

Import duty cut on inputs of CRGO steel

As per recent CBEC notification, import duty on hot rolled coils, cold-rolled Magnesium Oxide (MgO) coated and annealed steel, hot rolled annealed and pickled coils, cold rolled full hard which are the inputs used for the manufacture of cold rolled grain oriented steel (CRGO) has been reduced to 5%.

CRGO steel is used for the cores of electrical and power transformers and other electrical appliances. This steel product is largely imported as the country lacks the capability to produce CRGO steel.

With this announcement, the import duty on raw material used for the manufacturing of CRGO steel has reduced which will reduce the input cost. This, in turn, is expected to give some encouragement to domestic steel producers to produce CRGO steel that is imported.

In May 2017, the government imposed anti-dumping duties on import of hot-rolled and cold-rolled flat steel products. This included 47 steel products that originates or are exported from China, Japan, Korea, Russia, Brazil and Indonesia.

Contact:

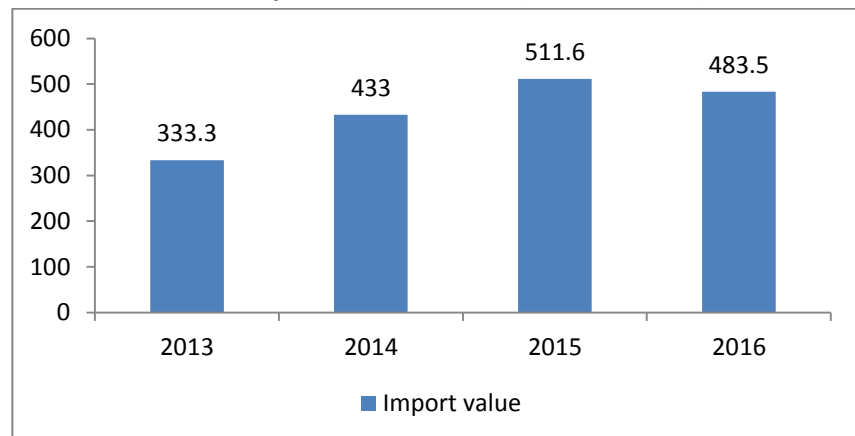
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Chart 1: Imports of CRGO steel (in USD million)

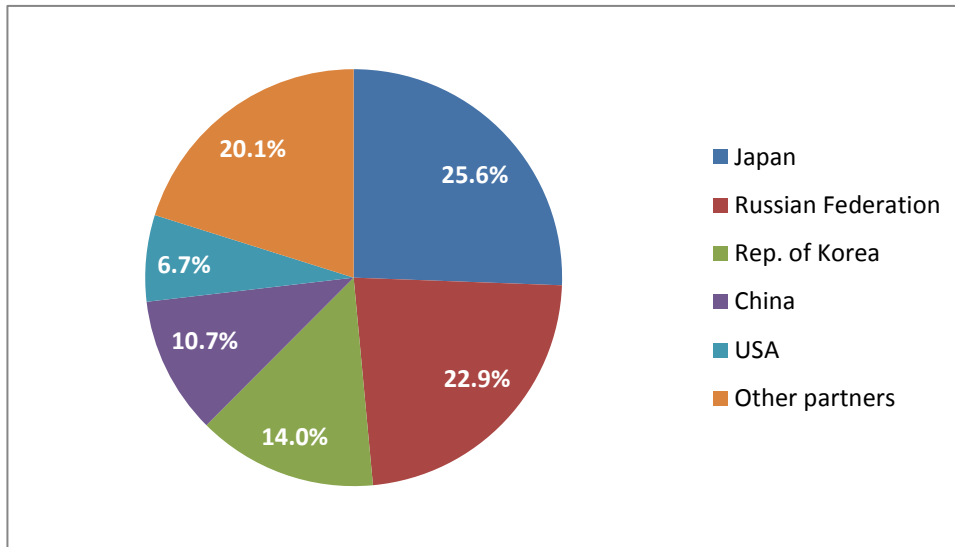


Source: UN Comtrade Database

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The imports of CRGO steel increased in double-digits for the years 2014 and 2015. On a y-o-y basis, it grew by 29.9% to USD 433 million in 2014 and by 18.2% to USD 511.6 million in 2015. Following this, the imports declined by 5.5% to USD 483.5 million in 2016. The imports of CRGO steel are mainly made from Japan.

Chart 2: Country-wise value of CRGO steel imports by India in 2016 (in %)



Source: UN Comtrade Database

Of the total imports (in value terms) of CRGO steel made by India in 2016, 25.6% of the imports were from Japan followed by 22.9% from Russian Federation, 14% from Rep. of Korea, 10.7% from China, 6.7% from USA.

CARE’s view

The government recently gave nod for the policy that provides preference to domestically produced steel to be procured by the government for its projects. The import duty cut on the input products for CRGO steel will reduce the cost of its manufacturing. We believe that this move will encourage the domestic producers to produce CRGO steel that is otherwise imported, which in turn would mean reduced costs for electrical and power transformer & lamination companies.

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