POLICY OF OMKAR SPECIALITY CHEMICALS LIMITED ON RISK MANAGEMENT

INTRODUCTION

Oxford Dictionary defines the term “risk” as a chance or possibility of danger, loss, injury or other adverse consequences.

Risk management is attempting to identify and then manage threats that could severely impact or bring down the organization. Generally, this involves reviewing operations of the organization, identifying potential threats to the organization and the likelihood of their occurrence and then taking appropriate actions to address the most likely threats.

Regulation 17 (9) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 states as under:

(a) The listed entity shall lay down procedures to inform Board members about the risk assessment and minimization procedures.

(b) The board of directors shall be responsible for framing, implementing and monitoring the risk management plan for the listed entity.

The Ministry of Corporate Affairs, Government of India has also accepted the concept of Risk Management and its relevance to the smooth functioning of the corporate sector in India and has therefore introduced a specific provision on Risk Management under paragraph (II) (C) of Corporate Governance voluntary guidelines, 2009.

(II) (C) Risk Management:

i) The Board, its Audit Committee and its executive management should collectively identify the risks impacting the company's business and document their process of risk identification, risk minimization, risk optimization as a part of a risk management policy or strategy.

ii) The Board should also affirm and disclose in its report to members that it has put in place critical risk management framework across the company, which is overseen once every six months by the Board. The disclosure should also include a statement of those elements of risk, that the Board feels, may threaten the existence of the company.

It has therefore become mandatory for the listed companies to prepare a comprehensive framework of risk management for assessment of risks and determine the responses to these risks so as to minimise their adverse impact on the organisation.

Risk Strategy:

OSCL recognises that, the risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner

The Company believes that the Risk cannot be eliminated. However, it can be:

- Transferred to another party, who is willing to take risk, say by buying an insurance policy or entering into a forward contract;
- Reduced, by having good internal controls;
- Avoided, by not entering into risky businesses;
- Retained, to either avoid the cost of trying to reduce risk or in anticipation of higher profits by taking on more risk, and;
- Shared, by following a middle path between retaining and transferring risk.

OSCL is primarily involved in the production of Speciality Chemicals and Pharma Intermediates. It manufactures a range of Organic, Inorganic and Organo Inorganic Intermediates. The Inorganic Intermediates include Molybdenum derivatives, Selenium derivatives, Iodine derivatives, Cobalt derivatives, Bismuth & Tungsten derivatives and the organic intermediates include Tartaric acid derivatives and other intermediates. These products find applications in various industries like Pharmaceutical Industry, Chemical Industry, Glass Industry, Cosmetics, Ceramic Pigments and Cattle & Poultry Feeds.

OSCL is exporting its products to Europe, Canada, Asia, South America, Australia & China. It’s association with leading organizations in India and abroad has enabled is to broaden the business, to expand the existing product range and to develop new molecules as per the specific demands of its valued customers.

In today's challenging and competitive environment, strategies for mitigating inherent risks in accomplishing the growth plans of the company are imperative. The common risks inter alia are: Regulations, competition, Business risk, Technology obsolescence, Investments, retention of talent and expansion of facilities. Business risk, inter-alia, further includes financial risk, political risk, fidelity risk, legal risk etc.

For managing Risk more efficiently the company would need to identify the risks that it faces in trying to achieve its objectives. Once these risks are identified, the risk manager would need to evaluate these risks to see which of them will have critical impact on the company and which of them are not significant enough to deserve further attention.

As a matter of policy, these risks are assessed and steps as deemed appropriate are taken to mitigate the same.

Risk Management Framework

The objectives must exist before management can identify potential events affecting their achievement. Risk Management ensures that management has in place a process to set objectives and that the chosen objectives support and align with the company's mission and are consistent with its risk appetite.

The Objectives of the Company can be classified into:

Strategic:

- Organizational Growth
- Comprehensive range of products
- Sustenance and Growth of Strong relationships with suppliers and customers
- Expanding our presence in existing markets and penetrating new geographic markets
- Continuing to enhance our industry expertise
- Enhance our capabilities through technology alliances and acquisitions

Operations:

- Consistent Revenue growth
- Consistent profitability
- High quality production
- Further development of Culture of Innovation
- Attract and retain quality technical associates and augmenting their training

Reporting:

- Maintain high standards of Corporate Governance and public disclosure

Compliance:

- Ensure stricter adherence to policies, procedures and laws/ rules/ regulations/ standards

In principle, risks always result as consequence of activities or as consequence of non-activities. Risk Management and Risk Monitoring are important in recognizing and controlling risks. The entirety of enterprise risk management is monitored and modifications made as necessary.

Risk mitigation is an exercise aiming to reduce the loss or injury arising out of various risk exposures.

OSCL adopts systematic approach to mitigate risks associated with accomplishment of objectives, operations, revenues and regulations. The Company believes that this would ensure mitigating steps proactively and help to achieve stated objectives.

The Company has constituted a Risk Management Committee with functional heads and the Company Secretary as members. The Committee will submit its periodical report to the Board about the measures taken for mitigation of Risk in the organisation.

We consider activities at all levels of the organization, viz., Organization level; Division level; Business Unit level and Subsidiary level are considered in the risk management framework. All these components are interrelated and drive the Company's Wide Risk Management with focus on three key elements, viz;

(1) Risk Assessment
(2) Risk Management
(3) Risk Monitoring

Risk Assessment

Risks are analysed, considering likelihood and impact, as a basis for determining how they should be managed.

Risk Assessment consists of a detailed study of threats and vulnerability and resultant exposure to various risks.

To meet the stated objectives, effective strategies for exploiting opportunities are to be evolved and as a part of this, key risks are identified and plans for managing the same are laid out.

Risk Management and Risk Monitoring

In the management of Risk the probability of risk assumption is estimated with available data and information and appropriate risk treatments worked out in the following areas:

1. Economic Environment and Market Conditions

Our customers are concentrated in Speciality Chemicals and Pharma industry. Economic slowdowns or factors that affect the economic health of our customers' countries and the said industry may increase risk to our revenue growth.

Strategically, we seek to continuously expand the customer base to maximise the potential sales volumes and at the same time securing additional volumes from existing customers on the basis of our record of satisfactory performance in our earlier dealings. The efforts to enhance quality of products and upgrading their performance parameters are aimed at deriving optimum value from the existing customer base and targeting a larger customer profile.

Historically, the strength of our relationships has resulted in significant recurring revenue from existing customers.

To counter pricing pressures caused by strong competition, the Company has been increasing operational efficiency and continued to take initiatives to move up the quality control scale besides cost reduction and cost control initiatives.

2. Political Environment

The Company has established its manufacturing units in the Maharashtra State. However, it has the global presence and worldwide customer and suppliers.

Any adverse change in the political environment in the State of Maharashtra or in India or in any other country may have an impact in growth strategies of the company. However, India is also an emerging economy and due to compulsions of global competitive forces, are stabilising its industrial policy with considerable reforms to attract foreign investment in various spheres. However, considering its basic political philosophy, we are reviewing existing and future investment strategies on a continuous basis.

Risks that are likely to emanate are managed by constant engagement with the Government of the day, reviewing and monitoring the country's industrial, labour and related policies and involvement in representative industry-bodies.

3. Competition

The markets for Speciality Chemicals and Pharma Intermediates are rapidly evolving and highly competitive and we expect that competition will continue to intensify due to establishment of new capacities, expansion of existing capacities and consolidation of operations across the sector.

We believe that we are strongly positioned in our designated market commanding a premium for our various products. However, with the installation of additional capacity in a Greenfield Plant with locational and cost advantages, our marketing strategies are being evolved to cover a wider marketing area. Exploiting the traditionally strong relationship with our customers to market the higher production of Speciality Chemicals and Pharma Intermediates is an equally valid strategy being pursued.

It is also believed that the expertise of the company in the manufacture of Speciality Chemicals, technical know-how within the company, the emphasis on high quality will also substantially minimise the impact of market fluctuations compared to other players.

Additionally, efforts to bring down the cost of production are being implemented with a reduced workforce backed by high-end production technology, establishment of captive power generation in the factory area itself, brand exploitation with common media publicity promotion etc.

4. Revenue Concentration

High concentration in any single business segment exposes the company to the risks inherent in that segment. We have adopted prudent norms based on which we monitor and prevent undesirable concentration in a geography, industry, or customer. The quest for diversified activities within the existing realm of overall management after due consideration of the advantages and disadvantages of each activity is consistent with company policy of increasing business volumes with minimum exposure to undue risks. Concentration of revenue from any particular segment of industry is sought to be minimised over the long term by careful extension into other activities, particularly in areas the company has some basic advantage such as availability of land, technical or manpower resources.

5. Inflation and cost structure

The cost of revenues consists primarily of raw materials. The cost of revenues has a very high degree of inflationary certainty. To de-risk, the Company has established specific policies for procurement of long delivery and strategic raw materials and stores and those amenable to just-in-time inventories including contacts with suppliers of the raw materials and other requirements.

At organizational level, cost optimisation and cost reduction initiatives are implemented and are closely monitored. The Company controls costs through budgetary mechanism and its review against actual performance with the key objective of aligning them to the financial model. The focus on these initiatives has inculcated across the organization the importance of cost reduction and control.

6. Technological obsolescence

OSCL's philosophy is *to* ***'Modernise, Indigenise, Never Compromise on Technology'***

The company strongly believes that technological obsolescence is a practical reality. Technological obsolescence is evaluated on a continual basis and the necessary investments are made to bring in the best of the prevailing technology. Established contacts with leaders in technology, particularly in the areas of the company's operations, have dividends in our ability to access to newer and evolving processes and their applications in the manufacture of finished goods. This has led to the company establishing a lead with customers and sharing with them the benefits of such technological advances quicker than the market.

The company's policies also include a favourable dispensation for replacement of Machinery and Equipment on a constant basis to take advantage of such technological movements.

7. Financial reporting risks

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, Securities and Exchange Board of India (SEBI) rules, and Indian stock market listing regulations are creating uncertainty for companies. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time, as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of on-going revisions to such corporate governance standards.

We are committed to maintaining high standards of corporate governance and public disclosure and our efforts to comply with evolving laws, regulations and standards in this regard would further help us address these issues.

Our preparation of financial statements in conformity with Indian GAAP and in accordance with the Accounting Standards issued by ICAI, requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances including consultation with experts in the field, scrutiny of published data for the particular sector or sphere, comparative study of other available corporate data, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. These may carry inherent reporting risks. We believe that the accounting policies related to revenue recognition and Accounting for Income taxes are significant.

8. Fluctuations in Foreign Exchange

While our functional currency is the Indian rupee, we transact a significant portion of our business in USD/Euro and other currencies and accordingly face foreign currency exposure from our sales in other countries and from our purchases from overseas suppliers in U.S. dollars and other currencies and are exposed to substantial risk on account of adverse currency movements in global foreign exchange markets.

We manage risk on account of foreign currency fluctuations as per the strategy adopted in Forex Policy. Our risk management strategy is to identify risks we are exposed to, evaluate and measure those risks, decide on managing those risks, regular monitoring and reporting to management. The objective of our risk management policy is to minimize risk arising from adverse currency movements by managing the uncertainty and volatility of foreign exchange fluctuations by hedging the risk to achieve greater predictability and stability. Without venturing into the speculative aspects of dealing in currency derivatives, we aim to cover foreseeable fluctuations with limited hedge cover so that moderate arbitrage efficiency is achieved against the existing borrowing rates of interest. Our risk management policies are approved by senior management and include implementing hedging strategies for foreign currency exposures, specification of transaction limits; identification of the personnel involved in executing, monitoring and controlling such transactions.

9. Risk of Corporate accounting fraud

Accounting fraud or corporate accounting fraud are business scandals arising out of Misusing or misdirecting of funds, overstating revenues, understating expenses etc.

The Company mitigates this risk by:

- Understanding the applicable laws and regulations
- Conducting risk assessments
- Enforcing and monitoring code of conduct for key executives
- Instituting Whistle blower mechanisms
- Deploying a strategy and process for implementing the new controls
- Adhering to internal control practices that prevent collusion and concentration of authority
- Employing mechanisms for multiple authorisations of key transactions with cross checks
- Scrutinising of management information data to pinpoint dissimilarity of comparative figures and ratios
- Creating a favourable atmosphere for internal auditors in reporting and highlighting any instances of even minor non-adherence to procedures and manuals

And a host of other steps throughout the organisation and assign responsibility for leaving the overall effort to a senior individual like Chairman and Managing Director.

10. Legal Risk

Legal risk is the risk in which the Company is exposed to legal action

As the Company is governed by various laws and the Company has to do its business within four walls of law, where the Company is exposed to legal risk exposure.

We have an experienced team of professionals, advisors who focus on evaluating the risks involved in a contract, ascertaining our responsibilities under the applicable law of the contract, restricting our liabilities under the contract and covering the risks involved so that they can ensure adherence to all contractual commitments.

Management places and encourages its employees to place full reliance on professional guidance and opinion and discuss impact of all laws and regulations to ensure company's total compliance. Advisories and suggestions from professional agencies and industry bodies, etc. are carefully studied and acted upon where relevant.

11. Compliance with local laws

The Company is subject to additional risks related to our international expansion strategy, including risks related to complying with a wide variety of national and local laws, restrictions on the import and export of goods and technologies and multiple and possibly overlapping tax structures. The Company put in place robust process with the help of consultants.

12. Quality and Project Management

For years OSCL is engaged in manufacture of Speciality Chemicals and Pharma Intermediates for various industries as per mutually accepted requirements of the Customers.

Our Commitment towards total Quality Management is to forge the Human Resources of our organisation into a team that promotes continual improvement in quality of products and services.

Considerable focus is given to adherence to targeted delivery dates and commitment to quality in every sells order and customer feedback is studied with personal interaction with them before, during and after the completion of dispatch.

OSCL, a pioneer in manufacturing Speciality Chemicals and Pharma Intermediates and is committed to maximise customer satisfaction and keep a clean and safe environment.

We have received ISO-9001-2008 certification for Unit No. II in respect of quality management systems.

13. Environmental Risk Management

The Company endeavours to protect the environment in all its activities, as a social responsibility.

The legal exposure in this regard is when polluting materials are discharged into the environment by causing danger to fragile environmental surrounding is an offence.

For control of water pollution the Company has setup an Effluent Treatment Plant at its Units. The Waste water is first treated in the Effluent Treatment Plant and then it is sent to Common Effluent Treatment Plant for further treatment.

14. Human resource management

"The vision of the Company is to achieve Organisational excellence through innovation"

OSCL's Human Resources Development (HRD) Department will add value to all its Units and Subsidiary companies by ensuring that the right person is assigned to the right job and that they grow and contribute towards organisational excellence.

Our growth has been driven by our ability to attract top quality talent and effectively engage them in right jobs.

Risk in matters of human resources are sought to be minimised and contained by following a policy of providing equal opportunity to every employee, inculcate in them a sense of belonging and commitment and also effectively train them in spheres other than their own specialisation. Employees are encouraged to make suggestions on innovations, cost saving procedures, free exchange of other positive ideas relating to manufacturing procedures etc. It is believed that a satisfied and committed employee will give of his best and create an atmosphere that cannot be conducive to risk exposure.

Employee-compensation is always subjected to fair appraisal systems with the participation of the employee and is consistent with job content, peer comparison and individual performance. Packages are inclusive of the proper incentives and take into account welfare measures for the employee and his family.

We seek to provide an environment that rewards entrepreneurial initiative and performance.

15. Culture and values

The Company has various units located in different geographical locations and people belonging to different culture and values are employed in those divisions.

Managing risk consistently among multi-cultural workforce is very critical.

Our core values:

- Pursuit of Excellence
- Industrial Promotion
- Export Promotion
- Workers' Welfare
- Productivity
- Safety
- Industrial Relations
- Environment Improvement

These are guiding parameters for all organization-wide initiatives.

Over the years, company has consistently followed the practice of adhering to certain cultures and values in internal and external management and every employee is made aware of such practices and the logic behind them. It is the company's belief that every employee is attuned to follow fair practices and uphold its fair name in every field they are involved.

Risks specific to the Company and the mitigation measures adopted

(a) Business Operations Risk: These risks relate broadly to the company's organisation and management, such as planning, monitoring and reporting systems in the day to day management process namely:

- Organisation and management risks;
- Production, process and productivity risks;
- Business interruption risks;
- Profitability

Risk mitigation measures:

- The Company functions under a well-defined organization structure.
- Flow of information is well defined to avoid any conflict or communication gap between two or more Departments.
- Continuous efforts are being made for creation of the Second level positions in each Department to continue the work without any interruption in case of non-availability of functional heads.
- Proper policies are followed in relation to maintenance of inventories of raw materials and consumables to ensure their availability for the productions.
- Effective steps are being taken to reduce cost of production on a continuing basis taking various changing scenarios in the market.

(b) Liquidity Risks: The following are the liquidity risks:

- Financial solvency and liquidity risks
- Borrowing limits
- Cash management risks

Risk Mitigation Measures:

- Proper financial planning is put in place with detailed Annual Business Plans discussed at appropriate levels within the organisation.
- Annual and quarterly budgets are prepared and put up to management for detailed discussion and an analysis of the nature and quality of the assumptions, parameters etc.

- Daily and monthly cash flows are prepared, followed and monitored at senior levels to prevent undue loss of interest and utilise cash in an effective manner.
- Exposures to Foreign Exchange transactions are supported by LCs and Bank guarantees and steps to protect undue fluctuations in rates etc.

(c) Credit Risks:

- Risks in settlement of dues by customers
- Provision for bad and doubtful debts

Risk Mitigation Measures:

- Systems put in place for assessment of creditworthiness of customers.
- Provision for bad and doubtful debts made to arrive at correct financial position of the Company.
- Appropriate recovery management and follow up.

(d) Logistics Risks:

- Use of outside transport sources.

Risk Mitigation Measures:

- Possibilities to optimize the operations, by having a combination of transportation through road/ rail and sea/air are explored.
- Company has a dedicated transport group to handle all requirements relating to movement of goods, domestic and imported, as and when necessary with a well defined system of allocation of vehicles based on priorities and time aspects.

(e) Market Risks/ Industry Risks:

- Demand and Supply Risks
- Quantities, Qualities, Suppliers, lead time, interest rate risks
- Raw material rates

- Interruption in the supply of Raw material

Risk Mitigation Measures:

- Raw materials are procured from different sources at competitive prices.
- Alternative sources are developed for uninterrupted supply of raw materials.
- Demand and supply are external factors on which company has no control, but however the Company plans its production and sales from the experience gained in the past and an on-going study and appraisal of the market dynamics, movement by competition, economic policies and growth patterns of different segments of users of company's products.
- The Company takes specific steps to reduce the gap between demand and supply by expanding its customer base, improvement in its product profile, delivery mechanisms, technical inputs and advice on various aspects of de-bottlenecking procedures etc.
- Proper inventory control systems have been put in place.

(f) Human Resource Risks:

- Labour Turnover Risks, involving replacement risks, training risks, skill risks, etc.
- Unrest Risks due to Strikes and Lockouts.

Risk Mitigation Measures:

- Company has proper recruitment policy for recruitment of personnel at various levels in the organization.
- Proper appraisal system for revision of compensation on a periodical basis has been evolved and followed regularly.
- Employees are trained at regular intervals to upgrade their skills.
- Labour problems are obviated by negotiations and conciliation.
- Activities relating to the Welfare of employees are undertaken.
- Employees are encouraged to make suggestions and discuss any problems with their Superiors.

(g) Disaster Risks:

- Natural risks like Fire, Floods, Earthquakes, etc.

Risk Mitigation Measures:

- The properties of the company are insured against natural risks, like fire, flood, earthquakes, etc. with periodical review of adequacy, rates and risks covered under professional advice.
- Fire extinguishers have been placed at fire sensitive locations.
- First aid training is given to watch and ward staff and safety personnel.
- Workmen of the company are covered under ESI, EPF, etc., to serve the welfare of the workmen.
- Workmen Compensation Fund has been set up by the Company
- Mediclaim and Cover for all the employees has been taken and monitored by the Company from time to time.

(h) System Risks:

- System capability
- System reliability
- Data integrity risks
- Coordinating and interfacing risks

Risk Mitigation Measures:

- IT department maintains repairs and upgrades the systems on a continuous basis with personnel who are trained in software and hardware.
- Password protection is provided at different levels to ensure data integrity.
- Licensed software is being used in the systems.
- The Company ensures “Data Security”, by having access control/ restrictions.

(i) Legal Risks:

These risks relate to the following:

- Contract Risks
- Contractual Liability
- Frauds
- Judicial Risks
- Insurance Risks

<u>Risk Mitigation Measures:</u>

Following are the Risk mitigation measures adopted by the Company to mitigate the risks relating to Legal aspects:

- A study of contracts with focus on contractual liabilities, deductions, penalties and interest conditions is undertaken on a regular basis.

- Contracts are finalized as per the advice from legal professionals and Advocates.

- Timely payment of insurance and full coverage of properties of the Company under insurance.

- Internal control systems for proper control on the operations of the Company and to detect any frauds.

(j) Foreign Exchange and Interest Rate Risk Management:

A. Exposures

OSCL is exposed to the forex markets by way of trade exposures arising out of imports and exports and foreign currency loans

B. Risk Identification

Recognizing the fact that Company is exposed to the risk of exchange rate fluctuation and the timing of the recognition is of utmost importance to the success of the risk management process. Once the forex exposure is recognized, the onus of risk management shifts to the finance/Treasury department. The generally adopted market practices in recognition of currency risk on trade exposures are as follows:

- ✓ Budgeting Stage
- ✓ Order Stage i.e Receipt/placing of order
- ✓ Final shipment stage

<u>Exports:</u>

Currently, OSCL recognizes the currency risk associated with its export orders at the final shipment stage. Since the terms of trade get crystallized at this stage, it is realistic to recognize the currency risk at this stage.

<u>Imports:</u>

Currently, OSCL recognizes the currency risk associated with its import orders at the final shipment stage. Since the terms of trade get crystallized at this stage, it is realistic to recognize the currency risk at this stage.

<u>Benchmarking:</u>

Benchmarking could be defined as setting target levels for transactions. In other words, it is assigning a currency rate/value to the transaction so as to ensure that the business profit is not diluted by adverse currency movements. The benchmark levels would then serve as yardsticks for performance evaluation. In fact without proper benchmarking, it becomes very difficult to evaluate the performance of the risk management process. The main task in the process of benchmarking is to decide upon the target rates to be achieved on exposures. The generally adopted market practices in benchmarking of trade exposures are as follows:

- ✓ Exchange rate considered for Invoicing
- ✓ First Day Forward Rate(FDFR)
- ✓ Costing Rate
- ✓ Budgeting Rate

Exports:

OSCL shall consider the Customs Rate at the beginning of the month as the benchmark rate for export transactions.

Imports:

OSCL shall consider the Customs Rate at the beginning of the month as the benchmark rate for import transactions.

Policy Guidelines

1. The Company uses derivative instruments, primarily forward contracts, to hedge foreign currency exposures.
2. The Company will hedge its known exposures if it is determined that changes in foreign exchange rates are to have a material impact on earnings or fair values of assets and liabilities.
3. Matching:-Cash inflows in one of the pairing currencies can be offset against cash flows in the others. Company can balance its receivables and payables in the same currency. Company may also deliberately influence the balance by arranging short or long term loans or deposits.
4. The Company does not use derivative contracts for speculative purposes.
5. The Company will establish procedures for measuring and predicting the Company's entire foreign exchange exposure on a periodic basis.
6. Stop Loss Strategy

Stop loss levels are set in order to protect open positions from the possibility of the view on market variables going wrong. OSCL shall consider 1% from the benchmark level as the Stop Loss Level for Export and Import exposures.

Take Profit Policy

Similar to a stop loss level, a take profit level would ensure that the gains are booked at appropriate intervals and levels.

OSCL shall consider 2% from the benchmark level as the Take profit Level for Export and Import exposures.

Core Cover

Core cover could be defined in two manners. It could either be placed in terms of number of day exposure or as a percentage of total exposure. The methods are enunciated as follows:

Number of day exposures

A management decision to hedge all its exports/imports falling due within a three months' time could be an example of core cover in terms of time.

Percentage of exposures

OSCL shall at any point of time keep 50% of net total exposure covered.(Net exposure means open exposure after natural hedging) Currently, the net exposure is considered for coverage as exports are minuscule. However, in the future once exports pick up, the core coverage ratio would be 70% of both imports and exports separately.

Further, changes in the Core Coverage i.e. Percentage of exposures could be discussed periodically at Risk Management Committee meetings.

C. Risk Control

- Risk limitation or reduction is the prime objective in framing the policy.
- The company will keep net open position limits in accordance to the approval of the Risk Management Committee and also consider the natural insurance cover into consideration.
- Company's bankers are consulted and suitable exposures in the form of limited buyers' credit and other instruments are evolved to mitigate exchange rate fluctuations as well as in interest rates tied to LIBOR and other like rates.

(k) DISCLAIMER CLAUSE

The Management cautions readers that the risks outlined above are not exhaustive and are for information purposes only. Management is not an expert in assessment of risk factors, risk mitigation measures and management's perception of risks. Readers are therefore requested to exercise their own judgment in assessing various risks associated with the Company.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

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