

WTC Mumbai releases White Paper on ‘Impact of Inflation on Trade & Industry’

Wholesale price inflation touched a nine-month high of 15% in April 2022 and it has been growing in double digit for the last 13 consecutive months. MSMEs ranging from food processing and textile to engineering and plastic sectors are struggling to manage their margins amidst rising input prices. In view of the rising commodity price inflation, MVRDC World Trade Center Mumbai has recently released a White Paper, meticulously analysing the rise in cost of materials consumed vis-a-vis the rise in sales revenues over the past year for 96 manufacturing companies listed on the Bombay Stock Exchange (BSE).

The companies in this list belong to the entire spectrum of micro, small, medium and large companies, with annual sales ranging from at least Rs. 10 crore (Unjha Formulations) to more than Rs. 1.2 lakh crore (Tata Steel). These companies are chosen from diverse sectors such as edible oil, other processed food, furniture, construction materials, packaging, auto-components, textile, power, pharmaceuticals, chemicals, paper, iron & steel, gems & jewellery, agro-chemicals etc.

The Paper observes that cost of materials has risen 35% in FY 2021-22 from the previous year for these 96 manufacturing companies, while their sales have increased by only 30%. Especially, cost of materials consumed has grown faster in FY 2021-22 from the previous year than the corresponding growth in annual sales for 68 companies.

The share of material cost in the overall expenses of these 96 companies has also grown cumulatively from 50% in FY 2020-21 to 54% in FY 2021-22. The cost of materials consumed in total expenditure has increased for 71 companies in FY 2021-22 compared to the previous year. On an average, these 96 companies spend 50% of their total expenditure on raw materials and intermediate goods.

On a quarterly basis, cost of materials consumed by these 96 companies rose 9% in the March 2022 quarter from December 2021 quarter, while it grew 31% from March 2021 quarter.

On a sectoral basis, cost of materials consumed has grown faster than annual sales revenue in 29 sectors out of the 36 sectors analysed in the Paper, while in six sectors, cost of materials consumed has grown less than or at the same pace as annual sales in FY 2021-22. Out of the 36 sectors, companies in 26 sectors spent more on materials consumed as a share of total expenditure in FY 2021-22, compared to last year. In other words, the cost of materials consumed as a share of total expenditure has remained constant or declined only in 10 sectors.

These sectors include dairy products, edible oil, iron & steel, diesel engines, power generation, consumer goods, pharmaceuticals, industrial machinery, industrial glass and construction materials. Despite sharp increase in the price of raw materials in these sectors, companies have

managed to control the overall material cost as a share of total cost because of their efficient operating performance and commodity hedging.

The Paper also proposes steps to provide temporary relief to MSMEs affected by rising raw material costs. These include opening raw material depots to supply input materials to MSME clusters at affordable cost, reduction in import duty on certain critical raw materials, discouraging export of raw materials and intermediate goods to ensure availability in local market at affordable cost, enhancing flow of bank credit (especially working capital loans) against GST invoices to MSMEs, inclusion of price escalation clause in public procurement contracts for MSMEs, exemption of MSME vendors from penalty or other penal actions for cancelling contracts due to increase in raw material cost, taking stringent action against large corporate buyers who delay payment to MSME vendors, mandating large corporates to disclose their bills payables to MSME vendors on a periodic basis in their financial statements to bring transparency in their payment track record to vendors and prioritizing supply of power to MSME units, to prevent job losses and disruption to exports.

Notifications

PIB

Cabinet approves Amendments to National Policy on Biofuels -2018

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1826265>

India gets highest annual FDI inflow in FY21-22

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1826946>

Government lifts 'Export Prohibition' on Bamboo Charcoal

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1826923>

Engagement of women-led enterprises as sellers on GeM

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1826721>

Digital India would form the foundation for Aatmanirbhar Bharat

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=1826459>

CBIC

Rules to amend Customs Tariff (Determination of Origin of Goods under India-Japan CEPA)

<https://taxinformation.cbic.gov.in/view-pdf/1009307/ENG/Notifications>

Imposition of ADD on PU Leather originating in or exported from China PR

<https://taxinformation.cbic.gov.in/view-pdf/1009306/ENG/Notifications>

Exchange rate Notification

<https://taxinformation.cbic.gov.in/view-pdf/1009305/ENG/Notifications>