

***Companies with foreign currency loans like Power Fin Corp, Indian Railways rush for cover amid volatile market: K N Dey to ET***

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MUMBAI: Indian companies with millions of foreign currency loans are scrambling to hedge their exposure amid rising volatility in the currency market.

Some of the biggest borrowers including Power Fin Corp, Indian Railways, Finance Corp, Nuclear Power Corp, Rural Electrification Corp, Indian Renewable Energy Development Agency have all intensified consultations with bankers/advisors, trying to protect their dollar loan liabilities.

"Globally, currency markets have turned volatile," said Rajiv Datt, managing director, Indian Railways Finance Corporation. "Our risk management committee meets time to time to review risk strategies in consultation with our currency advisors as markets become volatile. They are meeting shortly."

Most large corporations have significant foreign currency loans estimated in the range of \$500 million to \$1 billion, dealers said. Some companies could not be contacted immediately for comments.

About two and a half years ago, corporates faced rising repayment liabilities when the rupee had hit a record low at 68.85/dollar, as they were significantly unhedged in their overseas loan exposures. "Large corporates have just started hedging their foreign currency exposures to tackle any unwarranted volatility emanating from global currency markets," said KN Dey, executive director at Mecklai Financial.

"After burning their fingers in 2013 by not hedging adequately, corporates aren't taking a chance." Now, companies are seen going for two-three month forward cover, when they were booking only 15-day to one-month contracts a few months ago. A recent statement by the Reserve Bank of India and a sudden bout of exchange rate moves have prompted such action.

Last Thursday, the dollar weakened globally as hopes of US rate increase dimmed. Back home, the rupee gained 50 paise, or 0.74%, the sharpest intra-day rise in four-and-a-half month against the greenback. "Some incremental hedges may have already happened. People are likely to increase hedges amid volatile markets," said Ashish Parthasarathy, treasurer of HDFC Bank. "Globally, volatility will remain due to divergent views on US rate actions, oil prices and China."

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