Plastics industry seeks hike in duty to curb imports

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Faced with a sharp decline in exports and increase in imports, India's plastic manufacturers have urged the government to increase Customs duty, levy anti-dumping duty and review free-trade agreements (FTAs) to restrict the supply of cheap and poor -quality products from overseas markets.

Plastic producers, under the aegis of the All India Plastics Manufacturers Association (AIPMA), met with other players in the value chain to discuss measures needed for revival of the plastics industry in India. AIPMA, which represents around 22,000 industrial units of plastics and allied products, highlighted the need to bring the plastics industry on a growth trajectory to prevent these manufacturing units from closure, and improve exports of plastic products.

"The plastics industry is currently witnessing depression in the market. This has led manufacturing units to halt their expansion and investment plans. There is a need for the government to come out with clear plans and a strategy on various fronts in order to spur the much needed growth," said Arvind Mehta, chairman (governing council), AIPMA.

In October, India exported plastics worth $693 million, down 10.9 per cent from $778 million reported in the corresponding month of previous year. Cumulative value of plastics exports from April – October 2019 stood at $5.02 billion, as against $5.37 billion reported in the corresponding period of the previous year. Jagat Killawala, president, AIPMA, believes that the plastic industry is one of the major contributors to the economy, and is expected to play a key role in India becoming a $5-trillion economy.

Elaborating on the demands, Killawala said that taking into account the short-term as well as long-term growth of plastics processing units, the industry has urged the government not to raise import duty on key raw materials, but certainly on finished products.

The plastics processing industry comprises over 50,000 micro and small units employing around 5 million workers. It is a major contributor to the Indian economy, manufacturing goods worth ₹3.75 trillion annually.

However, it is under severe stress because of cheap imports from China and other South Asian countries. The industry has demanded that a difference of minimum 10 per cent should be maintained between the Custom duty on raw materials and finished plastics goods.

The domestic industry claims that it is suffering because of cheap products being dumped by China and other countries. The industry has demanded that to prevent under-invoicing by foreign players, a floor price should be established on finished goods.

"There is a need for the Directorate General of Trade to recommend anti-dumping duty on finished plastic goods originating in or imported from three major dumpers, including China, for a period of at least five years," said an expert.

Existing FTAs with various countries have failed to yield the desired results. It has resulted in massive imports of finished goods from FTA countries into India at zero concessional duties, thereby adversely affecting the competitiveness of the Indian plastics processing industry. However, exports from India to these countries have marginally grown, leading to huge trade imbalance. The industry has demanded that all existing FTAs be reviewed, and polymers and products made of polymers be excluded from all FTAs.

There is also a need for the government to implement the standards laid out by the Bureau of Indian Standard (BIS), to prevent circulation of poor quality products in the market, says the industry.

"The industry demanded that Custom duty of polyvinyl chloride (PVC) be brought down from 10 per cent to 7.5 per cent, as nearly 50 per cent of demand in India is being met through imports because of lack of domestic capacity. Any increase in Custom duty will affect the agriculture sector due to high use of PVC pipes and fittings," Mehta added.

EXPORT DATA: PLASTIC COMPONENTS ($ mn)

(Apr-Oct)	FY19	FY20	% chg
Plastic raw material	2,624.0	2,089.0	-20.4
Plastic sheet, film etc	855.5	879.4	2.8
Moulded and extruded goods	644.1	734.4	14.0
Packaging material	489.1	504.9	3.2
Optical items	276.9	261.2	-5.7
Other plastic items	212.6	258.8	21.7
Stationery/office/school supply	143.6	136.7	-4.8
Human hair, products thereof	126.5	152.4	20.5
Total	**5,372.3**	**5,016.8**	**-6.6**

Source :-https://plexconcil.org/ Compiled by *BS* Research Bureau

How Sitharaman stacks up against her predecessors

ARUP ROYCHOUDHURY
New Delhi, 14 December

It is not easy to be Finance Minister Nirmala Sitharaman right now. As she heads into her second Budget, the economy is facing its worst slowdown in 26 quarters, inflation is inching up, with the Reserve Bank of India revising its forecast to 5.1-4.7 per cent for the second half of 2019-20. It also reduced its GDP growth forecast for the year to 5 per cent, from 6.1 per cent earlier.

Meanwhile, all the available data for October and November so far indicates that the October-December quarter may not be that much better than the previous two quarters.

The government expects a recovery in the second half of the year, but it may not be as sustained as the Centre expects.

The slowdown is visible across sectors, and is exacerbated by the liquidity crisis in the NBFC sector. Sitharaman has announced many sector-specific steps since August to address the slowdown, and has also slashed corporation tax rates. But these measures are on the supply side and do not address the lack of willingness to spend or invest on the demand side.

In some ways, Sitharaman's second Budget will be more crucial than her first. After repeated rollbacks and a series of announcements to address the slowdown, it is now clear that the political leadership lost the narrative after the 2019-20 Budget. In the 2020-21 Budget, it will try to stamp its vision and narrative.

So, while the situation Sitharaman finds herself in may not be that good, how does it stack up against her three immediate predecessors — the late Arun Jaitley, P Chidambaram and Pranab Mukherjee. Piyush Goyal is not being considered because he took charge for a very short time while Jaitley was recovering from various health issues.

Arun Jaitley

When Jaitley took office in May 2014, he promised fiscal rectitude and stuck to it, despite missing his own targets twice. Fiscal deficit was reduced to 3.4 per cent in 2018-19 from 4 per cent in 2014-15. He was also lucky as global growth was picking up and oil prices stayed below $70 a barrel for most of his tenure.

Jaitley will go down in history as the Finance Minister under whose watch demonetisation and the implementation of goods and service tax were carried out, within six months of each other. While the latter is still a work-in-progress, the government's narrative of the benefits of the former don't cut much ice. The economy went on a sustained slowdown because of the effects the two policies had on the informal sector and micro, small and medium enterprises.

During Jaitley's time, the Insolvency and Bankruptcy Code was also passed and inflation was kept under control. However, it was also during his tenure that the Reserve Bank of India finished its asset quality review and the real extent of toxic assets in the banking system came into light.

Pranab Mukherjee

Mukherjee became the Finance Minister for the second time in January 2009 and held charge till June 2012, when he became President of India. When he took charge, the world was reeling from the aftershocks of the collapse of Lehman Brothers and the global financial crisis. Many commentators, including those in North Block, then believed that India would be relatively safe from global headwinds. It was not to be. In subsequent Budgets, the government went on an expenditure spree in order to shore up economic growth.

According to the old series, real GDP growth was 8.9 per cent in 2010-11, the highest during Mukherjee's tenure. However, the high spending also led to inflation issues, and fiscal deficit was as high as 5.9 per cent of GDP in 2011-12. CPI inflation was as high as 9 per cent that same year.

For a number of reasons, while India remained the fastest-growing major economy during Mukherjee's time, it was an unsustainable growth. Apart from rising inflation, current account deficit and the widening income gap, global slowdown and high commodity prices also played a part.Mukherjee will be remembered most for setting up the Financial Stability and Development Council and for announcing the infamous general anti-avoidance rules.

P Chidambaram

Chidambaram took charge of the Finance Ministry for the fourth time. He had inherited an economy in a mess, and his first task was to gradually reduce the fiscal deficit, which was down to 4.5 per cent of GDP in 2013-14.

He spent most of his term firefighting and trying to save a sinking economy, as anger was rising against the Manmohan Singh government for its mismanagement of the economy and the corruption charges against it. Inflation peaked in 2013-14 and Chidambaram's job was not made any easier by sustained high global oil prices and the taper tantrum of 2013.

South Indian Bank needs ₹1,000 crore in Tier-I capital

ABHIJIT LELE
Mumbai, 14 December

South Indian Bank (SIB) will require ₹1,000 crore capital (Tier-I) in the next 15 months to improve its provision cover for bad loans and maintain a growth rate above the banking sector.

Its provision coverage ratio (PCR) was at a low of 30 per cent in September against over 60 per cent for most banks.

Tier-I capital of the bank stood at 9.6 per cent at the end of September 2019.

India Ratings and Research (Ind-Ra) has revised outlook for the lender from "stable" to "negative" and affirmed its long-term issuer rating at 'A+'.

The outlook revision reflects the Kerala-based lender's higher proportion of stressed assets to net worth, subdued profitability along with lower provision coverage compared to peer banks.

This has been exerting additional pressure on the bank's already weakened capital buffers, thereby increasing the importance of raising Tier-1 capital in the medium term.

The affirmation reflects SIB's stable liability and funding franchise, improved diversification of loan book, and sizable presence in terms of size and scale in key south Indian geographies, the rating agency said.

SIB's capitalisation has weakened over the last 11 quarters (Basel-III Tier-I capital at 9.6 per cent in September 2019) due to decline in internal accruals.

Its credit costs have been rising while the proportion of non-agri and SME gold loans has come down.

There could be further pressure on the asset quality owing to slippages from below 'BBB'-rated corporate borrowers and small mention accounts 2 (SMA2) accounts in the second half of FY20.

It currently has adequate liquidity. SIB's short-term (one year) asset-liability profile remains matched. Also, the liquidity coverage ratio stood at 200 per cent in the first half of FY20. It is well above the regulatory requirement of 100 per cent.

The bank's pool of bonds over the statutory liquidity ratio (SLR) requirement was to the tune of ₹1,200 crore (around 1.4 per cent of deposits) in the first half of FY20.

SIB has a well-diversified business profile, with the retail (excluding gold) segment at 26.7 per cent of the overall book.

The share of corporate and SME accounts stood at 30.8 per cent and 24.3 per cent, respectively.