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MSMEs peeved at volatility in rubber prices, availability trends

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The manufacturers of rubber products in the MSME sector have expressed concern at sharp volatility in the prices of natural rubber and its shortage in the domestic market. In Punjab alone, there are over 300 functional units.

Quoting Rubber Board data on natural rubber production in FY 2015-16, the All India Rubber Industries Association (AIRIA) has said domestic natural rubber production has hit multi-year low and there is a shortage of raw material in the domestic market. The production has contracted by 13% from 6,45,000 tonnes in FY 2014-15 to 5,63,000 in FY 2015-16.

Also, the prices have moved up from Rs 97 per kg on March 01, 2016 to Rs 145 per kg on April 27, 2016.

“Such a drastic fall in production is a cause of concern

Production hits multi-year low

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for rubber MSMEs. There is no option but to import natural rubber but the government has imposed 25% import duty. Not only that, other curbs such as port restrictions on import of natural rubber have been imposed and export obligation period has been drastically reduced. In the absence of raw material at reasonable prices, how will the industry manage its competitiveness? The government needs to look into this matter,” said Mohinder Gupta, president AIRIA.

The AIRIA is the apex

body for rubber industry comprising over 5,000 small, medium and large units with a turnover of Rs 75,000 crore.

In the past few days, the price of natural rubber has increased by more than 40%.

“Such volatility in the prices of raw material disrupts the planning process. The MSMEs sign long-term pricing contracts keeping in view the expected trend in raw material prices. However, in view of almost 50% jump in prices in a short time, the profitability of the MSMEs

will take a severe beating. The MSMEs can't absorb such a sharp rise in prices as the competition is intense and profit margins are under pressure. Our export competitiveness will also be hit as the cost of production will go up,” Gupta added.

“The PM had assured that manufacturing of rubber products will be included in Make-in-India campaign. However, it is possible only if raw material is available in adequate quantity and at reasonable price,” the AIRIA said.

According to rubber MSMEs, India levies one of the highest duties on import of natural rubber and one of the lowest duties on import of finished rubber goods. As a result, the competitiveness of the Indian rubber industry is affected and many rubber units have already closed down.