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Rupee volatility hits region's exporters

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The season for cheer for exporters has been short lived. With the Indian rupee continuing its depreciation against the dollar, exporters in the region who were earlier cheering for getting more rupees for their exports, are now worried with the foreign buyers pushing them for bigger discounts.

As competition among exporters heats up, more and more exporters are now being pushed by their foreign buyers for reworking the export deals. The exporters say they are being threatened with termination of contracts, citing poor quality as a reason, if they do not renegotiate the deals with their buyers and give them a discount of 5 to 10 per cent.

Sources said this is mainly because exporters are vying for export orders and

those with no orders are now wooing buyers by offering goods at heavily discounted rates. Since the rupee has depreciated, these exporters will still get a good margin by selling goods at a discounted rate.

Punjab Chamber of Small Exporters senior vice president A.K. Kohli told *The Tribune* though exporters in the region were in a "very good position" because of the rupee sliding against the dollar, it was worrisome that the inter se competition among exporters here was leading to buyers demanding renegotiation of export deals.

"Though buyers seek discounts of up to 10% most exporters have been able to seal the deals by offering a 2.5-3% discount," said Ashok Katyal, a leading sports goods exporter from Jalandhar.

The Indian rupee opened weaker at 53.63 levels against the US dollar, down by 21 paise since Thursday. It was

seen appreciating yesterday on account of the new RBI norms regarding the exchange earner account and the central bank's limit for overnight positions. According to these norms, exporters will have to convert about US \$2.5 billion into rupees from their foreign exchange accounts in the next 15 days.

Experts say though this may be a temporary measure adopted by the central bank to prop the rupee, its slide will continue.

Naveen Mathur, associate director, commodities and currencies, Angel Broking, told *The Tribune* the rupee would continue to remain depreciative. "This is mainly because the market is still not sure about the flows and policy reforms in the coming days. We expect the rupee to remain within the range of 53-55 to the dollar during the next few weeks," he said.