

Excise sops for polyester makers

Indo Rama, Century Enka among others to benefit from full Cenvat credit

Economy Bureau

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Over a dozen polyester producers without backward integration such as Indo Rama, Modern, Century Enka, JBS and Sanghi Polyester are set to benefit from an increased Cenvat credit, as the finance ministry on Thursday halved the excise duty on intermediates paraxylene (PX), purified terephthalic acid (PTA) and dimethyl terephthalate (DMT) to 8% and cut the duty on mono ethylene glycol (MEG) from 16% to 12%. The excise duty on polyester chips has also been halved to 8%.

The measure would be neutral to Reliance Industries, the largest manufacturer of these intermediates, and also of value-added products like polyester staple fibre (PSF) and partially-oriented yarn (POY). Acrylic fibre producers such as Consolidated Fibres, India Acrylic and Pasupati Acrylon would also similarly gain, as the duty on their raw material acrylonitrile has been cut from 16% to 8%.

In Budget 2006-07, duty on manmade fibres and filament yarns was reduced from 16% to 8%. But the duty on interme-

diates was kept unchanged at 16%. This had created an inverted duty structure and accumulation of unusable Cenvat credit with independent PSF and PFY producers, who buy the intermediates from Reliance

is not facing the problem of unutilised credit. The Reliance Hazira plant is an integrated facility for polyester making. The consumers of manmade fibres could benefit through price reductions, if the compa-

LEVEL PLAYING FIELD

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► Budget decision to reduce excise on PSF and POY from 16% to 8% & keep duty on PX, PTA unchanged at 16% created inverted duty structure & accumulation of Cenvat credit with independent producers



Industries, Indian Oil and Mitsubishi.

"We would have lost Rs 80-100 crore in a year due to unutilised credit. We welcome the decision to correct the anomaly," said OP Lohia, managing director, Indo Rama.

Since Reliance produces PSF and POY on its own and has multiple product lines, it

panies decide to pass on the benefit.

"The government should have reduced customs duty on PTA too. The inverted duty structure exists there as well, with the differential between PTA and PX being 8%," said DKNair of Confederation of Indian Textile Industry. ◆