

Plastic producers suffer from rise in raw material cost

India's overall goods exports declined almost 9% in November 2020 from the year ago month and exports during the first eight months (April-November 2020) fell 17% because of the disruption amidst the COVID pandemic. It is well known that exports of pharmaceuticals, cereals, fruits and vegetables, spices, oil meals and iron ore witnessed positive growth amidst strong overseas demand for Indian goods in these categories. Among categories that witnessed negative export growth are: gems & jewellery, leather, electronics, apparel, petroleum products etc.

Plastic and plastic products also witnessed decline in exports to the extent of 7% during April-November 2020. Major plastic products exported by India are: polyester films, rigid packaging materials, woven sacs, composites or FRP products, cordage or fishnets, consumer goods and houseware and plastic raw materials. Plastic raw materials account for more than 30% of overall plastic exports from India. Although export of plastic raw materials declined in the month of October, exports during April-October grew 3.5%.

Some other sub-categories of plastics also witnessed strong growth in recent months. For example, data for October 2020 suggests that export of tableware, kitchenware and toilet articles made of plastics grew 0.2% to USA. Similarly, export of electrical switches to Czech Republic and Turkey witnessed positive growth. There was also increase in export of textile fabrics coated, covered or laminated with plastics. Other plastic articles that witnessed positive growth in exports are: pipes and fittings, polypropylene articles, optical fibre bundles and cables, certain kinds of plastic plates, sheets, films foil & strips, acrylic polymers, stoppers, lids, polysulphides, cellulose and its chemical derivatives.

In order to support exports, the plastics industry has suggested government to extend interest subvention scheme, which is currently available to MSMEs, to non-MSME units as well as they account for 70% of overall exports. Similarly, the industry has demanded a cap of 25-40% on collateral requirement for bank credit beyond Rs. 2 crore.

While majority of our exports are destined to USA, Europe and the Middle East, experts feel India should diversify its export market by exploring Africa, Latin America and South East Asia. Most of the plastic exporters are based out of Gujarat and Maharashtra, with both the states contributing 60% to the overall exports.

The global market for plastics and allied products is pegged at USD 621 billion and India is the 17th largest exporter of these goods, with annual exports of USD 7-8 billion. China, USA, Germany, South Korea, Belgium and Japan are the top exporters of plastic products, with China alone accounting for 13% of world exports, followed by USA and Germany (10% each), South Korea and Belgium (5% each). India has a share of hardly 1% in world exports. The Plastics Export Promotion Council of India (Plexconcil) aims to enhance exports to USD 25 billion by 2025 and it plans to boost exports to Australia, Brazil, Indonesia, China, Germany, Israel, Italy, Kenya, Malaysia etc.

In order to boost exports, the council introduced a mobile app that will connect local MSMEs to global clients through buyer-seller meets. The app also supports its members through other features such as

exchange of business enquires, regular updates on export promotion schemes, trade notifications and trade fairs.

India is also a major consumer of plastics as our total plastic imports is almost double our exports. Reports suggest that India figures among top five consumers of polymers in the world. India largely imports polymers for further processing into value added plastic products. Currently, there are at least 50,000 plastic processing units that employ more than 4 million people in India, media reports suggest.

Being one of the large consumers of plastics, the recent rise in price of plastic raw materials such as polyvinyl chloride, high density polyethylene and polypropylene have hurt the cost competitiveness of local producers. Reports suggest that prices of key plastic raw materials have risen by 30-140% in the last five months and the local polymer price is at least 15% higher than global price. Plastic manufacturers allege that India's petrochemical companies such as BPCL and IOCL, that are key producers of polymers, are profiteering by creating artificial scarcity of the product.

According to industry sources, the increase in domestic prices of plastics can be controlled by preventing exports of polymers, which creates shortage of raw materials in the local market. The industry has also petitioned the government to facilitate import of raw materials by removing anti-dumping duties on plastic raw material imports and also by exempting mandatory Bureau of Indian Standards (BIS) norms. The government's policy which requires imported plastic products to comply with the local BIS norms restricts timely import of these raw materials by domestic industry.

The COVID crisis has triggered realignment of global supply chain and India can position itself as an alternative sourcing hub for value added plastic products in the post-pandemic world. The Plastics Export Promotion Council has identified 50 value added products where India can emerge as a champion manufacturer. However, in order to strengthen our export competitiveness, industry needs access to raw material and finance at reasonable cost.

Notifications

Press Information Bureau

NE region will emerge as a favorite tourist and trade destination

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1681995>

Minister launches India-Australia Strategic Report

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1681689>

Skill India sets up first Center of Excellence in Power Sector

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1681757>

MoU defines convergence in implementation of micro food processing scheme

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1681808>

CBIC

Safeguard measure on imports of Phthalic Anhydride from South Korea

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-tarr2020/cs44-2020.pdf>

DGFT

Allocation of preferential export of sugar to USA under TRQ

<https://content.dgft.gov.in/Website/dgftprod/3c57a97e-ee31-44d5-af38-477fbb08b7a3/PN%2033%20Eng.pdf>