

Why exporters aren't cheering the rupee's fall

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We run companies. We do not know how currency markets operate. Volatility doesn't help us because we do not know how to hedge on a daily basis.

M. Rafeeqe Ahmed,
Chairman, Farida Group

AS THE head of a company that exports footwear, Ahmed is a small businessman with a big worry — the cost of his raw materials like leather and shoe uppers is changing every day, with fluctuations in the value of the rupee.

Close to its all-time low (it closed at 48.43 to a dollar), the rupee has companies worried. For exporters, smarting under earnings erosions last year as the rupee rose 30 per cent, a falling rupee (generally considered good as they get more rupees per dollar) comes alongside a drying up of orders abroad. **Continued on P7**

Record dip in rupee

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For importers, the loss equation is clear: a falling rupee means they have to pay more in rupee terms to buy the same products — capital goods for heavy industry and intermediate products like shoe uppers as in the case for Ahmed, for instance.

In addition, the falling rupee offsets the gains of falling oil prices. As a result, while oil marketing companies like Indian Oil lose money, the country faces a higher import bill that leaves a yawning trade deficit, sending macroeconomic managers scurrying for options. In August alone, India import-

Small, medium and large exporters in around Tiruppur in Tamil Nadu, the world's knitwear backyard, aren't stitching a happy tale around a falling rupee. "The weakening rupee is yet to fully offset our heavy losses we suffered earlier when it had strengthened six months back," said Premdurai, CEO, Premdurai Exports, an exclusive T-shirt supplier to the "Switcher" brand of Switzerland.

The rupee started depreciating during March this year. After trading in a range of Rs 39.89-40.02 to a dollar, the rupee broke above the Rs 40 mark in the last week of April and has

outflows by foreign institutional investors due to bearish stock market conditions and increased demand for dollars by importers.

About a third of these imports were of crude oil, and a falling rupee has meant the country's oil marketing companies have not been able to reap the gains of falling crude oil prices.

"There is uncertainty and anxiety among companies," said O.P. Lohia, managing director, Indo Rama Synthetics. According to him, while there have been no cancellation of orders, apprehension is gripping the community.