BIBLIOGRAPHY
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ANNEXURES

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<th>Description</th>
<th>Page Nos.</th>
</tr>
</thead>
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<td></td>
</tr>
<tr>
<td></td>
<td>- Indian Bond Issues</td>
<td></td>
</tr>
<tr>
<td>V.</td>
<td>List of Companies covered in the Questionnaire Analysis</td>
<td>321</td>
</tr>
</tbody>
</table>
STUDY OF THE CURRENT PRACTICES IN EXCHANGE RISK MANAGEMENT IN THE INDIAN CORPORATE SECTOR

SECTION - 1 - Corporate Profile

These questions are asked for the purpose of classification of responses to this questionnaire.

1.0 Name of the Company: ____________________________________________
   Name of the person completing this questionnaire: _______________________
   Position: ______________________ Official Address: ______________________
   Experience(Yrs) ______________________ Tel No.: ______________________
   ______________________ Date: ______________________

2.0 Your company's total sales (i.e., gross turnover) for the year ended 31st March, 1993 Rs. __________ lacs.

2.1 Total export sales as a % of total sales ________

2.2 Total imports as a % of total sales ________

3.0 Total foreign currency loans outstanding as a % to total loans outstanding (as per the latest Balance Sheet) ________.

SECTION - 2 - The Objectives of Exchange Risk Management

MEANING OF IMPORTANT TERMS:

A. TRANSACTION EXPOSURE - is a conversion exposure or cashflow exposure which represents the actual cashflow involved in settling the transaction denominated in a foreign currency.

B. TRANSLATION EXPOSURE - is referred to as Accounting Exposure or Balance Sheet exposure. It is measured at the time of translating foreign currency assets and liabilities for reporting purposes.

C. ECONOMIC EXPOSURE - refers to the possibility that the value of the enterprise, defined as the net present value of future after tax cashflows, will change when the exchange rates change.

1.0 Please provide your evaluation of the current importance to your company of the following objectives of exchange risk management by writing the appropriate number from the following in the space provided:


1.1 Reduction of Transaction based exposure due to foreign exchange fluctuations to the lowest level possible. [ ]

1.2 Reduction of Translation based exposure due to foreign exchange fluctuations to the lowest level possible. [ ]

1.3 Reduction of Economic based exposure due to foreign exchange fluctuations to the lowest level possible. [ ]
SECTION - 3 - Organisation for Exchange Risk Management

1.0 Do you have a manager or managers (acting independently or as a group) formally charged with the task of managing the exchange risk for your company? Yes [ ]; No [ ].

If No, please explain in the space below how you handle exchange risk.
Comment: ____________________________________________________________

2.0 Does your company now use or has it previously used a formal or informal committee for any aspects of exchange risk management?
[ ] Yes, formal; [ ] Yes, informal; [ ] No

3.0 For each of the following tasks, please indicate how the tasks are performed in your company by marking √ against each task.

<table>
<thead>
<tr>
<th>Task</th>
<th>Done by</th>
<th>In-house</th>
<th>External</th>
<th>Both</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Preparation of exposure estimates</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.2 Preparation of exchange rate forecasts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.3 Analysis of the potential impact of forecasted or anticipated exchange rate movements on the earnings of the company</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.4 Development of proposals for forward market operations to alter exchange risk characteristics</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.5 Consideration of tax factors into analysis of exchange risk management proposals</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.0 Review and approval of proposals for altering exchange risk characteristics (e.g., local borrowing, forward contracts)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. by Chief Executive;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. by Chief of Finance;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. by Treasurer;</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. by Others (Please specify)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1.0 Tick the currency against which your company has significant exposure:

2.0 Have the new liberalisation measures encouraged your company to do more hedging than you had done under the control regime?
   a. for foreign investments   b. for foreign currency commitments

3.0 Does your company have a corporate policy to guide in the designation and effectiveness of hedges?

4.1 For managerial attention, on which of the following basis or bases do you calculate exposure?
   (you may select more than one)

   a. each currency;   b. each operation;   c. each country;

4.2 Do you combine your exposure measures for each operation in a given currency into an overall aggregate exposure for that currency?

   a. always;   b. sometimes;   c. never;

4.3 Do you calculate your exposure before or after taxes?

   a. before taxes;   b. after taxes;   c. both;

5.0 How often do you normally receive information on existing exposures and/or prepare a forecast of your expected exposure to exchange risk for your company's operations:

   a. daily or weekly;   b. monthly;   c. quarterly;

   d. annually;   e. irregularly;

6.0 How far ahead do you typically project your exposure?

   a. one month;   b. one quarter;   c. two quarters;

   d. one year;   e. more than one year;

   f. others;   g. no projections.

SECTION - 5 - Exchange Rate Forecasting

1.0 For how many foreign currencies do you obtain exchange rate forecasts?

2.0 For which of the following currencies does your company forecast exchange rates? (Please tick)

3.0 How far into the future do you attempt to forecast exchange rates?

<table>
<thead>
<tr>
<th></th>
<th>one month;</th>
<th></th>
<th>one quarter;</th>
<th></th>
<th>two quarters;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>one year;</td>
<td></td>
<td>more than one year;</td>
<td></td>
<td>other;</td>
</tr>
<tr>
<td></td>
<td>no forecast.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.0 How often do you review the forecast against actuals?

<table>
<thead>
<tr>
<th></th>
<th>monthly;</th>
<th></th>
<th>Quarterly;</th>
<th></th>
<th>Half-yearly</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Others (Please specify)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### SECTION - 6 - Evaluation of Exchange Risk

1.0 Does your company have any formal/informal guidelines to protect against exchange risk?

<table>
<thead>
<tr>
<th></th>
<th>Yes, formal;</th>
<th></th>
<th>Yes, informal;</th>
<th></th>
<th>No</th>
</tr>
</thead>
</table>

If yes, which of the following are included? (Please tick all those that are applicable)

1.1 Guidelines for the use of forward contracts:

<table>
<thead>
<tr>
<th></th>
<th>To hedge translation exposure</th>
<th></th>
<th>To hedge economic exposure</th>
<th></th>
<th>To hedge specific transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To hedge foreign currency commitments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1.2 Guidelines for the use of foreign currency options:

<table>
<thead>
<tr>
<th></th>
<th>To hedge translation exposure</th>
<th></th>
<th>To hedge economic exposure</th>
<th></th>
<th>To hedge specific transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To hedge foreign currency commitments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2.0 When you make long-term strategic decisions involving foreign currency operations, do you specifically consider the probable impact of exchange rate changes?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th></th>
<th>No</th>
</tr>
</thead>
</table>

If Yes, in which of the following:

<table>
<thead>
<tr>
<th></th>
<th>Increasing the existing foreign currency loans;</th>
<th></th>
<th>Taking fresh foreign currency loans;</th>
<th></th>
<th>Increasing the foreign equity;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increasing the imported equipment component;</td>
<td></td>
<td>Composition of Import and Export in the operations.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.1 In what currency do you evaluate foreign long-term financing plans and alternatives?

<table>
<thead>
<tr>
<th></th>
<th>local currency;</th>
<th></th>
<th>foreign currency;</th>
<th></th>
<th>both</th>
</tr>
</thead>
</table>

3.2 When evaluating these, do you specifically consider the probable impact of exchange rate changes?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th></th>
<th>No</th>
</tr>
</thead>
</table>

3.3 When evaluating the cost of such borrowing, is any adjustment for possible exchange rate changes incorporated in the borrowing decision?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th></th>
<th>No</th>
</tr>
</thead>
</table>

3.4 Do you develop specific long-term objectives for a desirable currency mix of your total debt-capital base?

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th></th>
<th>No</th>
</tr>
</thead>
</table>

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4.0 Has your company refrained from making investments that were otherwise acceptable because of the potential for translation adjustments and/or economic gains and losses for the project?

[ ] Yes  [ ] No  [ ] Don't know

Comment: ____________________________________________

5.0 In making investment decisions involving foreign currency, the following financial factors may be considered important. Please rank them (1 = most important to 5 = least important) in order of their current importance to your company.

[ ] tax considerations
[ ] local cost of capital
[ ] local availability of capital
[ ] potential exposure to exchange risk
[ ] repatriation possibilities
[ ] Others*

*Comment: ____________________________________________

SECTION - 7 - Exposure Management Techniques

1.0 How frequently do you normally make short-term adjustments to your company's position in foreign currencies when an exchange rate change is anticipated?

[ ] frequently  [ ] sometimes  [ ] never

Comment: ____________________________________________

2.0 From the following list of Exchange Risk Adjustment Techniques, please indicate the degree of usefulness of each of these techniques in managing your company's exchange risk on an overall basis. Indicate the degree of usefulness by placing the appropriate number, from the following scale, in the space provided:

1 Highly useful
2 Useful
3 Somewhat useful
4 Not used by us

Techniques:

a. Enter into Forward Exchange Contracts
b. Enter into Rollover Contracts
c. Currency Swap
d. Interest rate swap
e. Options
f. Utilise Government Exchange Risk Guarantee Programs (ERAS)
g. Others (Please specify)

3.0 If any of the exchange risk management techniques listed above have become significantly more useful to your company because of liberalisation, please identify them by circling the letter preceding that technique (a, b, c, etc.) in Question 2.0.
4.0 Have you used foreign currency options in your foreign exchange risk management program?
- Yes, to hedge transaction exposure
- Yes, to hedge economic exposure
- Yes, to hedge translation exposure
- No, do not use options

4.1 If Yes, in which currencies did you use options?
- a.
- b.
- c.
- d.

5.0 Kindly describe whether adequate tools & techniques are available in India and what support/liberalization is required for improving the situation:

---

SECTION- 8 - Opinion Questions on Risk Management - General View

Please indicate, the extent of your agreement or disagreement with each of these statements by writing the number from the following that best reflects your opinion about each statement in the space provided.

1. If you strongly agree 2. If you agree 3. If you somewhat agree 4. If you disagree

1. Within the past two years, we have become more skillful in our ability to forecast exchange rates. [ ]
2. Exchange rate forecasting is the weakest link in our foreign exchange risk management program. [ ]
3. We are not in business to speculate on foreign exchange movements. [ ]
4. Complete elimination of all foreign exchange losses is not worth the cost. [ ]
5. We sometimes take a long position in a currency to benefit from potential appreciation of that currency. [ ]
6. We sometimes take a short position in a currency to benefit from a potential depreciation of that currency. [ ]
7. Over the long term, exchange rate movements will tend to offset each other. [ ]
8. Since gains and losses on foreign currency transactions continue to impact on reported net profit, our company has increased its hedging activities for these transactions. [ ]
### Opinion Questions - in the context of Liberalised Exchange Rate Management System - LERMS

Please indicate, the extent of your agreement or disagreement with each of these statements by writing the number from the following that best reflects your opinion about each statement in the space provided.

<table>
<thead>
<tr>
<th></th>
<th>1. If you strongly agree</th>
<th>2. If you agree</th>
<th>3. If you somewhat agree</th>
<th>4. If you disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Our company has increased the resources devoted to exchange rate forecasting because of the issue of LERMS.</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>2.</td>
<td>Because of LERMS, our company has found foreign exchange risk to be more of a problem than in previous years.</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>3.</td>
<td>Because of LERMS, we have developed a more sophisticated approach to the management of exchange risk.</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>4.</td>
<td>LERMS created an awareness among our top management as to the importance of foreign exchange risk management.</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>5.</td>
<td>LERMS has caused our management to become more aggressive in taking positions in foreign currencies.</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>6.</td>
<td>After liberalisation our company benefited from the selective use of forward exchange contracts.</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>7.</td>
<td>Our company has increased the resources devoted to exchange risk management because of LERMS.</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>8.</td>
<td>Top financial management in our company is spending more time on foreign exchange risk issues because of LERMS.</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>9.</td>
<td>LERMS has led our company to seek hard currency, low-interest loans that qualify as hedges of our foreign investments/sales.</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>10.</td>
<td>Do you perceive that, in general, top managers in your company are more or less involved in exchange risk management decisions and issues in your company than they were before liberalisation?</td>
<td>[ ] more involved; [ ] about the same; [ ] less involved;</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

THANK YOU VERY MUCH FOR YOUR COOPERATION AND ASSISTANCE
(SOURCE: Exposure Draft 3 - Foreign Currency Exposure & Risk Management of May 89 issued by IFA, New York, appeared in Management Accountant, March 90.)
### ANNEXURE III

The Markets: Traditional and Selected New Instruments  
(In US $ million equivalent)

<table>
<thead>
<tr>
<th>Year</th>
<th>Loans and Euronotes</th>
<th>Eurobonds</th>
<th>MTNs</th>
<th>Euro-CP</th>
<th>International Equities</th>
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## Indian Securities Overseas

**Indian GDR issues**

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<tr>
<th>Current GDR Year</th>
<th>Issue date</th>
<th>Issue price</th>
<th>GDR issue price</th>
<th>Shares per GDR</th>
<th>Shares (Rs)</th>
<th>GDR Issue Price (Rs)</th>
<th>Current GDR price (Rs)</th>
<th>Discount to current domestic price</th>
<th>Issue date</th>
<th>Issue price</th>
<th>GDR issue price</th>
<th>Shares per GDR</th>
<th>Shares (Rs)</th>
<th>GDR Issue Price (Rs)</th>
<th>Current GDR price (Rs)</th>
<th>Discount to current domestic price</th>
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## Indian Bond issues

<table>
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<th>Bond premium to discount (%)</th>
<th>Coupon rate (%)</th>
<th>Company</th>
<th>Issue date</th>
<th>Issue price (Rs)</th>
<th>Current domestic share price (Rs)</th>
<th>Conversion price</th>
<th>Shares per Eurobond (Li)</th>
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</thead>
</table>

### Notes:
- **Domestic price as of 14/02/95**: Current exchange rate: 1 US$ = Rs 31.37 (Lute 15/02/95)

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**ANNEI**

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**INDIAN SECURITIES OVERSEAS**

**Indian GDR issues**

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<tr>
<th>Current GDR Year</th>
<th>Issue date</th>
<th>Issue price</th>
<th>GDR issue price</th>
<th>Shares per GDR</th>
<th>Shares (Rs)</th>
<th>GDR Issue Price (Rs)</th>
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<th>Discount to current domestic price</th>
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<tr>
<td>1993</td>
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## Indian Bond issues

<table>
<thead>
<tr>
<th>Current Bond price (Rs)</th>
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<th>Company</th>
<th>Issue date</th>
<th>Issue price (Rs)</th>
<th>Current domestic share price (Rs)</th>
<th>Conversion price</th>
<th>Shares per Eurobond (Li)</th>
</tr>
</thead>
</table>

### Notes:
- **Domestic price as of 14/02/95**: Current exchange rate: 1 US$ = Rs 31.37 (Lute 15/02/95)
# Annexure

## List of Companies Covered in the Questionnaire Analysis

<table>
<thead>
<tr>
<th>SL. NO.</th>
<th>Name of the Company</th>
<th>Place</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ashok Leyland Finance Ltd</td>
<td>Madras</td>
</tr>
<tr>
<td>2</td>
<td>Ashok Leyland Ltd</td>
<td>Madras</td>
</tr>
<tr>
<td>3</td>
<td>Bakhilite Hylam Ltd</td>
<td>Hyderabad</td>
</tr>
<tr>
<td>4</td>
<td>Ballarpur Inds. Ltd</td>
<td>New Delhi</td>
</tr>
<tr>
<td>5</td>
<td>Bharat Aluminium Co. Ltd</td>
<td>New Delhi</td>
</tr>
<tr>
<td>6</td>
<td>Biological E Ltd</td>
<td>Hyderabad</td>
</tr>
<tr>
<td>7</td>
<td>Blue Star Limited</td>
<td>Bombay</td>
</tr>
<tr>
<td>8</td>
<td>Century Enka Ltd</td>
<td>Pune</td>
</tr>
<tr>
<td>9</td>
<td>Chemls and Plastics India Ltd</td>
<td>Madras</td>
</tr>
<tr>
<td>10</td>
<td>Consolidated Fib. &amp; Chem Ltd</td>
<td>Calcutta</td>
</tr>
<tr>
<td>11</td>
<td>DCL Polysters Limited</td>
<td>Hyderabad</td>
</tr>
<tr>
<td>12</td>
<td>Essar Gujrat Ltd</td>
<td>Bombay</td>
</tr>
<tr>
<td>13</td>
<td>Essar World Trade Ltd</td>
<td>Bombay</td>
</tr>
<tr>
<td>14</td>
<td>Fenner (India) Ltd</td>
<td>Madurai</td>
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<tr>
<td>15</td>
<td>GEC Alstom India Ltd</td>
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<tr>
<td>16</td>
<td>Godavari Fert. &amp; Chem. Ltd</td>
<td>Secunderabad</td>
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<tr>
<td>17</td>
<td>Harkisons Malayalam Ltd</td>
<td>Kochi</td>
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<tr>
<td>18</td>
<td>Haryana Petrochemicals Ltd</td>
<td>New Delhi</td>
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<tr>
<td>19</td>
<td>Hindustan Lever Ltd</td>
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<tr>
<td>20</td>
<td>I P C L</td>
<td>Dist. Baroda</td>
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<tr>
<td>21</td>
<td>India Glycols Ltd</td>
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<tr>
<td>22</td>
<td>India Photographic Co., Ltd</td>
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<tr>
<td>23</td>
<td>Indian Aluminium Co., Ltd</td>
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<tr>
<td>24</td>
<td>ITC Agrotech Ltd</td>
<td>Secunderabad</td>
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<tr>
<td>25</td>
<td>ITC Bhadrachalam Pap Boads Ltd</td>
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<tr>
<td>26</td>
<td>ITC Ltd</td>
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<tr>
<td>27</td>
<td>Jct Electronics Ltd</td>
<td>New Delhi</td>
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<tr>
<td>28</td>
<td>Jindal Polyester &amp; Steel Ltd</td>
<td>New Delhi</td>
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<tr>
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<td>Krishak Bharati Co-op Ltd</td>
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<tr>
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<td>Lubrizol India Ltd</td>
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<td>Powmax Steels Ltd</td>
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<td>37</td>
<td>Raymond Synthetics Ltd</td>
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<td>38</td>
<td>Reliance Industries Ltd</td>
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<td>39</td>
<td>S M Dychem Ltd</td>
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<td>Super Tex-O-Twist Ltd</td>
<td>Jammu-Pur</td>
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<td>The Bombay Dye &amp; Mfg Co., Ltd</td>
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<td>SL. NO.</td>
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