

Rubber sector wants lower import duty on raw materials

Manufacturers hit by high cost of finished products

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Rubber industry has asked for lower import duty on raw materials compared with finished products in its pre-budget submission to the Government. Import duty on raw materials not indigenously produced may be waived, the industry said.

According to a note from the All India Rubber Industries Association, in its pre-budget representation, the rubber industry body has asked for reduction in customs duty on Natural Rubber to 7.5 per cent or Rs 10 a kg from the prevailing 20 per cent or Rs 20 a kg whichever is lower.

Natural rubber, the raw material for the industry, accounts for 35-45 per cent of the raw material cost.

At current international price of Rs 160 a kg, the import duty of Rs 20 works out to 12.5 per cent which is much higher than the import duty of 10 per cent on finished products.

"China has just reduced the import duty on natural rubber from a maximum of 1,600 Yuan to a maximum of 1,200 Yuan effective January 2013.

"At the current interna-



tional prices of around 25,000 Yuan a 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, All India Rubber Industries Association, in the note.

With import duty on most of the raw materials at 20-70 per cent, the cost of finished goods made from imported

raw materials is higher than the landed cost of imported finished goods. This hits domestic manufacturers, mostly the small and medium enterprises, said Thakkar.

The Association estimates, that the demand-supply gap in natural rubber will be over 1.5 lakh tonnes in 2013-14 and has asked for duty free imports of one lt of natural rubber to bridge this gap.

It has also asked for imports under Asean FTA on reduced Customs duty in line with concessional tariff on finished products.

SURGE IN DUMPING

According to the industry, a surge in imports of cheap rubber products from China and other countries has become a concern for the Indian rubber industry.

With over 35,000 rubber products, it is difficult to prove that dumping is happening. Most of the domestic manufacturers are small, they do not have the resources to initiate the anti-dumping proceedings.

On the other hand, levy of anti-dumping duties on Carbon Black and rubber chemicals, major raw materials for the industry, has made the domestic rubber products more expensive in comparison to imported finished products.

The Association has asked for waiver of customs duty on raw materials not manufactured domestically such as butyl rubber and other hi-tech synthetic rubbers and EPDM.

The industry body has also asked for reduction of custom duty on raw materials where domestic production cannot fully meet demand.

These include: PBR, nylon tyre cord fabric, and steel tyre cord.

The import duty on latex is 70 per cent and has been only recently capped at Rs 49 a kg.

However, latex being a wet form of natural rubber, the duties should be comparable to natural rubber.

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