

PPMAI Requests Finance Minister to Restrain Hiking Import Duty on Stainless Steel



ARUN JAITLEY - Union Finance Minister



Process Plant Machinery Manufacturing & Exporting companies in the country have written to Arun Jaitley Union Finance Minister of India to stall any move by his ministry to increase import duty on stainless steel from recently hiked present 7.5 % to 15 % in near future as it will help create monopoly for the domestic producer and will deprive their members from gaining competitive edge in global markets.



V. P. RAMACHANDRAN

The Union Finance Ministry had increased import duty on flat rolled stainless steel products from 5% to 7.5% in the Union Budget 2014 to 2015.

V. P. Ramachandran, Secretary, Process Plant and Machinery Association of India said that, "We are alarmed to observe that the steel ministry has initiated a proposal to increase the import duty on stainless steel products from recently enhanced duty of 7.5% to 15% with tremendous haste for stainless steel coils and sheets

used by hundreds of SMEs. Such an action to increase the import duty from recently increased level of 7.5% to 15% on imports of stainless steel coils and sheets will lead to anomalous inverted import duty structure given the fact that stainless steel end using products especially in chapter 73 attract import duty of 10% only."

V. P. Ramachandran further added, "This action will make domestically produced end products far less competitive vis a vis imports of finished end use products. These imports will replace the demand for domestically produced finished end use products and will kill the domestic end using industry and RESULTANTLY the domestic stainless steel industry. For example, the utensil industry will be immediately hurt. Therefore the move to increase the import

duty to 15% will be counterproductive."

He said that the Indian stainless steel industry has a poor range of products with near monopoly of one producer in private sector. Salem Steel Plant has limited range of products. The domestic industry has enjoyed automatic protection due to the impact of depreciation of the rupee from INR 40 a dollar to INR 60 in past two years. There are anti dumping duties applicable on a host of stainless steel imports from practically all countries on the behest of local single private sector producer.

V. P. Ramachandran elaborated that the proposal to increase rate of duty to 15% exceeds the peak rate of duty of 10%. Such a proposal will mean higher duty for raw material imports than the finished goods and capital goods which will hurt the capital good industry apart from consumer goods industry. A host of the imports in stainless steel flat products by the end users do not offer competition to the domestic production sources because the domestic industry does not manufacture these grades and sizes.

He said that, "PPMAI membership comprises of mostly SMEs including Consulting Engineers & Engineering, Procurement & Construction Management Companies, Engineering Procurement & Construction Contractors. Equipment Manufacturers & Fabrication Companies, Project Construction Contracting Companies. Inspection and Quality Assurance Companies, who will see their operating margins fall sharply if you go ahead with this move. The domestic producers are catering to low end needs whereas our members cater to high end products in domestic and export markets for which imports are essential."

However, PPMAI is hopeful and has confidence in the new government that it will take care of all end user industries including SMEs and not support any action which leads to creating monopoly to suit one business house.