

President's Report at the 63rd AGM

26th September 2015 – New Delhi

Chief Guest of the day, Dr. Mahesh Sharmaji, Minister of State (Independent Charge) Tourism and Culture and Minister of State for Civil Aviation, Honorary Members, Past Presidents, Dignitaries on and off the Dias, Members of the Managing Committee, friends from the media and from the industry... Ladies and Gentlemen

Good morning to you and Welcome to the 63rd AGM at Delhi. As I welcome them, I am very grateful to Dr. Mahesh Sharmaji, who took time out from his busy schedule to be amongst this morning. We know how occupied Dr. Mahesh Sharmaji, and him taking time out for an AIRIA event only reaffirms the commitment by the Government towards the rubber industry.

Friends AIRIA this year is in its 70th year celebration and the rubber industry is poised to be the Sunrise Sector. Lots have to be achieved, providing the enthusiasm to MC members, AIRIA staff, regions, and with activities we have carried out in the last few years, our association is only getting younger and performing better YOY and will keep on doing so...

Usually at the AGM we take a stock of the year gone by, how we fared compared to the opportunities we were offered and strategize and set targets for a better future. For the year gone by, I have also circulated my report amongst you. The Annual report along with the audited balance sheet for 2014-15 is already with you. This progress report is evidence of a young and active AIRIA and with your permission; I shall take it as read.

What I would like to present today is a synopsis of the last year's activities of my being President in the association, more so as the active member for last many years and my wisdom of the Indian Rubber Industry which can open discussions for a better tomorrow.

ECONOMY

Over 40 per cent of big projects under the monitoring of Indian government are running behind schedule. As of May 1, 2015 a total of 758 projects were on the monitor and of these 323 were showing time overruns.

Foreign Direct Investment (FDI) in FY 2015-16 so far has been recorded at Rs 47,183 crore (US\$ 7.4 billion).

Indian companies raised Rs 1,73,000 crore (US\$ 27.6 billion) from capital markets in April- June quarter of the current financial year, which is more than double the amount garnered in the same period previous year.

In the event of a slowdown in China, Chinese producers are likely to increase export quantities and hurt producers elsewhere. Imports from China at lower prices will further affect Indian players' volumes and operating margins.

The 'Make in India' types of initiatives are a long haul and any disruption in essential imports from China can hit the Indian supply chain as well. Imports from China account for 21% of India's total import bill, but not all the imports are avoidable.

India, a major importer, could gain from a fall in commodity prices, which have already declined because of a drop in demand from China.

Oil is India's largest import and the country has already benefited from a decline in prices.

China being the second- largest economy in the world, an economic slowdown in the country will have larger implications for global and Indian economies

REGIONAL ACTIVITIES:

All the four regions have put in excellent shows by way of seminars, workshops and the activities that have helped the rubber industry members at large and we pledge to continue doing the same as the responses were overwhelming.

PUBLICATIONS:

Besides the Regular Publications of Rubber India Monthly, weekly and regional publications, AIRIA has published a book on Career in Rubber – Education, Skills and Training, AIRIA at a glance which depicts the activities of various committees and the tasks done by the conveners of the committees, An informative book on EXIM Procedures and the new Directory is being released today.

PRESS RELEASES AND NOTIFICATIONS:

For Past one year, we have been constantly in the press on various issues ranging from Inverted Duty, Protest for hike in customs duty on NR, demand for separate EPC for rubber etc.

We have tied up with agencies, which constantly feed us with all the government notifications ranging from taxation, customs to ADD etc.

TENDERS:

A long standing need for our members was to reach out to the business from the government, we have been successful in tying up with agency, that provides us with the tenders floated from government and non government bodies which can augment business of our members.

INDIAN RUBBER INDUSTRY

The Indian Rubber industry as of today is pegged at 86,000.00 crores; Non-tyre being 34,400.00 cr and Tyre 51,600.00 cr.

Exports total estimated to 19,500.00 cr.

The rubber consumption total is pegged at 1765000 metric Tonnes

In spite of many hurdles that the industry faces today, this industry has shown an increase in exports even tough, marginally.

IRE 2015 REPORT

The 8th India Rubber Expo & Tyre Show 2015 was organized for the first time in New Delhi from 15th to 17th January, 2015 held at Pragati Maidan,. The Chief Guest for the opening ceremony of the IRE 2015 was India's Minister for Transport, Shri. Nitin H. Gadkari. IRE 2015 has received overwhelming response from International participants with Country Pavilions from China, Malaysia, Korea & Germany and international exhibitors from UK, US, France, Italy, Vietnam, Sri Lanka & Taiwan.

AIRIA announced the K. M. Philip lifetime achievement award to Mr. Mazhar F. Vohra, chairperson of CAPEXIL – rubber products panel, and a long-time executive and Past President of the AIRIA.

IRE 2017 PROGRESS REPORT is being done via presentation

REPRESENTATION WITH GOVERNMENT AUTHORITIES DURING THE YEAR

Meeting with the Ministries, Govt. Officials etc.

- Organized several high profile meetings with the Commerce Minister, MSME Minister, Secy Commerce, Secy MSME, Secy DIPP, Addl. Secy Commerce, and various Joint Secretaries in the MOC / DIPP / MSME / Finance / MEA / DGFT etc

The main objective of these meetings with the Embassies / Trade Chambers was to:

Possibility of AIRIA Business Delegation visits, Exhibitions/Trade Fairs, to promote IRE-2017 and get overseas Delegations for the Exhibition etc

Current Issues under Active Consideration by Government of India:

- ✓ **Rubber Export Promotion Council**
- ✓ **Inverted Duty Structure:**
- ✓ **Representation to Government of India Regarding Rubber Balloon Industries**

EMPLOYEES PROVIDENT FUND

Government of India has amended section 192 A of the income tax act 1961 and hence they are going to deduct TDS on withdrawal of EPF (Employees Provident Fund). This was an incorrect tax and will lead to lot of difficulties to the members.

AIRIA has strongly put forth the repercussions and requested the Government to either roll back or amend the same for the benefit of the workforce as more than 90 % belong to MSME and they cannot be penalized for the same.

We have got the communication acknowledging our request from the concerned department that due attention is being directed to the authorities and they would revert back on the issue.

GOVERNMENT FUNDING

- **Buyer–Seller Meet in 2016 has targeted 100 buyers from abroad under MDA Assistant Scheme.**

The utilization of scheme is administered by the E&MDA Division in the Department of Commerce, GOI, New Delhi. AIRIA has approached E&MDA Department of Ministry of Commerce for funding. The preliminary meeting are in progress.

REPORT ON TARIFF COMMISSION MEETING AT LOKNAYAK BHAVAN

Major concerns of Indian rubber industry

Non-Tariff Barriers - These stipulations are by way of No-tariff barriers and are coming in the way of improved export performance.

Indian products which have bureau of Indian Standards (BIS) markings should not require mandatory certification of importing country. BIS should enter into

reciprocal arrangement with its counterpart organizations in other countries to this effect.

AIRIA seeks simplification and greater transparency in procedures relating to exports of rubber products

There are also issues of NTB's with Indonesia on carbon black. The Govt. needs to identify such barriers and resolve them to increase the un-competitiveness of Indian products in the ASEAN countries.

NATIONAL RUBBER CONFERENCE:

National Rubber Conference 2014 – Kolkata – 14th & 15th November 2014
"Indian Rubber Industry on Threshold of Global Competition"

National Rubber Conference 2015 – Mumbai – 18th & 19th June 2015
"Path to Future – Stride with NRC"

National Rubber Conference 2015 - Chennai – 10th & 11th July 2015
National Rubber Conference 2015 – New Delhi – 7th & 8th August 2015

PRE BUDGET MEMORANDUM FOR THE YEAR 2015-2016

- Inverted Duty Structure
- High Import Duty on Raw Materials
- Lowest Import Duty on Finished Rubber Product:-
- Impose a Safeguard Duty Of 25% on All Rubber Products
- Impose Safeguard Duty.
- Cess on Natural Rubber
- Reclaim Rubber
- Safe Guard Duty on Carbon Black Should Be Withdrawn
- Impact of Free Trade Agreements

INDIA RUBBER MEET 2015 – KOCHI – HELD ON 4TH & 5TH MARCH 2015

The IRM 2015 began with an Audio-Visual Laser show on Natural Rubber (NR), an Invocation and National Anthem.

The Introduction and welcome speech was given by Dr. A Jayathilak – Chairman Rubber Board (RB) and chairman – Organizing committee RB.

Lighting of the lamp and the inaugural address was done by the chief guest Mr. G. Madhavan Nair – Chairman, centre for Management Development – Thiruvananthapuram and former chairman – ISRO.

AIRIA - EDUCATION TRUST

ALL INDIA RUBBER INDUSTRIES ASSOCIATION-Education Trust (AIRIA-ET) has published an informative booklet "CAREER IN RUBBER, Education, Training & Skill Development". This is for the first time in India that such a book has been compiled with information on the institutes and Universities offering Rubber Technology Courses, Basic Rubber Polymer Technology Courses, etc. in India and abroad.

*Scholarships awarded to students of SCRICT – Ankleshwar
Talks on with Kamraj University – South – Support Rubber Education
Talks with Lovely Punjab University for rubber education promotion.
Initiation for Rubber course at LD College of Engineering.*

RSDC' UPDATES AND ACTIVITIES

National Occupational Standards (NOS)

Activities undertaken so far are as listed below:-

Manufacturing Sub sector

- 31 Qualification Packs for tyre and non-tyre sub- sector were declared as National Standards in August 2013.
- 109 Qualification Packs for tyre and non-tyre sub- sector were declared as National Standards

Natural Rubber

- 5 Qualification Packs for Natural Rubber and 6 Qualification Packs for Rubber Reclaim Job roles were declared as National Standard
- 22 Qualification Packs for Natural Rubber, has also been approved by QRC of NSDC
- Qualification Pack for Senior Rubber Technician (SRT), has also been approved by QRC of NSDC

SKILL GAP STUDY

➤ SGA Phase I & II Project (Manufacturing)

- SGA Phase I was completed for four states i.e. Maharashtra, Punjab, Tamil Nadu & Kerala and the reports are published on RSDC website
- SGA was conducted for five states namely Uttar Pradesh, West Bengal, Haryana, Gujarat and Delhi/NCR Research and the report shall be published by September 2015.

AFFILIATIONS:

Affiliated Training Partners as on date - 15

Engagements with college / universities

- RSDC signed an MoU with Amity University, Gurgaon to offer NOS based rubber courses to the students.
- RSDC is in discussions with Tripura University and shall be shortly signing a MoU to offer NOS based programs.
- RSDC & AIRIA are also in discussions with Lovely Professional University for B.Voc in rubber technology

I believe the rubber industry in India to be not just a sunrise sector, but one where the growth has just dawned.

Having said that, while for our population, India certainly will be a market for the future, the question is will India be a manufacturing hub for the rubber industry? If yes, what is it that will drive the industry? It has been mentioned on several occasions, in many of the countries it is due to the assistance of the government that the industry is progressing and in India, despite poor assistance from the government that the industry is progressing. We can imagine what growth can be expected if we have the government heed to our voices for our concerns.

Speaking of concerns, I can list out all the standard problems that the industry is facing....

Poor availability of quality power Cost of capital for technology up-gradation, Shortage of skilled labor, high transaction costs for imports and exports, Poor infrastructure...

These concerns are enough talked and read about and applicable to all manufacturing industries in general. The need to know is what is ailing specifically the rubber industry from being the rapidly growing sector it deserves to be and how do we go about addressing theseI shall categorize this into four parts.

- ✓ Role of the Government
- ✓ the Entrepreneurs responsibility and
- ✓ Role of the Association

GOVERNMENTS ROLE

When I say government, I mean specific actions to be taken by the government to understand the needs of the Indian Rubber Industry...

It was not enough for government which this year April hiked the duty on NR to 25 %

I can name two products, manufacturing of which is already reached a nadir due to FTAs and duty. Balloons and Rice dehusking rollers. NR latex has an import 70% duty which prohibits manufacturers to import. They are happier importing balloons at an import duty of 10%, further possibly under invoiced to an effective duty of 5%. The entire balloon industry in India has turned traders, importing and distributing amongst their agents across India. Dahanu in Maharashtra, which was once a hub for rubber balloons wears a deserted look leading to thousands of job losses in the manufacturing sector. Same is the case with Rice Rollers. Rice, which is a major produce of India, the government instead of promoting rubber dehusking rollers has signed an FTA to import with a nil rate of duty vs. an import duty of 10% on the rubber needed to manufacture. While I have mentioned 2 products, there are 78 rubber products on the list for FTAs and the list may increase in future.

The Association had also requested the government for a separate Export promotion council – RUBEXIL which is going to become reality soon for the rubber industry.

Entrepreneurs Responsibility

Data

Let's look at a typical **MSME** rubber product manufacturer....

He is very tight lipped about all the business activities.... Formulation, process controls, machinery used, turnover, RM used..... While a lot of it is justified, what ails the industry at large is sharing of data. A typical rubber product manufacturer will never want to share any of the data with anyone. Data relevant to rubber consumed, labor employed, turnover, future consumption, growth plans..... This data is required by bodies such as AIRIA, Rubber Board, Capexil, Government representations etc. for the benefit of the industry and to work on the various issues that needs to be addressed. This puts a lot of constraints on what the AIRIA or for that matter any govt. agency can do for the industry for without data/information, no action is possible, example...

The point is...we need to have the data to make our case and Industry is equally responsible.

Mind Set

I must confess, Rubber Industry in India being one of the oldest has some of the most qualified, experienced and promising entrepreneurs globally. What is required of the rubberpreneurs is a change in the mind set..... Rubber Industry is a MSME segment industry and from what it seems, they would like to remain there. What is needed is change of focus from being an SME to becoming a corporate entity. The entrepreneur who started the industry being very adventurous especially in India, now needs long term thinking. The same entrepreneur needs to be more adventurous as he is now on a global platform. No longer will the same mind set survive. Accosting global competition, we will need better and may be expensive machinery for the long run.... Buying lab equipment for testing RM is required as you need to know what quality RMs you are buying..... You must test the rubber for the quality of rubber you are buying.

While cheap may be commercially good, it may not be in the best interest of the product or application. Most of the rubber products are technical in nature and any kind of compromise will certainly have its side effects

THE ROLE OF THE ASSOCIATION

Earlier days when I had just become active in the association, one of the common concerns of the members was, what is the association delivering to its members. I am sure they will find that redundant now. Having said that, there is a lot more that the association can do and one of the most important acts I would suggest is to bring all the associations under one roof. Fragmented and small that we are, it is imperative that if the entire rubber sector were to grow, it has to be together in tandem and with a shared vision. All the stakeholders from planters, dealers, machinery, academia, manufacturers, SR producer's exporters etc. will have to come together for a focused growth. After all, claiming to be a sunrise sector and having the sunshine will ask for its share of efforts.

The last and most important challenge that the Indian Rubber Industry faces is caring while growing, caring for generations to come, caring for the environment!

Friends to summarize, One statistic which brightens up our day is with global per capita rubber consumption at a world average at 3.2 Kg, China at 8 Kgs, developed nations at 14 Kgs, and India at a mere 1.16 Kgs, it gives us an idea the growth we are heading for in the next decade. Easier said than done we will need to plan and strategize for this growth as any other rubber producing and consuming nations focus on rubber sector and compete with us for capitalizing on this opportunity.

Fortunately, the govt. has almost finalized NPR and is due to be publicized any time now.

Secondly the formation of separate export Promotion Council for Rubber is going to be a reality soon.

GRATITUDE

This past year of president ship has been a wonderful learning experience and I have tried my best to deliver to the association what I could. And what I achieved was a joint effort of all who helped me in my Endeavour. I would like to thank my two Vice Presidents, Mr. Ketan Shah and Mr. Kamal Chowdhury for their support. I would like to thank the managing committee members, conveners of various sub committees and regional committees for their valuable time and guidance without which this association would not have carried out all its activities with a resounding success. I would also like to convey my sincere gratitude to the Chairman and all the senior officials of Rubber Board, Central and State Government for their assistance. Partner associations, ATMA, CAPEXIL, IRI, ICRTMA, RCMA, IRMRA, Our Sponsors RIL, ISRL, etc my thanks to them for being by our side for all our endeavors. I must appreciate all the hard work put in by all the staff members of AIRIA including regional offices for their unstinted efforts and dedication for the progress of the association.

FINALLY

Friends, we all cherish a dream that by 2020 the Indian Rubber Industry will be one of the top two players globally. There are intricacies for the rubber Industry in India, and as far as the role of AIRIA is concerned, it will work with each of the above mentioned agencies and do all it can to assist the members and the industry achieve its true position globally. I have complete faith in the Indian Rubber Industry for its success and together we will make it happen. My heartiest Congratulations to all the award winners today. And,
Once again, welcome to the 63rd AGM. Good Morning!