

## Important Notice

EEPC:SG:HO:CHAIRMAN: 2007

April 26, 2007

Hon'ble Pradhan Mantriji,

**Re : SOS on Rupee Appreciation**

I write to convey to you the over **150 SOS messages** that I have received from EEPC member exporters in the last 18 hours over the sharp appreciation in the Rupee, which the market is now projecting will breach the Rs. 40 mark against the US dollar. Many of the messages that I have received in the last couple of hours express their desperate situation that reflects absolute helplessness over the complete apathy on part of our monetary authorities to intervene in the market to stabilize the Rupee.

Sir, as you well know, expectations play a critical part in determining volatility and price movements. Yesterday, the market was extremely volatile with the dollar witnessing an intra-day high of 40.87 and also fell to a low of 41.14 during the day. In such a state of flux, our member exporters are at their wits end to estimate the value of the Rupee vis-à-vis the dollar in order to carry out their export obligations. Thus, it is not only the problem of sharp Rupee appreciation, but the complete uncertainty of the value of the Rupee, which seems to be moving in only one adverse direction most of the time in the last couple of months that has made exporting an unviable proposition. A few members, of whom some are large exporters, have informed me that if they continue to export for another 15 days at the current exchange rate, their books are going to become NPAs.


Sir, the export target for the current year has been put at USD 160 billion, of which, engineering exports are projected to be within the range of USD 30-35 billion. Given the response that I am receiving from our member exporters, it is well nigh impossible to reach this target in view of the north bound march of the Indian Rupee against the dollar. A large number of Council members have also written to me wanting to know whether the Government wants them to stop exporting and instead become importers? I humbly write to seek your views as to what reply should I give to my fellow member exporters.

Sir, it is high time that the Rupee appreciation is reversed and the time-tested policy of fairly active RBI intervention in forex markets to moderate market-driven volatility and maintain a "competitive" exchange rate is restored **before serious, lasting damage is inflicted on exports, growth and employment**. As the former Chief Economic Adviser to the Government of India, Dr. Sankar Acharya notes in *The Business Standard* on date, "if this requires augmenting RBI's capacity for sterilized intervention through MSS or other means, so be it. (The quasi-fiscal costs of this policy are well-known, manageable and far out weighed by the benefits of higher exports, growth and employment associated with a lower Real Exchange Rate of the Rupee)".

I do hope that you will urgently initiate the necessary steps to halt the disastrous march of the Indian Rupee that is sure to destroy India's industrial base, export markets and employment.

With kind regards,

Yours sincerely,



**(Rakesh Shah)**

**Dr. Manmohan Singh**

**Hon'ble Prime Minister of India**

**New Delhi**