

Chairman's Pen



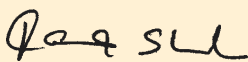
My dear fellow exporters,

In the last week there were a number of contradictory signals emanating from the Government with regard to the problems of the exporting community. On the one hand, the Government allowed interest to be paid on EEFC account for one year, the Ministry of Finance as per press report, has resisted the move to give rebate for state level taxes paid by exporters. With regard to EEFC account interest payment, the Council has suggested to the Government that the interest payment should be at least at libor plus 0.25% while the deposit guidelines, should clearly mention that the deposits could be from one month to one year.

It may also be noted that the DEPB Rates for a number of engineering products have been drastically reduced and have gone down less than to what was given in the year 2006. Clearly, therefore, the Government is sending contradictory signal to the exporter at a time when rupee appreciation has been extremely sharp coupled with escalating raw material prices and overseas freight escalation in certain ports of the country.

The Council has submitted a detailed note to the Government of the current situation arising out Rupee appreciation and has suggested a series of measures to help exporters stem the impact of Rupee appreciation. Among them, we have suggested across the board increase of 3% in DEPB Rates, accelerating financial and banking reform to allow currency futures in SME sector so that the trading lot is as low as US\$ 5000. This apart, there is needed to monitor the kind of inflows coming into the stock market since newspapers have reported the dubious nature of inflows coming through the participating notes route.

Yours sincerely,



(RAKESH SHAH)