

Budget: As Chinese stainless steel imports surge, Indian MSMEs feel the heat

By Nilanjan Banik, ET CONTRIBUTORS • Last Updated: Jan 20, 2022, 10:52 AM IST



With the Budget fast approaching, some 400,000 people employed in the medium, small and micro (MSME) factories in the stainless-steel industry, are desperately hoping for a change in their fortunes. If the new Budget (2022-23) restores the countervailing duty (CVD) imposed on stainless steel products from China and Indonesia, it will not only provide them with a level-playing field, but also an impetus to continue with their manufacturing business.

Ever since the government announced the suspension of CVD in these two countries in the last Budget (2021-22), India has seen a massive surge in imports, which has created uncertainty among the existing players, adversely affected the business and investment climate in the country, and forced many of the MSMEs to shut shops in hordes. Most of these smaller players have found it impossible to compete with the highly subsidised stainless- steel originating from China and Indonesia

In recent months, the capacity utilization of the MSMEs have dwindled to anywhere between 60% and 50%, because of the dumped imports with the bulk of the underutilized capacity being concentrated in the fragmented MSMEs sector, which contributes nearly one third to the stainless-steel capacity.

Such a drastic reduction in capacity utilization has driven many of the producers out of business, resulting in significant unemployment in this industry, and has converted a lot of manufacturers into traders. The various associations of re-rollers have also pointed out that many of their members, who wanted to make fresh investments in terms of setting up new plants, have now put their investments on hold because of the adverse circumstances. If not corrected, the situation for MSMEs will further deteriorate. In December 2021, the European Commission imposed 33.4% CVD on Stainless Steel flat products from Indonesia, pushing Indonesia to dump more into India which, ironically, seems to be the only stainless steel producing country with no level playing field.

The MSME sector currently has nearly 70 - 80 melting units and more than 500 units are engaged in rolling and employs over 400,000 direct and indirect labour. The MSMEs have already invested about Rs 5,000 crore in plants and machinery and have invested another Rs 5,000 crore in working capital. With a total installed capacity of anywhere between 12.5 to

15 lakh ton per annum for melting and hot rolling and cold rolling, the MSMEs work on wafer-thin margins and therefore are the worst hit by the surge in imports.

In fact, the best period for the stainless-steel industry was between October to March of 2020-2021, when the capacity utilization of stainless-steel players touched a high of 90%, according to various MSME stainless-steel associations. The reason- although the CVD had been imposed on imports of Chinese stainless steel flat products on September 7, 2017, but they had resorted to dubious means to dump their goods in India through the Indonesian import route. But once the CVD was imposed on Indonesian import route. But once the CVD was imposed on Indonesia in October 2020, that route too was blocked, thereby ensuring a level-playing field to the domestic players.

In a letter to the Finance Minister, the All-India Stainless Steel Cold Rollers Association, a leading body for producing and supplying stainless-steel in India, has clearly expressed its difficult state of affairs. "As we are recovering from Covid, if the CVD is not urgently imposed, our MSME members would not be able to hold on and shut down and become traders," the letter argued.

The adverse impact of subsidised imports of Chinese and Indonesian stainless-steel flat products have been felt across the country by the MSME players. Jodhpur, which produces nearly 25% of the total output, Ahmedabad (25%), Bhivadi (15%), Jagadhari (15%) and National Capital Region (20%) all have taken the brunt of the losses. These players produce inputs for utensils and other household applications. These players comprise both induction furnace players- those who melt the steel and sometimes also produce hot rolled flat products- and those who make the cold-rolled flat products.

Hence, it is of utmost importance for the government to withdraw the suspension of CVD on China dated September 7, 2017. Secondly, accept the fresh final CVD findings on Indonesia as recommended by the DGTR on January 15, 2021, and levy anti-subsidy duty on imports from Indonesia.

Since the stainless-steel industry is the top target for imports, it requires significant assistance in creating a fair playing field. There is an urgent need for trade remedial measures to be imposed in ongoing/ completed cases where it has been proved that subsidized stainless steel is being dumped.

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