

Rubber SMEs confident of inverted duty correction

India levies amongst the highest duties on import of raw materials and one of the lowest duties on import of finished rubber goods

George Joseph | Kochi February 09, 2015 Last Updated at 20:39 IST



Over 6,000 small and medium rubber units (SMEs) operating in different clusters across the country are confident of correction in inverted duty structure in the upcoming Union Budget.

“India levies amongst the highest duties on import of raw materials and one of the lowest duties on import of finished rubber goods. Given the Modi-led government’s emphasis on domestic manufacturing, it is critical the inverted duty is corrected. We are confident the finance minister would take cognisance of the same in the Budget,” said Mohinder Gupta, president of All India Rubber

Industries Association (AIRIA).

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Many small rubber goods manufacturers had turned to trading of rubber goods as they were not able to compete with cheaper imports from China and other countries, resulting in a loss to exchequer along with unemployment.

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According to AIRIA, finished products were being easily imported as the import duty on rubber products is 0-10 per cent, while the duty on raw materials for the rubber industry is a high 5-70 per cent.

Not only the import duty on raw materials was higher, the duty was being levied even on those raw materials like some grades of synthetic rubbers, which were not being produced in the country, Gupta said, adding it did augur well for the ‘Make-in-India’ initiative.

990 units closed

According to an AIRIA survey last year, of the total 2,450 rubber products manufacturing units, 40 per cent (990 units) had shut operations in states like Punjab, Maharashtra, Kerala and Tamil Nadu in the last five years as they couldn’t face the onslaught of cheap imports.

Quoting Capexil data, AIRIA has stated the import duty on raw materials was the highest in India when compared with other rubber product manufacturing countries. For instance, import duty on natural rubber in China is 10 per cent as against 20 per cent or Rs 30 each kg in India. On natural rubber latex, import duty is 70 per cent in India while it is just 10 per cent in China.