

22nd December, 2020 / 18350

Shri Nitin Gadkari

Hon'ble Minister of Micro, Small and Medium Enterprises
Government of India
New Delhi.

Respected Sir,

Greetings from Gujarat Chamber of Commerce and Industry (GCCCI).

As you would kindly agree, the MSMEs are the backbone of the nation's economy and contribute significantly to both the profits as well as employment. Also, most of the units in the core manufacturing sectors such as Engineering, Automobiles, Real Estate and Construction etc. are MSMEs.

Sir, we would like to bring to your kind notice a very serious concern faced by the MSMEs which needs to be addressed immediately. The issue is so severe that if left unaddressed, it is threatening the very existence of the MSMEs in this post Covid period.

Sir, Steel is an essential raw material for many key industry sectors such as Engineering, Construction, Foundry, Automobiles, Fabrication, Railways and Transport, Pipes and tubes manufacturing etc. It is also indirectly used in making machinery which is used by almost all of the manufacturing sectors of the industry. The price of steel has a major impact on the overall industry and any significant increase in its price can therefore result in huge losses or additional capital expenditure that the industry is not prepared to handle, especially during the current Covid-19 pandemic scenario.

In the past 2-3 months, the steel prices in the country have seen an increase of almost 40-45%, which does not seem natural and logical due to the below mentioned reasons:

1. If we consider the trends over the past years, the prices of steel have never witnessed such a huge increase and that too within such a short time duration. The current wholesale price of hot-rolled coil (HRC) ex-Mumbai is Rs. 51,000 per tonne as compared to Rs. 36,500 per tonne in July 2020. This price rise is higher than the all-time peak prices of October 2018.

Natubhai Patel
President

Hemant N. Shah
Sr. Vice President

K. I. Patel
Vice President

Pathik S. Patwari
Hon. Secretary

V. P. Vaishnav
Hon. Secretary (R)

Sachin K. Patel
Hon. Treasurer

2. If we compare the price increase of steel in India vis-à-vis the international prices, we find that internationally the prices have increased on an average by only around 15%.

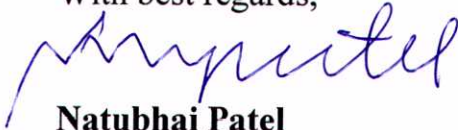
3. The price of iron lump and fines, which are the basic raw material for manufacturing steel has increased by only about 15% during this period.

In view of the above points, we strongly believe that this price rise is not justified and is absolutely uncalled for. It seems that some steel conglomerates have created a cartel and are causing an artificial spike in prices. This is therefore against the principle of free competition and on the contrary, it is monopolistic and arbitrary in nature.

Sir, the MSMEs were absolutely unprepared to face this unprecedented price rise and this has badly hit them in this post Covid time when they are making all efforts to revive their business. Due to this price increase, the industry is set to face huge losses and sudden rise in bankruptcy cases as many projects are set to become unviable due to a direct impact on cost of production. The MSME units have to accept the price rise by the steel companies on one hand while on the other hand they are unable to pass on the increased price to the end users due to their contracts. This is causing huge losses to these MSMEs and they are facing severe problems in honouring their orders. The working capital requirement has also increased suddenly due to which a severe cash crunch has been created.

We therefore request your good self to kindly intervene in the matter to ensure that a detailed investigation is made in the matter with the support from Competition Commission so that this artificial price rise can be controlled immediately. We further suggest that necessary instructions should be issued to the banks to offer an adhoc increase in working capital limits to the MSMEs in view of this price rise.

With best regards,



Natubhai Patel
President

C.C. to:

1. Hon'ble Minister of Steel, Ministry of Steel,
Government of India, Udyog Bhavan, New Delhi-110011.

2. The Competition Commission of India, 9th Floor,
Office Block-1, Kidwai Nagar (East), New Delhi-110023.

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