



Indian Electrical & Electronics Manufacturer's Association
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Director General

SEC/REP/S/110

21st May 2021

Dear Shri Kumar,

Subject: Dire State of Indian Electrical Equipment Manufacturing Industry Due to Steep Rise in International Prices of Basic Raw Materials - Request for Reduction of Basic Custom Duty

Indian Electrical & Electronics Manufacturers' Association (IEEMA), would like to draw your kind attention towards hardships of Indian electrical equipment manufacturers due to steep rise in international prices of basic raw materials, such as, Steel, Aluminium, Copper, Zinc, Polymers, resins, Epoxy Resin etc.

Electricity, water and communication are very significant for a nation to function. Out of these, electricity is the most important segment and all other segments of industry are totally dependent on it to run. Hence, there is a strong need for treating electricity and its downstream electrical equipment manufacturing industry, as priority industry, which needs to be nurtured and ensured to be healthy, especially during the stressed times.

Although the electrical industry has not recovered from an unprecedented situation and difficult times, caused by outbreak of the deadly Covid 19 pandemic, having significant impact on the sustainability of businesses and employment; the industry began facing another challenging times due to unusual rise in international prices of its basic raw materials in the range of 23% - 125%, which are critical inputs in the manufacturing of electrical equipment.

There are few matters that need to be drawn to the attention are:

1. The local producers of the commodity raw materials price their products at par with landed prices of imported raw materials. Primary amongst these are copper, aluminum, steel and polymer manufacturers. Though the local costs are not linked to international raw material prices, yet the same is followed on daily basis.
2. Many products have seen a hike in basic customs duty, only because the international prices of the commodities fell, and this was used to represent to increase the customs duty for protection of local producers.
3. Now that the prices of all commodities have seen substantial increase, it is only fair that the basic customs duty is reduced, to alleviate the pain of not only our industry, but of all industries who use the commodities as a raw material.

4. It is also an accepted position in the Government, not only in India but across the world, that there should not be a negative duty structure, where raw materials have greater duties imposed than the finished good. Our electrical industry faces the same negative duty issue in most of the products manufactured by us. This will be very harmful for local industry.
5. It is also pertinent to note that the COVID lockdowns have badly impacted the output and sales of the industry. Moreover the added increase in commodity prices have led to a situation, where industry is not able to service the orders at the older fixed price contracts and the buyer is not willing to pay for the increased raw material prices. This has led both to a challenging situation, where the industry is in a precarious position, and will lead to lot of closures.
6. A large portion of IEEMA membership (80%) falls under micro, small and medium enterprises which are unable to sustain the impact of this price rise and are on the verge of closure.

In order to mitigate the impact of this price rise and to provide immediate relief to electrical equipment manufacturing industry, IEEMA requests the Government of India to reduce prevailing percentage of basic customs duty on these raw materials in the following manner:

Sl. No.	Raw Material	Price Increase in last 12 months	Current BCD %	Revenue in Rs., as on 1st April 2020 (based on current BCD)	Proposed BCD %	Revenue in Rs/MT after reduction of BCD as proposed
1	Aluminium	80%	7.5%	7889	5%	9491
2	Copper Rod	125%	5%	17656	2.5%	19840
3	Zinc	65%	5%	6819	2.5%	5619
4	PVC Resin	115%	10%	6431	5%	6911
5	LLDPE	59%	7.5%	5725	5%	6063
6	LDPE	74%	7.5%	6041	5%	7024
7	XLPE HV Cable	90%	7.5%	7360	5%	9,329

8	GI steel strip 4 x .8 mm	23%	12.5%	8000	7.5%	5925
9	Steel 10 mm Plate	66%	12.5%	4807	7.5%	4,795
10	HR Coil 3.15 mm	67%	12.5%	4872	7.5%	4,876
11	Steel Billets	43%	12.5%	4170	7.5%	3,582
12	CRGO PT BIS DT	19%	5%	14850	2.5%	8,863
13	Transformer Oil	28%	5%	4,369	2.5%	2,671
14	Epoxy Resin	37%	7.5%	41	5%	41

From the above table, it is visible, that there is no significant loss of revenue to the Government exchequer, as on 1st April 2020, even if the percentage of basic customs duty is reduced in the aforesaid manner. Added to this is that the reduction in duties on these items will result in some relief to the industry and the users of the final product, and will not cause any loss to the exchequer. Detailed sheets with calculations in this regard is attached as annexures.

We look forward to favorable consideration to our above request.

With Kind regards,

Yours sincerely



Sunil Misra

Shri M. Ajit Kumar
Chairman
Central Board of Indirect Taxes and Customs
Department of Revenue
Ministry of Finance