IFGL REFRACTORIES LIMITED

FOREX RISK MANAGEMENT POLICY

Background

IFGL Refractories Limited (the "Company") has dealings in foreign currency for imports, exports, foreign exchange loans, etc. As the forex market has been quite volatile, it is important that the Company lays down a broad framework for Forex Risk management. The Forex Risk Management Policy of the Company outlines broadly, the framework within which the Company will operate to manage its risks arising from volatility/movements in foreign currency and interest rate.

Company's functional currency is Indian Rupee, however around 60% of turnover is in foreign currency (mainly Euro, USD, GBP) and around 50% of purchase of raw material & stores is imported mainly in USD.

Objectives of the Policy

The objective of this policy is to provide framework to understand and manage the risks associated with Foreign exchange and Interest rate exposures associated to foreign currency loan, foreign currency payment towards capital and revenue expenditures of the Company. The objective of the Company is to minimise the impact of exchange rate risk, interest rate risk arising out of foreign exchange exposure. The Company will aim to achieve this objective optimally through pursuing a discretionary risk management approach. In case of small exposures, it may not be economically efficient to hedge. Also, a completely hedged book would mean that the company will have to forgo the benefits accruing on account of any future favourable movement in the FX market.

Forex exposures classification

Foreign exchange exposure is broadly categorized under following heads:

- Revenue account/ Transaction
- Foreign currency loans (mainly PCFC & Buyers Credit)
- Capital Expenditure (Capex)
- Interest Rate Risk

Revenue Account / Transaction:

Exports contribute around 60% of the total revenue of the Company. Exports are made in Euros, USD, GBP, AED etc. Bifurcation of total revenue between Exports & Domestic for last two financial years

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has been as follows:

Rs in lakhs

Revenue from Operations	FY 2020-21	% of total	FY 2019-20	% of total
Domestic	26,782	41%	24,799	50%
Exports	38,125	59%	25,062	50%
Total	**64,907**		**49,861**	

Further to this, Company import 50% of its raw material and some of store and spares for about Rs 100 cr.

Portion of exports and imports gets naturally hedged as Company takes Packing credit loan in Foreign currency to minimise the exports currency exposure.

Foreign currency loans (mainly PCFC & Buyers Credit)

At present Company has no foreign currency loan other than packing credit in foreign currency. Company at times take Buyers credit / payment to supplier against standby letter of credit in foreign currency.

The Company may avail loans in foreign currency or FCNR to avail the benefit of lower interest rates.

Capital Expenditure (Capex)

The Company at times import machineries in Euro/USD/GBP. This may also involve receipt of Bank guarantee against any advances made for such imports.

Interest Rate Risk

Interest rate is a risk of movement of interest rate or the base rate (eg. LIBOR , Euro LIBOR) at which packing credit in foreign currency loan, buyers credit, term loan etc are taken. Movement in such base rate lead to increase or decrease in interest cost.

Hedging

Hedging is the counter transaction used to eliminate the both ways movement of open foreign currency exposures. It is generally entered into to avoid any adverse impact of foreign currency exposure.

Hedging Instrument

Forex Forward Contracts: The Company had in past taken forex forward contracts to eliminate or reduce currency exposure.

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Company may after discussion with the bankers or any other experts go for any hedge in future.

Framework and guidelines for managing the risks faced by the Company:

Role, Responsibilities and Reporting for entering into any Derivative deals

Managing Director, Director & CFO, General Manager — Finance & Accounts or any other person as may be authorised by the Board to decide on any forex hedge transaction including all generic Derivative Transactions on behalf of the Company from time to time and do all other related acts, deeds and things, including cancellation, rebooking or amendment of the transactions and to deliver the necessary documents as required for and on behalf of the Company.

Execution of ISDA

The Company has to execute ISDA with banks to enable it to hedge both the foreign currency exchange risk and the interest rate risk.

Regulatory approval

The Company shall undertake only such transactions that are permitted under the laws of land or country including RBI. Derivative transactions shall only be undertaken to hedge actual liabilities and amount shall not exceed underlying transaction. The Company will not write options or be a net recipient of premium.

The Company will follow applicable accounting standards issued by the ICAI for the above from time to time

Validity, Modification /Alteration etc

This Risk Management Policy on Forex Exposures adopted on Saturday, 14th August, 2021 will be effective from 1st September, 2021 and may be altered and or modified by the Board of Directors as and when necessary.

For and on behalf of Board of Directors of
IFGL Refractories Ltd

(Kamal Sarda)
Director and Chief Financial Officer

Kolkata
14th August, 2021

Formerly known as **IFGL EXPORTS LIMITED**
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