# Rubber plantation should be given level playing field with industrial crops, says Niraj Thakkar of AIRIA

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NEW DELHI: Although Indian rubber industry is facing a range of constraints, like anti-dumping duties on carbon black and rubber chemicals, high interest cost and energy rates which also forced many SME units to shut down their shutters, but it is still achieving 15% to 20% annual growth in exports. An equal and fair consideration to the rubber industry will emerge as a big boost for the industry and country's economy, tells Niraj Thakkar, senior vice president of All India Rubber Industries Association (AIRIA) in an exclusive interview with SME News.

Here are the excerpts from the interview:

**What is the current status of Indian Rubber industry?**

**Niraj Thakkar:** According to the Economic Survey of 2010-11 India is the world's 4th largest producer and second largest consumer of rubber. There are three categories of rubber: natural rubber, synthetic rubber, and reclaimed rubber. Of the overall global production of rubber, natural rubber accounts for approximately 42%. Till date Kerala contributes to approximately 90% of the India’s natural rubber production. On an average, per day, 44,500 people are employed in rubber plantation. They then sell natural rubber to dealers who are responsible for its sale to rubber manufacturers.

India's rubber manufacturing industry consists of more than 6,000 manufacturing units, comprising of 30 large scale, 300 medium scale, and approximately 5,670 small scale and tiny sectors in India. These units manufacture more than 35,000 rubber products and employ approximately 400,000 employees.

The products manufactured by the rubber industry in India can be broadly divided into two sectors: the tyre sector and the non-tyre sector. The tyre sector is involved in the production of various types of automotive and non-automotive tyres, and the non-tyre sector (which consists mainly of medium scale, small scale and tiny units) manufactures a wide range of products including footwear, belting, hoses, automobile parts, cables and wires, camelback, battery boxes, latex products, and pharmaceutical goods. In the non-tyre sector, the small-scale sector accounts for over 50% of production of rubber goods.

As shown in Table 1, the turnover for both the tyre and non-tyre sector has increased from 2006-07 to 2012-13. In 2012-13, the annual turnover of the tyre industry is estimated to be approximately Rs. 35,000 crore compared to Rs. 25,000 crore of the non-tyre industry.

*Table 1: Annual Turnover of Rubber Industry in India by Tyre and Non-tyre Sector (Rs. Crores)*

| Sector | 2010-11 | 2011-12* | 2012-13* |
|---|---|---|---|
| Tyre Sector | 27,000 | 30,000 | 35,000 |
| Non-Tyre Sector | 18,000 | 22,000 | 25,000 |
| Total | 45,000 | 52,000 | 60,000 |

*Source: AIRIA*

*Note:* Values for 2011-12 and 2012-13 are estimates*

**An Overview of Rubber Industry (F.Y. 2011-12) (Estimated)**

| | |
|---|---|
| Total No. of Units | 6000 approx |
| Large & Medium scale units | 500 |
| Small & Tiny Units | 5500 |
| Industry Turnover | Rs. 50,000 Crores |
| Tyre Sector | Rs.30,000 Crores |
| Non Tyre Sector | Rs.20,000 Crores |
| Value Exports | Rs.8,500 Crores |
| Taxes & Duties | Rs. 7500 Crores |
| Raw-Material intensity | Raw Material cost accounts for 65% - 70% of Industry Turnover (approx) |
| Principal Raw-Materials | Natural Rubber, Synthetic Rubbers, Carbon Black, Rubber Chemicals etc. |

**Indonesia has invited investment from Indian Rubber Industry. Please throw some light on what can be achieved with this alliance?**

**Niraj Thakkar:** Natural rubber (NR) demand in India is expected to be higher than the availability by about 2 lakh tonnes in 2012-13. Indonesia has surplus rubber to sell in the export market. They are thinking in the right direction of doing value addition in their own country which will lead to economic growth, jobs etc. This will mean, gradually our industry may think of investing in Indonesia to expand their capacities for ease of availability of NR. This way some natural rubber may also flow into India or industry especially export-oriented may move out of India. If it does happen, it will be one of the most unfortunate milestone in Indian perspective.

**What are the current prevailing challenges in the Indian Rubber Industry? What are the support and subsidy being given to the industry?**

**Niraj Thakkar:** The current challenges prevailing in the rubber industry are:

- The Rubber Industry is highly labour and energy intensive. The Indian Rubber Industry comprises about 450 / 500 large / medium scale units and nearly 5500 Small and Tiny units.

- The high cost of power, finance, inadequate & expensive infrastructure and relatively low volumes, deprives the Indian rubber industry particularly small and tiny units. The cost-competitiveness as well as availability of NR as compared to our counterparts in other Asian countries are posing threat to the very survival of Industry.

- Allowance should be offered for duty free import of 1 lakh metric tonne of natural rubber to meet demand supply gap.

- Rubber Product as well as Synthetic Rubber are imported at same rate of duty, whereas import of rubber products from Asian Countries have 5% concession in duty. Hence it is very difficult for Indian rubber industry to survive.

- In India, the consumption ratio between natural rubber and synthetic rubber is nearly 73:27 against the world ratio of 44:56, which shows over dependence on natural rubber in India. Natural rubber being non-modvatable (for rubber cess), does increase the cost though negligible, in absolute terms is significant.

- The import of the major raw materials of rubber industry which are not indigenously produced, is subjected to high rate of Custom Duty, making it very difficult for the Rubber Industry to survive and to compete against import of finished products. Inverted duty structure is a big concern which we have brought to the notice of the relevant ministry.

- Basic raw material and rubber finished products are charged at same rate of duty. This is against normally accepted practice of imposing lower rate of duty on raw material and higher rate on finished products. The government should fix the import duties on raw material lower than the import duties on the finished products.

- Levy of anti-dumping duties on High Styrene Butadiene Rubber (all 1900 series) has made the Indian footwear products more expensive. With high interest cost and energy rates many of SSI footwear units had to shut shops, leading to import of Footwear products from Nepal, Sri-Lanka & China.

- Levy of anti-dumping duties on Carbon Black & Rubber Chemicals has made the Indian rubber products more expensive. With high interest cost and energy rates many of SME units had to Down their shutters.

- Inspite of constraints faces by the Indian rubber industry; it is achieving growth in export of rubber products at 15% to 20% annually. Imagine what the industry can achieve if the government assists the entrepreneurs. For Indian Rubber Industry, sky is the limit.

**How does your association extend its cooperation to small rubber growers?**

**Niraj Thakkar:** We have excellent relations with the Rubber Board, a body for the Rubber planters and are working on win-win strategy. The rise in rubber prices, though has affected the rubber industry, but we encourage fresh plantation. The Rubber board is exploring new areas within the country as land availability in Kerala is saturated. Under the leadership of Ms. Sheela Thomas, the industry has witnessed a fair hearing to our concerns and is looking for offering a solution by looking at land beyond Kerala for rubber plantations. Many pro industry measures have been taken as we both understand that we need each other for growth and that it is in our interest to collaborate.

**What measures, according to you, Central government should adopt in order to promote rubber plantation in the country?**

**Niraj Thakkar:** Rubber Board may be in a better position for this reply. However, we can suggest that Rubber Plantation should also get treatment unlike just another agricultural crop, but an crop meant for the industry, like Cotton.

**Several automotive tyre and rubber goods manufacturing units are eyeing ASEAN countries to take advantage of the free trade regime. What is your take on this?**

**Niraj Thakkar:** This is the purpose of the free trade and will happen. However, the government must be careful in not leveraging the Indian Rubber Industry and in turn the livelihood of a millions employed in the rubber industry. Credence must be prudently offered to the deserving for the long term prospects of the industry and economy. Our advantage of global positioning in the rubber industry must be considered before FTA's are committed to.

**Please share your roadmap for the current fiscal (2012-13). What are your key priorities?**

- Position the Indian Rubber Industry strategically for world to be dependent on us.

- Increase membership and offer services To make AIRIA higly visible and vibrant.

- Bring various facets of the Indian Rubber Industry under one roof and showcase our strength globally