INDO AMINES LIMITED

HEDGING POLICY TO COVER FOREIGN EXCHANGE EXPOSURE

The Company is engaged in the export of its product and import of products to manufacture its finished goods. Both of these transactions are denominated in foreign currency mostly in USD. The rate of foreign exchange is fluctuating every day, based on many forex & domestic market variables. There is a time difference between entering & settlement of these transactions. Which give rise to gain or loss in international transaction with respect to transaction & settlement date.

To insulate company from this fluctuation Board of Directors approved following policy of foreign exchange hedging in its meeting held on 27th May 2017.

Hedging is a technique to take opposite position in future market as that of cash market to offset risk arising due to exchange fluctuation.

Hedging for exports:

Company accepts export order on the basis of exchange rate as on date of receipt of order. If converted foreign currency amount yield normal profit then order is accepted. In respect of exports company will receive consideration in foreign exchange in future. To avoid risk of any down word movement of foreign currency rate in future. Company will sell specified foreign currency equal to order value in spot market. As a result on the date of settlement of transaction it will realise the amount in domestic currency equal to date of order. This hedging strategy is to be followed for all export transaction except where the payment term is advance. No selective application of hedging is allowed on the basis of currency, country, customer, credit period or any other factor.

Hedging for Imports

Company place import order on the basis of exchange rate as on date of placing of order. If converted foreign currency amount incur normal production cost then only order is placed. For imports company will pay consideration in foreign exchange in future. To avoid risk of any up word movement of foreign currency rate in future. Company will bought specified foreign currency in spot market equal to value of imports in foreign exchange. As a result on date of settlement of transaction it will pay the amount in domestic currency equal to date of order. This hedging strategy is for all import transaction except where the payment term is advance. No selective application of hedging is allowed on the basis of currency, country, customer, credit period or any other factor.

Company does not frame hedging strategy for interest rates swaps on borrowings as it considers, in long range interest rates will follow down word trend. And all the borrowings are on floating rate which is link to respective bank MCLR. This stand will be reviewed at every financial year end.

Company does not frame hedging strategy for commodities as most of its raw materials & finished product are not traded on the recognised commodity exchange.