Currency Futures

Case 1:

Raghav Exports Ltd. has an export inward remittance that is receivable on 30 September for $50,000/-. While Raghav knows the dollar amount that he will get on 30 September, he is not too sure about how about how much INR that will translate into as it will depend on the USD-INR exchange rate on that particular date. Currently, the exchange rate is Rs.64/$. That means at this will translate into a rupee inflow of INR 32 lakhs on September 30. Raghav has certain commitments on October 10 and is comfortable with the exchange rate of 64/$ on the settlement day. However, Raghav Exports has been advised by their banker that due to heavy FDI inflow into India, the INR may actually appreciate to 62/$ by September 30. That will mean that Raghav exports will receive only Rs.31 lakhs in rupee terms. Raghav Exports is apprehensive that this will leave them with a shortfall in meeting their outflow commitment on October 10. The company, therefore, needs to hedge its inward dollar risk. How can Raghav Exports do this?

Case 2:

An oil production and exploration company in India wanted ti import 50 machines for exploration. Each machine cost $50000 and the current spot rate was $1=55.60 the, i.e. 1 July, 2018, the Indian company decides to place the order. The payment was due at the end of three months, i.e. 30 September, 2018. The future price on 1 July, 2018 was $1= 55.80 and trade unit was $1000. The company feared that the dollar would appreciate against the rupee, so at the end of the three months, it might have to pay more than what is it was supposed to pay now. Analyse the case using hedging?

Case 3:

An exporter in India sold 100000 t shirts to a European company on 1 January, 2018. Each t-shirt has a selling price of €100. The spot price was €1= 70 Rs. The Indian exporter had extended the line of credit by three months and so the European company would be making the payment on 31 march, 2018. Now, on 31 march, 2018, the spot price was €1= 69 and the future price was €1= 69. The Indian exporter feared that the euro might depreciate against the rupee and so would eventually reduce the revenue amount in rupees. Analyze the case and make suggestion for hedging strategies.