COMMODITY RISK MANAGEMENT POLICY

Version – 1.0

Effective 11th May, 2022

(Approved by the Board of Directors on 11th May, 2022)

Skipper Limited

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Commodity Risk Management Policy

1. Preface and Objective

A. Skipper Limited established in 1981 is one of the leading companies in the Power Transmission & Distribution and the Polymer segment. With over 40+ years of domain knowledge it is largest in India and tenth globally basis the manufacturing capacity. Skipper differentiates its offerings with high quality but cost effective solution for infrastructure providers and telecom operators. Its international footprint spans across continents such as Latin America, Europe, and Africa and is spread across 45+ countries with presence across sub-segments such as Towers, EPC, Monopoles, Poles and Railway Electrification Structures.

B. The major raw material for us is MS & HT Grade Steel Billets, apart from other materials like Zinc and Aluminium. Since most of our EPC contracts are fixed type in nature with average execution period in the range of 12-18 months, we stand exposed to commodity price volatility. All of these commodities are actively traded and priced in LME / CME and their reference prices are used as benchmark for pricing our supply contract and agreements. Considering these metals can be hedged in overseas markets where correlation is good with domestic prices. Futures, forwards, options and option structures can be used as a hedge instrument in this scenario.

C. Commodity Risk Management Policy provides the framework to identify, manage, mitigate, monitor potential risk pertaining to fluctuations in Commodity prices. The Policy also provides guidance for hedging, regulatory and internal compliance, operations etc related to Commodity price risk management.

D. The policy will be effective from 11th May, 2022.

E. The policy to be reviewed and amended from time to time but any changes in the policy will require prior approval of the Board. However, in case of exigency, the Commodity Risk Management Committee (CRMC) is empowered to make valid amendments in the risk management policy and put up the changes to the Board for ratification at the immediate next Board meeting.

F. Objective of this risk management policy is to provide a framework for risk identification, risk measurement, risk mitigation, risk monitoring, ensuring regulatory compliance, internal compliance and accounting related to hedging. While an optimum balance must be achieved between risk mitigation and cost saving/Profitability enhancement, the primary objective will be to contain the risk pertaining to commodity price fluctuation.

2. Risk identification and measurements

The Buy side risk mainly involves the rise in the commodity price which leads to higher raw material costs again leading to possible fall in the profit margins.

Such commodity price risk would be measured as tenor bucket wise, gross and net open exposure. For each and every commodity the measurement of hedges and exposures will be done in a tabulated manner as per given table.

Buy Side	Total	1M	2M	3M	4M	5M	6M	7M	8M	9M	10M	11M	12M
Exposure in tons	57000	5000	4000	6000	2000	4000	5000	5000	5000	3000	6000	7000	5000
Hedged in tons	9000	2000	4000	1000	2000								
Net Open Exposure in tons	48000	3000	-	5000	-	4000	5000	5000	5000	3000	6000	7000	5000

3. Structure & Framework and risk reporting

Skipper will constitute following roles to carry out specific responsibilities of risk management. The detailed roles and responsibilities are listed in **Annexure – 1.**

A. The Board will be the Owner of this policy and will perform following strategic roles
   i. Review price risks, exposures, economic and market scenario on a quarterly basis.
   ii. Provide broad guidelines to Risk Management Committee (CRMC)
   iii. Review the Policy once annually unless there is specific requirement to review earlier.

Commodity Risk Management Committee (CRMC) will be constituted comprising of following members:

i. Name 1: Mr Sharan Bansal, Director
ii. Name 2: Mr Sajan Kumar Bansal, Managing Director
iii. Name 3: Mr Aditya Dujari, Head Investor Relations

CRMC will be responsible for implementation of the policy including providing operational guidelines and monitoring decisions and performance related to risk management.

B. Execution:
   Following individuals are authorized by the Board to execute/unwind transactions. Their individual permissible products and per day transaction limits are captured below for Skipper. As and when, the Board amends the list of authorised individuals, the same needs to be updated in the RMP.

Name	Products	Authorisation
Mr. Aditya Dujari and/or Sri Sharan Bansal	Raw materials and/ or Semi- finished products	Jointly by Sri Sharan Bansal, Executive Director & CFO, Mr. Aditya Dujari, Authorised signatory

4. Hedging

A. Skipper will engage in hedging of commodity price risk on an on-going basis. For the purpose of risk management, Skipper will exercise a mix of judgement and discipline and will evaluate all possible scenarios of price movements while making decisions. Skipper will judiciously use a right combination of approved hedge instruments to achieve appropriate rate for the commodity purchases for the year and try to reduce the hedge cost for the payables. Overall, objective of hedging in Skipper is to optimise by attempting to reduce risk and price.

B. Hedge Counterparty

i. Skipper can take the hedge from any recognised exchange approved broker, Banks/Institutions providing commodity hedging solutions in LME/CME/SHFE/SGX and OTC.

C. Hedge Instruments

Here is the list of permissible hedge instruments and instruments which cannot be used.

<u>Permissible hedge instruments</u>

i. Spot/cash
ii. Forward contracts
iii. Exchange traded Futures
iv. Buying of vanilla Call options and Put Options
v. RBI approved option structures like call spreads, seagulls, range forwards.

<u>Instruments/Structures not allowed</u>

i. Leveraged structures like 1:2 forwards
ii. Simple sold calls or sold put options without any bought option
iii. Any combination of calls and puts apart from what has been mentioned as specifically allowed.

D. Cancellation, Rebooking, Early utilisation, and Rollover

While Skipper is not allowed to trade in commodity, the company is allowed to cancel and rebook a hedge as required to meet the policy guidelines on hedge ratio on open positions or to mitigate risk for the company. To reiterate such cancellation and rebooking has to be done within permitted RBI guidelines.

Skipper can early utilise a hedge contract when actual receipt/payment happens earlier than envisaged date for which hedge is taken. Skipper can also rollover (cancel and rebook) a hedge contract when the related underlying receipt/payment is delayed for some reason.

E. Benchmarking and Hedge Strategy for Exposures

i. Hedge strategy applicable for purchases of Steel

a. Purchases to be managed based on order placed (includes both invoiced and non-invoiced portion).
b. Minimum hedge has to be 10% of the invoiced order. Maximum hedge can be up to 100%.
c. Even Skipper can hedge its anticipated exposures in addition to actual underlying if required and decided by CRMC.
d. Skipper will hedge as and when required.
e. Front office can use futures, forwards or option structures for hedging.
f. Hedging can be done using a) Futures/forwards b) Plain premium paid options c) Cost reduction structures like Seagulls and Call spreads, range forwards

F. MTM policy:

i. MTM of the hedges will be generated and evaluated by the hedging team on regular basis and at least on weekly basis.
ii. Company may take help of external consultants / calculators for generating MTM
iii. RMC will evaluate MTM on a monthly basis
iv. Since the company is engaging into hedging, there won't be any need for compulsory cancellation however depending on the MTM and market dynamics, company may take necessary action.

Buy Side	**Total**	**1M**	**2M**	**3M**	**4M**	**5M**	**6M**	**7M**	**8M**	**9M**	**10M**	**11M**	**12M**
Exposure in tons	57000	5000	4000	6000	2000	4000	5000	5000	5000	3000	6000	7000	5000
Hedged in tons	9000	2000	4000	1000	2000								
Net Open Exposure in tons	48000	3000	-	5000	-	4000	5000	5000	5000	3000	6000	7000	5000
Hedged	1222.2	1300	1250	1100	1150								

rate													
MTM	171000	80000	88000	75000	-72000								

5. Regulations

A. Regulations and Compliance

i. Primarily, the guidelines impacting commodity risk management emanate from various circulars and notifications issued by RBI and other authorities such as
   - Hedging of commodity price risk and freight risk in overseas markets (RBI direction).
   - Amendments under FEMA
   - Circulars from DBOD on appropriateness and suitability
   - Guidelines on accounting from ICAI, RBI etc.

ii. Skipper will comply with all regulatory requirements.

iii. CRMC will monitor the regulatory developments and recommend necessary changes in the policy in order to comply to such changes in the guidelines.

iv. Any issue, where regulation is conflicting or unclear, Skipper will seek clarification from the concerned authority before acting upon it.

v. All standard exchange traded futures and options (purchases only) are permitted. If the risk profile warrants, Skipper may also use OTC contracts. It is also open to Skipper to use combinations of option strategies involving a simultaneous purchase and sale of options as long as there is no net inflow of premium direct or implied, subject to the guidelines
   - Writing of options by the users, on a standalone basis is not permitted. Users can however, write options as part of cost reduction structures, provided, there is no net receipt of premium.
   - Leveraged structures, Digital options, Barrier options and any other exotic products are not permitted.
   - The delta of the options should be explicitly indicated in the term sheet.
   - The portion of the structure with the largest notional should be reckoned for the purpose of underlying.
   - AD Category -I banks may stipulate additional safeguards, such as, continuous profitability, etc. depending on the scale of operations and risk profile of the users.

vi. Skipper should open a Special Account with the AD Category-I bank. All payments/receipts incidental to hedging may be effected by the AD Category-I bank through this account without further reference to the Reserve Bank.

vii. A copy of the Broker's Month-end Report(s), duly confirmed/countersigned by the Skipper's Financial Controller should be verified by the bank to ensure that all off-shore positions are/were backed by physical exposures.

viii. The periodic statements submitted by the brokers, particularly those furnishing details of transactions booked and contracts closed out and the amount due/payable in settlement should be checked by Skipper. Un-reconciled items should be followed up with the broker and reconciliation completed within three months.

ix. Skipper should not undertake any arbitrage/speculative transactions. The responsibility of monitoring transactions in this regard will be that of the AD Category -I bank.

x. An annual certificate from Statutory Auditors should be submitted by Skipper to the AD Category I bank. The certificate should confirm that the prescribed terms and conditions have been complied with and that the corporate/firm's internal controls are satisfactory. These certificates may be kept on record for internal audit/inspection.

Annexure 1

Roles and Responsibilities of various groups part of the risk management framework

Board
• Approval and Review of risk management policy from time to time. • Quarterly review of economy, commodity price risk, open exposures, hedges. • Provide guidelines to risk management committee from time to time. • Review the policy once annually unless there is specific requirement to review earlier.
Commodity Risk Management Committee
• Implement the risk management policy as approved by the Board. • Provide operational guidelines and establish MIS, internal control mechanism within treasury department. • Monthly review of economy, commodity price risk, open exposures, hedges. • Decision making regarding additional hedging, hedge ratio, instruments. • Assessment of global and local market conditions; Review of regulatory changes. • Provide inputs and recommendations to the Board. • Committee may appoint and seek advice from external consultants to assist in decision making.