

PRESS RELEASE

Unabated Rise in Steel Prices Hits Indian CE industry & its MSME Supply chain

The unabated rise in prices of steel has hit the Indian CE Industry hard, impacting both its export competitiveness and profitability in the domestic market, hit hard by the pandemic. Steel is a major raw material for the CE industry whose products are critical to infrastructure development in the country. Reacting to the latest increase of INR 4000 per ton announced in May 2021, Mr Sandeep Singh, President ICEMA said “the abnormal increase in steel prices in India have placed India’s already stressed construction equipment industry in a tight spot”.

As per the prices released by the Steel Authority of India Ltd, the steel prices that stood at INR 41,400 in July 2020 increased by almost 60%, touching INR 68,452 in June 2021. If reports are to be believed, these are poised to increase further to INR 70,000.

The sharp increase in steel prices over the last one year has not augured well for most industries including the CE Industry, one of the biggest consumers of steel in the country. Even as the CE industry is headed southward in the current financial year, with many infrastructure projects having been stalled due to the pandemic, there is little scope of transferring the price increase to customers. Though the CE manufacturers have been absorbing the price rise, if the trend continues it will be difficult for them to bear this additional cost. As always, MSMEs from the industry who constitute a large part of the supply chain, are unlikely to weather the severe blow dealt by the continuously rising prices.

While the CE Industry stands committed to playing its key role in India’s journey of becoming a USD 5 trillion economy through economic growth and infrastructure development, in the current scenario the industry finds itself unable to optimize its potential towards the mission of self-reliance and becoming an export hub. “Unfortunately, the disruptions in supply chains due to abnormally high steel prices and challenges arising out of non-availability of domestically produced steel will impede the CE industry’s ability to contribute to mission critical programs under the government’s National Infrastructure Pipeline”, rued Mr Singh.

Over the last one year, as steel prices hardened globally, governments in countries such as China, the largest steel producer in the world, stepped in to regulate prices. The last week of May 2021 saw China’s federal government implement stricter oversight of commodity markets to control exorbitant prices and protect the consuming industries.

Against this backdrop, the Indian Construction Equipment Manufacturers Association requested the Government to address the challenges facing this industry. While calling for a holistic approach at the macro industry level, ICEMA hopes that the government would take initiatives to alleviate the CE industry’s key challenges including rising raw material prices, limited supply and import restrictive measures. ICEMA urges the government to immediately remove all tariff and non-tariff import barriers on steel to ease the availability and competitiveness of industries such as ours that are critically dependent on this vital raw material.