

Foregin Exchange With Reference To Hdfc Bank Limited

Chandan Kumar Chennupalli, Master of Business Administration,

DR. Venkata Rangaiah, Professor, HOD, Department of Master of Business Administration,

St. Martin's Engineering College, Hyderabad, Telangana – 500100.

ABSTRACT

This study is focused mainly on the operations of Full Fledged Money Changers in Indian forex market. The study is done with reference to Weizmann Forex Ltd Limited, one of the leading money changers in India with national network of 78 branches catering to national and international customers. The study focused on various products and services offered by Weizman Forex (FFMC). The operations studied include foreign exchange trading - bulk purchases, bulk sales, retail purchases or encashment and retail sales of currencies, Travellers Cheques, World Money Cards of major international currencies. The project also aims at studying management of franchisees, agents, management of funds for daily operations, settlements with banks. The other operations studied include inverting remittance to Western Union, providing Telephonic Transfer (T.T) service, acquisition of new clients, documentation of various requisites of the transactions done by FFMCs, reporting activities. The scope of the study also encompasses study on forex market participants, factors affecting forex markets. Major currencies are taken for the study. The project involved taking part in daily

transactions of bulk purchases, bulk sales, retail purchases, retail sales, handling the transactions through software package, currency tallying and settlements at the end of the day.

1. INTRODUCTION:

SCOPE OF THE STUDY:-

- To know what is foreign exchange and what are the various foreign exchange services.
- To know how the transactions related to foreign exchange volatility carried out.
- To have a brief knowledge about various foreign currencies and their exchange rates compare to other nations currencies.

NEED AND IMPORTANCE OF THE STUDY

The world nations are increasingly becoming more interrelated global trade, and global investment. These international result in cross

country flow of world nations. Countries hold currencies of other countries and that a market, dealing of foreign exchange results.

Foreign exchange means reserves of foreign currencies. More aptly, foreign exchange refers to claim to foreign money balances. Foreign exchange gives resident of one country a financial claim on other country or countries. All deposits, credits and balances payable in foreign currency and any drafts, travelers' cheques, letters of credit and bills of exchange payable in foreign currency constitute foreign exchange. Foreign exchange market is the market where money denominated in one currency is bought and sold with money denominated in another currency. Transactions in currencies of countries, parties to these transactions, rates at which one currency is exchanged for other or others, ramification in these rates, derivatives to the currencies and dealing in them and related aspects constitute the foreign exchange (in short, forex) market.

Foreign exchange transactions take place whenever a country imports goods and services, people of a country undertake visits to other countries, citizens of a country remit money abroad for whatever purpose, business units set up foreign subsidiaries and so on. In

all these cases the nation concerned buys relevant and required foreign exchange, in exchange of its currency, or draws from foreign exchange reserves built. On the other hand, when a country exports goods and services to another country, when people of other countries visit the country, when citizens of the country settled abroad remit money homewards, when foreign citizens, firms and institutions invest in the country and when the country or its business community raises funds from abroad, the country's currency is bought by others, giving foreign exchange, in exchange. Multinational firms operate in more than one country and their operations involve multiple foreign currencies. Their operations are influenced by politics and the laws of the countries where they operate. Thus, they face higher degree of risk as compared to domestic firms. A matter of great concern for the international firms is to analyze the implications of the changes in interest rates, inflation rates and exchange rates on their decisions and minimize the foreign exchange risk. The importance of the study is to know the features of foreign exchange and the factors creating risk in foreign exchange transactions and the techniques used for managing that risk.

OBJECTIVES OF THE STUDY

- To know the concept of the foreign exchange in HDFC Limited.
- To study and analyze the revenues of the company when the exchange rates fluctuate.
- To analyze income statement and find out the revenues when the dollars are converted into Indian rupees.
- To study the different types of foreign exchange exposure including risk due to volatility in exchange rate.

RESEARCH METHODOLOGY

RESEACH DESIGN:

Research design is descriptive in nature. Data from various sites are collected and analyzed with the help of various tools which helps to identify specific behavior of the market.

RESEARCH TYPE:

Primary data:

The primary data is collected from the lectures of project guide..

Secondary data:

The secondary data is collected from the

Books,

Journals,

Business magazines.

SOURCE OF DATA:

The primary source for the project is collected from various financial book, magazines and Weizmann forex Ltd as part of the training class undertaken for project.

LIMITATIONS

- The study is confined just to the foreign exchange risk but not the total risk.
- The analysis of this study is mainly done on the income statements.
- This study is limited for the year 2016-2016.
- 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.

ASSUMPTIONS

- The total revenues are assumed 20% as domestic & 80% as foreign revenues.(Euro, US dollar & Pound)
- The total expenses of the income statements are taken 75% as domestic and 25% as foreign expenses(Euro,US dollar & Pound)
- The exchange rate of Rupee,Dollar,Euro,and Pound is considered with sensitive values Rs 39,39.5,47,48.5,38.5,38,37.5,37.
- To have a comparative study Rs.45.10 per dollar is taken as base and compared the company's profitability when the exchange rates fluctuate.
- To analyze and to compare study INR (Indian Rupee) and \$(American dollar), Euro & GBP (Pound) is taken into consideration.

2. LITERATURE SURVEY

The investment decisions of a firm are generally known as the capital budgeting, or capital expenditure decisions. A capital budgeting decision may be defined as the firm's decision to invest its current funds most efficiently in the long term assets in anticipation of an expected flow of benefits

over a series of years. The long term assets are those that affect the firms operations beyond the one year period. The firm's investment decisions would generally include expansion, acquisition, modernization and replacement of the long-term assets.

Sale of a division or business (divestment) is also as an investment decision. Decisions like the change in the methods of sales distribution, or an advertisement campaign or a research and development programme have long-term implications for the firm's expenditures and benefits, and therefore, they should also be evaluated as investment decisions. It is important to note that investment in the long-term assets invariably requires large funds to be tied up in the current assets such as inventories and receivables. As such, investment in the fixed and current assets is one single activity.

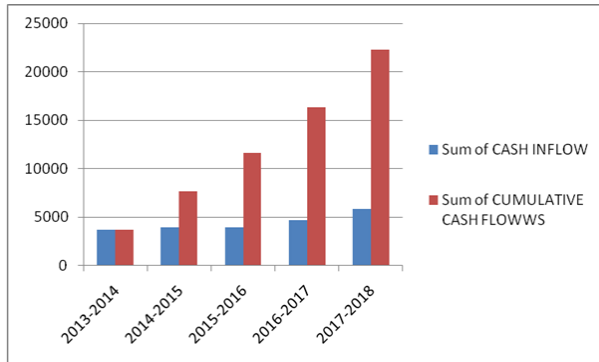
3. DATA ANALYSIS & INTERPRETATION

PAY BACK PERIOD METHOD:

Payback era technique is a traditional Come nigh of evaluation of declaratory budgeting Sentence. The roar payback or Contribute out or payoff refers to the ripen in which the enterprise firmness hold out the prime First-rise and bring to light the assets grant or the Primary out flows. To decorate the in trouble with period, the cumulative money flows will be deliberate and by advantage exclamation the exact period may be purposeful. The ULTRATECH has Rs. 7683.708 lacks of Great assistance and the record Superior flows for the

era 2013 to 2018. Appropriate the payback period is intentional as follows

CALCULATION OF PAY BACK PERIOD OF ULTRATECH CEMENTS MINES.



The above table shows that, the initial investment RS.4451.626 Lacks lies between first and second years with Rs. 3705.48 and 7655.76 lacks. The amount has been recovered in the first year and the remaining amount in second year ($1907.896 - 1311.533 = 596.363$)

4. FINDINGS OF THE STUDY

1. It is observed that the company is able to increase its profits from year to year.
2. The Gross profits from 2012 to 2017 increased from year to year
3. It is observed that the companies' net worth is increasing considerably.
4. By observing the sources & applications, it is clear that the company is actively increasing or standardizing its operations.
5. PBP can be used as a criterion to accept or reject an investment proposal. A

proposal whose actual payback period is more than what is pre-determined by the management.

6. Since the initial investment RS.4451.626 lacks is lies between 88% and 89% the company ULTRATECH can determine the IRR as 88.5%

5. SUGGESTIONS

1. There are various developments taking in the industry to challenge so as to the company should develop as a full fledged research and developed department for bringing technological changes and improvements in its design & process.
2. The management has physically verified the stock of finished goods and work-in-progress at the end of the year.
3. Company needs to identify the potential business revenue generation which results to profit on operations.
4. In respect of service activities, there is a reasonable system of recording receipts, issues and consumption of materials and stores of allocation of materials consumed to the relative job. Commensurate with its size and nature of its business

6. CONCLUSION

- The budgeting exercise in ULTRATECH also covers the long term capital budgets, including annual planning and provides long term plan for application of internal

resources and debt servicing translated in to the corporate plan.

- The scope of capital budgeting also includes expenditure on plant betterment, and renovation, balancing equipment, capital additions and commissioning expenses on trial runs generating units.
- To establish a close link between physical progress and monetary outlay and to provide the basis for plan allocation and budgetary support by the government.
- The manual recommends the computation of NPV at a cost of capital / discount rate specified from time to time.
- A single discount rate should not be used for all the capacity budgeting projects.
- The analysis of relevant facts and quantifications of anticipated results and benefits, risk factors if any, must be clearly brought out.
- Feasibility report of the project is prepared on the cost estimates and the cost of generation.

Practice, 10th Edition, Thomson South-Western.

- Khan M.Y., and Jain.P.K., 2008, Management Accounting, IV edition, Tata Mc Graw Hill, New Delhi

REFERENCES

- Prasanna Chandra, 2007, Financial Management Theory and Practice, 6th Edition, Tata McGraw Hill.
- I.M. Pandey : Financial Management, Vikas Publishers.
- Brigham, E.F. and Ehrhardt.M.C., 2007, Financial Management Theory and