



ALIPURDUAR TRANSMISSION LIMITED
RISK MANAGEMENT POLICY FOR CURRENCY AND
INTEREST RATE RISK

**RISK MANAGEMENT POLICY FOR
CURRENCY AND INTEREST RATE RISK****TABLE OF CONTENTS**

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1. Business Background

Alipurduar Transmission Limited (ALTL) is public limited company incorporated and domiciled in India and subsidiary company of Adani Transmission Limited.

2. Objective of the Policy

- (a) To mitigate the Currency Risk of foreign currency payables/receivables
- (b) To mitigate the Interest Rate risk
- (c) Achieve greater predictability to earning & protect margin of business
- (d) To minimize cash flow volatility

3. Risk Identification

The Company is exposed to Interest rate & Foreign Currency Risk arising out of the following exposures.

Foreign Currency Risk: The Company is exposed to Foreign Currency Risk arising out of the following Revenue Exposures:

| Particulars | Exposure Start Date | Exposure End Date |
|--|--|---|
| Import of Raw Materials | a) Pass through available: (Treasury Benchmark based on pricing formula) b) Pass through not available: (Treasury Benchmark: Bill of lading date) | Date of Payment made to overseas supplier or lender |
| Import of Consumables | Date of Purchase Order/Bill of lading/Advance payment, (Treasury Benchmark: Bill of lading date/Advance payment date, whichever is earlier) | Date of Payment made to overseas supplier or lender |
| Import of Services | Date of Purchase Order /invoice/ Advance payment, (Treasury Benchmark: Invoice date/Advance payment date, whichever is earlier) | Date of Payment made to overseas supplier or lender |
| Import of Capital Goods under Foreign Letter of Credit (FLC) | Date of Award of Project (Treasury BM: As specified Annexure 1) | Date of Payment made to overseas supplier or lender |
| ECB/FCL | Date of each drawdown | Date of Liquidation of foreign currency liabilities |

Interest Rate Risk: The interest rate risk may be due to fixed or floating rate asset or liability on the balance sheet.

| Particulars | Exposure Start Date | Exposure End Date |
|-------------------------------|---------------------|-------------------|
| Borrowing in INR | Date of drawdown | Date of repayment |
| Borrowing in Foreign Currency | Date of drawdown | Date of repayment |

4. Risk Measurement, Revaluation & Monitoring

All currency and interest risk as identified above should be measured on daily basis by monitoring the mark to market (M2M) of open and hedged position. The M2M will be based on closing price of relevant instrument quoted on Bloomberg/Reuters.

5. Risk Management

5.1 Foreign Currency Risk

- (a) The company would maintain a "Core Hedge" for prudent risk management strategy. The "Core hedge" is defined as per Annexure 1 and will be decided by Risk Management Board (RMB). The Exposure Management team will have 3 days grace period to comply with the "Core Hedge".
- (b) Company may also enter into currency swap for converting INR loan into other foreign currency for taking advantage of lower cost of borrowing in stable currency environment which will be decided by RMB.

5.2 Interest Rate Risk

- (a) INR and foreign currency interest rate risk may be hedged via suitable products like interest rate SWAP or interest rate futures and will be decided by Risk Management Board as specified Annexure 1. The Exposure Management team will have 3 days grace period to comply with the Hedge.

6. Risk Control

- (a) Risk Control involves maintaining effective internal controls on Risk Management activities to avoid unexpected losses. It will be achieved by maintaining functional segregation so that Risk Control is independent of hedging.
- (b) Activities of the exposure management team are thus separated into Front, Middle and Back office activities as detailed in Separation of Duties Section
- (c) Risk Control will be exercised by the Middle Office to ensure Risk Management is being conducted and reported correctly.
- (d) It will also be achieved by proper Reporting to Board of Director via Audit committee on quarterly basis.

7. Approved Products

- (a) Forwards
- (b) Currency Options
- (c) Currency Futures/ Interest rate futures
- (d) Currency Swaps / Principal Only Swap
- (e) Foreign Currency Interest Rate Swap
- (f) Rupee Interest Rate Swap

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(g) Other Products as permissible by RBI

The approved list of derivative products will be reviewed by RMB periodically based on prevailing market conditions

8. Accounting Policy & Disclosure

Accounting & disclosure of transactions and M2M will be done on the basis of prevailing ICAI guidelines and other regulatory / statutory bodies.

9. Officials Authorised to Undertake Transactions with Banks/Financial Institutions

| Designation | Maximum Limit Per Transactions (USD Equivalent) | |
|---------------------------------------|---|------------------------|
| | Forward/ Generic Derivatives | Structured Derivatives |
| Head, Group Treasury | USD 500 Mn | USD 500 Mn |
| SVP / VP, Group Treasury | | |
| Asso. VP, Group Treasury | | |
| General Manager, Group Treasury | USD 50 Mn | USD 50 Mn |
| Asso. General Manager, Group Treasury | | |
| Dy. General Manager, Group Treasury | | |
| Sr Manager, Group Treasury | USD 15 Mn | USD 15 Mn |
| Manager, Group Treasury | | |
| Asso. Manager, Group Treasury | | |
| Dy. Manager, Group Treasury | | |
| Asst. Manager, Group Treasury | | |

10. Separation of Duties

The Group Treasury organization structure highlights a clear separation of front, middle and back office. The roles and responsibilities of the Front, Middle and Back Office are set out in as part of detailed internal processes, consistent with the best practice principle of functional separation to minimize conflict of interest. The composition and role of each is as defined below:

10.1 Front Office:

- (a) Comprises of Head of Exposure Management and team
- (b) Execution of hedges in line with Risk Management Policy and external mandates as imposed by lenders / banks

10.2 Middle Office:

- (a) Comprises of Head of Middle Office and team
- (b) Generate and provide exposure reports & monitor adherence to Risk Management Policy and report deviations from policy to the Risk Management Board and
- (c) Risk monitoring, MTM computation and exercising control checks on the activities of Front office

10.3 Back Office:

- (a) Comprises of Head Back Office and team
- (b) Responsible for accurate and timely entry of all transaction data of hedges on real time basis, settlements of derivative trades and confirmation with counterparties and underlying document submission.

11. Deviation to the Policy

Any deviation in the risk management policy would require prior approval of Group CFO and ratification by Risk Management Board.

12. Scope of the Policy

This policy relates to the activities undertaken by the Company.

Annexure 1

- **Core Hedge Ratio for Foreign Currency Risk**
 - 25% for net economic exposure** maturing within one year
 - i. ** Economic exposure consists of all foreign currency liabilities (short term & long term loans, creditors, other balance sheet payables & anticipated payables), and foreign currency receivables (debtors, other balance sheet receivables & anticipated receivables)
- Additional hedge over and above Core Hedge will be decided by RMB on time to time basis.
- **Core Hedge Ratio for Interest Rate Risk**
 - No core hedge ratio recommended for INR interest rate risk as no suitable instrument is available for hedging bank's base rate risk
 - No core hedge ratio recommended for foreign currency interest rate risk as there is no long term foreign currency interest rate risk
- **Risk Management comprises of:**
 - Chairman
 - Group CFO
 - BU CFO
 - Head, Group Treasury
 - Head Exposure management