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Import duty: Capital goods, infra firms cry foul

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While Indian steel companies are rejoicing over the Modi government's move to impose a steep anti-dumping duty on steel imports, capital goods and infrastructure companies have reacted sharply, saying it will raise their input costs and cut their margins.

"Why are steel companies, which are 80-90 per cent family-owned businesses, being taken care of by the government at the cost of downstream capital goods companies and medium and small enterprises? The recent proposal by the government to impose a minimum import price (MIP) for steel products without discussing with all stakeholders will hit domestic industry hard," said V P Ramachandran, secretary of the Process Plant and Machinery Companies' Association, one of the largest users of steel.

Capital goods companies like Larsen & Toubro, Godrej, Thermax, Praj Industries and ThyssenKrupp complained to Prime Minister Narendra Modi on Sunday saying the duty would take away the advantage of lower input costs.

The December quarter results of these companies show significant savings due to lower input costs and any hike in steel prices will hit these companies, say analysts.

Analysts said with higher duties on imported steel, the machinery and infrastructure sectors would look at other markets. "Users of steel will be looking at prices other than in China," said D R Dogra, managing director of CARE Ratings.

India was in the process of globalising its manufacturing base and the government should understand that policies based on narrow perspectives of protection for one industry would harm others, Ramachandran added.

Sources said the government had provided enough protection to the steel industry through duties and trade barriers.

In the process, the government was taking away the right of capital goods and infrastructure companies to access raw materials at competitive prices, they added.