‘Engineering goods exporters hit by rupee yo-yo’

With import intensity rising, currency fluctuation in short period creates pricing complications: EEPC

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The import intensity in engineering exports is increasing and hence the fluctuation of the rupee in a very short period creates pricing complications for engineering goods exporters, EEPC chairman Ravi Sehgal said.

Engineering exports, which account for more than 25% of the country's total merchandise export, stood at $76.20 billion in 2017-18 against $65.23 billion in 2016-17. The U.S. is among the biggest markets for Indian engineering exports.

Strung out: MSMEs are more vulnerable as they do not have the wherewithal for forward contracts. •PRASHANT NAKWE

“There should be stability in rupee movements so that it is possible for exporters to price their contracts with some amount of certainty. Engineering exporters work on long-term contracts and MSMEs do not have the wherewithal for forward contracts,” the EEPC said.

Prathamesh Mallya, chief analyst – Non-Agri Commodities & Currencies, Angel Commodities Broking, said: “The increasing crude oil prices and heightening trade tensions between the U.S. and China are the main reasons behind the rupee weakening.”

A major sell-off in the domestic equity and debt markets has also added downward pressure on the Indian currency.

Mitigating forex risk

The volatile rupee is also triggering anxities for the automotive and auto components sectors.

“A key raw material that we import will make our product more expensive. So, prices of products for the domestic market needs to be revised from time to time to mitigate forex risk,” said Udit Sheth, vice-chairman, Setco Automotive Ltd. “At the same time, our exports will fetch us more money, but today exports are a small part of our overall business. A stable and stronger rupee is more important for us.”

T.R. Srinivasan, group CFO, Varroc Group, said: “Our exports are very limited, so we are not impacted that much. Other auto component players with significant exports should see improvement in their margins if they have not hedged their receivables and the import density is not high.”