

Project on
Foreign Exchange Risk Management in Small and
Medium Enterprises

Submitted By:

Rakesh Prakash Pandey

Roll No. 2K16/EMBA/525

Under the Guidance of:

Dr. Archana Singh



DELHI SCHOOL OF MANAGEMENT

DELHI TECHNOLOGICAL UNIVERSITY

BAWANA ROAD DELHI 110042

January-May, 2018, 4th Semester

DECLARATION

I **Rakesh Prakash Pandey** student of EMBA 2016-2018 batch of Delhi School of Management, Delhi Technological University, Bawana road, Delhi-42 declare that term project **Foreign Exchange Risk management in Small and Medium Enterprises** submitted in partial fulfilment of Executive MBA programme is the original work conducted by me.

The information and data given in the report is authentic to the best of my knowledge.

This Report is not being submitted to any other University for award of any other Degree, Award and Fellowship.

Name of candidate with sign

(Rakesh Prakash Pandey)

Place: New Delhi

Date: 21/05/2018

ACKNOWLEDGEMENT

I would like to express my deepest appreciation to all those who provided me the opportunity to complete this project. Firstly, I would like to express my special thanks of gratitude to my teacher **Dr. Archana Singh** for giving me the opportunity to do this exciting project on the topic **Foreign Exchange Risk Management in Small and Medium Enterprises** . This project really helped me a lot in learning many new things which I never dealt with. Last but not the least; I would also like to thank my parents and friends for their mental support in completing the project on this wonderful topic.

TABLE OF CONTENT

Chapter No.	NAME OF THE TOPICS	PAGE NO.
1	INTRODUCTION	(1-8)
2	Objective and Scope	(9)
3	Theoretical Perspective Organizational Profile	(10-14)
4	METHODOLOGY	(15-16)
5	DATA COLLECTED	(17)
6	DATA ANALYSIS INTERPRETATION	(18-51)
7	FINDING OF THE STUDY	(52)
8	RECOMMENDATIONS	(53)
9	CONCLUSION	(54)
	REFERENCES	(55)
	BIBLIOGRAPHY	(56)
	ANNEXURES (QUESTIONNAIRE)	(57-58)

CHAPTER 1

INTRODUCTION

Foreign exchange risk (also referred to as FX risk, rate risk or currency risk) could be a money risk that exists once a money deal is denominated during a currency nonethless that of the bottom currency of the corporate. exchange risk conjointly exists once the foreign subsidiary of a firm maintains money statements during a currency nonethless the coverage currency of the consolidated entity. the chance is that there is also associate degree adverse movement within the rate of the denomination currency in relevance the bottom currency before the date once the deal is completed. Investors associate degree businesses exportation or importation product and services or creating foreign investments have an rate risk which may have severe money consequences; however steps may be taken to manage (i.e. reduce) the chance.

Forex commerce is one in all the foremost well-known investment choices out there. The term "Forex" stands for "foreign exchange." Mainly, investors have interaction in exchange commerce by shopping for and mercantilism currencies from round the world. before Seventies, exchange rates were supported a set system referred to as the Breton Woods System. throughout the Seventies, however, countries started shift to the trendy Forex market, that was characterised floating exchange rates determined by totally different economic factors viz Inflation levels and trends, similarly as government budget deficits or surpluses. The economic process and health of a rustic conjointly have an effect on the Forex market. this can be determined through reports of GDP (gross domestic product), retail sales, employment levels, and different factors. Today, the exchange market is one in all the world's most expansive, liquid, and active money markets. Before you create any investment, scan on to be told concerning the fundamentals of Forex commerce.

Every company that has exposure to exchange risk must providentially manage its exposure at the same time with management of different risks. Forex risk implies the exposure of an organization to the attainable impact of fluctuations in exchange rates. the chance caused by unfavorable fluctuations in exchange rates could lead to a loss to the corporate. Generally, exchange risk arises because of currency variations during a company's assets & liabilities and income variations. These risks continue until the exchange position is settled. This risk arises attributable to exchange commerce, foreign currency money transactions, investments in foreign firms and investments denominated in foreign currencies. The quantum of risk springs out by multiplying the degree of rate changes with the dimensions and length of the foreign currency exposure. Globalized money markets and development in exchange markets have resulted into complicated international exposure management. it's complicated basically attributable to (a) the growing size and multiplicity of exposures that firms incur as they grow globally and (b) the increasing volatility & fluctuations in exchange rates of the Forex markets. because of this complication, a logical balanced approach is needed in sight of formulating company's Forex risk management programme. The introduction purpose in such a programme relates to make your mind up the precisely add of the assets that ar

beneath risk. At small economic level, international firms face variable degrees of business structural risks. Their want for data relevant to exposure identification differs. Therefore, no single exposure system is also acceptable for all firms. the acceptable system should be firm-specific. It should take into account the dimensions of the corporate and its constituent units, the exposure objectives and strategy of the corporate, its operative and structure characteristics and personnel strength. There are four basic options that ought to be enclosed all told exposure management method:

- (1) the knowledge ought to be preceding.
- (2) The coverage frequency should be adequate.
- (3) the knowledge flow ought to be associated to the corporate.
- (4) The explanation of the knowledge systems.

Types of exposures

Transaction risk

A firm has transaction risk whenever it's written agreement money flows (receivables and payables) whose values are subject to unanticipated changes in exchange rates thanks to a contract being denominated in a very foreign currency. to appreciate the domestic price of its foreign-denominated money flows, the firm should exchange foreign currency for domestic currency. As companies talk over contracts with set costs and delivery dates within the face of a volatile exchange market with exchange rates perpetually unsteady, the companies face a risk of changes within the charge per unit between the foreign and domestic currency. It refers to the chance related to the amendment within the charge per unit between the time an enterprise initiates a group action and settles it.

Applying public accounting rules causes companies with multinational risks to be compact by a method called "re-measurement". This price of written agreement money flows are remeasured at every record.

Economic risk

A firm has economic risk (also called forecast risk) to the degree that its market price is influenced by surprising rate fluctuations. Such rate changes will severely have an effect on the firm's market share position with regards to its competitors, the firm's future money flows, and ultimately the firm's price. Economic risk will have an effect on this price of future money flows. Any group action that exposes the firm to exchange risk conjointly exposes the firm economically, however economic risks are often caused by different business activities and investments which can not be mere international transactions, appreciate future money flows from mounted assets. A shift in exchange rates that influences the demand for smart|an honest|a decent} in some country would even be an economic risk for a firm that sells that good.

Translation risk

A firm's translation risk is that the extent thereto its financial coverage is full of rate movements. As all companies sometimes ought to prepare consolidated monetary statements for coverage functions, the consolidation methodology for multinationals entails translating foreign assets and liabilities or the monetary statements of foreign subsidiaries from foreign to domestic currency. whereas translation risk may not have a sway on a firm's cash flows, it should have an enormous impact on a firm's reportable earnings and then its stock worth.

Contingent risk

A firm has contingent risk when bidding for foreign comes or negotiating alternative contracts or foreign direct investments. Such a risk arises from the potential of a firm to suddenly face a multinational or economic exchange risk, conditional the result of some contract or negotiation. as an instance, a firm can be awaiting a project bid to be accepted by a distant business or government that if accepted would lead to a right away due . whereas waiting, the firm faces a contingent risk from the uncertainty on whether or not or not that due can happen.

Measurement

If foreign exchanges market are efficient such that purchasing power parity, charge per unit parity, and the international Fisher effect hold true, a firm or capitalist needn't defend against exchange risk thanks to associate degree indifference toward international investment choices. A deviation from one or a lot of of the 3 international parity conditions usually has to occur for associate degree exposure to exchange risk.

Financial risk is most ordinarily measured in terms of the variance or standard deviation of a variable reminiscent of percentage returns or rates of modification. In exchange, a relevant issue would be the speed of modification of the spot charge per unit between currencies.

Variance represents charge per unit risk by the unfold of exchange rates, whereas variance represents charge per unit risk by the number exchange rates deviate, on average, from the mean charge per unit in a probability distribution. a better variance would signal a larger currency risk. Economists have criticized the accuracy of ordinary deviation as a risk indicator for its uniform treatment of deviations, be they positive or negative, and for mechanically squaring deviation values. Alternatives such as average absolute deviation and semivariance have been advanced for measurement financial risk.

Value at risk

Practitioners have advanced and regulators have accepted a financial risk management technique called value at risk (VaR), that examines the tail finish of a distribution of returns for changes in exchange rates to spotlight the outcomes with the worst returns. Banks in Europe are approved by the Bank for International Settlements to use power unit models of their own style in establishing capital requirements for given levels of market risk. using the power unit model helps risk managers confirm the number that would be lost on associate degree investment portfolio over a precise amount of your time with a given probability of changes in charge per unit.

Management

Firms with exposure to exchange risk could use variety of exchange hedging ways to scale back the charge per unit risk. dealing exposure are often reduced either with the utilization of the money markets, exchange derivatives such as forward contracts, futures contracts, options, and swaps, or with operational techniques reminiscent of currency invoicing, leading and insulating material of receipts and payments, and exposure netting.

Firms could adopt various ways to monetary hedging for managing their economic or operational exposure, by carefully choosing production sites with a mind for lowering prices, employing a policy of versatile sourcing in its provide chain management, diversifying its export market across a larger range of nations, or by implementing sturdy analysis and development activities and differentiating its merchandise in pursuit of larger inelasticity and fewer exchange risk exposure.

Translation exposure is essentially obsessed with the accounting standards of the house country and therefore the translation ways needed by those standards. as an instance, the United States Federal Accounting Standards Board specifies once and wherever to use bound ways reminiscent of the temporal methodology and current rate methodology. companies will manage translation exposure by activity a record hedge. Since translation exposure arises from discrepancies between internet assets and internet liabilities on a record only from charge per unit variations. Following this logic, a firm may acquire associate degree acceptable quantity of exposed assets or liabilities to balance any outstanding discrepancy. exchange derivatives may be accustomed hedge against translation exposure.

Hedging transaction risk- the internal techniques

Internal techniques to manage/reduce forex exposure should be thought-about before external ways on value grounds. Internal techniques embrace the following:

Invoice in home currency

One simple approach is to insist that every one foreign customers pay in your home currency which your company pays for all imports in your home currency.

However the exchange-rate risk has not gone away, it's simply been passed onto the customer. Your client might not be too pleased with your strategy and easily seek for an alternate provider.

Achievable if you're in an exceedingly monopoly position, but {in a during a in associate degree exceedingly in a very} competitive setting this is often an impossible approach.

Leading and lagging

If associate degree importer (payment) expects that the currency it is thanks to pay can depreciate, it should decide to delay payment. this might be achieved by agreement or by extraordinary credit terms.

If associate degree exporter (receipt) expects that the currency it's thanks to receive can depreciate over ensuing 3 months it should try and acquire payment straight off. this might be achieved by providing a reduction for payment.

The problem lies in approximation that approach the charge per unit can move.

Matching

When an organization has receipts and payments within the same foreign currency due at constant time, it will merely match them against one another.

It is then solely necessary to deal on the forex markets for the unrivaled portion of the overall transactions.

An extension of the matching plan is fixing a distant currency checking account.

Bilateral and tripartite netting and matching tools are mentioned in additional detail.

Decide to do nothing?

The company would "win some, lose some".

Theory suggests that, within the long-standing time, gains and losses internet off to depart an identical result to that if hedged.

In the short run, however, losses could also be important.

One extra advantage of this policy is that the savings in dealing prices.

Hedging transaction risk- the external techniques

Transaction risk may be weasel-worded employing a vary of economic merchandise. These are introduced below with links to a lot of careful pages.

Forward contracts

The commodities market is wherever you'll get and sell a currency, at a hard and fast future date for a planned rate, i.e. the forward rate of exchange. This effectively fixes the longer term rate.

Forward contracts are often explored in additional detail.

Money market hedges

The basic plan is to avoid future charge per unit uncertainty by creating the exchange at today's spot rate instead. This is often achieved by depositing/borrowing the foreign currency till the particular industrial dealing money flows occur. This effectively fixes the longer term rate.

Money market hedges are often explored in additional detail.

Futures contracts

Futures contracts are normal sized, listed hedging instruments.

The aim of a currency derivative is to repair associated degree charge per unit at some future

date, subject to basis risk.

Currency futures are often explored in additional detail.

Options

A currency option is a right, however not associate degree obligation, to shop for or sell a currency at associate degree exercise worth on a future date. If there's a favourable movement in rates the corporate can enable the choice to lapse, to require advantage of the favourable movement. the proper can solely be exercised to guard against associate degree adverse movement, i.e. the worst-case state of affairs.

A decision choice offers the holder the proper to shop for the underlying currency.

A place choice offers the holder the proper to sell the underlying currency.

Options ar costlier than the forward contracts associate degreeed futures however lead to an uneven risk exposure.

Currency choices are often explored in additional detail.

Forex swaps

In a forex swap, the parties conform to swap equivalent amounts of currency for a amount and so re-swap them at the top of the amount at associate degree in agreement swap rate. The swap rate and quantity of currency is in agreement between the parties earlier. therefore it's referred to as a hard and fast rate/fixed rate swap.

The main objectives of a forex swap are:

To hedge against forex risk, presumably for a extended amount than is feasible on the commodities market.

Access to capital markets, during which it should be not possible to borrow directly.

Forex swaps ar particularly helpful once handling countries that have exchange controls and/or volatile exchange rates.

Forex swaps are often explored in additional detail.

Currency swaps

A currency swap permits the two counter parties to swap charge per unit commitments on borrowings in several currencies.

In result a currency swap has two elements:

An exchange of principal in several currencies, that ar swapped back at the initial spot rate - similar to a forex swap.

An exchange of charge per units - the temporal arrangement of those depends on the individual contract.

The swap of interest rates can be fastened for fastened or fastened for variable.

Currency swaps are often explored in additional detail.

History

Many businesses were unconcerned with and failed to manage exchange risk underneath the Bretton Woods system of international financial order. It wasn't till the switch to floating charge per units following the collapse of the Bretton Woods system that companies became exposed to associate degree increasing risk from exchange rate fluctuations and started

mercantilism associate degree increasing volume of economic derivatives in an attempt to hedge their exposure. The currency crises of the Nineties and early 2000s, reminiscent of the Mexican peso crisis, Asian currency crisis, 1998 Russian monetary crisis, and the Argentine peso crisis, junction rectifier to substantial losses from exchange and junction rectifier companies to pay nearer attention to their exchange risk.

Need and importance of the study

The world nations are {progressively|increasingly|more and a lot of} changing into more reticulate international trade and international investment so ends up in race flow of world nations. Countries hold currencies of the varied alternative countries which a market trade of Forex results. a lot of suitably, Forex refers to assert to foreign cash balances. Forex offers resident of one country a monetary claim on alternative country or countries. All deposits, credits and balances collectable in foreign currency and any drafts, travelers' cheques, letters of credit and bills of exchange collectable in foreign currency represent exchange. Forex market is that the market wherever cash denominated in one currency is purchased and oversubscribed against cash denominated in another currency. Transactions in currencies of nations, parties to those transactions, rates at that one currency is changed for alternative or others, ramification in these rates, derivatives to the currencies and dealing in them and connected aspects represent the Forex. exchange transactions occur once a rustic imports product and services, folks of a rustic attack visits to alternative counties, voters of a rustic send cash abroad for varied purpose, business units found out foreign subsidiaries and then on. altogether these cases the state involved purchases relevant and needed exchange, in exchange of its currency, or attracts from exchange reserves engineered. In distinction, once resident of another country visits the country, once the country exports product and services to a different country, once voters of the country settled in foreign nations remit cash homeward, when firms, foreign voters and establishments invest within the country and once the country and its profession raises funds from abroad, the country's currency is purchased by others, giving exchange, in exchange. MNC's operate in several countries and their operations involve multiple foreign currencies. Their operations ar full of laws and therefore the politics of the counties wherever they operate. Thus, they face high degree of risk as compared to domestic companies. A matter of nice concern for the overseas companies is to investigate the implications of the variation in interest rates, inflation rates and exchange rates on their choices and minimize the Forex risk.

CHAPTER 2

Objectives of the study

Primary Objective

- To study and perceive the foreign exchange.
- To understand the risk management techniques
- To study the risk concerned in foreign exchange.

Secondary Objective

- To identify the problems associated with pre shipment and post shipment advances
- To examine the relationship between the inflow and outflow of foreign currencies at the branch level.

Scope of the study

The study aims to produce associate degree outlook on managing the danger that companies face as a result of unsteady exchange rates. exchange is associate degree integral a part of doing international business. Their role is commonly accepted as necessity, whereas the importance of risk related to unsure future exchange rates is dismissed.

CHAPTER 3

Theoretical Perspective view

International trade means that trade between the residents of two totally different countries. each country functions as associate degree autonomous state with its own set of laws and currency. The differentiation within the position of the export and therefore the import presents bound uncommon issues within the conduct of international trade and settlement of the transactions arising there from.

Importance among such issues are:

- a) each country has its own standard.
- b) Limits set by countries on import and export of products.
- c) Restrictions obligatory by nations on payments from and into their countries.
- d) distinction in system..

The national financial units cause difficulties within the resolution of international transactions. The bourgeois would really like to induce the payment within the currency of its own country. as an instance, if Malaysian exporters export machinery to Republic of India, rupee won't serve their purpose as a result of rupee can't be used as currency in Malaysia. therefore the bourgeois has to pay within the currency of importer's country. that the want arises for conversion of 1 country's currency with another.

ORGANIZATIONAL PROFILE

R.S. DRESS DESIGN PVT. LTD.

R.S. DRESS style PVT. LTD is that the official body of attire exporters in { India Republic of Republic of India Bharat Asian country Asian nation } that gives priceless help to Indian exporters moreover as importers/international consumers who opt for India as their most popular sourcing destination for garments. A quick scrutinize however the R.S. DRESS style PVT. LTD has been the moving force behind ton of achievements:

It has Head workplace in Gurgaon with Registered workplace at Delhi and 09 offices pan Republic of India.

R.S. DRESS style PVT. LTD these days could be a powerful body for the promotion and facilitation of garment producing and their exports.

For Indian exporters, R.S. DRESS style PVT. LTD could be a one-stop buy data advise technical steerage force and market intelligence. Members have access to updated trade statistics potential markets data on international fairs and help in collaborating at these fairs. It conjointly plays an outsized role in distinguishing new markets and leading trade delegations to numerous countries.

In recent years R.S. DRESS style PVT. LTD has worked indefatigably in integration the whole trade - beginning at the grass root level of coaching the force and activity a gentle stream of man power to the industry; distinguishing the most effective countries to supply machinery and alternative infrastructure and brokering many path breaking deals for its members and at last serving to exporters to showcase their best reception fairs moreover as be extremely visible at international fairs the planet over. Twice a year, R.S. DRESS style PVT. LTD showcases the most effective of Republic of India's garment export capabilities through the distinguished India International Garment honest, enjoying host to over 350 exhibitors displaying the exotic, the haute, the pret, the modern and far rather more. With AEPC's experience and every one the benefits that Republic of India has, it makes for a really win-win state of affairs - Indian exporters grow stronger every year in their achievements, skills and proficiency, whereas international consumers get superior solutions for his or her garment imports.

Vision

To promote, support and facilitate Indian { apparel trade garment industry fashion industry fashion business rag trade industry } to reinforce its competitive advantage and international positioning in an exceedingly holistic and property approach that's useful to all or any stakeholders of the industry.

Mission

R.S. DRESS DESIGN PVT. LTD attains the vision by facilitating trade to attain national targets on export promotion, employment generation , productivity sweetening and whole creation in an exceedingly accountable and progressive manner and thereby providing increased worth to the shoppers in specific and society at large.

Main objectives

1. To promote, advance, increase, develop export of all kinds of readymade clothes, excluding, woollen article of clothing and clothes of animal skin, jute and hemp.

2. To undertake all export promotion measures, notably to undertake marketing research, offer inputs for budgets and Foreign national trading policy, offer inputs for varied FTAs, PTAs and Bilateral agreements, to observe tariff and alternative restrictive practices of importation countries, to seek out the merchandise vary and export costs of clothes of alternative countries, to develop new styles and patterns of clothes, to undertake selling in individual foreign markets, to send trade delegations and missions to foreign countries moreover on survey export potential of prepared created clothes from the country.
3. To publicize and highlight to importers and therefore the public in foreign countries the benefits of trade and commerce with Republic of India and to make a feeling for the varied sorts of clothes markets for the aim of unendingly and often news to makers, traders and exporters of clothes.
4. To assist members, especially, within the little scale sector by giving help within the matter of understanding and implementation of the disadvantage, rules and procedures, import license facilities provided and the way to use for the facilities.
5. To establish style centers, to evolve improved style and patterns and garments appropriate for export, to boost the qualities and standards of the materials and clothes by importation technical knowhow, to encourage export production of quality garments and to undertake necessary analysis in fashions, styles and techniques and to encourage manufacture of clothes for exports.
6. To undertake coaching of staff and technical personnel, to boost the ability of staff engaged in garment producing in Republic of India and to help within the technological base of the industry.
7. To obtain from members of the Council and to organize for the council as an entire, action plans for promotion of exports, development of export markets, generation of production for exports, setting of export targets usually associate degree in relevancy specific countries and commodities on an annual basis and for such medium and longer terms as could also be thought-about fascinating and to ensure/ undertake execution of such plans.
8. To co-operate with government and alternative varied organizations within the country and abroad with a read to additional promotion of exports of prepared created clothes.

FRINGE PAPO

Fringe Papo International is a born international enterprise having wealthy expertise and experience in agricultural field moreover as international business. The name Fringe Papo, may look totally different however evolved throughout a world business project in university of Strathclyde, U.K. and contains of initial two letters of home countries of the scholars concerned within the project. we have a tendency to target export of agricultural and processed foods and sweeteners from Republic of India to across the world. although we have a tendency to ar a comparatively younger company however expertise of our founders and team members isn't restricted.

We ar based mostly in capital of India, India. Being in northern a part of Republic of India, the situation is strategically acceptable for sourcing of agricultural merchandise as this is often one among the leading food grains manufacturing region within the country. Our intimate and veteran professionals conduct thorough check for the standard parameters before sourcing manufacture and merchandise. we have a tendency to approve sourcing on the idea of quality take a look at reports of world's famed laboratories like SGS, Geo-Chem and Intertek. Our tight quality check ensures highest quality merchandise to our honored customers. Within the short span of existence, we've earned varied certifications like ISO 22000:2005, Agricultural and Processed Food merchandise Export Development Authority (APEDA), Federation of Indian export organizations, Chamber of commerce, Halal and still enumeration. Delhi, Republic of India based **Fringe Papo International** has become a number one Manufacturer, exporter and provider of an enormous vary of Animal Feed, Tea, contemporary Vegetables, Agro & Food, Sweeteners and Syrups, etc. the corporate has been providing contemporary and pure business line cultivated victimisation trendy moreover as ancient ways in which. Our merchandise are cultivated and mature victimisation no pesticides and harmful chemicals making certain to produce the most effective and nourishing assortment to the purchasers. The vary is packed in safe and sound packaging choices for keeping them free from air, wetness and alternative harmful effects.

Our Products

Agro & Food		
Honey	Basmati Rice	Non Basmati Rice
Grains	Pulses	Oilseed
Dryfruits	Dehydrated Products	Wheat Flour
Spices	Sugar	
Sweetners & Syrups		
Sorbitol Liquid	Fructose Syrups	Rice Syrups
Flavored Syrups	Liquid Glucose	Maltodextrin
Invert Sugar Syrup		
Animal Feed		
Yellow Corn	Soyabean Meal	Millets
Sorghum	Barley	Cotton Seed Meal
Castor Seed Meal	Groundnut Seed Meal	Sesame Seed Meal
Rice Gluten	Corn Gluten	Distillers Dried Grains Solubles (Ddgs)
Tea		
Black Tea Grades	Green Tea	
Fresh Vegetables		
Potato	Garlic	Onion

Key Facts

Nature of Business	Manufacturer, Exporter and Supplier
No. of Production Units	01
Monthly Production Capacity	As per Order
Bank	Canara and ICICI Bank
Annual Turnover	Rs 10 Crores
No. of Employees	08
Year of Establishment	2015
Original Equipment Manufacturer	Yes
Production Type	Semi-Automatic

CHAPTER 4

METHODOLOGY

Foreign exchange is vital for any country as they confirm the extent of imports and exports. If a domestic currency appreciates with relation to a distant currency, foreign products are cheaper within the domestic market and native corporations would find that their foreign competitor's product becomes a lot more engaging to customers. If the country contains a sturdy currency then its product becomes costlier within the international market, which ends in lost fight. This is often the rationale that China, despite a lot of pressure from the US, isn't let its Yuan appreciate.

Exchange rates are extraordinarily vital for a mercantilism economy reminiscent of the BRICS. There are many reasons for this, including:

- Exchange rates represent a price to companies, that arises once commission is paid on the exchange of 1 currency for an additional.
- Exchange rate changes produce a risk to those companies that hold assets in currencies save for Nation Currency.
- Exchange rates have an effect on the worth of export to make a major part of mixture demand, and therefore the worth of imports thereupon the balance of payments.

Generally nation economy strength is set on the idea of charge per unit valuation. If nation charge per unit probably appreciates, this nation has sound economy. That's why developed nation charge per unit is often appreciating compare to developing nation. There are a lot of factors influence charge per unit like, demand and provide of charge per unit, inflation, interest rate, balance of payment, stock exchange, speculator, GDP, GNP etc.

Statement of the problem

An international charge per unit, conjointly called a distant exchange (FX) rate, is that the worth of one country's currency in terms of another country's currency. exchange rates are relative and are expressed because the worth of one currency compared to a different. once mercantilism merchandise internationally, the charge per unit for the two mercantilism countries' currencies is a very important issue. exchange rates, in fact, are one among the foremost vital determinants of a country's relative level of economic health, ranking simply when interest rates and inflation.

A number of factors influence exchange rates. These include all of the following:

- ✓ Relative rates of inflation
- ✓ Comparative interest rates
- ✓ Growth of domestic money supply
- ✓ Size and trend of a country's balance of payments
- ✓ Economic growth (as measured by the gross national product)
- ✓ Dependency on outside energy sources

- ✓ Central bank intervention

Review of literature

The Six Forces of Foreign Exchange - Scott Owens, (2004)

The Foreign Exchange Report is a periodic publication that investigates advanced strategies for superior trading performance in the foreign exchange markets. These Reports utilize advanced statistical and econometric modeling techniques to Create new insight into the trading strategy of the average trader. This paper explains SIX forces to understand Forex trading

Who trades Foreign Exchange?

Why trade Foreign Exchange?

Where should you Foreign Exchange?

What should you trade?

When should you trade?

How should you trade?

Trading as a Business -

The author explains the basics of trading, Do's and Don'ts of trading. He further explains the strategies to be used and the investor or trader psychology & also gives a brief summary about hoe the market works and how one can trade effectively and utilize the resources(Time and Money) efficiently.

FOREIGN EXCHANGE SCALPING “Tiny Trades For Terrific Profits”- Robert Borowski (2005)_ In this eBook He explains the wildly profitable technique of “scalping” in the Forex markets. He discusses a few variations of how to accomplish “scalps”. He discusses the pros and cons of this style of trading, and how to be well on the way to success with these techniques.

Limitations

- ✓ The study is confined just to the foreign exchange risk but not the total risk.
- ✓ The time constraint was a limiting factor, as more in depth analysis could not be carried.
- ✓ The analysis of this study is mainly done on the income statements.
- ✓ This study is limited for the year 2013-2014.
- ✓ It does not take into consideration all Indian companies foreign exchange risk.
- ✓ The hedging techniques are studied only which the company adopted to minimize foreign exchange risk.

- ✓ Some of the information is confidential in nature that could not be divulged for the study.

CHAPTER 5

Data collected

The research is done on the basis of primary and secondary data.

Primary data

The primary data is collected through discussions with R.S. Dress Design Pvt. Ltd. and Fringe Papo International personal interviews with foreign exchange.

Secondary data

The secondary data is collected through research papers, annual reports, magazines, text books and websites.

CHAPTER 6

DATA ANALYSIS

Strengths

- ◆ Removal of quota restrictions to administer a significant boost to the exports.
- ◆ Export target in textiles in 2017 at USD is a hundred billion.
- ◆ Low per capita consumption of textiles in Republic of India because the world consumption is 6.8, Republic of India only consume 2.8 of it. That's why there's giant scope of producing and exports.
- ◆ Availability of a budget labour in Republic of India would facilitate the event of the textiles at the lower value.
- ◆ Cost competition isn't a lot of in Republic of India as majority of Indian population isn't obsessed with the massive brands like Armani, United colors of Benetton etc, therefore Republic of India itself doesn't hold a lot of competition with these brands.
- ◆ The large cotton production in Republic of India would result in the event of the textile mills within the higher approach, as Republic of India doesn't got to import the material from outside.
- ◆ There are well established production bases for created ups export moreover as for domestic purpose.

Weakness

- ◆ The most significant issue of the trade is that the lack of adequate process facilities; there's over-dependence available processors and ancient things.
- ◆ The Indian textile trade is fragmented. Most of the SMEs are little and bungalow kind units while not adequate capital back-up.
- ◆ The government policies in Republic of India for the textile industries are ancient as they're not upgraded just like the up gradation of the policies for the IT industries.
- ◆ The quality of wider-width materials for meeting the export demand is lacking in several respects, that is acting as an obstacle to the expansion of the trade.

- ◆ The technology employed in the foremost of the textile mills is sufficiently old that they can't be changed, however there got to be new machineries foreign to administer the sting in technological advancements during this sector.

Opportunities

- ◆ As per offered data, the marketplace for processed cotton fabric can increase within the European and alternative markets and, therefore, the powerloom trade could profit and expand considerably. additional the expansion within the export section are primarily from cotton made-ups and clothes in conjunction with processed materials.
- ◆ Grey fabric export is continuous to grow and can show increasing trends.
- ◆ Value further merchandise can have larger demand and, therefore, process can play a very important role.
- ◆ India with ancient styles and acquirement will command a larger market share for niche merchandise in made-ups and garments
- ◆ Indian corporations have to be compelled to target the merchandise development and this might simply be potential as there's the larger scope within the Indian Market.
- ◆ As the new generation is keen towards the Western culture the coaching for specially textiles can be provided to them and that they can be inspired to develop the economical sector of Republic of India.
- ◆ Increased use of computer motor-assisted planning to develop the planning capabilities of the textile. victimisation new technologies and softwares ease the utilization of virtual style on the pc and so selecting from varied alternatives.

Threats

- ◆ Increased competition within the domestic market yield to the event of the a lot of SMEs that invest a lot of to survive within the market.
- ◆ The operating space of most of the industries within the textile industries isn't sanitary enough to administer the staff softer space to figure in. therefore this condition must be improved.
- ◆ Need to revamp consumer consciousness
- ◆ Chinese product ar low cost moreover because the machinery provided by them is additionally low cost. that the threat for the export and planning is that the Chinese Aggression over the International market.
- ◆ Continuously quality improvement is required to form positive that folks would suppose Indian product not on the foreign product.
- ◆ Traditional things like terry towels ar factory-made in EOUs everywhere the country with superior quality. This has been wearing away the normal markets for powerloom and handloom merchandise forcing them to travel for product diversification.

Porters Five Force Model

I. Risk of new Entry by potential competitor

1. Brand Loyalty:

The present players are within the trade for a protracted amount of your time and have established a decent name with their customers in domestic moreover as foreign market. This has resulted within the high whole loyalty by customers. however this may not act as a possible barrier for alternative corporations as a result of most of the Indian textile corporations operate in B-To-B section and every one the players keep competitiveness among themselves for brand spanking new consignments from the clients.

2. Absolute cost Advantage:

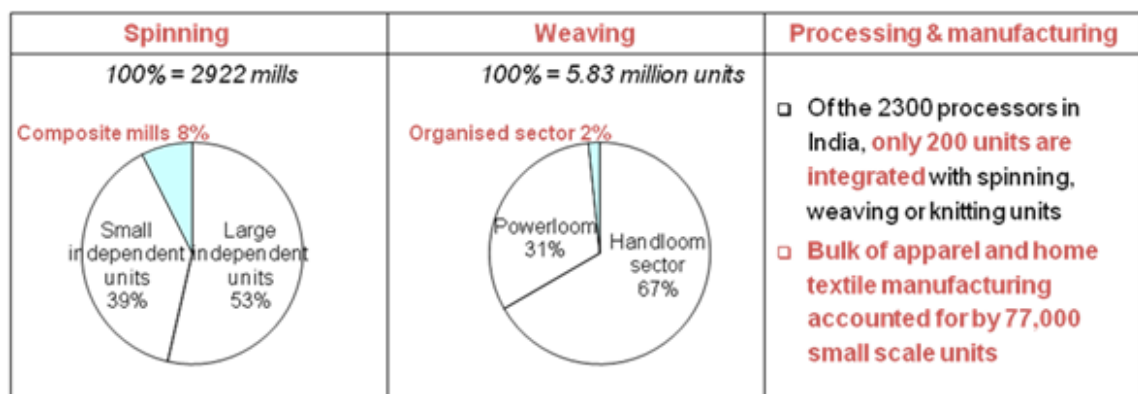
Abundant convenience of material is one among the key blessings of the Indian textile trade; this conjointly offers a significant chance to Indian textile industry and creates a barrier for foreign players to contend with Indian corporations in value advantage.

- ❑ India is more cost competitive vis-à-vis countries like Brazil, China and South Korea in manufacture of textiles
- ❑ Cost advantage arises mainly from the large pool of low cost but skilled manpower available in India
- ❑ In case of textured yarn and fabric, India is less competitive, which is a result of the higher tax burden (excise duty) on manmade textiles in the country
- ❑ India's position is strong vis-à-vis other countries in most raw materials
 - ❖ Largest producer of jute
 - ❖ Second largest producer of silk
 - ❖ Third largest producer of cotton, accounting for nearly 16% of global production
 - ❖ Third largest producer of cellulosic fiber/yarn
 - ❖ Fifth largest producer of synthetic fibers/yarn
 - ❖ Eleventh largest producer of wool
- ❑ Cotton - Predominant fabric used in the industry
 - ❖ With 4.13 million metric tons of production, country accounts for almost 16% of global production of cotton
 - ❖ India also leads the world in cultivated area under cotton (roughly 8.82 million hectares in 2004-05)
- ❑ Jute - Occupies an important place in the Indian economy
 - ❖ Has a strong contribution to direct employment as well livelihood in the tertiary sector and allied activities
 - ❖ India leads globally in jute with its annual production of 7.5 million bales in 2004-05
- ❑ Silk - Highly remunerative cash crop, with minimum investment and sustained attractive returns

- ❖ India accounts for 18% of world raw silk production (15.74 thousand tones production in 2003-04)
- ❖ India has the unique distinction of being endowed with all 4 varieties of silk - Mulberry, Eri, Tasar, Muga
- ❑ Wool - With its annual production of 50.7 thousand tons of raw wool fiber, India accounts of roughly 2% of global production

3. Economies of Scale:

- ❑ The textile industry across the value chain is largely decentralized
- ❑ Units mostly independent and small scale in nature, rather than composite units undertaking all activities together
- ❑ Large scope for entry of organised integrated textile manufacturers



- ❑ The Indian textile industry comprises mostly small-scale, non-integrated spinning, weaving, finishing and apparel making units
- ❑ **Spinning:** Of the 2922 spinning units in 2014, 2699 units were independent in nature, with 1135 units in small-scale sector and 1564 units of larger scale; independent units account for 75% of total capacity and 92% of production
- ❑ **Weaving:** Of the 5.83 million weaving units in India, only 0.1 million units are in the organized sector; number of mills have declined in number since 2003, while power looms have grown
- ❑ **Processing:** Industry is dominated by hand processing and independent processing units

- ❑ **Manufacturing of garments and made-ups:** Industry is dominated by small-scale units, mostly sub-contractors, a result of SSI reservation of the industry till a few years ago; almost 90% of garment export units are in the small scale sector

Significant part of this industry fall in unorganised sector and hence there is treat from new entrants to start operating in this industry

4. Customer switching cost:

As earlier mentioned that the present players ar operational during this trade for a protracted amount and even have established long run relationship with their customers. Over a amount of your time these corporations have custom their merchandise as per necessities|the wants} of the shoppers so customers conjointly opt to still to the present suppliers instead of moving to others as there's a high change value concerned here and if the shoppers switch to new suppliers than once more he have to be compelled to train the suppliers as per their requirements.

5. Government Regulations:

- ❑ Historically the textile industry in India has been reserved for the small scale sector, which has been exempted from taxes, thus discouraging investments in increasing scale
- ❑ The government, through its various Budget announcements has sought to rationalize taxes
 - ❖ Budget 2012-13: Textiles brought under the ambit of Cenvat (credit for duties paid on inputs or capital goods) and introduced on all yarns
 - ❖ Budget 2013-14: Cenvat extended across the entire textile chain to include fabrics, made-ups and apparel; excise duty exemptions on many sectors and processes, specially SSI removed; excise duty rates reduced
 - ❖ Budget 2014-15: Cenvat made optional - every manufacturer allowed to choose between a complete exemption from payment of excise duty or adopt the Cenvat route; excise duties lowered to 4% on cotton textiles and 8% on non cotton textiles (except man made fibers, polyester filament yarn, nylon filament yarn) for those claiming Cenvat credit

Always government regulations aimed at improving competitiveness of industry to face a post quota regime.

INDUSTRY AVERAGE

The textile readymade and rag trade has been increasing its operational revenues year on year at a brisk rate. the amount of corporations that are during this trade has increased three folds from around thirty three corporations in 2008 to around ninety corporations recently. This increase within the range of corporations are often attributed to the increase within the sales revenue.

Table No 1.1 Industry Average various Financial Indicators

(Rs in Crs)

Year	Latest	2013	2014	2015	2016	2017
Companies No.	90	33	44	47	53	48
Sales Turnover	7,419.89	5,606.93	5,050.62	4,235.84	2,837.85	2,235.28
Operating Profit	1,026.91	834.69	780.71	611.91	272.65	184.65
Reported Net Profit	416.8	361.08	361.1	299.76	100.88	54.17

The industry average of the key financial ratios is as follows

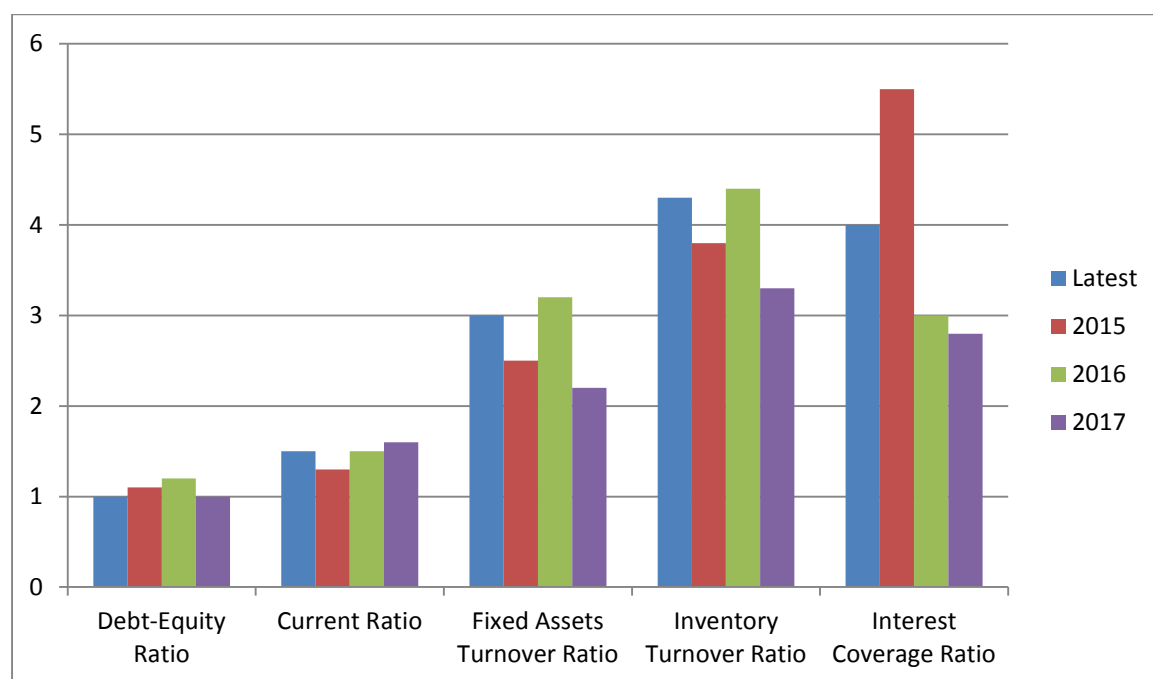
Table No 1.2 Industry Average of ratios

Year	Latest	2015	2016	2017
Debt-Equity Ratio	1	0.99	1.19	1.02
Current Ratio	1.58	1.43	1.64	1.83
Fixed Assets Turnover Ratio	2.95	2.54	3.16	2.15
Inventory Turnover Ratio	4.44	3.77	4.54	3.35
Interest Coverage Ratio	3.97	5.56	2.97	2.77

We find that the capital Structure of the trade has reached an edge whereby the businesses are raising capital through debt and equity within the same quantitative relation of 1:1 the present quantitative relation is additionally moving slowly up recently despite the autumn in 2006

towards the optimum quantitative relation of 2:1. at the moment it's at 1.58:1 the two turnover ratio's particularly fastened Assets Turnover quantitative relation and therefore the Inventory Turnover quantitative relation have become high. this is often a positive sign if the turnover quantitative relation is high. The interest coverage quantitative relation has born noteably however this may be attributed to the enlargement set up of corporations.

Chart No: 1.1 Ratio Industry Average



R.S. DRESS DESIGN PVT. LTD.

Arvind Brands which is the largest producer of Denim clothing is one of the most famous names in the apparel industry the company is known for its huge expansion plans in future

Table No: 1.3 R.S. Dress Design Pvt. Ltd. Financial Performance

ARVIND CLOTHING	2013	2014	2015	2016	2017
Sales Turnover	64.71	61.24	52.41	49.13	47.45
Operating Profit	-1.91	2.68	0.75	5.38	6.3
Adjusted Net Profit	-4.51	-0.18	-1.45	1.69	3.39

R.S. Dress Design Pvt. Ltd. Faced a loss in the year 2013 this led to the company deciding to sell one of its Business Units in 2015. R.S. Dress Design Pvt. Ltd. expansion plans and the launch of Denim products for the Indian market can be quoted as reasons for this loss.

Table No 1.4 Arvind Clothing Cash Flow Statement

(Rs in Crs)

ARVIND CLOTHING	Mar-04	Mar-03	Mar-02	Mar-01
Cash Flow Summary				
Cash and Equivalents at Beginning of the year	1	0.94	0.75	1.76
Net Cash from Operating Activities	2.69	2.56	2.41	-1.54
Net Cash Used in Investing Activities	-2.24	-1.21	-0.32	-0.79
Net Cash Used in Financing Activities	-0.07	-1.29	-1.92	1.32
Net Inc/(Dec) in Cash and Cash Equivalent	0.38	0.06	0.17	-1.01
Cash and Cash Equivalents at End of the year	1.38	1	0.92	0.75

The cash flow clearly indicates that the loss in the year 2004 is mainly due to the heavy cash outflow for investing activities. Company's accounts revealed that approximately 2.38 crores worth of fixed assets were purchased as a part of the expansion plan.

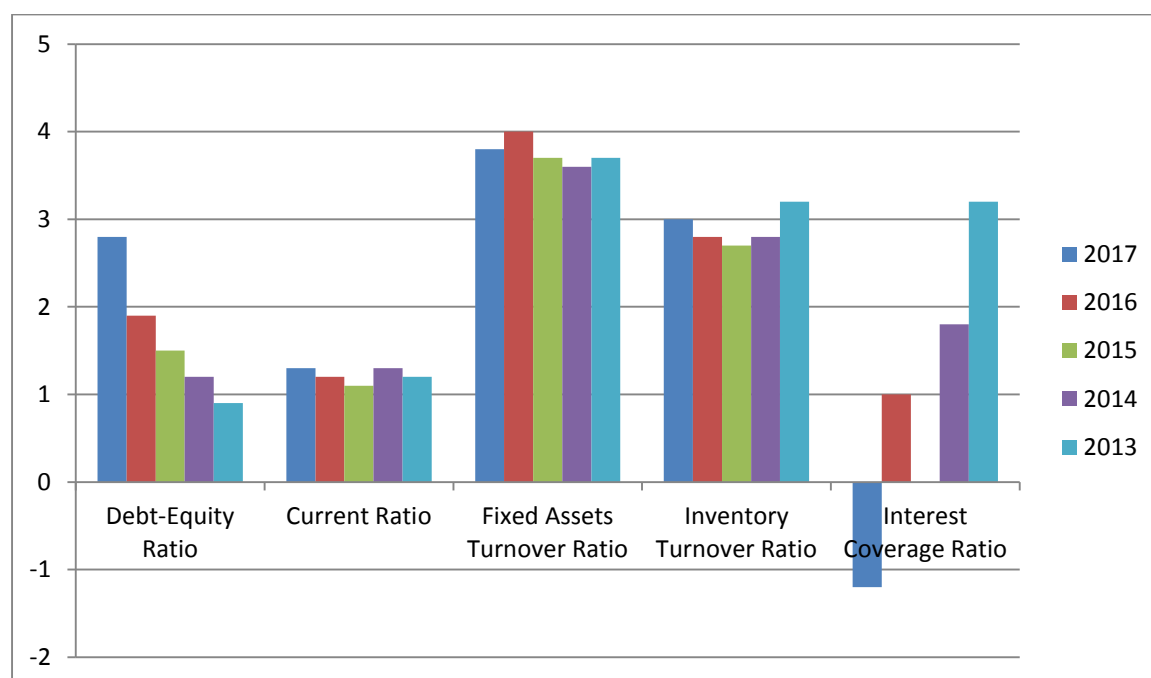
Table No 1.5 Arvind Clothing Key Financial Ratios

ARVIND CLOTHING LTD	Mar-04	Mar-03	Mar-02	Mar-01	Mar-00
Debt-Equity Ratio	2.62	1.89	1.59	1.35	0.91
Current Ratio	1.54	1.31	1.22	1.47	1.35
Fixed Assets Turnover Ratio	3.78	3.92	3.54	3.45	3.54
Inventory Turnover Ratio	2.95	2.7	2.54	2.74	3.43
Interest Cover Ratio	-1.1	1.01	-0.03	1.71	3.39

The company has a very high debt ratio. This is dangerous as the company is also spending a lot on the procurement of fixed assets. The current ratio is however 1.58 and shows that the company has good

liquidity. The fixed assets turnover has reduced in 2004 this is understandable as the company has purchased a lot of new assets. The Inventory turnover however is growing at a stable pace. The interest coverage ratio is in the negative as the company is facing losses. The company has to depend on reserves for interest payment.

Chart No 1.2 R.S. Dress Design Pvt. Ltd. Key Financial Ratios



BANG OVERSEAS LTD

Bang Overseas is a company which depends on high specialisation. It also recently issued an IPO for raising the required capital. It only manufactures and exports men's formal and casual wear to a restricted number of clientele. As it depends on the business with a few clients the company has been hit hard by recession lately. Delayed payments on credit deliveries have eroded the operating profits of the company. However the other non-operating income has provided some relief to their share holders.

Table No 1.6 Key Financial Indicators of Bang Overseas LTD

Latest Results (Rs Cr)			
Period-Ended	Dec-08	Dec-07	Variance [%]
Sales	28.98	29.88	-3.01
Other Income	2	0.74	170.27
PBIDT	2.13	4.02	-47.01
PBDT	0.83	2.65	-68.68

PBIT	1.59	3.72	-57.26
PBT	0.29	2.35	-87.66

It is pretty evident from the above financial indicators that the company is facing the brunt of recession. The sales have come down by about 3% and this has pulled the profit before tax (PBT) by around 87%. This is very huge considering the company's interest to expand by way of issuing shares through its IPO. A look at the cash flow statement in Table No: will provide an insight about the liquidity position of the company. Cash Inflow is prominent only from financing activities and that is because of the IPO. These are not good signs for the share holders because the company is failing to raise cash from the operating activities and is dependent on financing activities for its needs.

Table No 1.7 Cash Flow of Bang Overseas LTD

Bang Overseas LTD	(Rs in Crs)				
Particulars	Mar-08	Mar-07	Mar-06	Mar-05	Mar-04
Cash Flow Summary					
Cash and Cash Equivalents at Beginning of the year	1.13	1.04	0.3	0.41	0.33
Net Cash from Operating Activities	-1.5	1.54	-1.58	-2.54	0.39
Net Cash Used in Investing Activities	-14.73	-5.72	-7.24	-0.23	-0.12
Net Cash Used in Financing Activities	70.99	4.27	9.56	2.66	-0.19
Net Inc/(Dec) in Cash and Cash Equivalent	54.76	0.09	0.74	-0.11	0.08
Cash and Cash Equivalents at End of the year	55.89	1.13	1.04	0.3	0.41


Share market Woes

The inability to provide positive signs to the shareholder has reflected in the share prices of Bang Overseas LTD. The share value pummelled down along with the sensx due to recession.

However recently the company due to its high quality products is recuperating well and the stock prices are going up.

Bang Overseas Scrip Performance Details

Bang Overseas Ltd.

Last traded	84.40 	Change	4.00 (4.98%)
Time	09 Apr 15:56:08	Volume	139529
Prev Close	80.4	Day's H/L (Rs)	84.4 - 81.1
Mkt Cap (Rs Cr)	114.78	52wk H/L (Rs)	307.80 - 66.90

Key Financial Ratios

The key financial ratios of Bang Overseas are given below. The Debt Equity ratio has gone down notably because of the IPO issue in Jan 2008. The company current ratio is well above the 2:1 ratio and is at a comfortable 2.83:1 ratio. The liquidity position is very favourable. The Fixed ratio is also becoming better and the fixed assets which were purchases by the company are useful in earning operating income.

Table No 1.8 Key Financial Ratios of Bang Overseas

BANG OVERSEAS LTD	Mar-08	Mar-07	Mar-06	Mar-05	Mar-04
Debt-Equity Ratio	0.49	2.03	2.32	1.81	2.22
Current Ratio	2.83	2.2	3.14	3.35	3.19
Fixed Assets Turnover Ratio	8.26	6.87	8.65	24.84	25.92
Inventory Turnover Ratio	5.75	6.03	4.61	3.23	2.66
Interest Cover Ratio	4.54	5.11	3.03	2.73	1.73

The inventory turnover ratio has gone down this is also understandable as the company is design specific company which purchases goods only on demand or on order. The interest coverage ratio has come down because of the decrease in sales during 2015.

Fringe Papo

Agribusinesses and agriculture-related enterprises face sophisticated risks and broad, chop-chop evolving challenges. factory farm intelligence supports strategic designing and therefore the management of artifact connected risk and speculative opportunities with quality agriculture market knowledge, forecasts and professional analysis.

Our knowledge and analysis covers each short and long term:

- provide and demand indicators
- Import/export trade data
- worth forecasts
- Weather forecasts
- Agricultural policy issues
- artifact worth commentaries and outlooks

We offer professional insight into market trends and policy changes to support profitable procural, mercantilism and hedging choices.information, it are often easier to identify each opportunities and threats — reminiscent of that seed to target once developing illness resistance or what new development may impact your current analysis.

Certification of Fringe Papo:

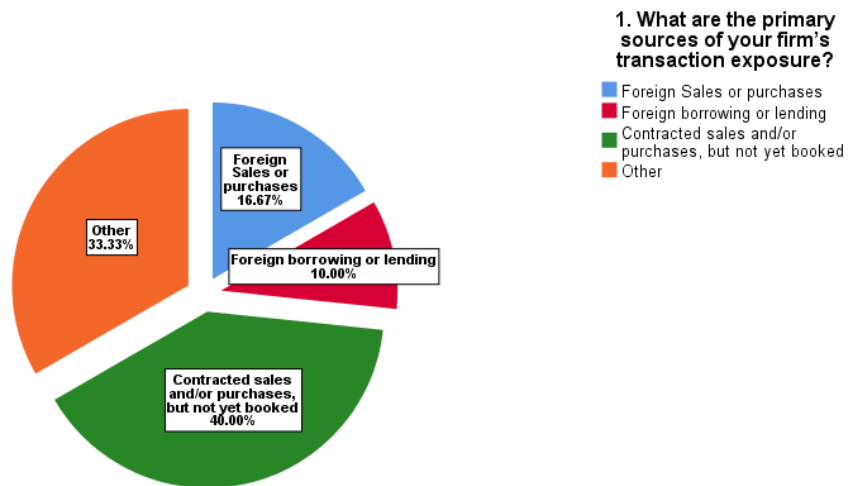


Company Name		FRINGE PAPO INTERNATIONAL	
Product / Services	Products		ITC-HS Code
	ANIMAL FEED		40149030
	BASMATI RICE		1006
	DRYFRUITS,DEHYDRATED PRODUCTS		0811
	FOOTWEAR		640110
	GRAINS/PULSES		41071200
	HANDICRAFTS		9991
	NON BASMATI RICE		100610
	OILSEEDS		12
	PROTEINS		21061000
	SPICES		93012950
	STARCHES		1108
	SUGAR		12129100
	SWEETENERS AND POLYOLS		28309020
	TEA AND COFFEE		0902
TEXTILES		37031020	
WHEAT FLOUR		1105	
Information			
Copyright © Federation of Indian Export Organisations			

DATA INTERPITAION ON CUSTOMER REVIEW :-

Small EnterPrises

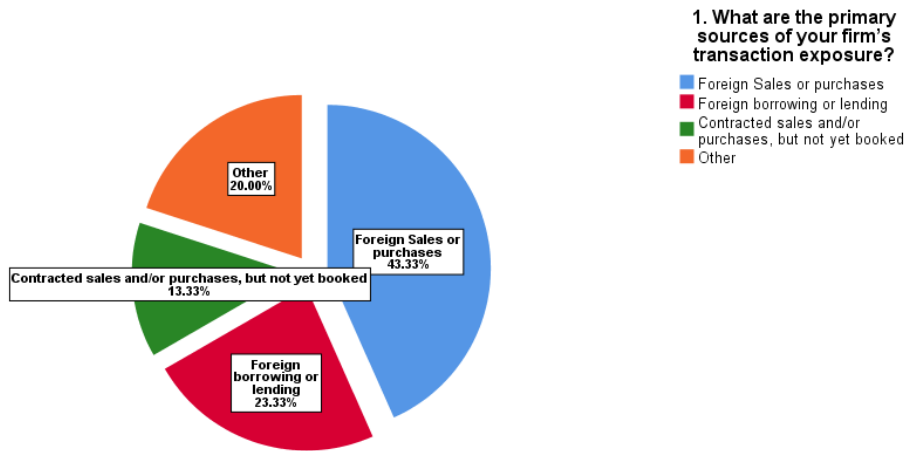
Pie Chart Count of 1. What are the primary sources of your firm's transaction exposure?



Services provided	Consumer Reviwe
Foreign sales or purchases	3
Foreign borrowing or lending	2
Contracted sales and /or purchases,but not Yet booked	6
Other	9

Medium Enterprises

Pie Chart Count of 1. What are the primary sources of your firm's transaction exposure?



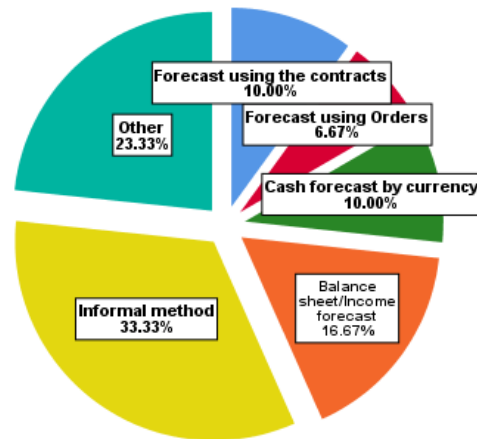
Services provided	Consumer Review
Foreign sales or purchases	8
Foreign borrowing or lending	5
Contracted sales and/or purchases, but not yet booked	3
Other	4

Data Interpretation:

- Foreign Sales or purchases is only 16.67% in small enterprises company while Medium Enterprises company deals in this segment participate 43.33%.
- Foreign borrowing or lending is only 10.00% in small enterprises company while Medium Enterprises company deals in this segment participate 23.33%.
- Contracted sales and/or purchases, but not yet booked 40% deals are happen in small enterprises company while Medium Company deals around only 13.33%.
- 33.33% Sales and purchase in other way in small enterprises company while Medium Company deals around only 20%.

Small EnterPrises

Pie Chart Count of 2. Which of the following methods do you use to forecast your firm's likely future foreign exchange exposures?



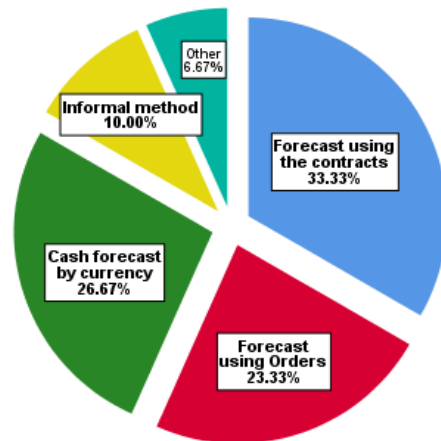
2. Which of the following methods do you use to forecast your firm's likely future foreign exchange exposures?

- Forecast using the contracts
- Forecast using Orders
- Cash forecast by currency
- Balance sheet/Income forecast
- Informal method
- Other

Services provided	Consumer Reviwe
Forecast using the contracts	2
Forecast using orders	1
Cash forecast by currency	2
Balance sheet/Income forecast	4
Informal method	6
Other	5

Medium Enterprises

Pie Chart Count of 2. Which of the following methods do you use to forecast your firm's likely future foreign exchange exposures?



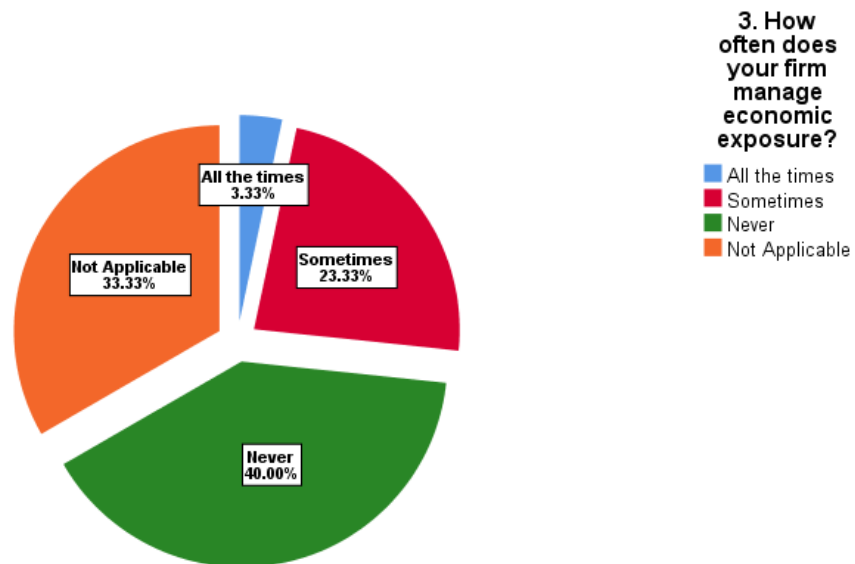
2. Which of the following methods do you use to forecast your firm's likely future foreign exchange exposures?

- Forecast using the contracts
- Forecast using Orders
- Cash forecast by currency
- Balance sheet/Income forecast
- Informal method
- Other

Services provided	Consumer Reviwe
Forecast using the contracts	8
Forecast using orders	4
Cash forecast by currency	5
Balance sheet/Income forecast	0
Information method	2
Other	1

Small EnterPrises

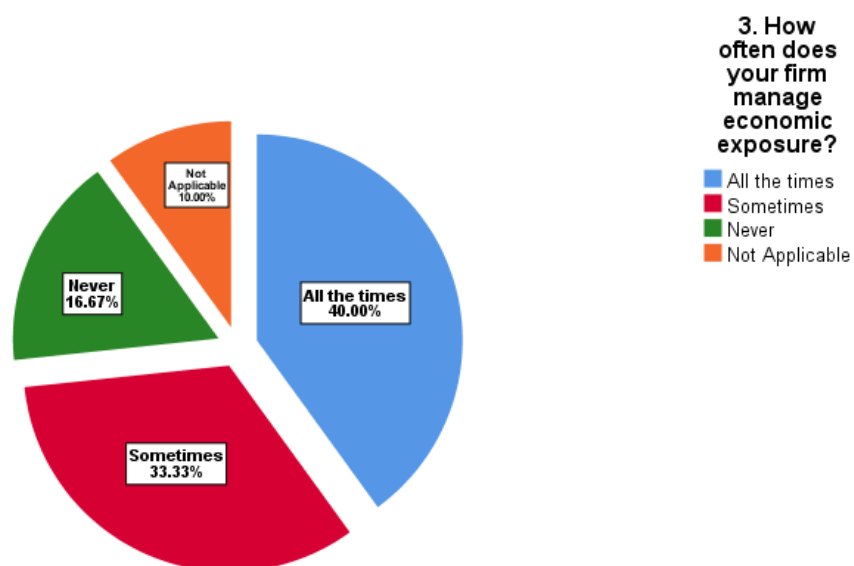
Pie Chart Count of 3. How often does your firm manage economic exposure?



Services provided	Consumer Reviwe
All the times	2
Sometimes	4
Never	8
Not applicable	6

Medium Enterprises

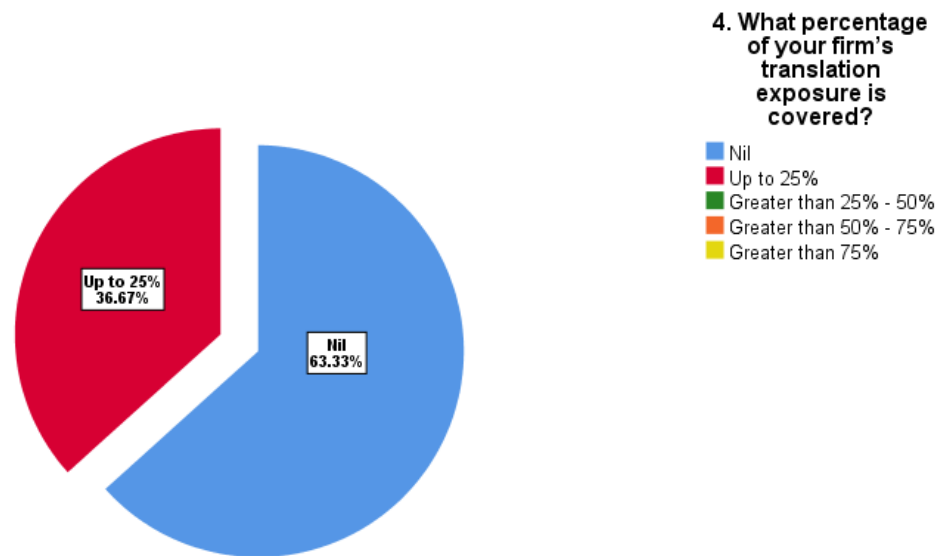
Pie Chart Count of 3. How often does your firm manage economic exposure?



Services provided	Consumer Reviwe
All the times	8
Sometimes	6
Never	4
Not applicable	2

Small EnterPrises

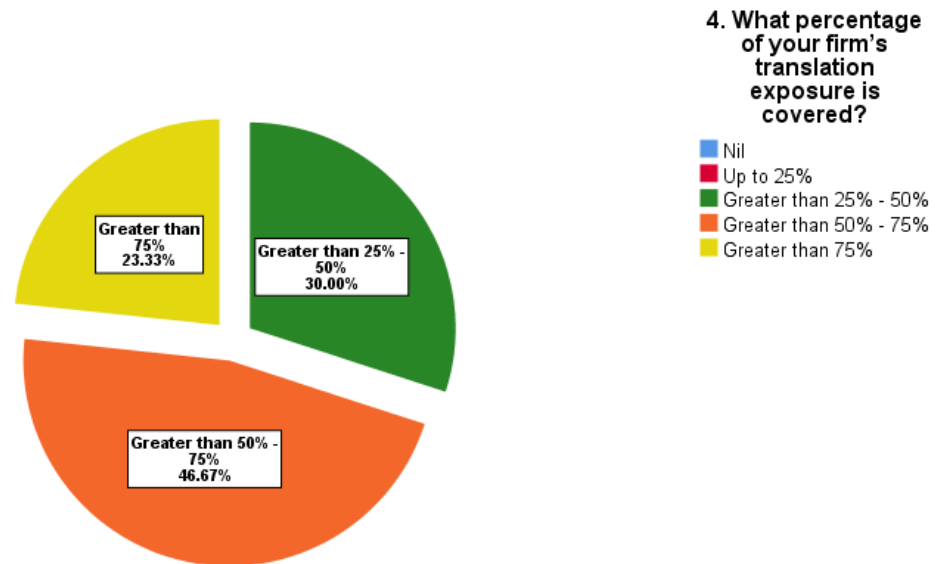
Pie Chart Count of 4. What percentage of your firm's translation exposure is covered?



Services provided	Consumer Reviwe
Nil	12
Up to 25	8
Greater than 25% - 50%	0
Greater than 50% - 75%	0
Greater than 75%	0

Medium Enterprises

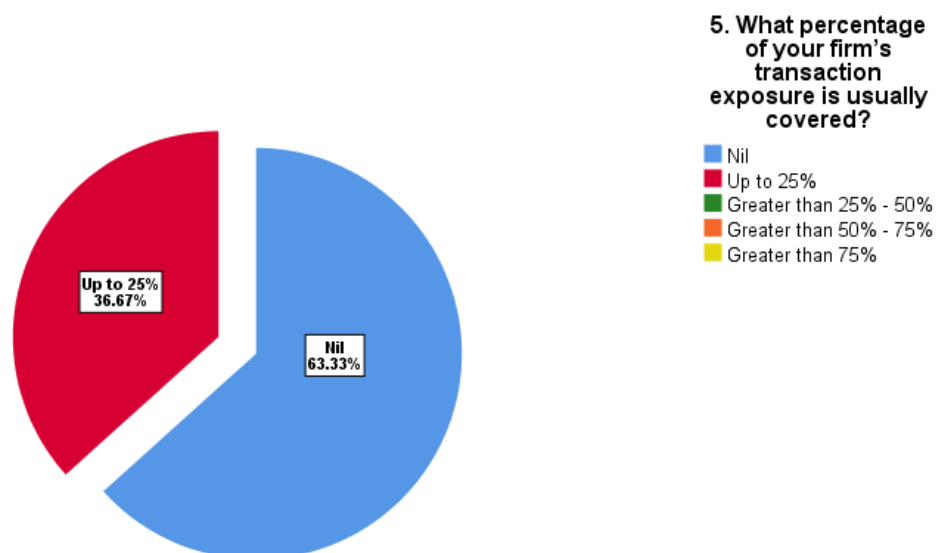
Pie Chart Count of 4. What percentage of your firm's translation exposure is covered?



Services provided	Consumer Reviwe
Nil	0
Up to 25	0
Greater than 25% - 50%	6
Greater than 50% - 75%	10
Greater than 75%	4

Small EnterPrises

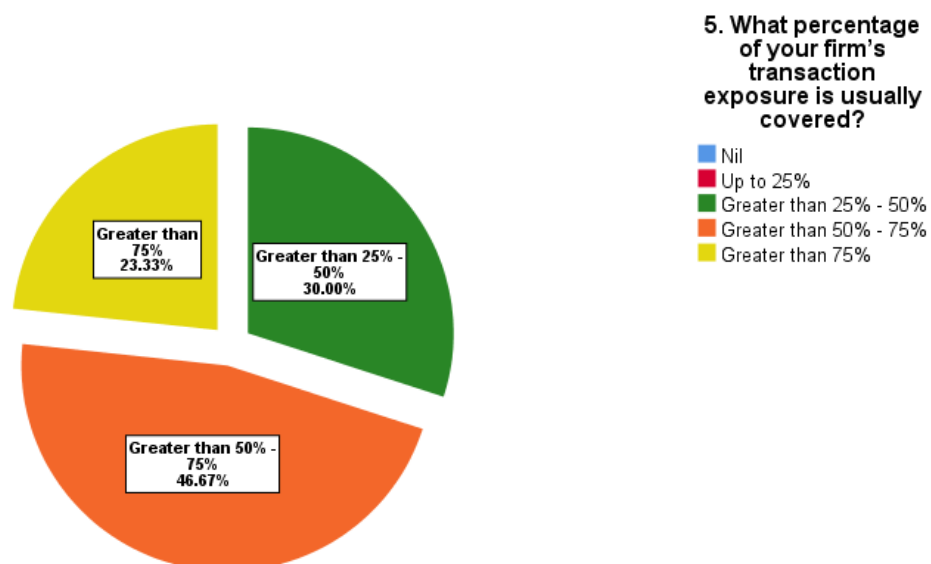
Pie Chart Count of 5. What percentage of your firm's transaction exposure is usually covered?



Services provided	Consumer Reviwe
Nil	12
Up to 25	8
Greater than 25% - 50%	0
Greater than 50% - 75%	0
Greater than 75%	0

Medium Enterprises

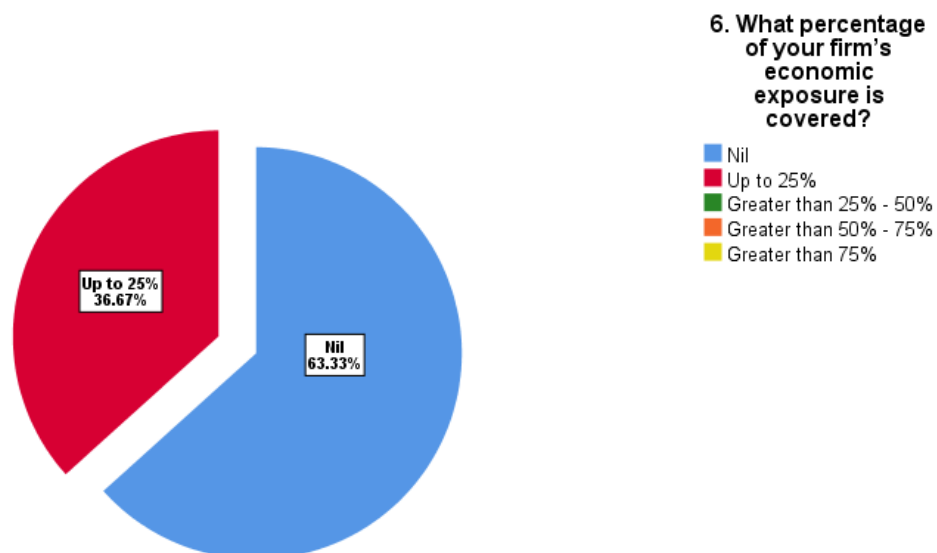
Pie Chart Count of 5. What percentage of your firm's transaction exposure is usually covered?



Services provided	Consumer Reviwe
Nil	0
Up to 25	0
Greater than 25% - 50%	6
Greater than 50% - 75%	10
Greater than 75%	4

Small EnterPrises

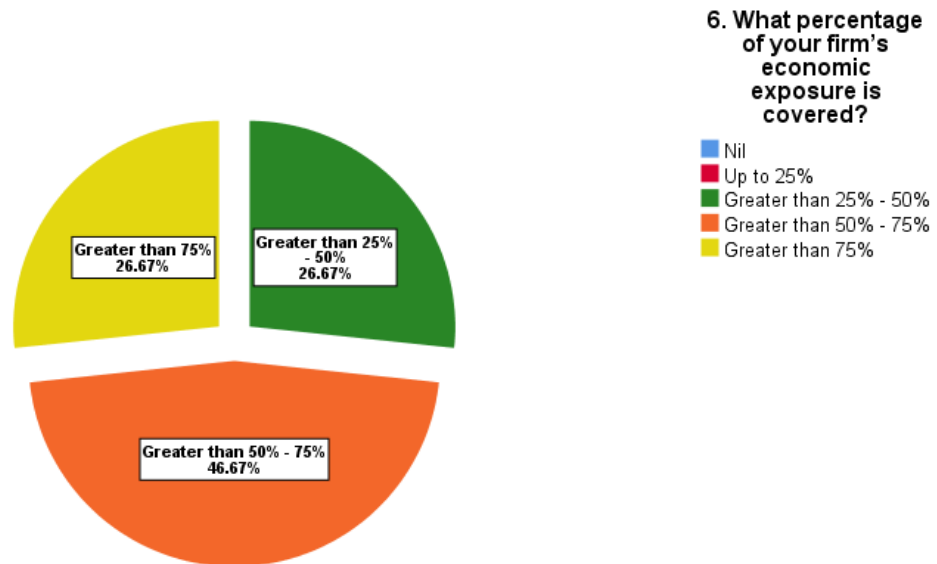
Pie Chart Count of 6. What percentage of your firm's economic exposure is covered?



Services provided	Consumer Reviwe
Nil	12
Up to 25	8
Greater than 25% - 50%	0
Greater than 50% - 75%	0
Greater than 75%	0

Medium Enterprises

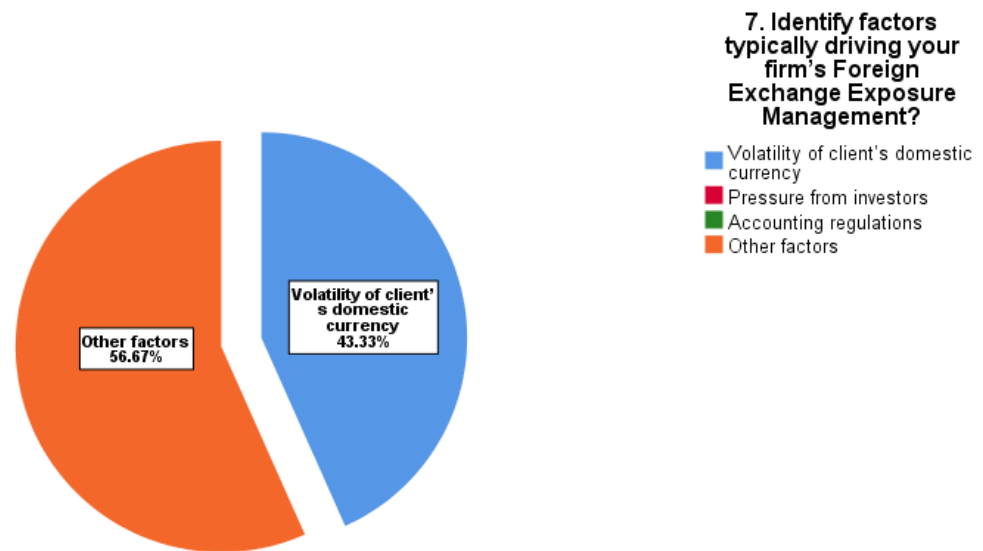
Pie Chart Count of 6. What percentage of your firm's economic exposure is covered?



Services provided	Consumer Reviwe
Nil	0
Up to 25	0
Greater than 25% - 50%	6
Greater than 50% - 75%	10
Greater than 75%	4

Small EnterPrises

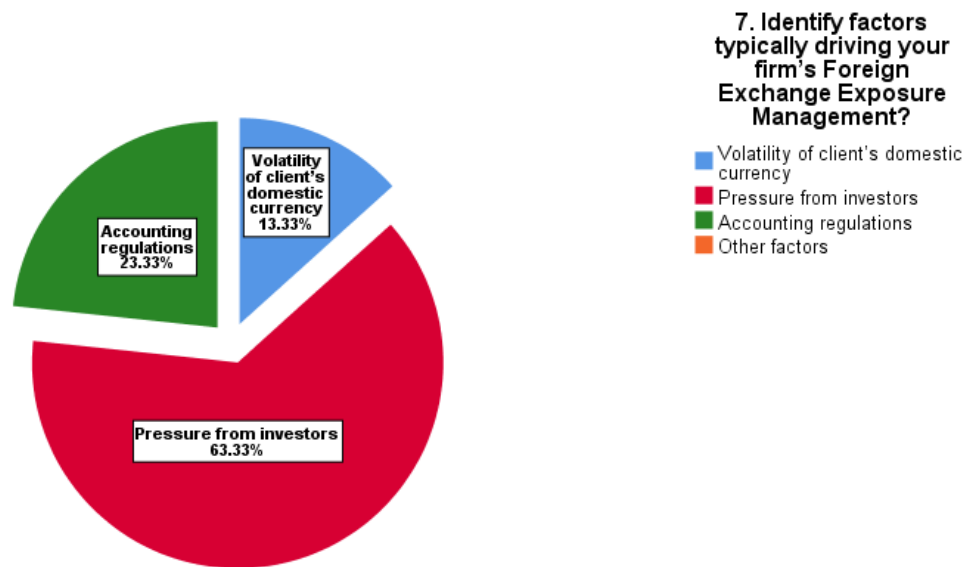
Pie Chart Count of 7. Identify factors typically driving your firm's Foreign Exchange Exposure Management?



Services provided	Consumer Reviwe
Volatility of client's domestic currency	8
Pressure from investors	12
Accounting regulations	0
Other factors	0

Medium Enterprises

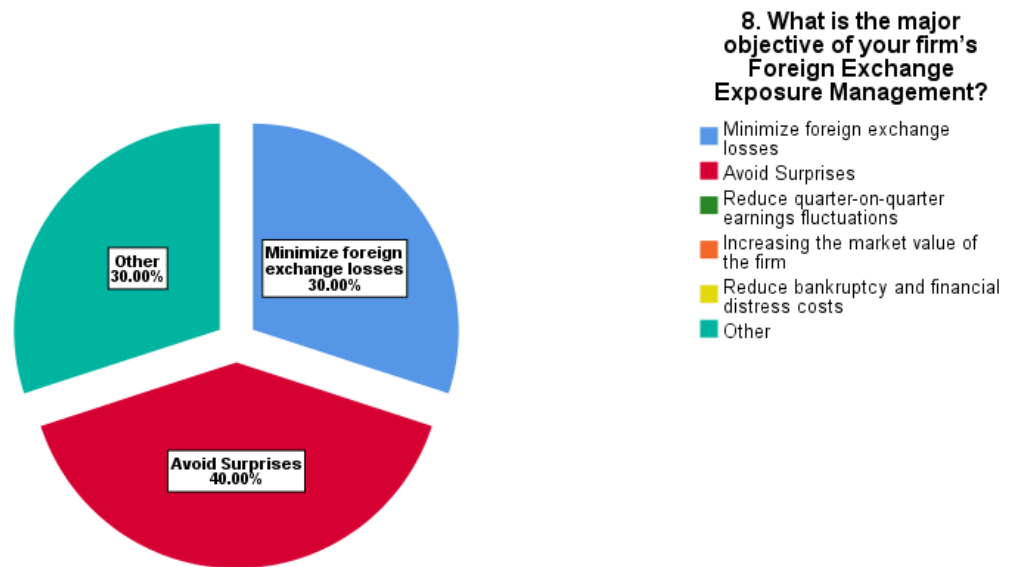
Pie Chart Count of 7. Identify factors typically driving your firm's Foreign Exchange Exposure Management?



Services provided	Consumer Review
Volatility of client's domestic currency	6
Pressure from investors	10
Accounting regulations	4
Other factors	0

Small EnterPrises

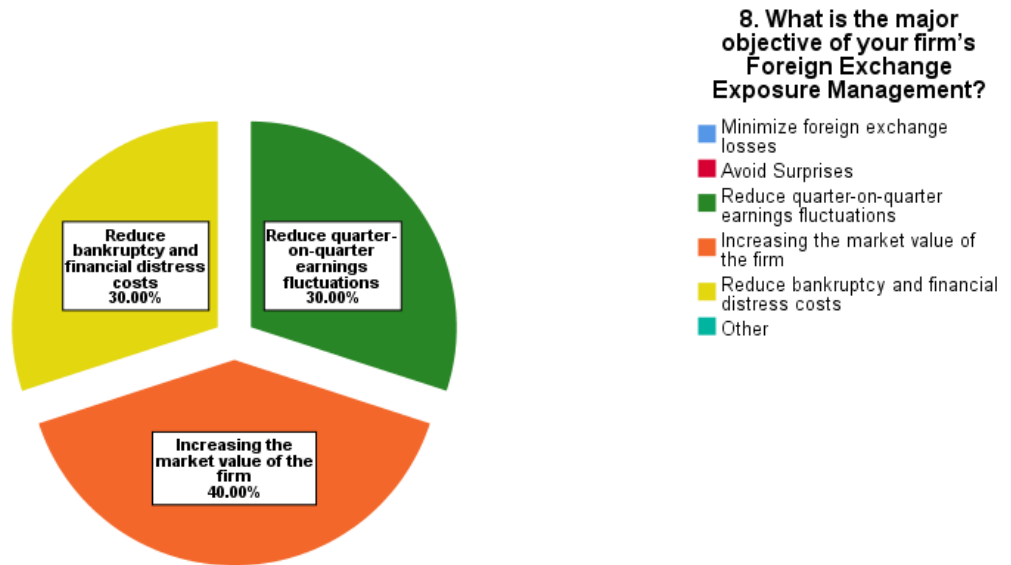
Pie Chart Count of 8. What is the major objective of your firm's Foreign Exchange Exposure Management?



Services provided	Consumer Reviwe
Minimize foreign exchange losses	5
Avoid surprises	10
Reduce quarter-on-quarter earnings fluctuation	0
Increasing the market value of the firm	0
Reduce bankruptcy and financial distress	0
Other	5

Medium Enterprises

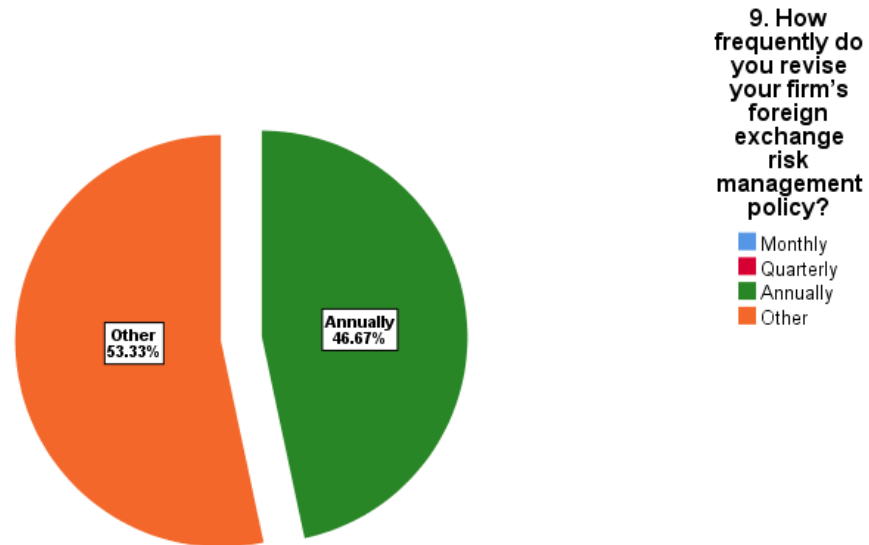
Pie Chart Count of 8. What is the major objective of your firm's Foreign Exchange Exposure Management?



Services provided	Consumer Review
Minimize foreign exchange losses	0
Avoid surprises	0
Reduce quarter-on-quarter earnings fluctuation	5
Increasing the market value of the firm	10
Reduce bankruptcy and financial distress	5
Other	0

Small EnterPrises

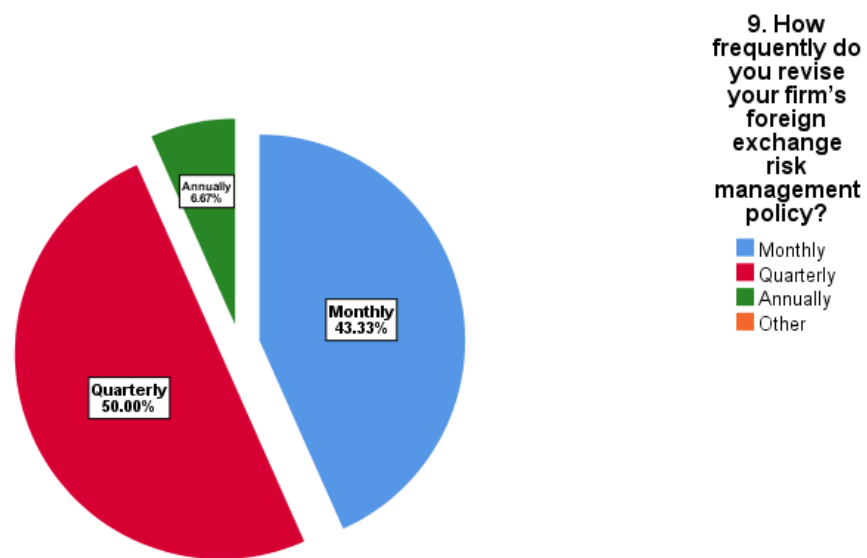
Pie Chart Count of 9. How frequently do you revise your firm's foreign exchange risk management policy?



Services provided	Consumer Reviwe
Monthiy	0
Quarterly	0
Annually	8
Other	12

Medium Enterprises

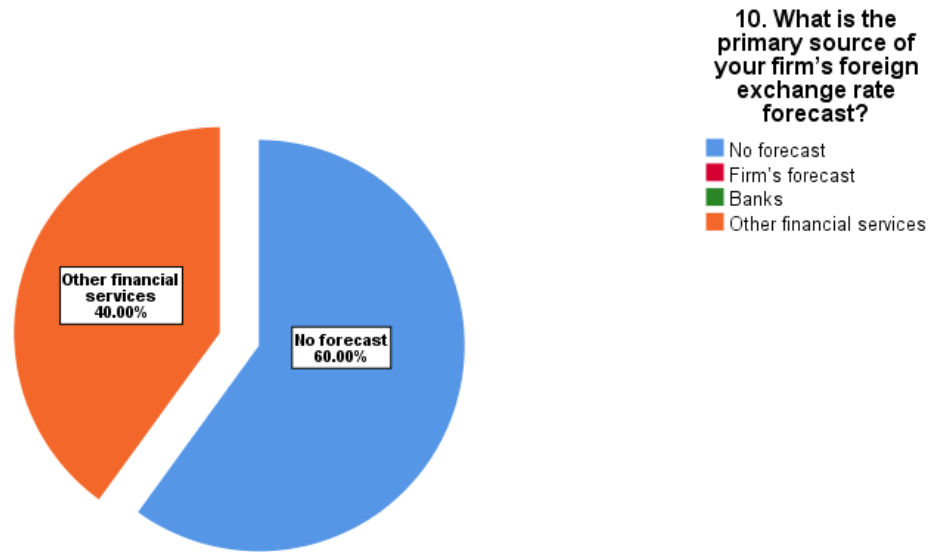
Pie Chart Count of 9. How frequently do you revise your firm's foreign exchange risk management policy?



Services provided	Consumer Review
Monthly	8
Quarterly	10
Annually	2
Other	0

Small EnterPrises

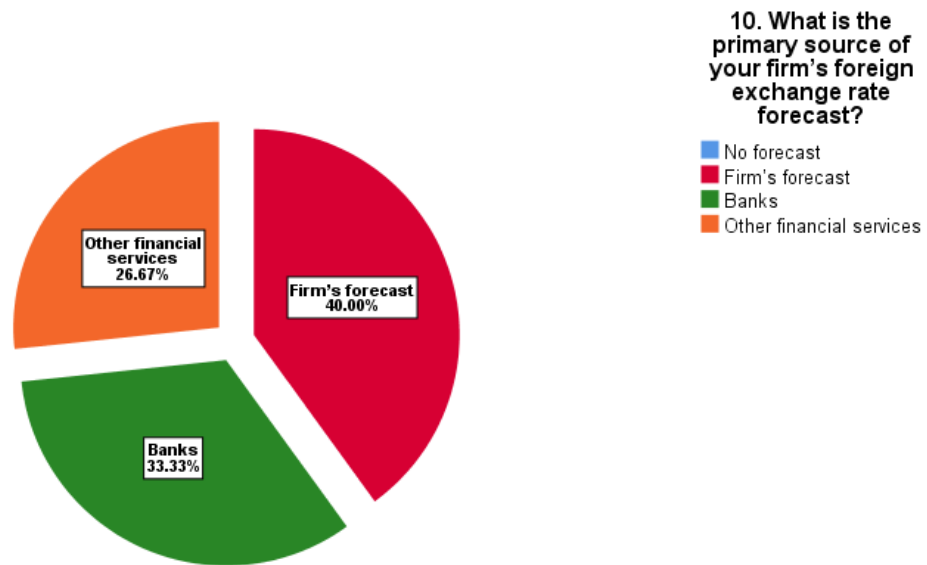
Pie Chart Count of 10. What is the primary source of your firm's foreign exchange rate forecast?



Services provided	Consumer Reviwe
No forecast	14
Firm's forecast	0
Banks	0
Other financial services	6

Medium Enterprises

Pie Chart Count of 10. What is the primary source of your firm's foreign exchange rate forecast?



Services provided	Consumer Review
No forecast	0
Firm's forecast	10
Banks	6
Other financial services	4

CHAPTER 7

Findings of the study

Small and medium enterprises, have always served as a model of the socio-economic policies of the Government of India. These enterprises are interchangeably referred to SMEs or MSEs or SMBs depending upon the category of enterprise and contribution. This sector undoubtedly plays a vital role in the growth and development of Indian economy. Further, this growth has to be sustained since it contributes substantial revenues to the central exchequer. The MSMEs also account for a major share of industrial production, creation of employment and contribution to the GDP. Therefore it is understood that MSMEs play a crucial role in the growth of the country.

Of the selected MSMEs, 25% each i.e., 20 respondents were taken from the Delhi., out of the total, 98.5% of the respondents..

Among the selected MSMEs units in Delhi a maximum i.e., 47.5% of the business units were established during the period 2015-16. This point can be related to the establishment of MSMD Act in the 2006 and new policies framed safeguarding MSMEs.

Majority i.e., 57% of the respondents belong to small enterprises, followed by micro enterprises with 32% and 11% medium enterprises.

The primary source of foreign exchange have no forecasting.

CHAPTER 8

Recommendation

Foreign exchange has caused large losses to several undisciplined and inexperienced traders over the years. so as to form profit in trading, you want to build acknowledge the market. to spot the markets, you want to initial recognize and determine yourself. the primary step of gaining self awareness is making certain that your tolerance capital allocation to Forex and trading aren't excessive or lacking. associate degree analytical approach to mercantilism doesn't begin at the elemental and technical analysis of worth trends, or the formulation of trading ways. It begins at the primary step taken into the career , with the primary greenback placed in associate degree open position, and therefore the initial mistakes in calculation and trading ways.

CONCLUSION

Although exchange could also be confusing, in today's international marketplace, there's a essential want for pretty much everybody to grasp exchange like never before. because the world shrinks, there's associate degree ever-increasing chance that { we can|we'll|we ar going to} be needed to deal with the risks related to the actual fact that there are totally different currencies used all round the world which these currencies will have a right away impact on our world. we have a tendency to should be ready to valuate the results of, and actively answer, changes in exchange rates with relation to our consumption choices, investment portfolios, business plans, government policies, and alternative life selections (both monetary and otherwise). Moreover, there's associate degree ever-increasing likelihood that we'll got to interact in these exchange markets—in our personal or business life.

References

- ✓ Levi, Maurice D. (2005). *International Finance*, 4th Edition. New York, NY: Routledge. ISBN 978-0-415-30900-4.
- ✓ **Jump up**[^] Moffett, Michael H.; Stonehill, Arthur I.; Eiteman, David K. (2009). *Fundamentals of Multinational Finance*, 3rd Edition. Boston, MA: Addison-Wesley. ISBN 978-0-321-54164-2.
- ✓ **Jump up**[^] Homaifar, Ghassem A. (2004). *Managing Global Financial and Foreign Exchange Risk*. Hoboken, NJ: John Wiley & Sons. ISBN 978-0-471-28115-3.
- ✓ [^] Jump up to:^{a b} Moosa, Imad A. (2003). *International Financial Operations: Arbitrage, Hedging, Speculation, Financing and Investment*. New York, NY: Palgrave Macmillan. ISBN 0-333-99859-6.
- ✓ **Jump up**[^] Wang, Peijie (2005). *The Economics of Foreign Exchange and Global Finance*. Berlin, Germany: Springer. ISBN 978-3-540-21237-9.
- ✓ [^] Jump up to:^{a b c} Eun, Cheol S.; Resnick, Bruce G. (2011). *International Financial Management*, 6th Edition. New York, NY: McGraw-Hill/Irwin. ISBN 978-0-07-803465-7.
- ✓ **Jump up**[^] Dunn, Robert M., Jr.; Mutti, John H. (2004). *International Economics*, 6th Edition. New York, NY: Routledge. ISBN 978-0-415-31154-0.
- ✓ **Jump up**[^] Pilbeam, Keith (2006). *International Finance*, 3rd Edition. New York, NY: Palgrave Macmillan. ISBN 978-1-4039-4837-3.
- ✓ **Jump up**[^] Reszat, Beate (2003). *The Japanese Foreign Exchange Market*. New Fetter Lane, London: Routledge. ISBN 0-203-22254-7.

Bibliography

- <http://www.aepcindia.com/members-directory/rsdress-design-pvtltd>
- <http://www.fringepapo.com/>

BOOKS

Christopher Neely, P. W. (2010). fundamentals of forex. Is Technical Analysis in the Foreign Exchange Market Profitable?

Kolb, R. W. (2011). Futures, options and Swaps. Wiley India pvt Ltd.

shulz, c. l. Risk Management & Derivative.

Don M Chance, D. (2008). Introduction to Derivatives and Risk management. Cenage Learning.

ARTICLES

usmani, f. (2012). business and finance review. forex problems and solutions .

Jain, Dr. Akansha. (2015, December). Forex Risk Management.

Annexure

Questionnaire

The questions pertain to (i) the sources and size of firm's foreign exchange risk (ii) the objectives and policy related issues of firm's foreign exchange in small & medium enterprises, and (iii) the techniques used to manage firm's foreign exchange risk.

Section1. Firm Characteristics

1. What is your firm?

- | | | |
|---|---|---|
| 1. A Parent Company of other foreign subsidiaries | [|] |
| 2. A Subsidiary of other foreign company | [|] |
| 3. Independent company | [|] |

2. Is your firm mainly?

- | | | |
|------------------|---|---|
| 1. Foreign Owned | [|] |
| 2. Indian Owned | [|] |

3. What is the usual value of Average Annual Sales Revenues of your firm?

- | | | |
|---|---|---|
| 1. Less than Rs.100 Million | [|] |
| 2. Greater than Rs. 100 Million – Rs. 500 Million | [|] |
| 3. Greater than Rs. 500 Million – Rs. 1000 Million | [|] |
| 4. Greater than Rs. 1000 Million – Rs. 2000 Million | [|] |
| 5. Greater than Rs. 2000 Million | [|] |

4. What proportion of your firm's total sales or revenues comes from small enterprises (foreign sales to total sales)?

- | | | |
|---------------------------|---|---|
| 1. Less than 10% | [|] |
| 2. Greater than 10% - 25% | [|] |
| 3. Greater than 25% - 50% | [|] |
| 4. Greater than 50% - 75% | [|] |
| 5. Greater than 75% | [|] |

5. What proportion of your firm's total purchases or sales expenses comes from medium enterprises (foreign sales expenses to total expenses)?

- | | | |
|---------------------------|---|---|
| 1. None | [|] |
| 2. Less than 10% | [|] |
| 3. Greater than 10% - 25% | [|] |
| 4. Greater than 25% - 50% | [|] |
| 5. Greater than 50% | [|] |

Section2. Identification of Foreign Exchange Exposure

If your firm is a subsidiary or it owns overseas subsidiaries, financial statements must often be translated into the home currency of the parent company. This translation may lead to a foreign exchange exposure called translation exposure. If this applies to you then

6. How often does your firm manage translation exposure?

- | | | |
|-------------------|---|---|
| 1. All the times | [|] |
| 2. Sometimes | [|] |
| 3. Never | [|] |
| 4. Not applicable | [|] |

7. What are the primary reasons in managing your firm's translation exposure?

- | | | |
|---|---|---|
| 1. Preparation of consolidated financial statements | [|] |
| 2. Accounting and tax regulations | [|] |
| 3. Other purposes (please specify)_____. | | |

Foreign exchange exposure that arises from the normal course of business is called transaction exposure

8. How often does your firm manage transaction exposure?

- | | | |
|-------------------|---|---|
| 1. All the times | [|] |
| 2. Sometimes | [|] |
| 3. Never | [|] |
| 4. Not applicable | [|] |

9. What are the primary sources of your firm's transaction exposure?

- | | | |
|--|---|---|
| 1. Foreign Sales or purchases | [|] |
| 2. Foreign borrowing or lending | [|] |
| 3. Contracted sales and/or purchases, but not yet booked | [|] |
| 4. Other (Please specify)_____. | | |

10. Which of the following methods do you use to forecast your firm's likely future foreign exchange exposures?

- | | | |
|----------------------------------|---|---|
| 1. Forecast using the contracts | [|] |
| 2. Forecast using Orders | [|] |
| 3. Cash forecast by currency | [|] |
| 4. Balance sheet/Income forecast | [|] |
| 5. Informal method | [|] |
| 6. Other, (Please specify)_____. | | |