

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1862
ANSWERED ON:17.07.2009
CURRENCY RIGGING
Yadav Shri Sharad

Will the Minister of FINANCE be pleased to state:

- (a) whether a large number of companies/exporters and others have suffered huge losses due to fluctuation in rupee during the last three years;
- (b) the reasons for massive fluctuation in rupee; and
- (c) the corrective measures taken by the Government in this regard?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) and (b): Indian exporters, in anticipation of appreciation of the Indian Rupee, hedged their currency exposures in 2007 and early 2008. However, the Rupee depreciated substantially in the wake of the financial crisis in the world markets. In normal conditions it would have entailed only an opportunity loss. Large scale cancellation and / or scaling down of the export orders have exposed the exporters to a high degree of currency risk, with obligation to deliver or roll over the forward contracts at the ongoing exchange rates. A few exporters were, therefore, exposed to crystallized losses, which occurred on account of adverse international developments and currency movements.

(c): RBI has taken following steps to boost exports in view of the difficulties faced by the exporters:

- (1) Extension of period of pre-shipment Rupee Export Credit from upto 180 days to upto 270 days and period of post-shipment credit from upto 90 days to upto 180 days.
- (2) Extending the applicability of prescribed interest rate as applicable to post-shipment rupee export credit to overdue bills upto 180 days w.e.f. date of advance.
- (3) Extending the Interest subvention of 2% / 4% w.e.f. April 1, 2007 to September 30, 2008 on pre-and post shipment rupee export credit for certain employment oriented export sectors.
- (4) Reintroduction of Interest subvention of 2% w.e.f. December 1, 2008 to September 30, 2009 on pre-and post shipment rupee export credit for certain employment oriented export sectors.
- (5) In the budget speech for Financial Year 2009-10, the Hon'ble Finance Minister has announced to extend the interest subvention scheme upto March 31, 2010 on existing terms and conditions.
- (6) In order to help the banks financing the exporters to raise foreign currency borrowings, so that packing credit in foreign currency can be extended to exporters at competitive rates, the ceiling rate on export credit in foreign currency has been raised to LIBOR plus 350 basis points from the present ceiling rate of LIBOR plus 100 basis points with effect from February 5, 2009. Consequently, the ceiling interest rate on the lines of credit with overseas banks for the banks providing export credit has also been raised from six months LIBOR plus 75 basis points to six months LIBOR plus 150 basis points.