

# Tariff woes keep ₹ near record low despite weak \$



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The rupee is hovering near record lows against the US dollar despite a sharp slide in the greenback this year. The domestic currency has fallen 2.3 per cent so far this calendar year, even as the dollar index — which tracks the greenback against six major peers including the euro, Japanese yen, British pound, Swiss franc, Canadian dollar and Swedish krona — has dropped 9.53 per cent.

According to market participants, the rupee has stayed under pressure despite the weaker dollar as subdued capital inflows and external headwinds weigh on investor sentiment. Recent US tariff hikes of up to 50 per cent on Indian exports have heightened trade tensions, dented investor confidence, and spurred foreign portfolio outflows.

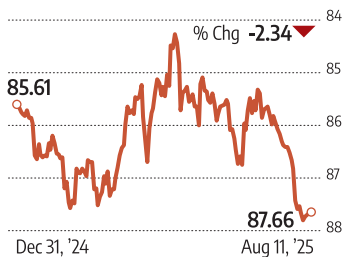
“It is only the tariffs, which is a concern right now. Otherwise, we (the rupee) typically weaken by 1 per cent to 2 per cent in a year. So, whatever excess weakness has happened is because of tariffs. We are expecting FY26 to close at an average rate of 87 per dollar,” said Abhishek Goenka, chief executive officer at IFA Global.

Higher tariffs threaten India's export earnings, curbing forex inflows and thus boosting dollar demand in the local market.

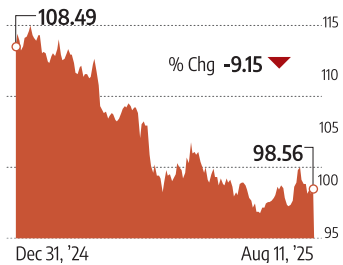
## Currency shift

₹ vs \$ (spot)

Inverted scale



## Dollar index (spot)



Source: Bloomberg

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## SECTION II, P1

■ Benchmark indices log best single-day gains in seven weeks

# New I-T Bill restores AMT relief for LLPs

AMT, levied at 18.5 per cent plus cess and surcharge for non-corporate taxpayers, is intended to ensure high earners cannot fully offset their tax liabilities through exemptions. LLPs with only long-term capital gains (LTCG) income are otherwise taxed at 12.5 per cent. The earlier version of the Bill had omitted a critical reference to Chapter VI-A deductions in the AMT provisions for LLPs. This would have exposed LLPs — including those earning solely LTCG taxed at 12.5 per cent — to the higher AMT rate of 18.5 per cent plus cess and surcharge. The revised draft restores this reference in Clause 206, ensuring AMT applies only when total income is reduced by such deductions, consistent with the original intent. While the Select Committee made 285 recommendations, it did not propose altering the AMT framework for LLPs as con-

tained in the first version of the Income Tax Bill, introduced in February. The Centre also incorporated stakeholder inputs to convey the proposed legal meaning more accurately, including “corrections in the nature of drafting, alignment of phrases, consequential changes and cross-referencing”. One Select Committee suggestion has, however, been dropped.

This would have broadened transfer pricing scrutiny by allowing a company to be treated as an “associated enterprise” if it exercised “substantial influence” over another, even without meeting current shareholding or board control thresholds. The provision would have brought a larger set of inter-corporate transactions under transfer pricing rules, designed to ensure related-party deals reflect market value and nix profit shifting.

## Tariff woes drag ₹

Additionally, the rupee lost carry trade appeal after the Reserve Bank of India unexpectedly cut its policy rate by 50 basis points in June, a move that reduced forward premiums and left the currency more vulnerable to external shocks. Against the euro and pound, the rupee has dropped 12 per cent and 7 per cent, respectively, this year. Analysts point to a shift of global capital toward developed markets, which are trading at record highs. Foreign portfolio investors have sold a net ₹10,147 crore of equities in this month (until Monday).

“The dollar index has softened, which means the dollar

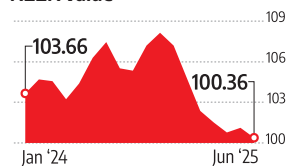
has weakened against other currencies like the euro and pound in the basket because of tariffs,” said the treasury head at a private bank. “The rupee is under pressure because of the continuous outflow from equities,” he added. In early 2025, the euro and pound rallied as concerns over the US economic outlook prompted investors to rotate into European assets. The rupee hit an all-time low of 87.95 per dollar on February 10, before rebounding about 2.5 per cent by early July to 85.59 on improved trade sentiment, portfolio inflows and reduced speculative positioning.

But renewed tariff worries,

sustained capital outflows, and weakening sentiment in August pushed the rupee back toward its lows, trading between 87.80 and 87.88. RBI

## Volatile times

REER value



REER: Rupee's real effective exchange rate against a 40-currency basket Source: RBI

intervention in spot and non-deliverable forwards markets has so far capped losses below the 88 mark, according to market observers. On Monday, the rupee closed at 87.66 per dollar, unchanged from

## IT firms' valuation...

Among individual companies, TCS, the industry leader, has been the biggest loser and its market capitalisation is down 26 per cent year-to-date (YTD) in 2025. It is followed by Infosys, which is down 24.3 per cent and HCL Technologies 23.1 per cent. Tech Mahindra has been a relative outperformer and has lost just 13.2 per cent, while Wipro is down 20.7 per cent YTD.

Analysts attribute the decline in share prices and market capitalisation to an earnings slowdown besides sector rotation. “The IT companies’ revenue and earnings growth in April-June 2025 was below par with low single-digit growth in net sales and net profit. Investor sentiment was further dented by Tata Consultancy Services’ admission about growth challenges facing the industry and headcount reduction,” said Dhannanjanay Sinha, co-head, research and equity strategy,

Friday. This month, the RBI has sold at least \$5 billion worth of the US currency, *Bloomberg* reported. If the trend persists, it could become RBI’s largest monthly net dollar sales since January.

RBI data show the rupee’s real effective exchange rate (REER) stood at 100.36 in June against 101.12 in May. The REER adjusts the nominal effective exchange rate for inflation differentials with major trading partners, with values above 100 indicating relative appreciation that can erode export competitiveness.

The central bank’s intervention has, however, come at a cost. Foreign exchange reserves fell \$9.3 billion to \$688 billion in the week ended August 1, the steepest weekly decline of 2025 and the biggest since November 2024.

Systematix Institutional Equity.

IT companies’ stock prices took a hit from a selloff by foreign portfolio investors (FPIs). “FPIs have been big sellers in recent weeks and they had a big exposure to top companies such as TCS, Infosys, and HCL Technologies,” added Sinha. Others point to global growth uncertainties owing to American President Donald Trump’s trade war leading to weak demand, which has led to underwhelming results across the sector. This softness has manifested in many ways — margin pressure, increased reliance on balance sheets to drive growth, and heightened aggression in cost take-out deals. “Revenue performance was weak in Q1FY26 (April-June 2025) with four of the five large IT companies reporting revenue decline on Q-o-Q basis and three of the five on a Y-o-Y basis,” write Kawaljeet, Saluja