Basking under protection, steel makers charge huge premium in domestic market over export price, says EEPC India

Basking under a slew of “protectionist” measures initiated by the government, the Indian steel makers are enjoying a huge premium in the domestic market, up to USD 200 a tonne, cutting into the competitiveness of highly employment-oriented user industries, mostly in the SME sector, the EEPC India has said.

“There is a clear discrimination against the domestic users as the steel makers are fully exploiting various protectionist measures , “ said Mr Ravi P Sehgal, Chairman of the apex engineering export organisation, EEPC India.

He said export price is much lower than the domestic prices of the finished steel as also different products. “ To us, the domestic users, steel and products are supplied at a much higher prices raising the overall cost of production and in short raising the price difference between export price and domestic price of steel. The difference in the export price and the domestic prices is estimated to be around $150 - $200 per tonne. Barring wire rods, the domestic price of all other steel products is found greater than the export prices of the given products”.

Illustratively, against an average export price of USD 497 per tonne, the domestic prices of HR coils had been pegged at a huge mark- up, at USD 700 per tonne in September, 2017, as per the latest data compiled by the EEPC India. Likewise, domestic users of CR coils were made to pay USD 786 per tonne against the international price of USD 566 per tonne for the month. For the billets, the domestic prices were USD 603 per tonne against the global rates of USD 453 per tonne. Similar trend is visible in , pig iron and wire of iron and non-alloy steel with difference of USD 125-USD 200 per tonne.

The year-on-year price increase effected by the steel makers in the domestic market range between 19 per cent on CR coils and 36 per cent on Billets and as much as 39 per cent for a product category called ' Blooms'.

" This is unsustainable for the domestic user industries as the steel makers have enjoyed the protection of the government through measures like Minimum Import Price, ' Safeguard duty and anti-dumping duty on imports , leaving the user industries in the country , particularly in the SME segment, at the mercy of the mega sized steel companies, " Mr Sehgal said.

He said while the steel makers are having best of times both in the export market and in the domestic economy, the SME exporters are finding it difficult to compete and take advantage of the uptick in the global demand. “It is true that there is an improvement in global demand but we need to be controlling our costs to remain in competition and if the basic raw material prices are jacked up at this speed, it is the SMEs which become vulnerable. Remember, it is the SME sector which provides the maximum of jobs”.