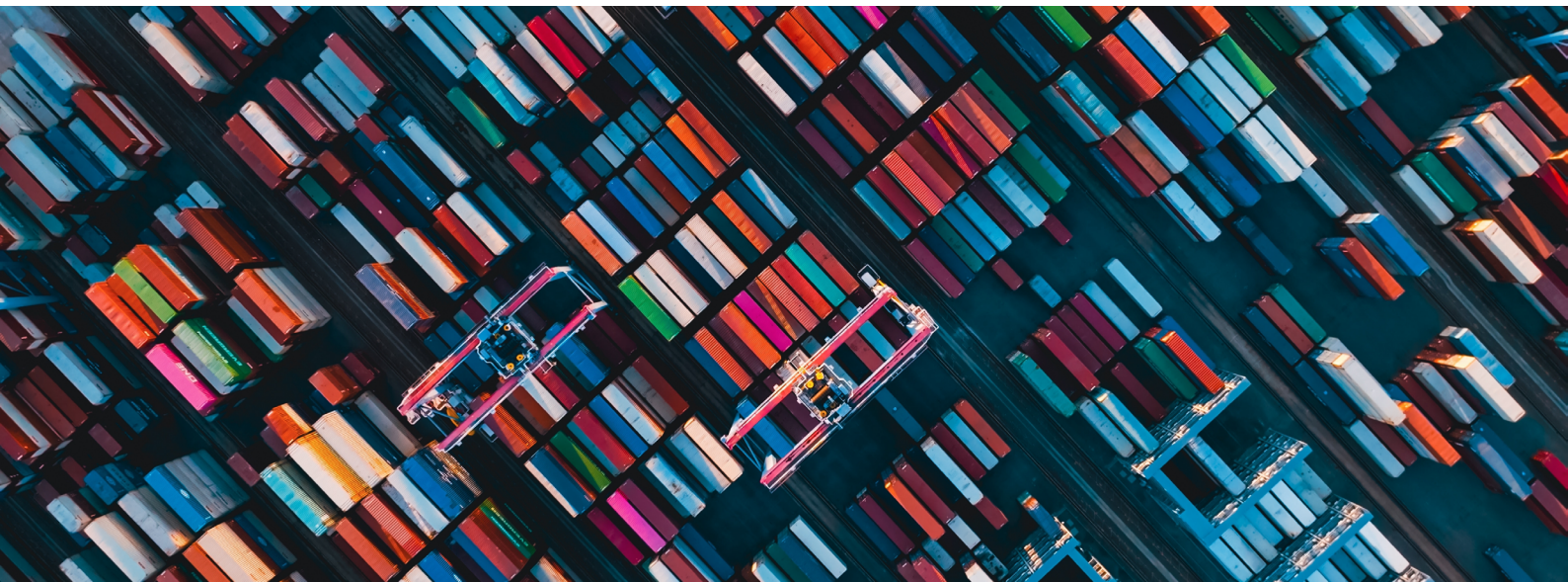




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Case study: Walton Hi-tech

Pioneering the first INR export transaction for reduced FX risk and increased trade flows between Bangladesh and India

When regulators in Bangladesh approved INR trade transactions, electronics manufacturer Walton Hi-Tech became the first to benefit from the exchange-rate gains. With Standard Chartered facilitating the country's first-ever INR trade, Walton and its fellow exporters can now enjoy smoother, less volatile trade with Indian buyers.

By completing the transaction in INR instead of USD, Walton broadened its export proceeds base and was able to more promptly issue importer payments. In pioneering the first transaction, Standard Chartered has paved the way for local exporters like Walton to reduce their exposure to FX volatility and minimise the impact of the USD liquidity squeeze. Indeed, other banks have subsequently followed suit with this service, underscoring the trailblazing approach from Standard Chartered.



Bilateral trade without dependency on USD, minimising FX volatility risk.



Smoother business with Indian buyers, creating an environment for future relationship expansion and growth in export volumes.



Reduced transaction costs for the company and its Indian buyers.



Flexibility and control over currency choices for financing and import payments.

Background

Walton Hi-Tech PLC is an electronics manufacturer and exporter headquartered in Bangladesh. As one of the country's largest electronics exporters, it generates annual revenues of more than USD740 million.

Challenges

Increasing uncertainty around FX volatility has become a major issue for most Bangladeshi businesses in recent years. With their importing buyers also grappling with FX volatility, large exporters like Walton have also struggled with import payments. Moreover, this has been compounded by USD liquidity concerns that have led to local currency devaluation.

India is one of Walton's largest markets, with the company exporting approximately USD12 million worth of goods to the country annually. Execution of the associated transactions in Indian rupee (INR) would help ease FX concerns and facilitate smoother trade between these two markets. However, foreign transactions in INR were previously not permitted in Bangladesh.



Walton annually exports about INR1 billion worth of refrigerators, compressors, fans, and spare parts to India. Now that Walton has started export trade settlement in INR, Bangladesh will be able to settle equivalent import bills with INR. Thus, the pressure on the dollar will reduce in the transactions between the two countries. Moreover, the cost of exchanging currencies twice for importers and exporters of both countries will also be reduced. It will also save time in transaction settlement.



Solution

In September 2023, The Central Bank of Bangladesh began allowing foreign transactions in INR, creating an opportunity for Walton to generate exchange-gain benefits.

As the company's incumbent bank and Bangladesh's largest international bank, Walton elected Standard Chartered to help it take advantage of this new opportunity. With its vast experience facilitating trade flows to and from Bangladesh, the bank moved quickly to set-up what became the country's first-ever INR export transaction. The bank obtained swift regulatory approvals from both central banks, opened corresponding accounts in Bangladesh, and completed the setup to book the export transaction.

Walton subsequently received more than INR1 million (approx. USD12k) in advanced export proceeds, and used the funds to make import payments to its Indian suppliers.

Golam Murshed
Managing Director & CEO, Walton Hi-Tech Industries PLC.

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