



D.P. Jewellers

— A BOND OF TRUST SINCE 1940 —
A VENTURE OF D.P. ABHUSHAN LIMITED

CORPORATE RISK MANAGEMENT POLICY

Approving Authority Board of Directors of the Company
Review Cycle As may be decided by the Board

Corporate Risk Management Policy

1. Preamble

D. P. Abhushan Limited, hereinafter referred to as “**Company**”, specializes in the manufacturing, sale, and trading of Gold, Silver, Platinum, diamonds or other precious metals and alloys which attracts Forex Risk and Hedging Risk. The objective of this Corporate Risk Management Policy, hereinafter referred to as “**Policy**”, is to provide a structured framework for assessing the foreign exchange risk and hedging risks arising from the company's operations. The policy aims to minimize potential adverse financial impacts due to exchange rate volatility, while aligning with company’s overall financial strategy and risk appetite.

2. Purpose and Scope

The purpose of this Foreign Exchange Risk Hedging Policy is to establish a structured and disciplined approach to manage foreign exchange (FX) risks that arise due to the company’s exposure to fluctuation in prices of the commodities that the Company deals in. Given the volatility and unpredictability of currency exchange rates and price of the commodity, this policy aims to protect the company’s earnings, cash flows, and overall financial stability from adverse currency movements.

The company is exposed to FX risk that can significantly impact its profitability and financial position. This policy provides a clear framework for identifying, measuring, monitoring, and mitigating these risks through approved hedging instruments and strategies, in alignment with the company’s risk appetite and business objectives.

3. Definition

In this Policy, words and expressions shall have the meaning assigned to them below:

“**Risk**” refers to the possibility of something going wrong or not happening as expected, which could lead to loss, harm, or an unfavorable outcome. It represents uncertainty about the future and the potential for negative consequences.

“**Foreign Exchange**” also known as Forex or FX refers to the process and system of converting one currency into another for the purpose of facilitating international trade, investment, tourism, and finance. It encompasses the mechanisms, institutions, instruments, and rates involved in the exchange of currencies across borders.

“**Foreign Exchange Risk**” also known as **Currency Risk**, refers to the potential financial impact resulting from fluctuations in foreign currency exchange rates.

(In jewellery business, foreign exchange risk is a critical factor because even small currency movements can lead to significant gains or losses)

“**Hedging**” is a financial strategy used to reduce or eliminate the risk of loss from adverse price or exchange rate movements, thereby protecting profit margins and financial stability.

“**Exposure**” refers to the extent to which a company or individual is vulnerable to potential financial loss due to changes in market conditions, such as currency exchange rates, interest rates, or commodity prices.

4. Hedging Techniques

D. P. Abhushan Ltd. adopts a combination of financial and operational hedging tools to manage foreign exchange exposure. The objective is to minimize the impact of currency fluctuations on profitability, cash flows, and financial stability.

4.1 Natural Hedge

Offsetting payables and receivables in the same currency and similar maturity periods.

4.2 Forward Contracts

Fixed-date and open forward contracts to lock in exchange rates for known future exposures.

4.3 Options

Use of vanilla currency options (call/put) to hedge uncertain cash flows while retaining upside potential.

4.4 Currency Swaps

Primarily used for hedging long-term forex loan exposures, involving periodic exchange of interest and/or principal.

4.5 Pass-Through Mechanism

For eligible clients, FX exposure may be passed through at pre-agreed rates built into pricing contracts.

5. Trigger Levels for Hedging Techniques

The Board shall identify and determine the trigger Levels for Hedging Techniques based on the size, duration, and nature of forex exposures. The triggers can be further classified into multiple categories vis-à-vis Transaction-Based Triggers, Market Movement Triggers, Time-Based Triggers, Strategic Triggers.

6. Caps on Overall Uncovered Forex Exposure

To ensure prudent risk management and protect the company from excessive losses due to foreign exchange fluctuations, the Board shall maintain strict limits on the total **uncovered (unhedged) forex exposure** at any given time.

7. Counterparty Limits under Pass-Through Mechanism

To mitigate credit and operational risks associated with forex hedging under the Pass-Through Mechanism (PTM), the Company shall establish limits for each counterparty (e.g., banks, dealers, bullion suppliers) through whom hedging transactions are routed. This ensures diversification, transparency, and compliance with internal and regulatory risk management frameworks.

Counterparty limits under the PTM ensure that the Company minimizes credit and operational risks while maintaining effective and compliant forex hedging practices.

8. Forex Loans: Exit/Put & Prepayment/Call Options

Foreign currency loans often come with embedded options such as Exit/Put Options (allowing the lender to exit early) and Prepayment/Call Options (allowing the borrower to repay early). These clauses introduce uncertainties in the loan's maturity profile and associated forex exposure. The company shall adopt specific strategies to manage the risks arising from these features while maintaining flexibility and regulatory compliance. The Board shall undertake following measures:

8.1 Exit/Put Options (Lender's right)

- Prior to entering loan contracts, include internal evaluation of worst-case forex outflows.
- Set aside contingency hedges to manage accelerated repayment risk.

8.2 Prepayment/Call Options (Company's right)

- Hedging instruments must include flexibility for early unwinding or roll-forward.
- Evaluate early exit cost vs. benefit, including:
 - Interest differential
 - FX rate differential
 - Unwinding cost of existing hedges
- All early prepayments to be approved by CFO based on a detailed FX impact note.

9. Unwinding of Hedges & Risk Management

To define a clear framework for the **unwinding (early closure or cancellation)** of foreign exchange hedging instruments in a manner that is aligned with changes in underlying exposure, ensures risk control, minimizes cost, and complies with regulatory and internal governance standards.

Strategic approaches that shall be adopted by the Board are as follow:

- Assessment of Underlying Exposure
- Cost-Benefit Analysis

10. Review and Amendments

This policy shall be reviewed as the Board deems fit or in response to material changes in the company's FX exposure, regulatory landscape, or market conditions and amended as per the need and requirements thereof.
