MANIKARAN POWER LIMITED

FOREIGN EXCHANGE RISK MANAGEMENT AND HEDGING POLICY

PREFACE:

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FOREIGN EXCHANGE RISK MANAGEMENT AND HEDGING POLICY

1. PREAMBLE

1.1 Company's business activities inter-alia include import of Coal, Investment in Foreign Subsidiaries for expansion of business of the company globally and exposer to the overseas market.

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

2. Introduction:

The Foreign Exchange Risk Management and Hedging Policy (the "Hedging Policy") is aimed at ensuring best financial risk management practice and accountability frameworks are applied to the treasury operations of the business.

The purpose of the Hedging Policy is to strengthen the existing framework for managing risks associated with the Company's activity.

Manikaran Power Limited's ("**MPL**") Hedging Policy is set within a conservative framework and offers some flexibility in judgement to optimize cost effectiveness in both a rising and falling Foreign Exchange ("**FX**") rates.

3. Hedging Operations:

3.1 Hedging Strategy:

This hedging policy provides the overreaching framework for managing FX Risk. Ahead of any hedge contracts being entered into, an Advisory Team consisting of key management personnel will develop a separate Hedging Strategy for approval by the Board which will outline how hedging will be implemented by the Company, the volumes of the hedging to be entered into and the derivative instruments that will be used.

3.2 Hedging Contractual Structure:

MPL will appoint at least one hedging bank/hedging counterparty. The Hedge Bank must have a strong investment grade credit rating from a recognized credit rating agency and strong execution capacity.

MPL may appoint one or more additional or replacement Hedge Bank(s) at any time by notice in writing to the existing Hedge Bank, subject to the board approval having been obtained prior to any bank's appointment.

All new hedges will be transacted under an agreement or any form contracts, agreement or terms with the Hedge Banks for which the Board has reviewed and approved executed between the Hedge Bank and MPL. The hedge Bank must be authorized and confirm approval for the applicable risk management hedging lines to facilitate the execution of MPL's hedging requirements.

3.3 Risk Management Policy

The purpose of any hedging that MPL undertakes is to protect and strengthen its operations through managing future price and cost risks. Hedging will not be carried out for any other purpose (such as financial speculation).

- MPL Hedging Policy will be derived from an understanding of its future sales and cost profile.
- Under no circumstances will MPL accept hedging arrangements that allow for margin calls to be made against the Company.
- Generally, MPL will deliver into its hedges and will not roll out-of-the-money positions except under exceptional circumstances, and with specific board approval.
- Early close-out of in-the-money hedges will be considered on a case-by-case basis, and may only be undertaken with specific Board approval.

3.4 Consideration in Developing this Hedging Policy

Each of the following factors gives rise to constraints, which need to be managed both jointly and individually. This Hedging Policy addresses each of these factors:

Factor	Comment
Accounting Implications	MPL will account for all its hedging contracts in accordance with the Accounting Policies.
Counterparty Credit Risk	Credit Risk will be managed by adhering to the following credit limits: • A minimum rating level needs to be established for counterparties the business is able to deal with. For longer term hedge exposures, this dealing is to be restricted to counterparties with a long term credit rating of A or above • For short term (less than one year) hedge exposures, these dealings are to be restricted to counterparties with a short term credit rating of AA or above.

Nature of Approach to Hedging	A conservative approach to hedging requires a policy that includes permitted instruments, specific authorization of officials to enter into contracts, effective internal controls, regular portfolio valuation and frequent reporting.

3.5 Hedging Decision Process

The following process will be undertaken by MPL in respect of the design of hedging strategies and the implementation of these strategies:

Entity	Comment
The Board of Directors	• The Board will establish and implement a Foreign Exchange Risk Management and Hedging policy (this document). • The Board will provide guidelines for the development by management of a hedging strategy applicable to circumstances current at any particular time. • The Board will approve such a strategy once devised and authorize its implementation within the controls, authorization and reporting structures laid down in this policy.
The Managing Director	• The Managing Director will propose risk management strategies within the guidelines laid down by the Board and in consultation with the Advisory Team. • The Managing Director will implement the strategy within the policy guidelines, ensuring that proper controls, authorizations and reporting structures are in place.
The Advisory Team	• The Advisory Team will comprise the Managing Director, the Chief Financial Officer and the President as well as other internal and external expertise as may be appropriate from time to time. • The Advisory Team will consult on hedging strategies and on operational matters as they relate to hedging Strategies. Its purpose is to provide a range of expertise and background knowledge to the development of the hedging strategy. • The Advisory Team will be responsible for designing hedging strategies and seeking Board approval for the implementation of these strategies. • The Chief Financial Officer will ensure that the Advisory Team has access to outside consultancy advice at all times, if required.

The Implementation Team	• The Implementation Team will comprise the Managing Director and the Chief Financial Officer. • The Implementation Team will be charged with the daily and weekly decisions required to complement the hedging strategy approved by the Board and will be authorised to place actual orders to implement the strategy. • The Implementation Team will consult formally and informally with the Advisory Team and the Board whenever required.
Authorisations and Limits	• The Implementation Team will be authorised to implement hedging within the limits of the approved strategy. • Hedging outside the requirements and/or limits of the approved strategy is not authorised without board approval. • The members of the Implementation Team will act in close consultation with each other. Generally, no orders are to be placed without mutual consultation • The Chief Financial Officer will ensure that monthly hedging reports are distributed to the Board and the other members of the Advisory Team. Such reports shall summarise the total hedging in place by counterparty (including the expiry date profile of the hedge book), the mark to market position of that hedging, any new hedging undertaken since the last report, and whether specific debt covenants relating to hedging are in compliance.

3.6 Hedging Implementation Principles:

The following principles will be applied by MPL in respect of the implementation of Board-approved hedging strategies:

Principles	Comment
No Speculative Trading	MPL does not undertake speculative positions on movements in foreign currency exchange rates. Hedging contracts must only be executed in order to hedge the foreign exchange risk of an underlying foreign currency transaction, or the interest rate risk.
Permitted Instruments Only	Generally, MPL will consider using the full range of hedging instruments that may be available. However, MPL will not use complex instruments that have undefined or unlimited downside. Permitted instruments will include spot trades, forward rate contracts, foreign currency and commodity price option contracts and interest rates swaps. Borrowing in or holding foreign currency is also permitted. Other instruments may be approved by the Board of Directors.

	MPL shall keep the Hedge Banks informed as to any constraints placed by the Board of Directors on authorised hedge instruments.
Maintain Flexibility	All hedging by MPL will be at its absolute discretion, provided it does not exceed the Hedging Policy Limits and will be considered on a case by case basis by the Hedge Banks, provided there is limit available on the credit approved lines.
Procure Competitive Pricing	Each Hedge Bank will bid for hedging on a competitive basis with MPL retaining discretion over which Hedge Bank it ultimately transacts with (subject to available limits).
Separation of Functions	MPL will maintain a separation of functions and responsibilities across staff in respect of execution, authorisation and reporting of hedge transactions.
No- Exposure to Margin Call	Under no circumstances will MPL accept hedging arrangements that allow for margin calls to be made against the Company.

4. Hedging Reporting

- The Managing Director and Chief Financial Officer are to be notified of each trade.
- Each trade is to be recorded into an appropriate Treasury Management system or hedge portfolio spreadsheet within 24 hours of trade execution.
- MPL will prepare a monthly Hedge Report for the Board and the Hedge Banks.
- The Hedge Report will include information of each hedging transaction entered into by MPL and which remains outstanding. Such report shall include the Hedging Exposure of all Hedge Counterparties.
- 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.