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**CAPEXIL**

# Minutes of the 1st Rubber Products Panel Meeting (2018-19) of CAPEXIL held on Friday, 05th October, 2018 at Mumbai.

At the outset, Mr. M. F. Vohra, Chairman, Rubber Products Panel and Mr. V. R. Chitalia Director & Panel Officer, CAPEXIL, Mumbai, welcomed all the Panel Members present and thanked them to make it convenient to attend the said Panel Meeting for meaningful interaction in the interest of Indian Rubber Industry.

Thereafter, all the members present were requested to introduce themselves & they exchanged their business cards. All the Panel Members present also informed the house regarding their core business activity & their achievements in the export field too. The Panel Chairman has taken a note of the same and appreciated their contribution to the growth story of the country as well as also stressed upon active participation by all the major exporters of Rubber Industry in various International Trade Shows, Exhibitions, B2B Events, and Delegation etc. Mr. M. F. Vohra, Chairman – Rubber Products Panel also insisted that Indian exporters should put their dedicated efforts and focused approach for market penetration & execution of meaningful business events in Europe, North America, Focus LAC, Focus Africa, Focus ASEAN+2 as well as Focus CIS Region.

Thereafter, the agenda items were taken for the discussion as under:

**ITEM NO. 1:**

**To confirm the minutes of the last Rubber Products Panel Meeting (2016-17) of CAPEXIL held on 18.05.2017 at CAPEXIL, Mumbai**

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Mr. M. F. Vohra, Chairman of the Rubber Products Panel informed the participants that the minutes of the above referred Meeting were circulated to the members of the Panel vide Circular No: CAPEXIL/WR/VRC/RPP(A&M)/1445 dated 12th June, 2017 and so far the Council has not received any comments from the members of the Panel. As such the minutes may now be confirmed. The House unanimously confirmed the same accordingly.

**ITEM NO. 2**:

**To Nominate a Vice-Chairman of the Panel for the current year (2018-19)**

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The Panel Chairman has informed the House that Dr. Shobha Dhawan, CMD of M/s. Deusch Motocomp Pvt. Ltd., Noida has been the Vice Chairman of the Panel for the last years and she has actively participated in the Council’s activities and representation of Rubber Products Panel issues and Industries’ constraints with various Govt. Authorities time to time. The present Panel Members have appreciated her contribution and unanimously decided to continue her as the Vice Chairman of the Panel for the current year i.e. 2018-19. Dr. Shobha Dhawan has reciprocated this decision with her sincere gratitude and thanked the house for giving this opportunity once again and assured her best possible efforts to represent the panel issues with all the concerned authorities as per best of her ability and efficiency.

**ITEM NO. 3**:

**To Nominate Representatives to represent the Panel in the Regional Committees for the current year (2018-19)**

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As per the usual practice & in order to give proper representation of the Panel, following members have been nominated by the House unanimously as the Panel representatives from the different Regions other than the Chairman’s own region for the current year i.e. 2018-19

1. Dr. Shobha Dhawan, CMD of M/s. Deusch Motocomp Pvt. Ltd., New Delhi for Northern Region.

2. Mr. Chacko Varghese, Filatex-VCT PVT. Ltd., Kerala for Southern Region.

3. Mr. Sanjeev Mishra, Export Manager, M/s. Tega Industries Ltd., Kolkata, for Eastern Region.

**ITEM NO. 4**:

**To review the export performances of various items of the Panel during 2017-18 vis-à-vis 2016-17**

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The Panel Chairman has reviewed the export performance of various items of the Panel during the period April’2017 to March’2018 vis-à-vis Export data of April’2016 to March’2017 in consultation with Panel Members present. All the present Panel Members have gone through Export Figure in USD Million for individual product group and noted that the Rubber Products Panel has registered an overall export growth of 23.32% in export performance for the F. Y. 2017-18 as compared to the last corresponding F. Y. 2016-17.

Panel Chairman further opined that it is quite noteworthy that all the segments of product heads falling under Rubber Products Panel have registered remarkable growth in Exports showing clear sign of revival of exports. The hard efforts & dedicated approach of the member exporters have been recognized well & it yielded desired results. The present panel members further discussed that the member exporters of Rubber Products Panel need to ensure consistency of the same growth figure in their fields and to strive further to achieve bigger milestones in exports.

However, the Panel Chairman also informed the house that growth in export in 2017-18 as compared to 2016-17 looks more in percentage because last few years were not good as far as exports were concerned. In last few years until 2016-17, the panel had registered lower export performance in Value Terms though it was higher on volume terms.

Further Mr. M. F. Vohra, Panel Chairman has informed that house that many of the members are not submitting their export returns regularly and adopting conservative approach. Therefore, it becomes difficult to get the correct export figure of each product segment. He also opined that many of the Rubber Products are being exported & registered under Engineering Goods Category including Anti Vibration Rubber to Metal Products & hence, the export data of various Rubber Products Heads may not reflect the actual performance.

The house has further discussed that due to following factors apart from various other constraints as enumerated in detail in the attached Annexure A, the Export Growth of Panel Products is being restricted to the certain extent and the Panel Member Exporters are not able to explore the export opportunities to its fullest.

* Global Demand & Supply contradiction i.e. very less demand as compared to manufacturing capacity. Lower demands in European Market and other major countries across the globe
* Economic Meltdown and Severe recession across the world
* Political unrest and crisis in many countries with high export potential
* Consistent Depreciation in Rupee value as against global currencies

The Panel Members after detailed discussion has arrived to the conclusion that even after factoring the above aspects, the Export of Panel Products has been growing @ more than 20% annually and has even bright prospects provided the major export constraints to be addressed by the concerned govt. authorities on top priority. It was also noted that in spite of all odd factors and international market situation, the growth rates in most of the segments of Rubber Products remained consistent.

At this juncture, Dr. Shobha Dhawan, CMD of Deusch Motocomp Pvt. Ltd. & Vice Chairman of the Panel has informed that house that Automotive Rubber Components has very good scope in export market and presented various study papers wherein it was opined by the global experts on the trade that Indian Automotive Rubber Products Industry poised to grow at extra ordinary pace and will take its position as one of the Leading International Player / Country as far as exports are concerned.

She has also highlighted importance & significance of Automation in the industry and insisted that Indian Exporting Community should receive these developments and trends of automation & technological up-gradation whole heartedly to tap the tremendous potential in the global market.

Members were glad to note such positive outcome and expressed their confidence in the Indian Automotive Rubber Components & Products Industry for their quality products at competitive price, efficient service & consistent supply.

Mr. M. F. Vohra, Chairman of the Panel and Dr. Shobha Dhawan, Vice Chairman of the Panel have also opined that there must be huge thrust on R&D Activities, QC Measures, Export worthy Packaging as well as push for Infrastructure Development, Energy Surplus etc. to sustain in the International Market on long term basis with desired visibility and creating of Brand India Image.

**ITEM NO. 5:**

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

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Based on the export performance of the Panel products in the year 2017-18 as discussed in detail as mentioned above, the Panel Chairman in consultation with the members present has fixed up the export target of the Panel for the Financial Year 2018-19 against each of product Heads as below:

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| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | | |  | | **USD Million** | |
| **Sr. No.** | **Major Items Group** | | | **April’2017 to March’2018** | | | **Export Target in (%) for F.Y. 2018-19** | | **Export Target**  **April’2018 to March’2019** |
|  | **Rubber Products** | | | **1250.91** | | | **19.60%** | | **1496.12** |
| 1 | Automotive Components | | | 137.72 | | | 20% | | 165.26 |
| 2 | Bicycle Tubes | | | 29.34 | | | 10% | | 32.27 |
| 3 | Bicycle Tyres | | | 0.88 | | | 10 to 15% | | 1.01 |
| 4 | Conveyor, Transmission, V Belts | | | 126.82 | | | 20% | | 152.18 |
| 5 | Floor Covering & Mats | | | 72.49 | | | 12% | | 81.18 |
| 6 | Gaskets, Washers & Seals | | | 148.79 | | | 20 to 25% | | 185.98 |
| 7 | Hoses | | | 132.29 | | | 30% | | 171.97 |
| 8 | Latex, Dipped & Medical Including Contraceptives | | | 90.15 | | | 10% | | 99.16 |
| 9 | Reclaim Rubber & Waste Pairings & Scrap | | | 79.49 | | | 10% | | 87.43 |
| 10 | Rubber Cots & Aprons | | | 7.67 | | | 10% | | 8.43 |
| 11 | Rubber Products Nes | | | 18.71 | | | 25% | | 23.38 |
| 12 | Rubber Sheets | | | 318.05 | | | 20% | | 381.66 |
| 13 | Synthetic Rubber | | | 88.51 | | | 20% | | 106.21 |
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**ITEM NO. 6**:

**To note the region wise membership strength of the Panel**

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The House & present Panel Members have noted the total Membership Strength of the Panel i.e. 663 members and also took due note of the members’ numbers in each region with highest number of members in the Western Region on consistent basis since its inception i.e. 225 members as on date in Western Region only.

**ITEM NO. 7:**

**To decide Panel’s participation in the Overseas & Domestic Events for the year 2019-20 under MAI Schemes for submission of Proposals to the Ministry of Commerce & Industry, Govt. of India.**

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Mr. M. F. Vohra, Panel Chairman & Mr. V. R. Chitalia, Panel Officer briefed all the present panel members that as per the set practice, the Council is required to submit the MAI proposals for participation in Overseas & Domestic Fairs viz. Trade Shows, Exhibitions, B2B Events, Trade delegation etc. during the Financial Year 2018-19 to the concerned Department of the Ministry of Commerce & Industry, Govt. of India, New Delhi for timely approval.

The MAI Proposals need to be submitted Online through the MAI Online Portal (<https://mai.commerce.gov.in>) by 15th October, 2018 as per MAI Guidelines. The Ministry has requested very meaningful proposals from the Council for the year 2019-20 for desired benefit to our member exporters to advance their business interest in the International Market.

At this juncture, Panel Chairman advised Mr. Chitalia to explain the MAI Scheme & Benefits in detail to the house and accordingly, Mr. Chitalia has elaborated the major characteristics and highlights of the prevailing MAI Scheme & Guidelines of Ministry of Commerce, Govt. of India to the member exporters. Mr. Vohra has also insisted to the members that they must get benefit of all such export promotional schemes to advance their export interest in the International Market by participating in Council’s Events with monetary grant on stall, airfare etc.

Mr. Vohra informed that the house that all these years, the Council has been organizing various Trade Promotional Events, Participation in well-known Tradeshows, Exhibitions etc. with CAPEXIL INDIA Pavilion, Organizing Business Delegation, Market Outreach Programs, Business Networking Sessions, B2B Meets, Importers’ Outreach Programs etc. across the globe for the benefit of member exporters to advance their export interest as well as to assist them monetarily for overheads / expenses incurred for participation in such events under Trade Promotional Schemes viz. Market Access Initiative (MAI) Scheme as well as under erstwhile Market Development Assistance (MDA) Scheme.

Thereafter, Mr. Vohra has placed the Detailed Guidelines of Revised MAI Scheme of MOC&I, Govt. of India & the List of Major Tradeshows, Exhibitions & Global Events relating to Rubber Products Industry (Non Tyres & Tyres Sectors) during the panel meeting for detailed discussion and deliberation by the present panel members.

The panel members had detailed discussion on each and every event with their pros and cons. Mr. Vohra has further requested the panel members to suggest most potential events to enhance their existing export business so that the same can be collated and uploaded on the MAI Online Module well within 15th October, 2018.

After detailed deliberation, it was unanimously decided by the house to participate & organize following events under MAI Action Plan for the Financial Year 2019-20 to ensure utmost benefit and support to the panel members who are mainly from MSME Sectors. These exporters need hand holding from Govt. of India by way of monetary assistance as well as providing information platform of MAKE IN INDIA Pavilion at the major trade shows across the globe with series of B2B Meets in various countries.

1. MAKE IN INDIA Pavilion by CAPEXIL at SEMA Show’2019 / AAPEX Show’2019 at USA with B2B Meets in USA & Mexico during November, 2019
2. Exhibition cum Buyer Seller Meets at Russia, Kazakhstan & Belarus in Second Quarter of Financial Year 2019-20
3. Exhibition cum Buyer Seller Meets at Japan, S. Korea, Vietnam, China (any 3 out of these 4 countries) during Last Quarter of Financial Year 2019-20

During the discussion, some of the members have enquired that whether any grant is available if member exporter travel on his own and participate in individual capacity in overseas show or exhibition. Mr. Vohra & Mr. Chitalia have replied that Individual Participation in the overseas event will not be admissible under any scheme and will not be incentivized by the Govt. Authorities.

These schemes are applicable only in case of participation in group through CAPEXIL as per CAPEXIL Event Calendar duly approved by the Ministry of Commerce& Industry, Govt. of India on year to year basis.

Some of the members have also opined that participation from one product sector in 40 to 50 numbers would not be practically possible and feasible. Govt. must consider to give approval of the event under such scheme for smaller group of 15 to 20 member exporters. Accordingly, it has been unanimously decided to propose around 20 participants in all the above MAI Proposals for official submission to the Ministry of Commerce & Industry for their due approval.

The Panel Chairman also informed the house that nowadays, the tradeshows are becoming more and more product & sector specific and there is specialized segment and product focus instead of general tradeshow covering all the rubber products. The panel members fully agreed to his views and opined the same.

**ITEM NO. 8:**

**To discuss various Issues / Export Constraints related to the Rubber Products Panel**

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Mr. M. F. Vohra, Panel Chairman and Mr. V. R. Chitalia, Panel Officer had informed & briefed the present Panel Members for the various export constraints & major hurdles in the export of panel products as highlighted in the Annexure A.

They further informed the house that the Council has been vigorously following-up with concerned Authorities & Ministries for amicable solutions for all these issues from time to time. Mr. M. F. Vohra also informed the house that all these issues are also flagged in the recent meetings with Commerce Secretary, Joint Secretary, DGFT etc. in Ministry of Commerce & Industry, Govt. of India as well as during various Interactive Sessions, Open Houses etc. He has further informed the present members that these issues are also highlighted in the presentation prepared on Export Strategy as well as earlier under detailed presentation prepared in Text as well as Power Point for National Policy on Rubber (NPoR).

**The members had deliberated in detail especially the primary export constraints of the panels viz. Inverted Duty Structure, MEIS Scheme, Carbon Black, Definition of SME Unit, Shipping Constraints, Restriction of Import of Natural Rubber, Inspection of Imported Natural Rubber, Non Availability of Natural Rubber, Conditions of Export within 6 months of Import & Condition of Pre-Import, Simplification, Status Holder Scheme, Duty Drawback, High Transaction Cost, Interest Subvention Scheme, Protection to Domestic Growers & Urgent need for duty free import of 300,000 MT of NR to bridge the gap between Demand & Supply up to certain extent, replacement of many rubber products by plastic products, High Banking Interest Rates etc.**

Mr. Vohra has also briefed the house regarding prevailing SMEs Limit in other neighboring countries, Europe and ASEAN Region as compared to very negligible limit in India. He also enumerated various shipping charges and heads under which foreign shipping companies are exploiting Indian Exporting Community and making huge money. It is net foreign exchange loss for the country as well. The present panel members have noted the same with due care and requested to represent their individual problems to the council.

It has been appreciated by the present panel members that CAPEXIL has been vigorously & consistently taking up these issues of great concerns with Shipping Authorities, Ministry of Commerce, Ministry of Finance, Port Authorities etc. by using various available platforms / forums in the best interest of the Industry.

Mr. Vohra has further expressed the genuine concern of the Industry regarding the Pre-import Condition which is being enforced under Notification No. 79/2017 dated 13th October, 2017. He firmly opined that this Notification is a major hurdle and serves no purpose. Also there is no logic in imposing such a condition as he further briefed the house that the GST Notification notifies that they would subsume all taxes and cess and there will be ONE TAX – ONE NATION. But here is a classic case where one tax (IGST) is paid 3 times. The countervailing duty was one such tax which was to be subsumed by GST when the same was enacted in July 2017. Since the IGST against imports is levied in lieu of Countervailing Duty, it should be considered in the same manner and IGST should be exempted on all imports against AA’s as was the practice prevailing. However, as an after- thought and to gain additional revenue at the cost of exports and pre-import condition, which is violative of the EXIM Policy.

As per Exim Policy 2015-20 under Para No. 4. 27, we can commence our exports under the Advance Authorization (AA) immediately on receipt of the file number. Therefore, on issue of the AA, we can start our exports in discharge of our export obligations and ensure that resultant product is supplied in a time bound manner to the foreign buyers. Therefore, exports of the product are not dependent on import of inputs under the AA.

Before imports of inputs under AA, we are required to submit a legal undertaking or bond with a bank guarantee which is redeemed after the export obligation is completely discharged to the satisfaction of DGFT and the Customs Authorities. The AA is purely a scheme for export production/promotion which is linked to export obligation and hence no hurdles should be placed. The validity of the AA is initially 18 months with two extensions permitted of 6 months each. Hence the period is totally 30 months in normal course.

With pre-import condition on AA, we are required to import all the inputs prior to export production failing which we are required to pay the applicable IGST which would be refunded, as we understand it, after discharge of the export obligation which may extend up to 30 months as explained above. India is a high cost economy where interest rates are extremely high and no bank would lend money in anticipation of receipt of GST. The interest rates are anywhere between 12% to 18%. On 30 months basis, approximately 40% of the IGST amount is blocked on account of interest alone. Exports are carried out at marginal costing of between 3% to 10%. An AA holder has  already given a legal undertaking or bond with bank guarantee to DGFT/Customs to cover the Basic Duty, Antidumping Duty/Safeguard Duty to cover all taxes.  In case the AA holder does not discharge the export obligation, all the above taxes are   to be  fully recovered along with interest from the date on which consignment has been imported up to date of payment.  Hence we are required to pay IGST 3 times and have to wait long periods to claim refunds . WHERE IS THE EASE OF DOING BUSINESS.

**It is a sad commentary on the GST Authorities due to which Rs. 80-100 Billion are still pending as exporters dues to be paid on account of IGST Refunds since July 2017.**

He further reiterated that the MSME sector  contributes  nearly 40% of the total exports basket and generates 55% of employment.  Imposing such pre-import condition will sound a death-knell to the MSME sector which cannot afford to block up costly funds and would never be competitive under these conditions. In many products there are 10 to 15 raw material inputs to make the resultant product. If the AA holder has to import all the raw materials , by the time he gets the same in his factory,  to satisfy the  pre-import condition, it would be at least 3 to 4 months and the buyer  cannot  wait.  Therefore, the manufacturer   uses  other locally procured materials on which GST is pre-paid or we consume imported raw materials from earlier AAs’ which then later gets replenished. Hence the exporter  is required to  pay IGST again on inputs.  On scrutiny of these AAs’ containing between 10 to 15 items of inputs, there are many items which are very small in quantities and it would not be economical to import them as per AA’s  and hence they have to club a number of AAs’ at their convenience. Therefore,  Pre-import condition cannot be satisfied and the exporter ends up paying the IGST 3 times.

**All these practices are detrimental to the Initiatives being taken by the Govt. Authorities for MAKE IN INDIA & Ease of Doing Business.**

The other concerns expressed by one of the member exporters viz. M/s. National Rubber Corporation, Mumbai regarding Duty Drawback and Problems in Uploading of Shipping Bill, E-BRC on DGFT Website were also discussed in detail.

The another issue of ITC HS Classification of Baby Bottle Nipple made from Silicon (Ref. Borivali Rubber Works) was also discussed in detail and Panel Chairman advised the firm to apply for Advance Authorization and import the materials under proper chapter and HS Code.

**ITEM No. 9:**

**Submission of Monthly Export Returns is mandatory:**

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The present Panel members have noted that submission of monthly export returns online is mandatory and the Council has been reminding the members for the same on regular basis.

At this juncture, the Panel Chairman has once again reiterated that 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. Accordingly, the Panel Chairman & the Panel Officer have once again requested the Panel members 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.

**ITEMS No. 10:**

**Any other points with the permission of the Chair**

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As there were no other issues / agenda points pending for discussion, the Meeting thereafter ended with a Vote of Thanks to the Chair.

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