

"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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Currency Hedging Strategy Of Tata Elxsi

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Please contact the corresponding author, if you would like to access the full case study.

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Currency Hedging Strategy Of Tata Elxsi

Abstract:

This case is designed to introduce the concept of transaction exposure and currency hedging strategies. The case is about Tata Elxsi, a global design and technology services company, where the risk management team has to analyze the feasibility of employing a financial hedging strategy against operational or natural hedging alternatives. The company exports more than around 80 percent of its total sales revenue.

Mr. Raghavan wants to explore if financial hedging can be considered as a short-term strategy to deal with cashflow volatility. The case requires the estimation of future expected cash flows associated with the current facilities given the market risks. The company has to develop a robust hedging strategy to mitigate financial risks associated with foreign transactions.

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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