging Premium (@5.00 /5.25 %/ 4.25%/ 4.0%) - INR	3.72	3.84	3.22	2.77
Total Hedging Cost (Annualized) - Rs Crore	9.86	14.38	7.16	2.37
Forex (Loss)/Gain Reported (Rs Crore)	0.12	0.76	-2.35	-3.53
Saving / (Loss)	9.97	15.14	4.81	-1.16
Hedging Cost %	5.00%	5.25%	4.25%	4.00%
Forward Cover Taken - USD - Mn	14.38			

4. Foreign Exchange Risk Management Strategy:

- The Present Indian Forex Reserve is around US\$609 Billion.
- The Present USD short position (excl. Hedged Portion) of \$26.5 Mn will increase to \$30 Mn, due to more PTA imports in near future.
- As on 30th June 2021, we had hedged \$14.38 Mn Import Liability.
- As per IVL Guidelines, we should hedge atleast 50% of the net short /long position.