



Representation on OPTICAL FIBRE INDUSTRY to DoT/DiT/MoC

As you are aware that this Optical Fibre industry caters the demand of making available, a continuous link for communication and acts as a media which allows un-interrupted/theoretically without loss link for its usage for the purpose of telecommunication, video / data transfer and others usages like cable TV etc. Today Optical Fibre laid, supports crucial infrastructure of telecommunications and forms the backbone of this sector.

However at present, this industry is facing a typical situation wherein we solicit for your kind support once again. Following discussion elaborates present critical situation of the Industry. We are sure that our requests forwarded herein shall be considered favorably in light of typical situation, which was never expected /faced by any industry in recent past.

1. Products & its Usage :

As mentioned earlier, the industry manufactures very sophisticated, high technology products namely Optical Fiber for its usage in Telecommunication (Basic & Cellular Telephony), video/ data transfer and others like cable TV etc.

Optical Fiber deployed is mainly used for Basic & cellular telephony purpose. Around 80% of the capacity laid is used for this purpose alone only. The other applications are like data / video transmission for Information technology purpose. However this usage is to a limited extent. Other applications like Cable TV etc are not significant in terms of percentage usage over basic telephony.

2. Manufacturing Technology:

Optical fiber manufacturing involves process of making high purity Synthetic Quartz Glass Rod consisting of its Core and Clad (outer part) with different refractive index. This process is usually called as preform manufacturing process, is the most important part of Optical Fiber manufacturing. In a most controlled atmosphere, High technology equipments deposits various chemicals and high purity silica is deposited inside the Glass Tubes at very high temperature. The Preform thus produced is drawn further on Fiber draw tower into thin thread. Ultraviolet Curable coating is applied to make it flexible. Optical Fiber thus manufactured goes further through various tests like Attenuation, Tensile Strength, PMD, and DOF etc for its conformance to quality parameters. These quality parameters are very stringent parameters. In case the results are not within these specified limits, the lot generated gets rejected and scrapped. Such scrap generation doesn't involve any further regeneration.

The quality parameters applicable are getting improved /revised on continuous basis and becoming more and more stringent. To achieve required levels, continuous improvement in technology, process up gradation is must which involves Capital expenses, Research, and development costs & inputs with improved quality.

In nutshell, this technology installation is done incurring very high cost by Optical Fiber Industry and costs are further incurred due to above said reasons.

In India substantial Capital is employed in this sector till date. It's important to note that over the years the Investments in Optical Fiber manufacturing has increased in multifold.

	Sterlite	Finolex	BEOL	Aksh	Surana	Total
Installed Capacities in FKM (as per annual report)	6,000,000	600,000	1,500,000	800,000	250,000	9,150,000
Approx Investment (Rs Crore)						1,576

These investments were made based on certain market study / projection made by Industry as well as Independent Research Agencies like KMI, CRU etc. Indian Market for 2007-08 has been at 8 million FKM, hence its evident that the Indian Optical Fiber manufacturing capacity is adequate to serve the domestic market.

Following was the scenario in Year 1999-2000 predicted for the Industry.

3. Market Situation in 1999-2000 & Expansion in Capacity

The year 1999-2000 witnessed a quantum jump in the deployment of optical fiber based communication systems. The growth was driven by network providers keen to establish sound infrastructure and be the 'first in place' to service bandwidth-hungry applications in Telephony, internet commerce, electronic data IT interchange, video-on-demand services and increasingly popular wireless services.

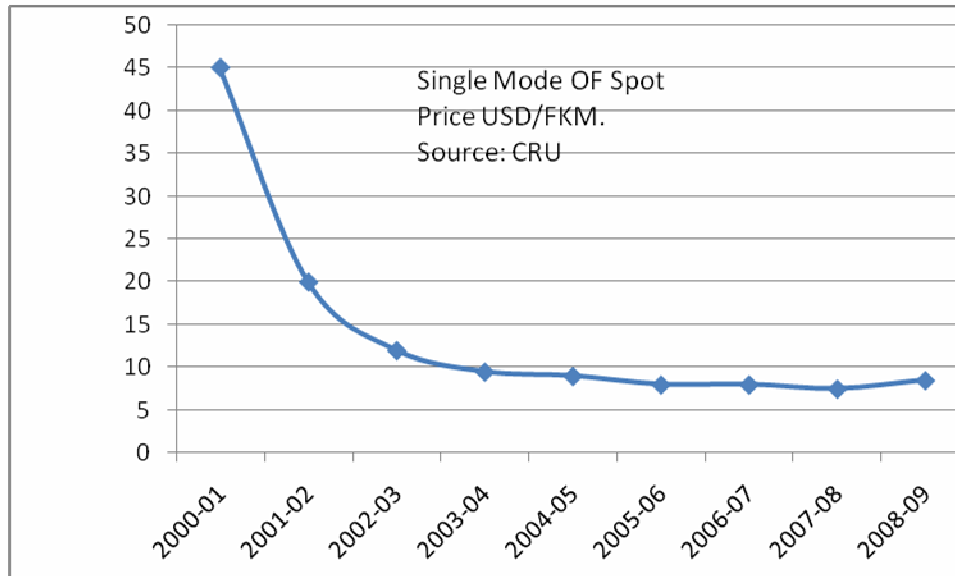
The year 2000 saw demand for optical fiber surging 40% year on year to a total of 90 Mn FKM (Fiber Kilo Meters). KMI in their study Projections showed demand crossing 235 Mn FKM by 2004 - a growth of over 150% over three years.

Indian Industry exported products valued more than Rs. 500 crore till end 2000 and established various customer accounts in the USA and Western Europe, also performed consistently with quality requirements of these developed countries. Given the growth scenario that was unfolding in the global markets, Industry saw a clear opportunity to put itself, firmly on the global Optical Fibre map. Decisions were taken to increase existing plant capacities.

While the global majors spent upwards of USD 2.6 Bn (Rs 12,500 Crore) to increase capacity by ~50% (from 90 Mn FKM in 2000 to 135 Mn in 2001), Industry in India invested more than Rs 1500 Cr. to increase capacity from 1 Mn FKM in 1999 to 9 Mn FKM in 2008.

There was a corresponding impact on global fiber price levels, due to expanded capacities. Single mode fiber witnessed severe erosion in selling price over the period Year 1999 to 2005, & the same is still continuing. The strong demand conditions that were predicted by international research firms like KMI Corporation were revised.

Following are the extracts from CRU & KMI.



There is still an over-supply of almost 100% in the optical fibre market (145 Mn Fkm of demand vs 165 Mn Fkm of installed capacity)

It's predicted that Market is expected to take shape in Asia, more particularly in China & India. These two countries are only the significant customers as on date for Optical Fiber Market. Hence all suppliers have already started concentrating their focus on this segment. All different measures are being / expected to be taken up to grab this market segment. Those could be even unethical business practices like low cost / dumping.

Indian industry is completely ready to compete in this situation. However, at this moment industry solicits for very basic important help by Increasing import duty on supplies Optical Fiber to India from overseas suppliers.

It may please be noted that although these overseas manufacturer have also suffered loss but this was after very long period of very good earning. Whereas Indian Industry who has become completely self sufficient in very short period of time, suffered unexpected setback in this short span.

Also it's important to confirm at this moment that Indian Industry is also working hard to emerge as lowest cost producer industry in world. This is expected in near future as a result of various initiatives already taken.

Besides the large investments done, Optical Fiber industry has generated direct employment of approx 6000 persons and many-fold more indirectly by way of supporting various input material and service industry.

However as on this date, the Indian Industry is buckling under adverse market conditions where there is

- ❖ Selling Prices at never expected lowest levels
- ❖ Heavy Losses already incurred by Indian Industry continuously for approx 4 years
- ❖ Heavy Capital expenditure already incurred on account of expansion in capacities

- ❖ Well established Competitors with high capacities carrying huge stocks , ready to offer further low Price (and dumping)
- ❖ Competitors also enjoys better position in terms of Profits earned earlier & Reserves available

There was also discussion in between United States & European Union wherein EU suggested US to reduce the duty on Optical Fibre as being the input for manufacturing Optic Fibre Cable. However, US strongly denied the same. This matter has come-up in Report issued by EU on “Report on United State Barriers to Trade & Investment” published in November, 2002. Page No. 14, para The Information Technology Agreement .

The USA has protected the important core technology based industry of Optical Fibre as being a most important sector and most of the manufacturing capacities are located within USA).

To substantiate above discussion further it may be noted the machinery required for producing Optical Fibre & Cable appearing under HSN No.8479.40 and 8475.40 has not formed part of the ITA list. Also Duty application on these till date attracts the peak rate.

Your kind consideration is invited towards the item Preform appearing under 7002.10. Similar increase in the Applicable Duty for Imports of Preform since Preform manufacturing constitutes major part of Optical Fiber manufacturing process.

With this background, we sincerely request for immediate protection to this industry in present scenario. The points discussed above are narrated in nut shell as given below with:-

1. **To continue Peak Rate of Import Duty (BCD) of 10% for “Optical Fiber and Optical Fiber Cables under Chapter 90011000**
2. **Increase /Continue the applicable duty on item Preform appearing under 7002.10**
3. The industry had made significant investments in optical fiber manufacturing in India.
4. Optical Fiber industry is highly R&D and Technology driven
5. Indian Optical Fiber Industry has sufficiently higher production capacity than the domestic demand.
6. Indian Optical Fiber Industry employs around 6000 people.