
Auto parts sector seeks more duty cuts

Friday, 03 Jul, 2009

It is reported that country's auto parts industry is hoping for duty concessions on raw materials and an increase in customs duty on imported products in the upcoming union budget in July.

Mr Pankaj Mital COO of auto component maker Motherson Sumi Systems Limited said "From an industry perspective everyone would like customs duties to be lowered as much as possible on the raw material side. That will help the industry to become more cost competitive."

However, customs duty on most steel items as well as copper, key imports for auto parts industry is currently around 5%.

Mr Mital said "You have customs duty on the raw materials here, if that is lowered competitiveness of the manufacturing sector will improve," adding that the government needed to continue with its already launched reforms for the sector.

According to sourced, the government has already cut excise duties across the board to 8% in February in a move to protect vulnerable industries such as automobiles from the global economic crisis. Declining domestic market and lower profitability on exports led to falling sales for most auto component makers for much of 2008-09.

The Automotive Component Manufacturer's Association which had asked for a fund for modernization in the past year, as an incentive to boost investment has not made public its budget wishlist for 2009.

According to an industry source, the small and medium enterprises would require a technological upgradation fund of around INR 10 billion.

Mr Arvind Kapur MD of Rico Auto Industries Limited said "Customs duties on imported auto component products should be raised to 10% from the existing 7.5% to boost local production. We hope the customs duties are brought up. Because of the recession China and other countries have started dumping components in India. They should take it up to 10%."

Analysts, however, said the upcoming budget will not carry any major sops for the industry.

Ms Vaishali Jajoo analyst at Angel Broking said "We are expecting a neutral budget for auto parts industry. We are not expecting any major benefits. Right now looking at the fiscal deficits they would look at priority sectors first."

(Sourced from www.autoindia.com)

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