

"A man is
great by
deeds, not by
birth"

-Chanakya

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INDIAN INSTITUTE OF MANAGEMENT KOZHIKODE



Case Study

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Foreign Exchange Exposure of Alok Industries Ltd.

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Please contact the corresponding authors if you would like to access the full case.

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Foreign Exchange Exposure of Alok Industries Ltd.

Abstract:

This case is designed to introduce the concept of foreign exchange exposure and currency hedging. The case is about Alok Industries Ltd. which is exposed to exchange rate fluctuations during the year 2012 due to the unexpected depreciation of the Indian Rupee. Alok Industries Ltd. is India's largest fully integrated textile company having a significant global presence across different continents. The company exports more than around 40 percent of its total sales revenue and sources cheap raw materials from other countries. Mr. Deepak is responsible for formulating the hedging policy of Alok Industries at the Silvassa manufacturing plant. The case requires the estimation of the foreign exchange exposure of Alok Industries arising out of the foreign exchange transactions and the formulation of the appropriate hedging policy. The case assumes that the participants have some basic understanding of forecasting firms' cashflows and can also be used to introduce parity conditions.

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