

Rubber industry demands cut in raw materials duty

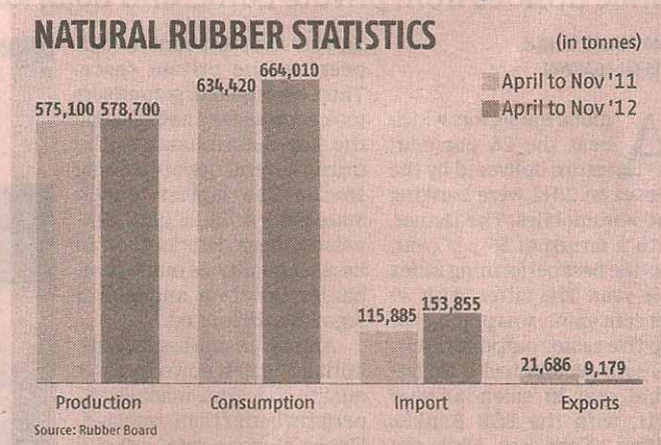
BS REPORTER

Kochi, 26 December

The rubber industry has sought lower import duty on raw materials such as butyl rubber and hi-tech synthetic rubbers, while it wants the duty on finished products to be kept high. A pre-Budget plea by the All India Rubber Industries Association (AIRIA), has asked for reduction in customs duty on natural rubber (NR) from the current 20 per cent or ₹20 a kg to 7.5 per cent or ₹10 a kg, whichever is lower. NR is the major raw material for Indian rubber industries, accounting for 35-

45 per cent of raw material cost. At the current international price of ₹160 a kg of NR, the import duty of ₹20 works out to around 12.5 per cent, much higher than the import duty on finished rubber products at 10 per cent, leading to an inverted duty structure.

“China has just reduced the import duty on NR from a maximum of 1,600 yuan currently to a maximum of 1,200 yuan effective January. At the current international price of around 25,000 yuan tonne, the import duty



comes to just about five per cent. The Indian industry needs a level playing field to be competitive,” said Niraj Thakkar, president of AIRIA.

In view of the high rate of import duty, ranging from 20-70 per cent, on most raw materials, the cost of finished goods made from such imported raw materials is higher than the landed cost of such imported finished goods. This leads to imports of finished goods from neighbouring countries, causing injury to domestic

producers, Thakkar added.

AIRIA estimates the demand-supply gap in NR at over 150,000 tonnes in the next financial year. The industry body has sought permission for duty-free import of 100,000 tonnes to bridge this gap. It has also asked for allowing NR import under the Asean free trade agreement on reduced customs duty, in line with the concessional tariff on finished products. This is a pre-condition for providing a level-playing field for local rubber-based units.