

RUBBER INDUSTRY

Inflexible supply

The ₹55,000-crore domestic rubber industry is at a crossroads as 6,000-odd manufacturing units are finding it difficult to source the basic raw material – natural rubber – due to inadequate availability. At the same time, they are fighting to overcome other challenges, ranging from higher input costs to cheaper imports due to a faulty inverted duty structure. Over the past few years, while the consumption has grown considerably, the production of natural rubber has not kept pace. Consumption has surpassed natural rubber production by about 100,000 tonnes to 1 million tonnes in 2011-12.

“Even as the consumption has increased at a CAGR of 7-8 per cent in the last decade, the production of raw rubber has lagged behind due to a much slower growth rate of 3-4 per cent. The mismatch is expected to widen further going forward with adverse ramifications on the overall industry,” says Niraj Thakkar, president, All India Rubber Industries Association (AIRIA). Over 300 rubber product manufacturing units have shut shop in the last five years. Most of these belong to the small and tiny

sector which is the most affected lot. “Apart from constraint on the raw material front, these small units, primarily representing the non-tyre segment, are struggling to survive due to more than one reason. Lowering of import duties on finished goods in the recent years has rendered them non-competitive in comparison with cheap imports of finished goods,” adds Thakkar.

Lost opportunities “The Indian industry presents huge potential. But it has failed to explore the opportunities due to issues that should have been addressed with a much proactive approach. There is a need to put up a detailed roadmap involving all stakeholders,” says Stephen

tyre sector, covering products like footwear, belting, hoses and cables & wires.

Over the years, the area under rubber plantation has stagnated, with 90 per cent of production coming from only one state – Kerala. In the last five years, the production has gone up gradually to about 900,000 tonnes from 820,000 tonnes in 2007-08. There is not much scope left in Kerala and, hence, there is need to increase the acreage in other states. The North-eastern states offer to a certain extent a similar kind of agroclimatic condition.

“In terms of productivity of natural rubber, we are holding a pole position in the world with a yield of 1,800 kg per hectare and hence



Evans, general secretary, International Rubber Study Group, the Singapore-based inter-governmental organisation, comprising rubber producing and consuming countries.

The domestic rubber industry manufactures over 35,000 kinds of rubber products and employs around 400,000 employees, in more than 5,500 small and tiny units. As against the global scenario, the Indian industry predominantly is based on natural rubber (70 per cent), even as the share of synthetic rubber as raw material has gradually increased over the last few years on account of surge in demand from the automobile sector. The tyre sector accounts for about 60 per cent of the total industry turnover. The rest consists of the non-

Evans: pro-active approach needed

there is only way to increase the production of natural rubber by increasing the area. The Rubber Board has identified new areas in the Northeast and hopefully that will help us boost the production in future,” states Vinod Simon, the immediate past president of AIRIA. The association is also advocating suspension of futures trading in natural rubber, blaming such trading as the cause of the unprecedented rise in prices (₹180 per kg from ₹66 in 2005-06), as also wild fluctuations. This has heavily taken a toll on the

small units which hardly possess any hedging mechanism.

In order to meet the demand-supply gap, the industry has urged the government to allow duty free import of natural rubber to the tune of around 100,000 tonne. "Apart from duty free import of 100,000 tonnes of natural rubber to address the immediate gap, there is need to bring down the import duty on natural rubber to 5 per cent from the present 20 per cent. The duty on natural latex should also be reduced to 5 per cent from 70 per cent. All this will help the industry in bridging the deficit of raw material and stabilise the demands-supply situation," adds Simon.

The industry has also urged the government to waive the customs duty on various other raw materials not manufactured domestically, such as butyl rubber used in the manufacture of inner tube of tyres; styrene butadiene and other specialty grade synthetic rubbers, finding applications in automotive, power and telecom sectors. "These special grade rubbers are not produced indigenously and are yet subjected to a peak duty of 10 per cent. This discourages production of value-added products and encourages imports of finished products in a big way," states Thakkar. Moreover, AIRIA has also demanded urgent removal of inverted duty structure, which encourages imports of finished products as against imports of raw materials from China and other Asian countries.

Like any other manufacturing industries, the rubber industry is also struggling to cope up with the shortage of skilled manpower. In order to address this issue in a concerted manner, the National Skill Development Corporation in collaboration with AIRIA and Automotive Tyre Manufacturers Association has recently set up Rubber Skills Development Centre, which aims to identify and fulfill skill development needs in the domestic rubber sector. Under the RSDC project, 700,000 people including 300,000 in-service personnel will be trained over a period of 10 years. "In addition to this, we are also planning to set up a Centre for Excellence

for rubber technology in the country, which will meet the various requirements on the technology front," states Anupama Giri, CEO, Rubber Skills Development Centre. Moreover, the industry has also demanded formation of a technology upgradation fund in line with TUFs in the textile industry for meeting the funding needs of the industry.

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