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**CONSTRUCTION
FEDERATION OF
INDIA**

Date: October 31, 2022

Hon'ble Union Minister of Finance
Ministry of Finance
North Block
New Delhi

Kind Attn: Smt. Nirmala Sitharamanji,

Sub: Request for continuation of Export Duty for Stability in Steel Prices

Madam,

We would like to highlight the merits of continuing the export duty imposition on certain steel-making raw materials & finished steel products and the benefits it served to the MSME's and the growth of infrastructure/Development activities. The visionary schemes of the GOI require a huge quantum of steel, which will even exceed the present production capacity of steel in India. It is also a fact worth mentioning that the GOI has been focusing on a Capex-led development of the economy through the exchequer itself as investments from the private sector are lagging.

To make Atma Nirbhar Bharat successful, it is imperative that domestic manufacturers prioritize catering to domestic consumption requirements. However, certain apprehensions are being raised by many of the steel manufacturers & associations to the Steel Ministry on account of excess capacity in steel production.

In view of above, we would like to draw your kind attention to the below given actual details drawn from JPC, Steel Ministry reports, and analysis from CRISIL, E&Y and CareEdge.

Capacity Utilization:

The global steel capacity utilization is in the range of 70-75% for the past few years.



Source: Worldsteel Association

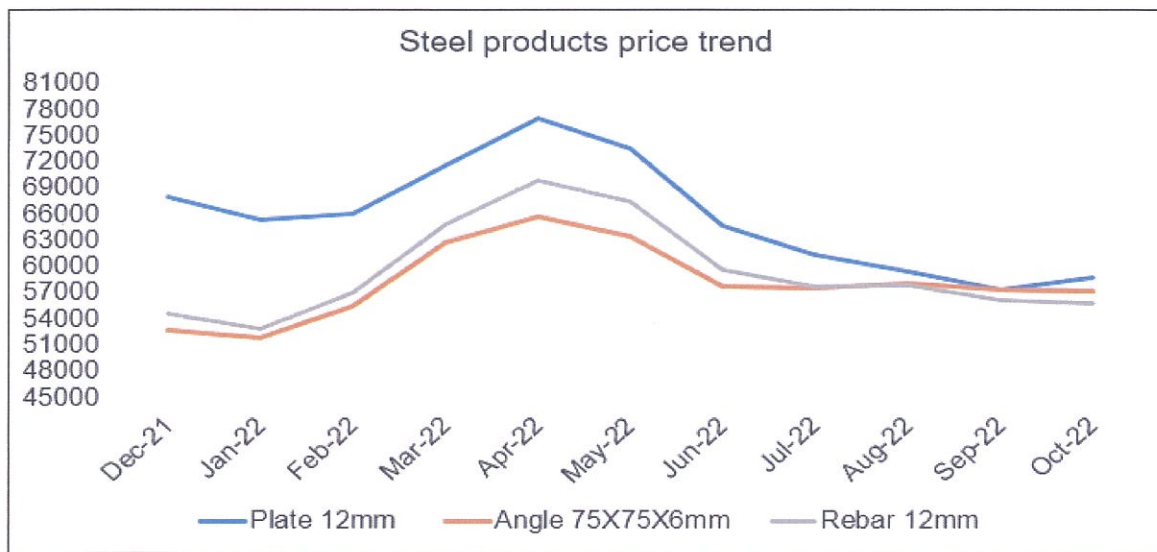
Capacity Utilization of Indian steel mills are also in the range of 70-78%

| Year | Crude steel | | |
|-------|---------------|-----------------|--------------------------|
| | Capacity (MT) | Production (MT) | Capacity Utilization (%) |
| 2017 | 137.975 | 101.455 | 74 |
| 2018 | 142.236 | 109.250 | 77 |
| 2019 | 142.299 | 111.344 | 78 |
| 2020 | 143.914 | 100.256 | 70 |
| 2021* | 154.269 | 118.134 | 77 |

Source: JPC; *Provisional (January-December, 2021)

From the above table, it is very well clear that the Capacity utilization of Indian manufacturers is at par or higher than the global benchmark level and it is a matter of fact that the manufacturers prefer to export rather than catering the same to full domestic consumption, which is increasing at a faster pace than production.

Month-wise prices of various steel products before and after imposition of export duty:

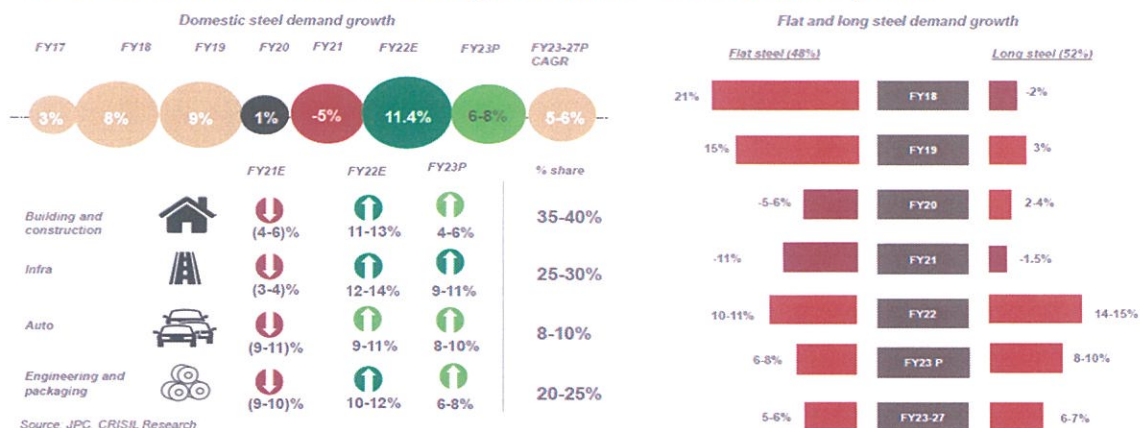


The above graph shows that the domestic prices have been brought to a level of pre-Covid stage after the imposition of Export duty on Finished Steel and this price should be stable at a reduced level and adequately available only if the export duty implementation continues.

Flat Steel Consumption:

- The flat steel demand growth forecast is expected to increase in the range of 5-6%.
- Flat steel consumption in auto sector is expected to see relief due to increased availability of semi-conductors.
- All sectors - Housing, Bharatmala, Sagarmala, Freight corridor, Metros & Udan indicate continuous growth which will boost steel demand & consumption.

Steel demand to see decent growth in FY23 on infra push



From the CRISIL report, it is evident that domestic consumption is robust as all the sectors are growing aggressively.

It can be inferred that the present production in India will not be able to cater to the domestic demand and if export duty is withdrawn, it will only create an impetus to export which will result in further price increases and shortages in the domestic market.

This will create huge pressure on various industries like Infrastructure, Auto, Engineering, other Capital goods and MSMEs.

Industrial Federations:

MSME's are yet to recover fully from the COVID disaster, and all local industrial unit Federations & Associations have also represented to various departments of GOI for continuing the export duty on finished steel items.

Trade Deficit:

The trade balance issue is not fully on account of steel exports, and it has its own dynamics with global economic as well as geopolitical factors. Hence, steel manufacturers' representation on the Balance of Trade is a temporary phenomenon.

In view of the above and to make Atmanirbhar Bharat successful for the infrastructure development to continue unhindered and for the economy to grow at a faster pace, the price of steel should be stable at a reduced level and adequately available, which can only happen if the export duty implementation continues for a longer period till the global socio-political situation improves.

Keeping in view the difficulties elaborated above, we humbly request your good self to kindly consider taking adequate measures to continue the imposition of export duty as per the Custom Notifications dated 21st May 2022 to ensure that the prices of Steel including Semis and Alloy steel remain stable and are available for Indian Infrastructure development.

With sincere regards,



(Ajit Gulabchand)
_President