TRIOCHEM PRODUCTS LIMITED
MANUFACTURERS OF ETHICAL PHARMACEUTICAL PRODUCTS

Regd. Office : 4th Floor, Sambava Chambers, Sir P. M. Road, Fort, Mumbai - 400 001.
Tel. : 00 91 (22) 4082 8100 I Fax : 00 91 (22) 4082 8181 I E-mail : info@amphray.com
Corporate Identity Number : L24249MH1972PLC015544

TRIOCHEM PRODUCTS LIMITED

FOREIGN EXCHANGE (FX) RISK MANAGEMENT POLICY

1. INTRODUCTION

The practice of foreign exchange (FX) risk management is an area thrust into the spotlight due to the market volatility that has prevailed for some time. As a consequence, many corporate have undertaken an assessment of whether their FX risk management practices are appropriate for their underlying exposures, as well as whether their financial controls pass muster.

As part of that process, a sound formal policy for FX risk management is a major step towards satisfying standards for financial controls. The policy must lay out clear mandates for action and governance with clearly defined responsibilities.

2. OBJECTIVE OF RISK MANAGEMENT POLICY

To establish a framework for the policy, we outline principal business lines where the company is equipped and prepared to take risk. These need to be monitored as risk that can or cannot be hedged in the market.

It is important to identify risks that can be hedged away - for example, foreign exchange, interest rate and commodity risks that my affect financial performance.

The objective of the proposal Forex Risk Management Policy is as follows:

2.1. To assess and mitigate the potential exchange rate risk.

2.2. To defines roles and responsibilities of personnel in charge of risk management.

Factory : Plot No. 10/2, MIDC Industrial Area, Chickloli, Ambernath (West), Dist. Thane, PIN - 421 501 MAHARASHTRA.
Tel. : 0251-268 2191 • 268 2711 I Fax : 0251-268 2192

Regd. Office : 4th Floor, Sambava Chambers, Sir P. M. Road, Fort, Mumbai - 400 001.
Tel. : 00 91 (22) 4082 8100 I Fax : 00 91 (22) 4082 8181 I E-mail : info@amphray.com
Corporate Identity Number : L24249MH1972PLC015544

2.3. To improve efficiency and safety of risk management function.

2.4. To impart transparency to the risk management function.

2.5. To adopt "best practices".

2.6. To set benchmarks for treasury to operate within risk limits and prudential controls.

2.7. To set the criteria against which audit functions may review the forex treasury.

3. IDENTIFICATION AND QUANTIFICATION OF EXPOSURES

Exposures are grouped under the headings of transactional, translation and economic exposures.

3.1. Transactional exposures would relate to buying or selling in any foreign currency.

3.2. Translational exposures would relate to protecting the value of overseas investments and reported income.

3.3. Economic exposures might be the most difficult to capture because they relate to issues that usually arise from foreign competition.

At this stage, the policy would pertain only to management of transactional exposures.

3.4. Transactional exposures may be classified into Committed and Uncommitted Exposures:

3.4.1. Committed exposures are confirmed foreign exchange transactions to which the company is irrevocably committed.

3.4.2. Uncommitted exposures are potential foreign exchange transactions which can be identified with a high degree of probability.

Factory : Plot No. 10/2, MIDC Industrial Area, Chickloli, Ambernath (West), Dist. Thane, PIN - 421 501 MAHARASHTRA.
Tel. : 0251-268 2191 • 268 2711 I Fax : 0251-268 2192

Regd. Office : 4th Floor, Sambava Chambers, Sir P. M. Road, Fort, Mumbai - 400 001.
Tel. : 00 91 (22) 4082 8100 I Fax : 00 91 (22) 4082 8181 I E-mail : info@amphray.com
Corporate Identity Number : L24249MH1972PLC015544

3.4.3. A comprehensive hedging strategy covering committed as well as uncommitted exposures is needed to effectively manage forex risk.

3.5. Exposure Maturity Date

The maturity profile of the exposures can be established by two methods:

3.5.1. Documented maturity date. For example, in the case of imports / exports, it is the expected bill payment / realization date (payment date plus usance period, if any). In the case of loans, it is maturity date of loan.

3.5.2. Basis past experience. In some cases, some suppliers have a history of delayed payments. In such cases, it is best to use discretion basis past experience to establish the maturity date of the exposure.

RBI guidelines (at this point of time) do not allow extension of forward contracts once booked. Consequently, it is advised that when clubbing multiple exposures together, the outermost maturity date amongst the pool should be taken as the pool's cumulative exposure maturity date.

3.6. Opportunity Rate

3.6.1. Spot FX: a transaction in which one currency is exchanged for another for settlement (or value) at a rate that is widely traded in the market on a current basis.

3.6.2. Forward FX: A transaction in which one currency is exchanged for another for settlement on a future date. This rate reflects the interest differential between two

TRIOCHEM PRODUCTS LIMITED MUMBAI

Factory : Plot No. 10/2, MIDC Industrial Area, Chickloli, Ambernath (West), Dist. Thane, PIN - 421 501 MAHARASHTRA.
Tel. : 0251-268 2191 • 268 2711 I Fax : 0251-268 2192

Regd. Office : 4th Floor, Sambava Chambers, Sir P. M. Road, Fort, Mumbai - 400 001.
Tel. : 00 91 (22) 4082 8100 I Fax : 00 91 (22) 4082 8181 I E-mail : info@amphray.com
Corporate Identity Number : L24249MH1972PLC015544

currencies and is traded widely in the market for a future date. Forward transactions can be cancelled any time during its tenure at a rate derived from the prevalent spot rate and forward premium of the residual tenor.

4. RISK MANAGEMENT POLICIES AND RESPONSIBILITIES

The chain of responsibility for making decisions and executing them is to be formally established. Basic guidelines and ranges of acceptable hedging activity should also be established.

4.1. Basic Risk Management Guidelines

4.1.1. The Company will not participate in speculative transactions. Speculative activities would include any action that would add to, rather than reduce, the financial risks of the company.

4.1.2. Full statutory compliance of the FEMA, Rules, and guidelines issued by RBI / any other government agency.

4.1.3. An exposure shall be recognized as per the Guidelines prescribed by the Reserve Bank of India (RBI)

4.2. Risk Management Roles and Responsibilities

4.2.1. Treasury Committee / CFO

4.2.1.1. To serve as a forum for evaluation and approval of:

4.2.1.1.1. Hedging strategies on an ongoing basis

TRIOCHEM PRODUCTS LIMITED MUMBAI

Factory : Plot No. 10/2, MIDC Industrial Area, Chickloli, Ambernath (West), Dist. Thane, PIN - 421 501 MAHARASHTRA.
Tel. : 0251-268 2191 • 268 2711 I Fax : 0251-268 2192

Regd. Office : 4th Floor, Sambava Chambers, Sir P. M. Road, Fort, Mumbai - 400 001.
Tel. : 00 91 (22) 4082 8100 I Fax : 00 91 (22) 4082 8181 I E-mail : info@amphray.com
Corporate Identity Number : L24249MH1972PLC015544

4.2.1.1.2. Existing and new hedging instruments

4.2.1.2. To ensure that risk management practices are in compliance with the policy framework

4.2.1.3. To review and recommend any changes in the Forex Policy and Procedures

4.2.1.4. To review changes in FEMA, if any

4.2.1.5. The committee shall meet every month

4.3. Treasurer / FX Controller:

4.3.1. To closely study the market, monitor opportunities for hedging forex and interest rate risk and submit recommendations to the Treasure Committee / CFO.

4.3.2. To execute the approved hedging strategies

4.3.3. To ensure effective and efficient functioning of the day to day activities pertaining to forex risk management.

4.3.4. To be responsible for administrative related to the forex operations

4.3.5. To understand new instrument and prepare a note on the same for discussion in Treasury Committee meetings

4.3.6. To keep track of the changes in the FEMA guidelines and to report on its impact to the board as and when necessary.

4.3.7. To review and approve reports generated by the back office and Back office In-charge

Factory : Plot No. 10/2, MIDC Industrial Area, Chickloli, Ambernath (West), Dist. Thane, PIN - 421 501 MAHARASHTRA.
Tel. : 0251-268 2191 • 268 2711 I Fax : 0251-268 2192

Regd. Office : 4th Floor, Sambava Chambers, Sir P. M. Road, Fort, Mumbai - 400 001.
Tel. : 00 91 (22) 4082 8100 | Fax : 00 91 (22) 4082 8181 | E-mail : info@amphray.com
Corporate Identity Number : L24249MH1972PLC015544

4.3.7.1. To ensure the effective and efficient functioning of the back office operations pertaining to forex operations

4.3.7.2. To ensure proper recording of exposure and coverage details in a systematic manner, to send and receive deal confirmations.

4.3.7.3. To ensure circulation of timely and accurate daily, weekly and monthly reports to the management to assess the efficiency of the risk management activities.

5. HEDING POLICY

In this section, hedging strategies to manage risk are explicitly identified. In order to provide additional flexibility, a range of approved products, including forward contracts, options, and other permitted derivatives are recommended.

5.1. The specific hedging technique selected will depend on the circumstances of each exposure. For example, if certainty of an outcome is the main objective, forwards are likely to be the required product.

5.2. Alternatively, for competitive reasons, a company may need upside potential from currency movements. In this case, options and derivatives strategies will provide the desired trade-off of protection against adverse market moves while preserving upside potential from the underlying exposure.

PRODUCTS LIMITED MUMBAI

Factory : Plot No. 10/2, MIDC Industrial Area, Chikloli, Ambernath (West), Dist. Thane, PIN 421 501 MAHARASHTRA.
Tel. : 0251-268 2191 • 268 2711 | Fax : 0251-268 2192

Regd. Office : 4th Floor, Sambava Chambers, Sir P. M. Road, Fort, Mumbai - 400 001.
Tel. : 00 91 (22) 4082 8100 I Fax : 00 91 (22) 4082 8181 I E-mail : info@amphray.com
Corporate Identity Number : L24249MH1972PLC015544

5.3. It is advisable to provide a broad choice of hedging instrument at the outset since amending the policy later to include more choices is usually administratively burdensome.

5.4. Hedging guidelines

5.4.1. Responsibility for the day-to-day management of the currency risk of the company lies with the Treasurer / FX Controller.

5.4.2. Hedging activities shall be conducted in compliance with RBI regulations

5.4.3. Only those financial instruments permitted by RBI and authorized by this policy shall be used for hedging

5.4.4. Exposure management shall be conducted in line with the prudential controls as laid down under this policy

5.4.5. This policy prohibits use of instruments and undertaking of transactions which are not permitted by the RBI

5.5. Authorized Instruments

The instruments permitted by this policy to hedge forex exposure are:

5.5.1. Cash, Tom and Spot deals

5.5.2. Forward Contracts

5.5.3. Currency Options

5.5.3.1. Currency Swaps

5.5.3.2. Principal Only Swaps (POS)

TRIOCHEM PRODUCTS LIMITED MUMBAI

Factory : Plot No. 10/2, MIDC Industrial Area, Chickloli, Ambernath (West), Dist. Thane, PIN - 421 501 MAHARASHTRA.
Tel. : 0251-268 2191 * 268 2711 I Fax : 0251-268 2192

Regd. Office : 4th Floor, Sambava Chambers, Sir P. M. Road, Fort, Mumbai - 400 001.
Tel. : 00 91 (22) 4082 8100 I Fax : 00 91 (22) 4082 8181 I E-mail : info@amphray.com
Corporate Identity Number : L24249MH1972PLC015544

5.5.3.3. Interest Rate Swaps (IRS)

5.5.3.4. Other permitted derivatives

5.6. Hedging Strategy

The decision to hedge all exposures will be taken on the basis of guidelines below:

The Forex desk will discuss market conditions with member bank and adopt suitable hedging strategy from amongst the following choices:

5.6.1. Unhedged position - If the forex desk emerges with the view that Spot will outperform the forwards, the positions will be kept one. The opportunity rate would be identified at such time for record purposes. The choice of opportunity rates would be depending on the hedging strategy (as below) used by the company.

5.6.2. Hedged position - If the forex desk emerges with the view that Spot will not outperform the forwards, the positions will be hedged using bulk booking route. This is a rear-ended strategy which offers most convenience in terms of monitoring and logistical ease. Based on historical data, the corporate would have a reasonable idea about the flows expected over the next 6 months.

At a suitable time in the current running half-year, depending on the view of the company and their advisor's (banks, etc.), the corporate would book forward rates for each month of the next half year. The market offers rates which can be kept applicable for an entire month and this facility may be used.

Factory : Plot No. 10/2, MIDC Industrial Area, Chickloli, Ambernath (West), Dist. Thane, PIN - 421 501 MAHARASHTRA.
Tel. : 0251-268 2191 • 268 2711 I Fax : 0251-268 2192

Regd. Office : 4th Floor, Sambava Chambers, Sir P. M. Road, Fort, Mumbai - 400 001.
Tel. : 00 91 (22) 4082 8100 I Fax : 00 91 (22) 4082 8181 I E-mail : info@amphray.com
Corporate Identity Number : L24249MH1972PLC015544

The opportunity rate for unhedged positions under this strategy would be the forward rates applicable for each month in the next half year as determined on the first day of the current half year.

5.6.3. The corporate may freely use the past performance limits, as permitted and modified by RBI from time to time, in order to book forwards for hedging. The current guidelines caps such hedging of (a) average of last 3 year's total exposure or (b) last year's exposure. However, there is a restriction that once booked on past performance, only 25% of the same can be cancelled / rebooked: i.e. 75% has to be necessarily utilized.

5.6.4. Any liability or asset related forward (for example loan disbursements, repayments and interest payments) should be covered independently for their specific maturity dates if hedged. However, depending upon view or presence of offsetting flow, they may be kept unhedged.

5.6.5. The following minimum amounts should ideally be hedged for each forward bucket:

5.6.5.1.	Exposure Maturity Date Range	<6 Months
	Hedging Percentage	Discretionary (Advised minimum 34%)
	Review to be done on	Fortnightly basis

Factory : Plot No. 10/2, MIDC Industrial Area, Chickloli, Ambernath (West), Dist. Thane, PIN - 421 501 MAHARASHTRA.
Tel. : 0251-268 2191 * 268 2711 I Fax : 0251-268 2192

5.6.5.2.	Exposure Maturity Date Range	6-12 Months
	Hedging Percentage	66%
	Review to be done on	Monthly basis
5.6.5.3.	Exposure Maturity Date Range	> 12 Months
	Minimum Hedging Percentage	at least 50% for trade flows, 100% for capital flows
	Review to be done on	Quarterly basis

(Wait for the rest of these flows to move into the 6 – 12 months bucket and then follow the policy).

6. MONITORING, REPORTING AND EVALUATION

Once risk management actions have been taken, the hedge choices and actions need to be monitored for performance. The underlying exposures must be monitored on an on-going basis to ensure that the position does not become over or under hedge.

6.1. Responsibility for the appropriate measurements and management reporting rests with Back office In-charge

6.2. The chain of responsibility to whom the results are communicated and in what format is defined in Appendix 1 and 2.

6.3. If there is ever any evidence of an erroneous outcome or impropriety, it has to be immediately reported to the Treasury Committee / CFO.

TRIOCHEM PRODUCTS LIMITED MUMBAI

Regd. Office : 4th Floor, Sambava Chambers, Sir P. M. Road, Fort, Mumbai - 400 001.
Tel. : 00 91 (22) 4082 8100 I Fax : 00 91 (22) 4082 8181 I E-mail : info@amphray.com
Corporate Identity Number : L24249MH1972PLC015544

6.4. Finally, there should be a secure set of controls for measuring the hedging outcome. Any spreadsheet used for measuring purpose should have a secure backup in an audit functions. To the extent possible, hard-coded formulas should be used to avoid corruption of internal equations.

A suggested method for tracking the health of the exposures is attached as Appendix 1. A suggested reporting framework is attached in Appendix 2.

Risk management should be a process of continuous improvement. This policy itself should be viewed as a living document. Within the policy, there should be an explicit Commitment to review the policy on an annual basis to confirm that it is meeting its compliance objectives of risk reduction and enabling the company to reach its financial goals.

This process should be documented, reviewed, approved and signed so that the mandated officers can attest to the integrity of the provisions on an on-going basis.

7. CONCLUSION

The benefits of comprehensive FX risk management would be realized through a more predictable and stable financial performance.

A well-crafted risk management policy is an essential component of this process. Once goals and responsibility have been made clear, every person is treasury will benefit from the well-defined mandate. And ultimately, the shareholders will benefit the most from improved financial controls and performance.

TRIOCHEM PRODUCTS LIMITED MUMBAI

Factory : Plot No. 10/2, MIDC Industrial Area, Chickloli, Ambernath (West), Dist. Thane, PIN - 421 501 MAHARASHTRA.
Tel. : 0251-268 2191 • 268 2711 I Fax : 0251-268 2192

Regd. Office : 4th Floor, Sambava Chambers, Sir P. M. Road, Fort, Mumbai - 400 001.
Tel. : 00 91 (22) 4082 8100 I Fax : 00 91 (22) 4082 8181 I E-mail : info@amphray.com
Corporate Identity Number : L24249MH1972PLC015544

Summarizing, this Forex Policy seeks to lay out guidelines to achieve the following:

7.1. To assess and mitigate potential exchange rate risks.

7.2. To leverage the foreign exchange market to improve margin realizations of the company.

7.3. To highlight hedging strategies for creating predictable cash flows

7.4. To define roles and responsibilities of personnel in charge of risk management.

7.5. To set the criteria against which the company may review the forex treasury.

Appendix 1: Performance Tracker

A. Exposure Table

Sl. No.	Particulars	0 - 3 months	3 - 6 months	6 - 12 months	>12 months
	Customer 1				
	Customer 2				
	Customer 3				
	......				
A.1	Total Export Receivables				
	Supplier 1				
	Supplier 2				
	Supplier 3				
	......				
A.2	Total Import Receivables				
A.3	Loan Repayments				
A.4	Total Exposure (A.1-A.2-A.3)				

Factory : Plot No. 10/2, MIDC Industrial Area, Chickloli, Ambernath (West), Dist. Thane, PIN - 421 501 MAHARASHTRA.
Tel. : 0251-268 2191 • 268 2711 I Fax : 0251-268 2192

Regd. Office : 4th Floor, Sambava Chambers, Sir P. M. Road, Fort, Mumbai - 400 001.
Tel. : 00 91 (22) 4082 8100 | Fax : 00 91 (22) 4082 8181 | E-mail : info@amphray.com
Corporate Identity Number : L24249MH1972PLC015544

B. Hedged Exposure

Sl. No.	Particulars	0 - 3 months	3 - 6 months	6 - 12 months	>12 months
B.1	Total Value				
B.2	Weighted Average Rate				
B.3	Current Spot				
B.4	Average Forward Premium				
B.5	Average Outright Forward (B.3+B.4)				
B.6	MTM Profit (B.2 - B.5)				

C. Unhedged Exposure

Sl. No.	Particulars	0 - 3 months	3 - 6 months	6 - 12 months	>12 months
C.1	Total Value (A.4-B.1)				
C.2	Weighted average Opportunity Rate				
C.3	Current Spot				
C.4	Average Forward Premium				
C.5	Average Outright Premium (C.3+C.4)				
C.6	Average Outright Premium (C.2-C.5)				

TRIOCHEM PRODUCTS LIMITED MUMBAI

Factory : Plot No. 10/2, MIDC Industrial Area, Chickloli, Ambernath (West), Dist. Thane, PIN - 421 501 MAHARASHTRA.
Tel. : 0251-268 2191 • 268 2711 | Fax : 0251-268 2192

Regd. Office : 4th Floor, Sambava Chambers, Sir P. M. Road, Fort, Mumbai - 400 001.
Tel. : 00 91 (22) 4082 8100 I Fax : 00 91 (22) 4082 8181 I E-mail : info@amphray.com
Corporate Identity Number : L24249MH1972PLC015544

D. Overall Performance

Sl. No.	Particulars	0 - 3 months	3 - 6 months	6 - 12 months	>12 months
D.1	MTM Profit on Hedged (B.6)				
D.2	Opportunity Profit on Unhedged (C.6)				
D.3	Total Profit				
D.4	Profit Last Cycle				
D.5	Average Profit for last six cycles				

Appendix 2: Reporting Framework (to be prepared by Back Office In-charge)

Performance Report	Board of Directors	Treasury Committee / CFO	Treasurer / FX Controller	Audit Committee
Quarterly (Treasury Review)	X	X	X	X
Monthly Review		X	X	
Weekly (Summary)		X	X	
Daily Risk Report			X	
Other Internal Reports			X	

For Triochem Products Limited

Ramu S. Deora

Director & CEO

DIN: 00312369

Date: 30th March, 2015

TRIOCHEM PRODUCTS LIMITED MUMBAI

Factory : Plot No. 10/2, MIDC Industrial Area, Chickloli, Ambernath (West), Dist. Thane, PIN - 421 501 MAHARASHTRA.
Tel. : 0251-268 2191 • 268 2711 I Fax : 0251-268 2192