Valuation technique and significant unobservable inputs:

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

(i) The management assessed the trade receivables, trade payables, cash and cash equivalents and other financial assets and financial liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

(ii) The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(iii) Management uses its best judgement in estimating the fair value of its financial instruments. However, there are inherent limitations in any estimation technique. Therefore, for substantially all financial instruments, the fair value estimates presented above are not necessarily indicative of the amounts that the Company could have realised or paid in sale transactions as of respective dates. As such, fair value of financial instruments subsequent to the reporting dates may be different from the amounts reported at each reporting date.

(iv) The Company enters into derivative financial instruments with banks/financial institutions. Foreign currency forward contracts are valued using valuation techniques which employs the use of market observable inputs using present value calculations. The model incorporates various inputs including the deal specific fundamental, market conditions, maturity period, transaction size, comparable trades, foreign currency spot and forward rates.

(v) Embedded foreign currency are measured similarly to the foreign currency forward contracts. The embedded derivatives are foreign currency forward contracts which are separated from long-term sales contracts and purchase contracts where the transaction currency differs from the functional currencies of the involved parties. These contracts require physical delivery and will be held for the purpose of the delivery of the commodity in accordance with the buyers' expected sale requirements. These contracts have embedded foreign exchange derivatives that are required to be separated.

B Fair value hierarchy

The following table presents the fair value hierarchy of assets and liabilities measured at fair value on a recurring basis as at December 31, 2020:

All amount in Indian Rupees in crores, except as stated otherwise

Particulars	Amount	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss :				
Derivative instruments (refer note 13) - As at December 31, 2020	36.74	-	36.74	-
Derivative instruments (refer note 13) - As at December 31, 2019	24.30	-	24.30	-
Financial liabilities at fair value through profit and loss :				
Derivative instruments (refer note 17) - As at December 31, 2020	19.79	-	19.79	-
Derivative instruments (refer note 17) - As at December 31, 2019	18.05	-	18.05	-

(ii) There have been no transfers between Level 1, Level 2 and Level 3 for the period ended December 31, 2020 and December 31, 2019.

C Financial risk management

The Company's principal financial liabilities, other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to support its operations. The Company's principal financial assets include trade and other receivables, and cash and cash equivalents that derive directly from its operations.

The Company is exposed to market risk, foreign currency risk, liquidity risk and credit risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by a Risk management committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The Risk management committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Company's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.