

## Chairman's Pen



*My dear fellow exporters,*

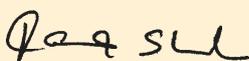
*The last week, again, saw the Rupee appreciate considerably and the RBI intervened to ensure that the Rupee did not breach the Rs 40 to the US dollar. It must also be noted that Chiefs of leading industry bodies like Mr. Habil Khorakiwala, President FICCI has said that "if the Rupee appreciation is not checked in the next three to six months and this continues for a year or more, it will have an adverse impact on industrial growth and GDP". Clearly, the Rupee appreciation is a cause for concern not only for exporters but industry at large. A look at the historical examples of many important countries like Japan, countries belonging to the European Union and elsewhere have shown that if the currency appreciation becomes a long term phenomena, it does not augur well for the competitiveness of the economy. This is more so in a developing economy like India where unorganized sector employment will be sharply affected by Rupee appreciation leading to greater social tension.*

*Notwithstanding the unfavourable Rupee movement, the Council would like to advise its member exporters that it is important that we face these challenges unitedly and not be cowed down. We will continue to impress upon the Government the need for productivity enhancing measures such as a National Raw Materials Supply policy so that engineering units are able to receive adequate supplies of inputs at competitive prices. The Council is in the midst of an exercise to formulate suggestions in this regard and we welcome your suggestions in this regard so that we can submit a cogent proposal to the Government.*

*The Council has taken up the issue of VAT refund at different levels of many State Governments as well as Government of India. The situation across India has varied from State to State, two years since VAT was introduced as the single most important state levy. States like Andhra Pradesh, Maharashtra, Gujarat and Punjab has witnessed VAT refund payment to exporters. However, in the States like West Bengal, in general, VAT refunds for two years 2005/06 and 2006/07 is due together with the first quarter of 2007/08.*

*In response to repeated requests from its members located in the State of West Bengal, the Council compiled a list of over 60 members belonging to the State of West Bengal and the details of VAT Refund dues of these companies. For 62 companies who have given their details, the total dues stand at Rs 15.82 crores in 2005/06. This figure goes up to Rs 17.48 crores for 60 companies in 2006/07. Thus, the cumulative dues for the two years 2005/06 and 2006/07 are Rs 33.31 crores for these 62 companies. None of these companies are big corporate houses and hence their withholding power in the midst of a sharp Rupee appreciation, escalating raw material prices and high export credit cost is rather limited. In such circumstances, the blockage of funds on account of VAT refund for over two consecutive years virtually amounts to a death warrant, especially for the smaller companies.*

*Yours sincerely,*



(RAKESH SHAH)