



PREFACE TO THE FOURTH EDITION

The third edition of this book was published in 2002. Since then the Indian economy has made rapid strides by way of globalization, which has included opening up India's goods, services and financial markets. Rupee based currency options have been introduced in the Indian foreign exchange market since 2003. In the market for interest rate derivatives, futures contracts on notional bonds have also been introduced. Gradual progress is underway towards making the Indian rupee fully convertible and recently a new committee has been constituted to examine the process of making the rupee convertible on capital account. Tentative discussions on Asian Monetary Union and Free Trade areas within Asia have begun.

The steady progress towards an open and globalized economy will necessitate significant changes in the character and functioning of foreign exchange markets in India, including more extensive use of innovative risk management products and structures. With the opening up of the capital account, other products such as currency futures may also be introduced in the near future.

In the light of these changes, I felt that certain key chapters of the book, especially **Chapters 5 and 6** dealing with **global monetary system** and **global financial markets**, and **Chapters 7 and 8** dealing with **global and Indian foreign exchange markets** needed extensive revision.

A **significant innovation** in this edition is inclusion of several **case studies** which illustrate substantive practical applications of concepts and techniques discussed in the chapters. The cases have been organized chapter-wise and can be used both **to generate in-class discussions** as well as **to test the students' understanding of the key concepts and theories** covered in the text.

The Indian forex derivatives market has acquired some degree of maturity and has seen the emergence of some innovative products. These have been included in the new version of Chapter 10 on Currency Options and of Chapter 13 on Management of Transactions Exposure. Examples of actual deals done in the market have also been included.

Thus the main motivation for the revision is to incorporate the significant changes that have taken place in the global financial architecture, the regulatory structures at home as also the new products that have appeared on the Indian scene. All these are having and will continue to have significant impact on corporate finance and finance managers must quickly equip themselves with a thorough understanding of these changes. This revised text will, hopefully, make it easy for them.



PREFACE TO THE FIRST EDITION

The book is intended as a text for MBA students who wish to study International Corporate Finance as a part of their specialisation in the area of Finance.

During the last five years or so, particularly after the opening up of the Indian economy, the study of corporate finance in a multinational context has acquired tremendous importance. Till very recently, most Indian companies had little involvement in global financial markets apart from financial transactions related to imports and exports. The exchange control regime, did not allow corporation, much flexibility either in managing their (very limited) currency exposure or exploiting the numerous opportunities presented by world financial markets. The situation has changed radically in the last three years and now every finance manager and corporate treasurer must acquire a sound understanding of the nature and management of exposure, international financial markets and instruments. No serious student of finance can now afford to view the finance function in a purely domestic context.

This book has grown out of lecture notes and other materials I have been preparing and updating for the MBA courses in International Finance, at the Indian Institute of Management, Bangalore, for the last seven or eight years. In addition, I have used some of the material from the Executive Development Programmes in International Corporate Finance.

Needless to say, no textbook by itself can convey the full richness of either the theoretical development or subtleties of practice in its chosen field. Serious students, particularly advanced students, must supplement the material in the book with journal articles as well as perusal of financial periodicals such as *Euromoney*, *The Economist*, *Multinational Business*, and others. Scanning of financial newspapers is also strongly recommended.

It is the fate of almost every textbook that by the time it reaches the reader, some parts of it are somewhat outdated. This is all the more so in case of the present book, because of the rapid changes, that have taken place—and are expected to take place. The last couple of years have witnessed, in rapid succession, liberalisation of exchange control, full convertibility of the rupee on the current account, opening up of the Indian financial markets to foreign institutional investors and increasing resort to global debt and equity markets by Indian firms. The future promises more changes as the Indian economy gets integrated into the global economy.

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