

HIGH RAW MATERIAL PRICES THREATEN SURVIVAL OF MSMES

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Industry & Services Sector incl. MSMEs and PSUs

A steep increase in raw material prices in the last few months threatens the survival of micro, small and medium enterprises (MSMEs) in the manufacturing sector, the All India Council of Associations of MSMEs said.

The council, which has about 170 MSME associations from different States as its members, pointed out that copper prices had increased by 110% this month compared with April last year. Prices of aluminium alloy had risen 94%, mild steel plates by 82% and CRCA sheets by 96%.

The MSMEs faced working capital erosion because of the high cost of inputs. While the units supplying to public sector undertakings (PSUs) were unable to get a revision in prices of their products, the open market was unable to take the full impact of high raw material prices, the council said.

“In spite of a drop in demand due to lockdown, prices are on the upswing, particularly steel, pig iron and other raw materials,” the group said in a release on Wednesday.

It urged the government to set up a mechanism to ensure raw-material-price-stability for MSMEs. The PSUs should allow MSMEs to cancel orders without imposing a penalty and permit them to quote revised prices. The government should also allow import of all steel materials based on cost and quality requirements at nil duty and ban export of iron ore and steel products, it added.

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