



Indian Electrical & Electronics Manufacturer's Association
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Director General

SEC/REP/UK/086

16th April 2021

Dear Shri Alok Kumar Ji,

Subject:- Serious issues arising out of acute scarcity of Cold Rolled Grain Oriented (CRGO) material and steep rise in the commodity prices.

IEEMA as the apex association of Indian electrical industry is already known to you.

Vide our letter dated 14th December 2020, we had appraised the then Secretary, Power regarding the unprecedented situation and difficult times in the Indian Electrical industry. Due to the outbreak of Covid- 19 pandemic there has been a significant rise in the prices of key commodities such as Copper, Steel and Aluminum. To add to this crisis, the Transformer industry has now started facing serious problems due to sudden shortage of CRGO Silicon Steel commodity. The table below captures the price movement of these input raw materials from January 2020 to January 2021 and beyond:

Raw Material	Description	Average % costing	Price Rs./MT		
			Jan-2020	Jan-2021	Mar-2021
Copper	Average LME settlement price of copper wire bars	29	4,51,043	6,09,278	6,85,347
CRGO	CRGO Electrical Steel Lamination	23	2,93,500	3,18,000	3,54,500
Steel - Plates 10 mm thick	Retail market prices	9	39,733	60,300	56,747
Steel - Plates 6 mm thick			39,719	60,188	57,018
Steel - HR Coil 3.15 mm thick			40,163	61,254	57,398

Source: IEEMA PV Data Bank

Prices of above mentioned raw materials has increased significantly from last year and past few months, which not only has implications on the production and supply of finished transformers to the end user but also on the sustainability of businesses and employment. All Transformer manufacturing Industry, including Small and Medium Enterprises and Multinationals have been hit hard hit with minimum resource.

CRGO scarcity in Indian market started in February 2021, when the transformer manufacturers came to know about this sudden change only after the enquiries sent to the CRGO processors started getting regretted, or delays in supply ranging from 3 -4 months was brought to their notice. Please see the attached letters from POSCO and JFE Shoji Steel India.

After discussing with the CRGO processors we understand that this situation is due to the fact that the mills have reduced their manufacturing capacity of CRGO material and shifted over to manufacturing of CRNO material, which is required for manufacturing of electrical vehicles as the demand is on the rise. Because of this market driven commercial decision, the steel mills have reduced their allocation to India by almost 50 to 60%, which can be verified by the import statistics for last 12 months (source: DGCIS Data, Govt. of India)

Year	Months	Qty.(MT)	Remarks
2018-19	April 2018– March 2019	288618	All 12 months
2019-20	April 2019- March 2020	216173	All 12 months
2020-21	April 2020 – Jan 2021	142920	All 10 months(except Feb and March)

The above table illustrates that CRGO imports has declined over past 2 years and the same in current year has dropped to almost 50% of FY18-19; despite the demand for Electrical Transformers having not reduced in the same proportion.

Also, in view of roll out of BIS regulations on CRGO Laminations, import of 2nd grade CRGO, which was used in certain segments, has sharply reduced, thereby increasing the demand for prime grade CRGO across Power and Distribution Transformer manufacturers.

Since transformers are designed with particular grade of CRGO in order to meet the technical requirements of the customer, the present scarcity has led to availability of only certain grades based on mills' global priorities. Due to the combined effect of shortage and non-availability of required grades, there is a distinct possibility of spike in prices leading to both cost impact and delivery uncertainty.

The combined effect of increase in prices of Copper, Steel, Aluminum, CRGO and Logistics costs has made it unviable for transformer OEMS to supply at the ordered price, specifically contracts with firm prices where Price Variation is not given by the purchasers. The situation may seriously impact the ongoing ambitious projects/schemes of Govt. of India in case raw materials like CRGO is not available to the industry for manufacturing of both Power and Distribution Transformers.



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In view of the above submissions, Transformer Industry would like to make an appeal to Ministry of Power, Govt. of India on the following:

1. Request to engage with the CRGO mills abroad, through proper Government channels, for increasing the allocation to Indian market.
2. Suitable directive to all Utilities, Central, State and Private, to treat this as force majeure condition and convert all fixed price contracts to PVC with adequate extension in deliveries without LD.

We would urge for your kind and urgent intervention in the matter and call for a virtual meeting of all stakeholders including Ministry of Steel and Ministry of Commerce to discuss on the matter in order to resolve this crisis for sustainability & survival of the Indian Transformer Industry.

Best Regards

Yours sincerely,

Sunil Misra

Shri Alok Kumar, IAS
Secretary
Ministry of Power, Govt. of India
Sharam Shakti Bhawan, Rafi Marg,
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Copy to:-

1. Shri Pradip Kumar Tripathi, Secretary, Ministry of Steel, Government of India
2. Dr. Anup Wadhawan, Secretary, Ministry of Commerce, Government of India
3. Shri Harsh Vardhan Shringla, Secretary, Ministry of External Affairs, Government of India
4. Shri B.B. Swain, Secretary, MSME Ministry, Government of India
5. Shri Pramod Kumar Tiwari, DG, Bureau of India Standards

Encl: As above