FACOR ALLOYS LIMITED

RISK MANAGEMENT POLICY

FACOR ALLOYS LIMITED

Risk Management Policy

OVERVIEW

This is in compliance with Section 134 (3) (n) of the Companies Act, 2013 and Clause 49 (VI) of the Listing Agreement which requires the Company to develop and implement a Risk Management Policy and to lay down risk assessment and minimisation procedures.

ROLE OF BOARD OF DIRECTORS

The Board of Directors of the Company oversee the development of Risk Management Policy and the establishment, implementation and monitoring of the Company's risk management system, in accordance with the policy.

ROLE OF THE CHIEF EXECUTIVE OFFICER

The Chief Executive Officer has responsibility for identifying, assessing, monitoring and managing risks. The Chief Executive Officer is also responsible for identifying any material changes to the Company's risk profile and ensuring, with approval of the Board, the risk profile of the Company is updated to reflect any material change.

Implementation of the risk management system and day-to-day management of risk is the responsibility of the Chief Executive Officer, with the assistance of senior management, as required.

The Chief Executive Officer is required to report to the Board as to the effectiveness of the Company's management of its material business risks on a regular basis.

ROLE OF THE HEADS OF THE DEPARTMENTS

Heads of Departments shall be responsible for implementation of the risk management system as may be applicable to their respective areas of functioning and report to the Chief Executive Officer.

RISK PROFILE

The Company considers that any risk that could have a material impact on its business should be included in its risk profile. The areas of risk include,

a. Raw Material Risk
b. Quality Risk
c. Technology Risk
d. Competition Risk
e. Financial Risk including Foreign Exchange Risk
f. Realisation Risk
g. Cost Risk
h. Legal Risk

The Foreign Exchange Risk Management Policy of the Company forms part of this policy.

The key risk management process would include

i. Risk Identification
ii. Assessment of identified risk
iii. Risk measurement
iv. Risk mitigation
v. Monitoring of the risk mitigation efforts
vi. Risk reporting and disclosures
vii. Integration with strategy and business plan

ROLE OF AUDIT

A strong and independent Internal Audit Function at the corporate level carries out risk focused audits across all businesses, enabling identification of areas where risk management processes may need to be improved. The Audit Committee of the Board reviews Internal Audit findings, and provides strategic guidance on internal controls. It also monitors the internal control environment within the Company and ensures that Internal Audit recommendations are effectively implemented.

RESPONSIBILITY TO STAKEHOLDERS

The Company considers the reasonable expectations of stakeholders particularly with a view to preserving the Company's reputation and success of its business. Factors which affect the Company's continued good standing are included in the Company's risk profile.

CONTINUOUS IMPROVEMENT

The Company's risk management system is always evolving. It is an ongoing process and it is recognised that the level and extent of the risk management system will evolve commensurate with the development and growth of the Company's activities. The risk management system is a "living" system and the documentation that supports it will be regularly reviewed and updated in order to keep current with Company circumstances.

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FACOR ALLOYS LIMITED

FOREIGN EXCHANGE

RISK MANAGEMENT POLICY

FACOR ALLOYS LIMITED

Foreign Exchange Risk Management Policy

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1. PREAMBLE

1.1 Company's business activities inter-alia include import of materials like Coal, Petcoke and other minerals and Capital Equipments/Spare Parts, etc. which are linked to international prices and major international currencies. As a result the Company is exposed to exchange rate fluctuations on its imports and exports. The Company also avails Foreign Currency (FC) funding in the form of Buyers credit as the situation warrants. The impact of these fluctuations on the Company's profitability and finances is considered material.

1.2 It is therefore, important that the Company manages and mitigates its risk and accordingly develop a Currency Risk Management Policy Document which will provide the necessary guiding parameters.

2. OBJECTIVES

2.1 To make certain that the Foreign Exchange Risks are effectively identified, assessed, monitored and managed by the Company in consistent with the overall objectives of the Company and in compliance with the legal requirements and regulations of Reserve Bank of India.

2.2 To manage Foreign Exchange transactions as a cost-containment exercise only.

2.3 To minimize the impact of Forex rate variations on INR value of the committed receipts and payments in foreign currencies while minimizing the cost of such protection.

2.4 To ensure FC funding, where availed, does not exceed the cost of Rupee funding of a comparable nature, at the time of availing.

2.5 To reduce cash flow uncertainties and improve financial decision making.

3. POLICY

3.1 Decisions regarding borrowing in Foreign Currency and hedging thereof, (both interest and exchange rate risk) and the quantum of coverage shall be driven by the need to keep the cost comparable.

3.2 Foreign Currency loans shall be hedged after taking into consideration the anticipated Foreign exchange inflows / outflows in the form of Exports / Imports.

3.3 The decisions regarding Foreign Exchange transactions shall be made in the Corporate Office only.

3.4 If the imports are under CAD/DAP/LC, and the timing of the outflow of the foreign exchange is indeterminate, hedging shall be done taking into consideration the prevailing Foreign exchange market conditions.

3.5 Foreign Currency Transactions shall be recorded in accordance with the guidelines laid down in Accounting Standards.

3.6 The officer-in-charge of Treasury Operations at the Corporate/Vizag Office will maintain a detailed database of all hedges obtained bank-wise and arrange for utilization/ cancellation of the same as in tune with the above said Objectives and Policy decisions.

4. REPORTING & REVIEW

4.1 The details of foreign currency Exposure in the immediately preceding quarter shall be submitted to the Board at the meeting to be held in the succeeding quarter.

4.2 Periodical Audit of the Foreign Exchange Transactions and Hedging carried out, would be done by the internal auditors of the Company and reported to the Management.