

## **AEPC asks govt to hike drawback rates for offsetting losses due to rising rupee**

New Delhi, Oct 22 -- The government must immediately hike duty drawback rates to offset the losses of exporters due to appreciating Indian rupee value, the Apparel Export Promotion Council (AEPC) said today.

The drawback rates should be increased from 8 to 10 per cent at present to 13.25 per cent of the FoB value. Free on board (FoB) is the value of goods excluding carriage, insurance and freight -- that is (roughly speaking) the domestic price in country of origin.

"The rupee has already strengthened by 10 per cent," said AEPC chairman Rakesh Vaid. "The industry, financial institutions and experts are expecting that it will further strengthen upto 12 to 15 per cent in few weeks, thereby making our exports less profitable and less competitive."

The export orders for spring-summer 2010 have already been finalised by Indian exporters. These orders have been procured against competitive prices by countries like China, Bangladesh and Sri Lanka.

"China has been able to offer much better prices since it has increased drawback refunds many times in the past one year from 11 to 17 per cent of the FoB value," said Mr Vaid in letter to the ministers and secretaries for finance, commerce and textiles besides the deputy chairman of Planning Commission.

The rupee touched a level of 51.23 in March this year against the US dollar and is now around 46.10, thereby recording a minus 10 per cent less realisation for Indian apparel exporters. Keeping this trend in mind, the industry had to finalise export orders during August and September at the rate of Rs 48.50 per dollar, said Mr Vaid.

Garments exports during April to August 2009-10 dipped 7.39 per cent to 4.18 billion dollars from 4.51 per cent in the year-on period. "With this pace, the country will not be in a position to touch an export performance beyond nine billion dollars," he said.

In 2008-09, apparel exports out of India totalled 10.17 billion dollars.

Mr Vaid said the Foreign Trade Policy for 2009-14 reflects that five to seven per cent of state duties are not refunded to garment exporters while all industry duty drawback rates are determined. Thus the AEPC has made elaborate presentations on these lines before the government's drawback committee.

"On behalf of the entire garment export community, I would request you to enhance duty drawback rates to 13.25 per cent of the FoB value for cotton garments and corresponding increase in blended and manmade fibre garments."

He said the United States and the European Union, which constitute a majority of Indian garment exports, are still reeling under the global economic recession.

The government's efforts to penetrate new markets of Latin America, the Middle East and the Oceanic countries are on. "But it will take a long time before we set our foot firmly in these markets," said Mr Vaid.

The apparel export industry provides employment to 3.5 million workforce directly and about three million workforce indirectly, which is next to agriculture sector. It earns foreign exchange to the tune of Rs 50,000 crore annually.

The AEPC represents about 8,000 small, medium and large garment exporters across the country. Main products of exports are ladies garments, blouses, skirts, T-shirts and trousers.