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THE GANDHIDHAM CHAMBER OF COMMERCE & INDUSTRY

(ESTD. 1953)

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No. GCCI / 560

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| Shri Arun Jaitleyji, Hon'ble Minister for Finance, Corporate Affairs, Information and Broadcasting, & Chairman GST Council, Government of India Room No. 134, North Block New Delhi - 110 001 | Shri Suresh Prabhu, Hon'ble Minister of Commerce & Industry, Ministry of Commerce & Industry, Room No. 45, Udyog Bhawan, New Delhi - 110 107 | Shri Urjit Patel, Governor, Reserve Bank of India, Central Office Building, Shahid Bhagat Singh Road, Fort, Mumbai 400001 |
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Sub: Impact of discontinue of LOUs for importers and request for the reconsideration of the decision

Dear Sir,

The Gandhidham Chamber of Commerce & Industry is a pioneer organisation of Kandla – Gandhidham complex in Kachchh-Gujarat since 1953 with the main objective to serve as a bridge between local trade and industry fraternity and State / Central Govt. for the resolution of problems and also to endeavour for the welfare of citizens and township in public interest.

We on behalf of business community lodge our protest over RBI's recent directive to discontinue Letters of Undertaking [LOU] with immediate effect of importers and draw your attention towards its impact on trade with a request for the reconsideration.

A knee-jerk reaction from RBI to discontinue Letters of Undertaking [LOU] for importer will hurt trade financing and raise the cost of credit for importers. Sudden, immediate without any prior notice, such move has created dilemma for the importers whose import initiative is currently in pipeline. Importers, who prefer to take loans based on LOUs as they are dominated in foreign currency and are cheaper, would now have to buy foreign currency from the market. This, in turn, could put pressure on the rupee. Small and Medium Enterprises (SME) will face a squeeze on their working capital needs as well. It will also dent fee based income for banks. Banks will need to set aside more capital against loans to importers and that could mean more recapitalisation.

Sir, as a matter of the fact, rather than a flaw with LOUs the unrecorded issuance emerged in recent time points to serious lapses in governance. These include lapses in branch audit, concurrent audit & RBI annual inspection. Now, due to lack of effective governance, genuine importers are made scapegoat.

In view of the above, we request you to reconsider your decision to discontinue LOUs and re-start the same practice in sync with global norms.

Thanking you,

Yours faithfully,

13.13.18

Babubhai Humbal
President

Copy to: The President, Gujarat Chamber of Commerce & Industry, Ahmedabad