

# Trade in ₹ with Russia: A good start with tea, pharma, engg goods items

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The much-awaited trade settlement in the rupee with sanctions-hit Russia has started, with exporters witnessing such transactions fructifying for items, such as tea, pharmaceuticals, and engineering goods, people aware of the matter said.

Such transactions kicked off a week ago and are gradually expected to pick up pace amid the government's efforts towards ironing out the teething troubles related to the implementation of the rupee trade mechanism, said one of the persons cited above.

As on December 14, nine Indian banks had received approval to open 17 special vostro rupee accounts for trade settlement with Russia. These Indian banks are UCO Bank, Indian Bank, HDFC Bank, YES Bank, SBI, IndusInd Bank, IDBI Bank, Canara Bank, and Union Bank of India. Two more vostro accounts were opened with Russia's two largest banks --

Sberbank and VTB Bank.

After the announcement by the Reserve Bank of India (RBI) in July, the implementation of overseas trade settlement in the rupee was much-awaited, especially in the case of Russia. This was because exports to the country nosedived from March onwards due to the imposition of economic sanctions on it by the United States and its allies.

Exports to the country fell nearly 16 per cent year-on-year to \$1.57 billion during the first seven months of the current fiscal year, according to commerce and industry ministry data. Russia was the fifth-largest trade partner during April-October, up from the 25th position in FY22, although this was driven by oil imports by India.

"We are looking at the rupee trade mechanism to pave the way for greater trade between India and Russia. Over a period, we also expect diversification of exports to Russia," said Ajay Sahai, director general and chief executive office

of the Federation of Indian Exports Organisation (FIEO).

Even before the Russia-Ukraine conflict, India's top exports to Russia included items, such as electrical machinery, nuclear reactors, pharmaceutical products, iron and steel, and organic and inorganic chemicals. Over the past few months, orders for consumer products, such as tea, coffee, and vegetables, have also started pouring in.

Apart from Russia, overseas trade in the rupee is soon expected to kick start for smaller countries, such as Sri Lanka and Mauritius. Last month, the RBI allowed the opening of eight special vostro rupee accounts with four banks — State Bank of India, Bank of Ceylon, Indian Bank, and HDFC Bank — for transactions related to trade with Mauritius and Sri Lanka.

India is also in touch with other nations, such as the United Arab Emirates, Cuba, Sudan, and Luxembourg, to settle international trade in its currency. But nothing has materialised as yet.

