

# Not much gain, say exporters

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**THE RUPEE'S DEPRECIATION** against the dollar will barely benefit Indian exporters in certain sectors as much of the advantage will be blunted by a similar decline in the value of currencies of competitors and the rupee's appreciation against currencies such as the euro, traders and experts say.

"Depreciation of the Indian rupee against the dollar is giving strength to Indian exports and how much benefit can be derived from that remains to be seen," director general and chief executive officer of the Federation of Indian Export Organisations Ajay Sahai said.

While the depreciation of the rupee was less compared to currencies of competing countries such as China, Bangladesh, South Korea and Vietnam earlier, the decline has been steeper ever since the Reserve Bank of India (RBI) scaled back its intervention in the currency market.

The drivers of the recent decline are cuts in interest rates by the RBI while the US Federal Reserve keeps policy rates high and talk of tariffs by the Trump administration, which is leading to the flight of capital back to the US. The impact of depreciation also varies across sectors. In areas like petroleum, electronics, and gems and jewellery where the import content is high, the potential of gains is limited.

## BALANCE SHEET

■ The engineering sector will benefit from rupee's decline as 95% of inputs are sourced locally



■ Engineering exports account for over 27% of India's total exports

■ The export sector expects the volatility to continue till April

■ In petroleum, electronics, and gems and jewellery sectors, the potential of gains is limited

The engineering sector is one of the beneficiaries of the decline in value of the rupee as 95% of the inputs for the sector are sourced locally, chairman of engineering export promotion council (EEPC) Pankaj Chadha said. Engineering exports account for 27.11% of India's total exports. Sahai, however, pointed out that apart from prices of imported inputs, exporters are also paying higher for freight. Chadha said that freight accounts for 5% of the costs and

exporters are still netting currency gains of 95% of the value of exports. Typically buyers ask for lower prices when they sense suppliers are also netting gains from currency depreciation. Chadha said while the buyers have started pointing to the higher local currency realisations of exporters, no renegotiation of contracts have happened as other currencies have depreciated as much or more against the dollar.

Both Sahai and Chadha are of the view that it will take two more months for the situation to stabilise as by that time what tariffs the US would impose and the reaction of the world to those moves would be fully known. Till April, the export sector is expecting the volatility to continue.

The apparel sector has also not seen any advantage as the depreciation is capped by similar or steeper decline in currencies of competing countries like Bangladesh and Vietnam. The rupee has appreciated against the euro which is leading to currency loss so things are evening out, managing director apparel exporting firm Meenu Creations Anil Peshawari said. "Be it imports or exports, the industry, for the bigger part, uses the dollar denomination for trade. If anything the depreciating rupee has provided a much-needed boost to diamond exporters. However, you may witness a slowdown in domestic consumption because of higher prices set by sellers," chairman of gems and jewellery export promotion council Vipul Shah said.