Rising Input Cost Concerns of the Indian Textile Engineering Industry in the Post Covid-19- Revival of the Indian Economy

[Author: Sachin Kumar, Executive Director, TMMA(I)]

The industry members of the Textile Machinery Manufacturers' Association (I) expressed, in its recently held 60th AGM, positive sentiments about the overall growth in their respective businesses in the coming months. Majority of the companies shared that after negligible business during first 2 quarters of 2020-21, they have started getting orders being honored by their clients. Both greenfield and brown field projects are being negotiated with their clients these days. Their capacity utilization was close to 100% and they would be able to achieve up to 80-90% of their annual turnover as compared to previous year in the fourth quarter of the fiscal year.

However, the industry showed serious concerns about the rising prices of the raw materials especially steel. The order bookings which were closed at prices during April-May-June quarter of 2020, are supposed to be fulfilled by Q3 or Q4 of the current fiscal. At the time of booking the steel prices were 15-40% lesser than the current rates, therefore, the increased raw material cost is severely impacting the basic cost of the machines to be supplied. A table below shows the change in the prices of different mild steel and stainless-steel plates in the last 6 months.

MS STEEL and STAINLESS-STEEL SHEET/PLATES PRICE				
SN	**Product**	**Jun-20**	**Dec-20**	**% Increase**
1	C. R. C. Sheets – M.S.	48.50	72.50	**49.50%**
2	Plates Mix size – M.S.	43.25	56	**29.50%**
3	Angle channel & Beam – M.S.	36.95	47.88	**28.60%**
4	SHEET/PLATE, SS304 CR (< 4 mm) – S.S.	168	192	**14.29%**
5	SHEET/PLATE, SS304 HR (> 4 mm) – S.S.	160	177	**10.63%**

Source: Industry

Coupled with increased fuel cost by 20-25% between April 2020 to January 2021, the prices of other commodities, transportation, material handling and manufacturing have also risen.

FUEL PRICES (Rates/Litre) in MUMBAI				
SN	**Product**	**Apr-20**	**Jan-21**	**% Increase**
1	Petrol	75.28	90.83	**20.66%**
2	Diesel	65.19	81.07	**24.36%**

Source: www.bankbazar.com

There is already restriction on the import of steel and other products due to MoS circular that requires mandatory BIS certification of foreign companies. The domestic steel producers are in a monopolistic scenario wherein they have been dictating the prices. There are a number of high-quality Stainless-Steel products which can't be produced in India, but are required in very low quantities. These restrictions are only putting more hurdles for domestic machinery manufacturers to produce their machines at competitive rates and qualities in comparison to their global counterparts.

For 'Make in India' campaign to succeed, the Government needs to be more pragmatic and be open to the industry. The textile machinery industry expects an industry friendly budget from the Government this year. A prudent monetary policy shall take the growth trajectory of the Indian industry to the next level in the years to come.

However, the industry also articulated serious concerns that if the raw material prices remains at same level or escalate further, the prices of the Textile Machineries shall also increase at least 15-20% with in the current fiscal year.