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**CONSTRUCTION
FEDERATION OF
INDIA**

Date: December 07, 2021

To,

Shri Narendra Modi
Hon'ble Prime Minister of India
Prime Minister's Office
South Block, Raisina Hill
New Delhi-110011

Respected Prime Minister :

Rising Cost of Cement, Steel pushing up Construction Costs

Construction Federation of India is the representative body of the leading infrastructure construction firms of the country engaged in building dams, power stations (Thermal, Hydro, Nuclear), highways, bridges, roads, irrigation and water supply projects etc. and other basic infrastructure of national importance.

The Federation appreciates the series of economy boost reforms undertaken by the government for the overall development & expansion of Highways, Expressways, Roads, Railway & Metro projects which will immensely benefit the entire country and create new job opportunities.

On behalf of CFI members, we would like to draw your kind attention on the difficulties being faced by them due to recent series of steep rise in Cement and Steel prices by the manufacturers.

Cement: The cost of cement shot up rapidly. According to industry sources, the cement used to cost ₹280 to ₹300 per bag depending upon the quality and brand. Now, it costs ₹400 to ₹450 per bag. The "sand is not available at a price not less than" ₹1,100 per tonne.

Steel: The prices have gone up to multiyear high levels in the last 18months. Indian Steel prices are tabulated below:

S.No	Product	Price/ton		
		July'20	Nov'21	% Increase
1	Rebar (TMT)	Rs. 34000	Rs. 62,000	82%
2	Plates & Coils	Rs. 35,000	Rs. 72,000	105%

.....2/-

In the past one year, Pet Coke prices have increased by almost 80% which affects the production cost and Diesel prices increased by almost 30% which impacts overall freight charges of inbound and outbound logistics. Unfortunately, price variation formula in the contracts do not capture real time impact between the actual market price and PV Index (WPI, CPWD etc), thus, leading to financial losses to bidders. Therefore, huge fluctuation in steel/cement price is resulting into financial losses to contractors.

S.No	WPI Indices Category(Base Year - 2011-12)	WPI Indices			% Increase actual price
		July'20	Oct'21 (P)	% Increase-Indices	
1	Mild Steel -Long Products	102.8	137.8	34%	82%
2	Mild Steel - Flat products	105.4	159.2	51%	105%
3	Cement	119.4	125.80	5%	30-40%

India is exporting huge quantities of semis and finished steel whereas many countries including China have imposed restrictions on export of steel. Some of the Indian Steel manufactures are exporting 30% to 40% of their production in some months & hence the steel availability in India is coming down to that extent.

SNo	Particulars	Quantity in million tonnes		
		April – October 2021	April - October 2020	% Increase
1	Export	8.809	7.099	24.1

Some of the measures, CFI propose to make more Steel available at competitive rates are as under :

- 1) Bring import duty on all Steel Items to Nil which is currently at 7.50% in most of the steel items. Also, please abolish all protective measures on Steel including BIS certification.
- 2) Dis-incentivize steel & iron ore exports. Ban Steel & Iron exports for two years.
- 3) Permit us to use secondary steel in all the projects as approved by MORTH as long as the steel is meeting the desired quality standards.
- 4) Abolish all the export benefits on Steel and instead maybe consider an export levy along the lines of what other countries have imposed recently
- 5) Provide relief in the form settlement for price adjustments for ongoing contracts impacted by high price rise of basic materials and not covered by Price Variation mechanism.

....3/-

Similarly, the prices of Sand & Aggregate also have gone up significantly due to unprecedented hike in diesel prices by 30%. The adverse impact of unjustified hike in bulk material commodities (cement, steel, sand / aggregates) by the manufacturers could be witnessed in various stages of infrastructure construction sector projects under execution.

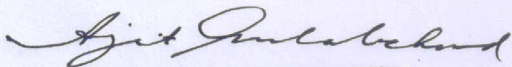
Rising prices of raw materials not only debilitating the capabilities of the Contractors to execute the projects on time but also discouraging them to bid/take up new crucial projects.

Gol has very ambitious plan for investment in Infrastructure projects in coming years. In view of the same, CFI requested the Government to take actions as requested above so that key construction materials are available at competitive prices.

Also, we humbly request to provide relief by Reimbursement of actual Procurement Cost based on the invoices in the concurrent projects & for future tender, please amend conditions to ensure bidder should be paid escalation based on actual price movement rather than formula based on CPI/ WPI.

In the larger interest of the nation, we shall be thankful if your good-self kindly consider Federation members above suggestions on priority.

With sincere regards,



(Ajit Gulabchand)
President

CC:

- i) **Smt. Nirmala Sitharaman**
Hon'ble Union Minister of Finance & Corporate Affairs
Ministry of Finance
- ii) **Shri Nitin J Gadkari**
Union Minister for Road Transport & Highways & MSME
Ministry of Road Transport & Highways
- iii) **Shri Ram Chandra Prasad Singh**
Hon'ble Union Minister of Steel
Ministry of Steel
- iv) **Dr. Rajiv Kumar**
Vice Chairman
NITI Aayog