COMMODITY RISK MANAGEMENT POLICY

GOEL

Shri Bajrang Power And Ispat Limited

Regd. Off: Village Borjhara, Guma Road, Urla Growth Center
Raipur-493221 (Chhattisgarh)
CIN: U27106CT2002PLC015184

COMMODITY RISK MANAGEMENT POLICY

We, M/s. SHRI BAJRANG POWER AND ISPAT LIMITED confirm that the underlying risk management policy with respect to Exchange Traded / OTC commodity derivative transactions (“Transactions”) has been approved and adopted by the Board of Directors of the Company.

We affirm that the Board of Directors of the Company has laid down guidelines for entering into and concluding Transactions as required under the current rules and regulations and we shall ensure that the Transactions proposed to be undertaken by the Company shall be in conformity with the commodity Risk Management Policy.

1.Objective of Risk Management Policy:

Commodity price risk is an integral spaectrum of the financial risk of an entity impacting its financial performance/profitability upon fluctuations in the prices of commodities that are out of the control of the entity, since they are primarily driven by external market forces, Sharp fluctuation in commodity prices are creating significant business challenges that can affect costs, product pricing, earnings and credit availability. This price volatility makes it imperative for an entity to manage the impact of commodity price fluctuations across the value chain to effectively manage its financial performance and profitability.

Therefore M/s. SHRI BAJRANG POWER AND ISPAT LIMITED (‘the Company’) is of no exception to this golden maxim considering its core manufacturing activities which essentially involving imports of commodities like coal ,iron ore and such other commodit*ies which may be required to be imported relating to its manufacturing activities.*

Commercial transactions often involves a well crafted [SPA]Sale/Purchase agreement between two parties, that are occasionally structured as forward contracts with various mutual warranties and obligations as agreed by both parties. Unstated terms and conditions of such agreements if any are often governed by rules and Byelaws of the respective regulating agencies

Since company is faced with different types of financial risks including ‘market risk ‘with the risk of falling commodity prices, “currency risk” with the risk of uneven realization in case of export/import and ‘liquidity risk’ arising from less market participants, company’s policy is always to adequately hedge its commodity price risks.

2.Our approach:

With the existence of two different markets, the futures price generally influences the price in the local cash market as there is a positive correlation between the local cash price and the futures prices.In the commodities markets, a benchmark is defined as an external reference price (i.e. outside of the control of the Contracting parities) that are acceptable to both the buyer and seller to be used directly or as a base for establishing the agreed price in the contract.

Over the years, the international Commodity Exchanges have with better price transparency, more efficiency and greater liquidity emerged as a benchmark for physical/ paper prices typically used by commodity players. The international Commodity Exchanges offer better liquidity and effective price discovery.

Accordingly, to minimize the exposure on account of fluctuations in prices of commodities the company has laid out well-defined Risk Management Policy which provides the guidelines to maintain internal check and controls, delegation of authority and corresponding responsibilities, risk evaluation and proper accounting.

It is essential there for the board to come out with the commodity risk policy out lining the areas such as Identification of Risk and Measurement of Risk, Hedging of Risk, Risk Governance, Guidelines for revaluation and/or monitoring positions and Names and designation of officials authorized to undertake transactions and limits assigned to them.

The Board will be overall responsible for the risks sought to be hedged under the proposal, which will be, reviewed every year-end.

3.Role of Board of Directors:

This main responsibility of the Board is to recognize the policy for managing commodity price risk. The Board takes the decision & measures to be adopted by the Commodity Desk Heads and the Risk Manager.

4.Board's Responsibility:

a) To establish and approve hedging policies and to analyse the Current Exposure of the Company and the risks that the Company is facing.
b) To establish framework of reporting, monitoring, and control.
c) To approve derivative instruments to be used for HEDGING.
d) To ensure that adequate education is made available to key persons on fundamentals of derivatives.
e) Legal Compliances
f) Authorising operational and accounting officials responsible for ensuring the total compliance of the policy of the board with exhaustive role clarity in due conformity with all the relevant regulatory and statutory prescriptions.

5.illustartive operational guidelines:

a) Once the Commodity desk head executes the deal, the Trade Execution shall enter the details of the entire derivative executed in the 'Deal Memo'.
b) The Deal Memo must be authorized by the Commodity desk head and communicated to the Risk Manager.
c) The Accountants shall keep the records of the trade confirmation received from the Commodity exchanges and the Deal Memo for future references.
d) The Accountant will update the 'Commodity Hedge Register' based on the Deal Memo.

e) The Accountant shall reconcile all the trades entered during the day with the report from the Brokers and get the same approved from Risk manager.
f) The Accountant shall prepare payment advice for margin money payable to the brokers for the derivative trade executed. Commodity desk trader, Risk Manager and CFO/CEO, will approve the payment advice.
g) The Hedge activities undertaken need to be reported to the CEO/CFO.

6.What Risk Manager should do:

a) The total outstanding hedged positions as at on the end of the Month and ensure they do not breach the limits if any prescribed by the Board.
b) Monitoring of hedged positions and Calculate the MTM arising out of the hedged positions booked by way of Derivative Hedge Instruments
c) Monitoring the Margin Money lying with the Broker.
d) Reconciliation of Brokers ledger with the Brokers statement of account.
e) shall ensure that proper accounting entries are made in respect of all the deals undertaken.

7.Responsibilities of CFO:

a) The current outstanding hedged positions and exposure of the company and risk involved.
b) The review of the MTM on derivative positions.
c) To Ratification deals if any,
d) To define and update the hedging strategies within the agreed board framework of hedging rules, ratio, process and instruments.
e) To review the Board Policy on suggestions from the Trade Heads and Risk Mangers for review of risk identifications and analysis.

a) That Annual certificate from Statutory auditors confirming that the prescribed terms and conditions have been complied with and company's Internal are satisfactory will be sent to authorized dealer on a periodic basis or as and when required.

8. Ultimate role of the Board:

The names and designations of officials authorized to undertake transactions will be decided duly by Board resolution and as such there will be no specific limits assigned to them as all deals are discussed internally and periodically reports are submitted to the board for its close monitoring and taking the required corrective measures if so warranted.