



Import duty hike sees mixed reaction from industry

Consumer durables firms say move will boost domestic demand, airlines see fares rising

OUR BUREAU

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The Federation of Indian Export Organisations (FIEO) has expressed satisfaction over the government's decision to hike import duty on 19 items.

Ajay Sahay, Director-General, FIEO, said: "Indirectly it will give double protection to the domestic industries as they will have price competitiveness over imported items and cheaper rupee will help sell more in the global market."

Prashant Deshpande, Partner at Deloitte India, said the significant increase in customs duties on selective items which the Government perceives to be non-essential imports appear to be aimed at reducing the drain on currency reserves and boosting domestic demand."

Kamal Nandi, Business Head and EVP, Godrej Appliances, said the consumer durables industry largely relies on imports for large-sized refrigerators (such as side-by-side refrigerators) and large-size front-load washing machines. "The contribution of such premium products to the overall market is very small.

Moreover, consumers of this segment are value-driven and are not price sensitive, hence the increase in custom duties shouldn't impact the sales for this segment," he added. For example, the large size refrigerators with 500 litre and above capacity, sells only 1 lakh units which constitutes 1 per cent of the industry volume.

However, Nandi pointed out that air-conditioner industry depends heavily on imports and the segment is expected to see an impact due to hike in customs duty.

Meanwhile, Sahay felt that higher import duty on jet fuel is not a good news for aviation companies as "ATF prices are already moving northwards and now a combination of falling rupee and higher duty will raise the price of fuel."

ATF prices in Delhi for domestic airlines rose to ₹69,461 a kilolitre on September 1 from ₹57,460 on January 1 reflecting over 20 per cent hike. A senior official of an airline company said since an increase in fuel cost is pass-through one, hike in fares cannot be ruled out. Now the festival season is coming up which normally sees higher

Imported items that will become expensive

Item	Basic customs duty (%)	
	Old rate	New rate
Aviation turbine fuel	0	5
Air-conditioners	10	20
Household refrigerators	10	20
Washing machines less than 10 kg	10	20
Compressor for ACs and refrigerators	7.5	10
Speakers	10	15
Footwears	20	25
Radial car tyres	10	15
Non-industrial diamond (other than rough diamonds), that is, cut and polished diamond	5	7.5
Diamonds—semi processed, half cut or broken	5	7.5
Lab-grown diamonds	5	7.5
Cut and polished coloured gemstone	5	7.5
Articles of jewellery and parts thereof, of precious metal or of metal clad with precious metal	15	20
Articles of goldsmith or silversmith wares and parts thereof of precious metal or of metal clad with precious metal	15	20
Bath, shower bath, sink, wash basin of plastics	10	15
Articles of plastics for conveyance and packing such as boxes, case, containers, bottles, insulated ware etc.	10	15
Tableware, kitchenware and other household items of plastics	10	15
Items of plastics such as office stationery, fittings for furniture, decorative sheets, statuettes, beads, bangles etc.	10	15
Trunks, suitcase, executive cases, brief cases, travel bags and other bags	10	15

fare and costly fuel might flare up fares. The decision to raise import duty is a part of the five-point measures announced by the Government on September 14. The measures were announced as the rupee was continuously de-

preciating against dollar and was the worst performer in Asia. It has lost nearly 12 per cent against the US dollar since January. With an increase in oil prices, the fear was that the current account deficit might widen.