

## Price Inflation - Pandemic In Pandemic

written by Raghav Gaiind | May 7, 2020



Is Price Inflation Due to COVID-19 a Pandemic in the Making?

Due to the outbreak of the novel Coronavirus commonly called COVID-19, India has seen a drastic increase in the demand for medical equipment which includes masks, sanitizers, medical kits, and basic household products. As the law of economics clearly proves that demand and supply are directly proportional to each other. Therefore, when there is an increase in demand, the supply should be on par with the demand for the product but the supply chain has been disrupted.

This turbulence in the economics of demand and supply has resulted in an unprecedented and rapidly evolving challenge of excessive increase in the price of the products or budding of the misleading information about the products. Despite the massive destruction caused by the pandemic, some take advantage of the chaos and misfortune of the others This has resulted in the birth of another disease which is more perilous than the pandemic the world is already facing.

In the past few weeks, there has been a huge loss experienced by the business community of the country. Therefore, in order to overcome the loss due to pandemics, a tremendous increase in the prices of the goods especially the essential goods including the medical kits was observed. The business community is capitalizing on the loss by increasing the prices of the products by over 100% of the original price.

In the recent judgment of the Delhi High Court provided in the case of Rare Metabolics Life Sciences Private Limited and others Vs Matrix Labs[1], the court has observed that during the time of this pandemic when the world is at a halt and the economy of the country is at standstill, a colossal profit margin of 61% is more than sufficient for the seller for the medical kits to be available in the country especially during. The court decided to cost the medical kits at INR 400/- then INR 600/- which is approx. 40% less than what is quoted by the Indian Council for Medical Research (ICMR).

In light of the same, we are going to analyze the reforms taken by the Government of India (GoI) in order to curb the massive increase in the price of the commodities arbitrarily by the suppliers. We will also consider existing laws that play a vital role in consumer protection.

Essential Commodities Act, 1955

According to Section 3 of the Essential Commodities Act, 1955[2] (Act), if

the GoI believes that in the interest of the public at large, it is beneficial to control the production, supply, and prices of the commodities mentioned in the Act, it may regulate or prohibit the price, production or distribution as per the need of the hour.

Now, as per Section 2A of the Act, any commodity which is specified in the schedule of the Act shall be termed as an essential commodity. Further, Section 2(2) of the Act provides the power to GoI to add any commodity in the schedule and term it an essential commodity.

In light of the above powers and growing complaints of increase in prices, the GoI through circular dated March 13, 2020,<sup>[3]</sup> ("Press Release") has included the hand sanitizers, and masks under the schedule of the Act thereby declaring them as essential commodities until June 30, 2020. This decision would empower the central and state authorities to control the production, supply, and prices of the said commodities. This will further lead to the curbing of black marketing and exorbitant price rise of these commodities. In case of the contravention of any of the provisions of the Act, the party liable shall be punishable with imprisonment which shall not be less than 3 months and maximum up to 7 years, and a fine as may be adequately decided. The Prevention Of Black marketing And Maintenance Of Supplies Of Essential Commodities Act, 1980

According to Section 3 of the Prevention of Black Marketing and Maintenance of Supplies of Essential Commodities Act, 1980<sup>[4]</sup> (PBMMSEC Act), the central government or the state government is empowered to prevent any person to act in a deleterious manner against the supplies of the essential commodities. If there is a contravention of the provisions of the PBMMSEC Act, a detention order may be issued for the execution of an arrest warrant in accordance with the provisions of the Code of Criminal Procedure, 1973. The person can be detained for a maximum period of 6 months from the date of detention.

The Legal Metrology (Packaged Commodities Rules), 2011

According to Rule 6(e) of the Legal Metrology (Packaged Commodities Rules), 2011 ("Rules"), every package shall bear a retail price on the package which shall be the maximum retail price of the package and shall be inclusive of all the taxes as it may be applicable on the said product.

The GoI in its Press Release has stated that the state government authorities shall ensure that the sale of the items mentioned as essential commodities under the Act shall be done at MRP of the said essential commodities.

The Competition Act, 2002

According to Section 3 of the Competition Act, 2002<sup>[5]</sup> (CA), an agreement between parties that can have an adverse effect on the competition shall be considered void. However, such agreements shall not be considered void if such agreement increases the efficiency of the production, supply, distribution, storage, acquisition, or control of goods or provision of services.

Further, according to Section 19(3) of the CA, the commission while enquiring about the material adverse effect of the agreement shall take into consideration improvements in the production of goods or provisions of services, benefits to the consumers with such agreement, etc.

The Consumer Protection Act, 2019

According to Section 2 of the Consumer Protection Act, 2019 (CPA), complaint means any allegations by a complainant against the trader or the service provider for pricing the complainant a price in excess of the price which is

fixed under any law or displayed on the package of the goods or decided mutually between the parties.

#### Conclusion

Therefore, from the above notification read with the analysis of the existing laws, it can be construed that the Indian laws are quite exhaustive when it comes to the protection of the consumer. During this period of the pandemic, GoI has taken stringent measures to curb the price inflation in India and meet the maximum demand for essential commodities.

However, as far as the duplicity of the products is concerned we suggest that proceedings under the Indian Penal Code must be initiated if a person is found guilty of misleading or providing fraudulent disclaimers for the purpose of increasing the profit margin.

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- [1] [https://www.livelaw.in/pdf\\_upload/pdf\\_upload-373779.pdf](https://www.livelaw.in/pdf_upload/pdf_upload-373779.pdf)
  - [2] <http://legislative.gov.in/sites/default/files/A1955-10.pdf>
  - [3] <https://pib.gov.in/newsite/PrintRelease.aspx?relid=200239>
  - [4] <http://legislative.gov.in/sites/default/files/A1980-07.pdf>
  - [5] [https://www.cci.gov.in/sites/default/files/cci\\_pdf/competitionact2012.pdf](https://www.cci.gov.in/sites/default/files/cci_pdf/competitionact2012.pdf)

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