



CAPEXIL

Agenda & Notes for the 2nd Rubber Products Panel Meeting (2018-19) of CAPEXIL to be held on Thursday, 13th June, 2019 at CAPEXIL, Mumbai.

ITEM NO. 1:

To confirm the minutes of the 1st Rubber Products Panel Meeting (2018-19) of CAPEXIL held on 05.10.2018 at CAPEXIL, Mumbai

The approved minutes of the above meeting were circulated to the members of the Panel vide Circular No: CAPEXIL/WR/VRC/RPP(A&M)/3358 dated 22nd October, 2018 and so far the Council has not received any comments from the members of the Panel. As such the minutes may now be confirmed.

ITEM NO. 2:

To review the export performances of various items of the Panel during 2018-19 vis-à-vis 2017-18

The statistical figures related to current trend in export of the items falling under the Panel is reflected hereunder for the periods as indicated below:

Sr. No.	Major Items Group	April'2017 to March'2018	April'2018 to March'2019 (Prov.)	Value in
				US\$ Mn.
				Growth/ Decline (%)
	Rubber Products	1291.26	1409.32	9.14
1	Automotive Components	137.72	152.02	10.38
2	Bicycle Tubes	29.34	23.19	-20.95
3	Bicycle Tyres	41.2	33.95	-17.60
4	Conveyor, Transmission, V Belts	126.84	140.00	10.37
5	Floor Covering & Mats	72.49	74.35	2.56
6	Gaskets, Washers & Seals	148.79	190.79	28.23
7	Hoses	132.29	165.34	24.98
8	Latex, Dipped & Medical Including Contraceptives	90.15	94.22	4.52
9	Reclaim Rubber & Waste Pairings & Scrap	79.49	91.54	15.16
10	Rubber Cots & Aprons	7.67	9.04	17.91
11	Rubber Products n.e.s.	18.72	25.67	37.12
12	Rubber Sheets	318.05	302.20	-4.98
13	Synthetic Rubber	88.51	107.02	20.91

Source: MOC& I, Govt. of India

It is evident from the above table that the Panel has registered **an overall growth of 9.14% in export performance for the F.Y. 2018-19 as compared to the last Financial Year 2017-18.**

It is quite noteworthy that barring Bicycle Tubes & Tyres and Rubber Sheets, all the other segments of Product Heads falling under Rubber Products Panel have registered remarkable growth in exports showing clear sign of revival of exports and the hard efforts and dedicated approach of the member exporters have been recognized well. It yielded desired results. The members of these product-groups may opine to ensure consistency of the same growth figure in their fields & possible suggestions to further improvise their export performance.

Members may also deliberate on possible measures to achieve similar growth in those segments too wherein presently, it shows decline i.e. Bicycle Tubes & Tyres and Rubber Sheets.

**Value in
INR Mn.**

Major Items Group	April'2017 to March'2018	April'2018 to March'2019 (Prov.)	Growth/ Decline (%)
Rubber Products	83232.52	98664.16	18.54
Automotive Components	8877.83	10639.43	19.84
Bicycle Tubes	1891.11	1622.77	-14.19
Bicycle Tyres	2655.10	2378.61	-10.41
Conveyor, Transmission, V Belts	8176.14	9807.39	19.95
Floor Covering & Mats	4672.93	5215.65	11.61
Gaskets, Washers & Seals	9590.55	13375.43	39.46
Hoses	8527.24	11583.42	35.84
Latex, Dipped & Medical Including Contraceptives	5812.62	6583.86	13.27
Reclaim Rubber & Waste Pairings & Scrap	5122.98	6418.17	25.28
Rubber Cots & Aprons	494.79	634.26	28.19
Rubber Products n.e.s.	1206.52	1793.36	48.64
Rubber Sheets	20497.20	21131.88	3.10
Synthetic Rubber	5707.51	7479.94	31.05

Source: MOC& I, Govt. of India

ITEM NO. 3:

To fix the Export Target of Panel Products for the year 2018-19

The Panel Chairman in consultation with the members present may fix the export target for the financial year 2018-19 against each of product Heads.

ITEM NO. 4:**To note the Region Wise Membership Strength of the Panel**

The Membership Strength of the Rubber Products Panel including active & non active members as on date is furnished below for ready reference.

	EAST	NORTH	SOUTH	WEST	Total
As on 07.06.2019	25	213	186	240	664

Members may note that like all these years, Western Region has the highest membership base in the entire four regions for current year also.

ITEM NO. 5:**To discuss successful and active participation by Panel Members in the Export Promotional Events of CAPEXIL for the year 2019-20 approved under MAI Scheme of Ministry of Commerce & Industry, Govt. of India.**

As per the set practice & detailed deliberation in the last Rubber Products Panel Meeting held on 05.10.2018 at CAPEXIL Mumbai Office, the Council has submitted MAI Proposals in specific formats to the Ministry as per their requirement and stipulated time frame based on the thorough exercise, market research, data mining and in wake of current global trade scenario coupled with major thrust areas by Govt. of India to strengthen bilateral trade relation of India with various countries and regions across the globe.

Accordingly, the Council has got formal approval from the Ministry for three very potential overseas events for Rubber Manufactured Products (Non Tyres & Tyres Sectors). These events are 1] Exhibition cum Buyer Seller Meets (BSM) i.e. B2B Event at CIS Region (Kazakhstan, Russia & Belarus) in the month of September, 2019 2] CAPEXIL INDIA Pavilion at AAPEX'2019 Trade Show, Las Vegas, USA in the month of November, 2019 and 3] Exhibition cum Buyer Seller Meets (BSM) i.e. B2B Event at any three countries out of Japan, South Korea, Vietnam & China during March, 2020 respectively.

The detailed circular and modalities of the above events are being worked out and for CIS Region, the it has been already circulated to all the Panel Members. Rest of the detail and highlights will be discussed in the panel meeting for meaningful and active participation by Panel Members to advance their export interested in these promising markets / regions.

ITEM NO. 6:**To discuss various Issues /Export Constraints related to Panel Products**

CAPEXIL has been interacting with the concerned Government Authorities, concerned organizations at regular intervals concerning export constraints and major hurdles barriers/problems being faced by the member exporters of Rubber Products Panel which are annexed hereto to the agenda as Annexure "A".

The members present may take part in the deliberation and offer their views and remedial measures to solve these problems/issues. The Panel Chairman may also brief the house regarding representations sent by the Rubber Products Panel of CAPEXIL to various Govt. Authorities including MSME Ministry, Ministry of Finance, Ministry of Commerce, DGFT, Proposal under MAKE IN INDIA Initiative of Govt. of India etc. for the members' ready reference.

ITEM No. 7: Submission of Monthly Export Returns is mandatory:

Submission of monthly export returns online is mandatory and the Council on regular basis reminding the members about it. However it was observed by the Statistical Department of CAPEXIL that submission of export returns is not regular and some of the members do not submit their export returns in time. The Council therefore requests the Panel members once again to submit the monthly returns regularly including 'Nil' Return to facilitate Council to compile Export Statistics and present correct picture of growth to the authority concerned.

ITEM No. 8: To conduct Outreach Program for Industry Clusters as per directive of Ministry of Commerce & Industry, Govt. of India

In recent time, the Council has been receiving numerous queries & communications by the Ministry especially on the subjects pertaining to Trade Promotion, Export Awareness, Issues with the Industry Clusters, Efforts by Respective Councils for Export Promotion & Trade Facilitation, Key Result Areas etc. in order to have meaningful analysis and to help the Govt. Authorities in achieving target and objectives being firmed up by the Ministry on export front. As one of the trade facilitation measure and to achieve above objectives, the Council has been asked to conduct Outreach Program for different Industry Clusters. The Council also needs to provide very specific detail regarding exact date, venue, speaker / faculty, event topic and program outline for each of such proposed Outreach Program on urgent basis as it may be pertinent to note that the Govt. Officials may also attend such programs.

In view of above, the panel members may deliberate on the issue and suggest some of the Outreach Program based on their products clusters for the benefit of the Rubber Products Industry in general and export promotion of the members in particular.

Item No. 9: To discuss the proposal of IIFT for organizing Workshops with the CAPEXIL Member Exporters for various issues / problems in logistics

The Council has received formal proposal from IIFT for organizing Workshops with the CAPEXIL Member Exporters for various issues and problems particularly in the logistics area. All the paper for the subject matter will be placed in the meeting for the discussion and to explore possibilities to associate with IIFT for the benefit of trade and industry.

ITEMS No. 10: Any other points with the permission of the Chair

ANNEXURE – A
EXPORT CONSTRAINTS OF RUBBER PRODUCTS PANEL

1. PRE-IMPORT CONDITION OF NATURAL:

By far the biggest “BUG BEAR” is the pre-import condition as per Public Notice No. 81 dated 9th January, 2015 on NR wherein Pre-import of NR is imposed thereby violating the EXIM Policy wherein exports have been permitted immediately on generation of the file number of the AAs’ by the issuing authority. Further, the exports have to be within 6 months of its imports which is not practical as the delivery time for imports of all items under AA may take 3 to 4 months. The quantities involved for 1 order would not be sufficient to justify duty free imports and hence this would be totally uncompetitive exercise apart from the humongous paper-work. Rubber products is made up of nearly 15 to 20 different items like NR, Synthetic Rubber, Processing Oils, Additives, Carbon Black, Zinc Oxide, Rubber Chemicals, Processing Aids, etc. All these products have to be masticated and mixed and for further process to manufacture the required rubber products. The time frame for imports of all items under AA and then export of first consignment would be self-defeating exercise in futility.

2. PROTECTION TO DOMESTIC GROWERS:

The prices of NR in the international market are between Rs. 90/- Rs. 95/- per kg. Whereas the prices in the Country are about Rs. 130/- per kg (as on 25th September, 2018). With an imposition of 25% import duty and further cost of 10% by way of freight and clearing costs, the domestic growers already enjoy 35% protection. Further, the Country has produced only 6,90,000 MT of NR in 2017-18 which target was further reduced to 6,50,000 MT in 2018-19, however with the present flood situation in Kerala, they are expected to achieve production of only 600,000 MT of NR in 2018-19. Whereas the total requirement of the country is about 1.2 Million MT. The differential of this is met through imports. Of this, the total duty free import is to the extent of 58,742 MT and all other NR is duty paid. Hence, we are forced to pay duty at high rates even though Country cannot meet its current commitment. Therefore, as an immediate measure, Duty Free Import of 3,00,000 MT of NR should be allowed to bridge this wide gap up to certain extent.

3. INVERTED DUTY STRUCTURE:

Another serious problem faced by the rubber industry is the inverted duty structure wherein all the inputs for rubber industry are subjected to the peak rate of duty and Anti-Dumping Duty & Safeguard Duty whereas the finished products are being imported without any restrictions @ between 0% to 10%. This has turned to be detriment to rubber industry whereby many rubber products manufacturing industries are closing down and are resorting to importing cheap and environmentally unfriendly products in their own brands. In a study conducted by the Rubber Board in the States of Kerala, Maharashtra, Punjab and Tamilnadu, it has been found that 40% of the units are closed thereby causing loss of jobs. It is also a fact that the rubber industry employs nearly 7 million people and it is one of the highest employment provider per unit of capital invested. Moreover, many Rubber Products are getting replaced by Plastic Products due to cost of production and are being rebranded in their own brand.

4. **It has come to our notice that many rubber products are being replaced by plastic products.** We draw your attention to IS 15652 for Electrical Insulation Mat where base material is made from various types of rubbers and elastomers while even though the said specification specifies this product is to be made out of elastomer but this continues to be made in plastics for the last 10 years. A number of representations have fallen on deaf ears because of strong plastic lobby who are bulldozing their way at the cost of environment and green initiative of Government of India with scant regard to the “Swatch Bharat” Program. Everywhere in the World is this product being made out of Rubber / Elastomers and we must align ourselves to Worldwide Accepted specifications to promote the “MAKE IN INDIA PROGRAM”.
5. **GST:**
We would like to draw your attention to the GST required to be paid against imports under AA unless the pre-imports condition is satisfied under Notification No. 33 dated 13th October, 2017 for all the raw materials contained in the relevant AA. This is not possible as there are many small items which need to be clubbed together with a number of AA and then imported so that larger quantities are imported competitively. The GST should be treated like the Counter-veiling Duty which was totally exempt under AA thereby contributing to the Ease of Doing Business and avoiding blockage of funds. As it is, exporters are not receiving their GST refunds due to system failure and the authorities are pleading their helplessness thereby blocking high cost funds and depriving the exporters of Working Capital. This is an urgent requirement and should be looked into expeditiously to remove this hurdle retrospectively and no penalties to be levied against all imports under AA.
6. **Shipping Charges:**
Shipping Companies are charging and recovering various unrelated and unregulated costs which are not relevant to the services provided. Many of these charges are far in excess of those mentioned on their website as also there is no uniformity in such charges. The Director General (DG) of Shipping should be given regulatory powers to ensure that all such charges to be levied and recovered at the destination port should be mentioned on the B/L as was done by Sri Lanka & Bangladesh. This would give transparency and level playing field.
7. **Port Restriction for Import of Rubber:**
All Ports Restrictions should be removed for import of Natural Rubber & not only for Import under Advance Authorization. It should be permitted at any port as per exporters’ convenience.
8. **Inspection by Rubber Board:**
All Natural Rubber imported into India is subject to inspection at the discretion of the Rubber Board. This inspection can take anywhere between 7 to 15 days as the container has to be moved to a de-stuffing point. Samples have to be drawn by Rubber Board Official and sent to Kottayam for testing and approval.

Alternately, they also give an NOC which can be obtained only after filing the Bill of Entry after imports. Once the NOC is issued, it has to be sent to the office of the Rubber Board which may take another few days just to get their Rubber Stamp on the NOC. These are all time consuming and incurring transaction cost. For example – After getting the NOC from the Rubber Board, we have to send the same to New Mumbai for obtaining a Rubber Stamp which takes a whole day if based in Mumbai and 3 days if the unit is based in Nagpur.

9. **Direct Credit of MEIS:**

The promised simplification and fast-tracking for the high volume exporter is not addressed. For example, it was suggested that the value of the Scrips, now under MEIS, should be credited directly to the bank accounts of the exporter after exports are affected. This will save humongous paperwork and levy of GST which only cuts out the margins of the exporters. The applications for the Scrips call for a lot of information which is already with the authorities. In spite of this the applications are returned back with frivolous deficiencies.

10. **The Status Holder Scheme** seems to be suffering from serious shortcomings. The definitions of various categories of Status Holders have been made very stringent and quite impossible for any exporter to graduate from One Star to 2 Star and further. Double weightage should be given up to the 3 Star Export House level with the facilitation being provided to be clearly defined. A new category of Star Trading House may be added to give the high value exporter with clearly defined facilitation being provided to such trading houses.

11. **The MEIS merges all the other schemes like the FPS, FMS, MLFPS, Incremental export scheme and the VKGUY in itself.** The total cumulative benefits, basically to offset the disadvantages of the Indian exporter, has been reduced substantially. This will act as a serious dampener as markets like Europe, America and Australia, which are major export destinations for our rubber products are facing a slowdown. The currencies in Europe & Australia have seriously depreciated against the US dollar. The Exporters factor all their purchases in the US dollar which makes us a lot more uncompetitive. Our infrastructural deficiencies and huge transaction costs cause delays. The port congestion and the levy of congestion surcharge add to their miseries.

12. **Upward Revision of Investment Limit:**

The manufacturer exporter needs to be recognized due to the high value addition that he achieves apart from generating employment and taking the MAKE IN INDIA brand to the world. For such manufacturer exporters, the investment limits in the SME sector should be brought in line with those prevailing in the worldwide. The ASEAN region defines a small scale industry as one with an investment limit of US \$ 10 million hence the small scale unit in India should be permitted an investment of Rs. 50 crores provided such unit export at least 40% of their production.

Similarly the medium scale unit is defined as one with an investment limit of Euros 50 million in the European Union and therefore the investment limit for the medium scale sector here should at least be kept to Rs. 200 crores. This would help the industries to upgrade their machineries and production processes to world class levels and achieve world standards. Such units are also be permitted to import second-hand or used machineries under the EPCG scheme as most rubber machineries can be easily upgraded with change of electrical and electronic control panels to give the precision as per the currently manufactured machineries.

13. **Duty Drawback:** The rates of Drawback for the products in the non-tire sector are being progressively reduced as no data is forthcoming for the fixation of industry-wise drawback rates from the fragmented MSME sector. To overcome this lack of data, the Standard Input Output Norms (SION) as fixed should be used as the yardstick to provide the actual re-imburement of import duties on inputs.

The state level taxes and duties like Electricity, Fuel, Water, Stamp Duties, etc which was earlier offset by the Cash Compensatory Mechanism should be added on in Drawback to arrive the actual disadvantage suffered.

14. **High transaction costs due to high interest the high shipping and clearing charges, infrastructure deficiencies, port congestion** due to which the exporter suffers heavily as these charges are levied due to mismanagement at the ports and delays in every office of the facilitators - be in Customs, DGFT or the Excise. The growth in exports of rubber products has been maintained at 21% CAGR over the last two decades and this can easily accelerate to nearly 35% as Indian manufactured rubber products have maintained a very good perspective in terms of quality and deliveries. The authorities must look in to these issues and provide a time bound redressal mechanism with clear cut processes & procedures to be implemented in case of high value exporters.
15. **Interest Subvention** should be available to all industries including Rubber Industry (Chapter 40 Products) instead of selected industry.
16. **Imports under Advance Authorization and other export promotion schemes should be free of any tax or duties.** Proper refund mechanism is required for Duties & Cess paid for electricity, water, fuel etc. by the exporters for execution of export orders since these taxes & duties should not be exported along with the export goods.
17. Exporting Community should be given **PCFC** by their respective banks in Dollars at maximum of Libor + 1.5% against all the confirmed exports orders.
18. **Medium term loans** attract a very high rate of interest of between 14% – 16%. This is the single biggest discouraging factor to attract new capital investment. To encourage investment and promote employment, invests at between 6% - 8% should be given to investments of capital nature which would go a long way in promoting growth.

The interest rates are extremely high as compared to our neighbour's where near zero percentage interest is being charged. With falling rates and global recession, importers in other countries are demanding long-term credit which is a huge cost. Hence interest rates should be rationalized to be in line with the international norms.
19. **More Thrust / Focus to be given to Status Holders Exporters.** 15% of the exporters make up 85% of the total exports from our country. This core group of 15% should be clearly identified to offer special facilitation & fast track clearances in the DGFT, Customs, Excise & other trade facilitators to address their needs on an urgent basis.
20. Infrastructure deficiencies at Ports, Roads, Bridges which avoidably increase the Transaction Cost

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