

Supply chains back to pre-Covid levels for consumer durable firms

Constraints still easing for auto firms; companies wary of commodity prices as Chinese demand may push them up

COMMODITY PRICES' TREND

	Current price (\$/tonne)	% chg	
		MTD	YTD
LME	4,100	-5.9	2.9
LME Tin	27,550	-5.8	11.1
LME Zinc	3,042	-10.8	0.6
LME Copper	8,912	-1.8	6.3
LME Aluminium	2,383	-6.0	0.9
LME Nickel	26,755	-9.0	-12.1
LME Lead	2,089	-2.5	-10.5

SOHINI DAS & SHARLEEN D'SOUZA
Mumbai, 14 February

Automotive and consumer durables companies, which depend on China for components, have seen



supply chain constraints ease after China ended its zero-Covid policy.

In fact, for consumer durables firms, the disruptions faced over the past two years have not just eased, supplies have returned to pre-Covid levels. For the auto sector, though, the constraints are still easing.

Before the pandemic, consumer durables companies saw components reach Indian ports in 20-30 days. But during the pandemic, it took more than 45 days for components to reach ports. That situation has now reverted to the pre-pandemic trend.

However, even as supplies reach faster, companies are closely monitoring commodity prices as they

fear these could increase again as the Chinese economy opens up and there is a concomitant increase in demand for and prices of metals.

For consumer durables firms, the prices of components are already on the rise, especially for television (TV) panels. Open cells, which contribute to 60 per cent of a TV panel, have witnessed a 5-7 per cent increase. The prices of some other commodities are also on the rise.

"Restrictions have eased and factories are running at full tilt. The supply chain is now back to pre-pandemic levels," said Avneet Singh Marwah, director and chief executive officer, Super Plastronics, a Kodak brand licensee.

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Supply chains...

Kamal Nandi, business head

and executive vice president of Godrej Appliances, part of Godrej & Boyce, echoes Marwah's view. "We have gone back to stocking up on components based on our production

as supply chain issues no longer exist," he said. However, Marwah said the company was holding on to high levels of inventory like it did during the pandemic, in case the situation changes, and the stock will only reduce in the next quarter. On commodity prices, Atul Lall, managing director and vice chairman of Dixon Technologies, said: "[They] are on the rise, but it comes down to at what point one has to act."

localised their supply base had some dependence on Chinese imports so factors at play there would still impact firms here. "Inflation is likely to increase in raw materials as Chinese production picks up. But recession in other parts of the globe may offset it to an extent," Gupta said. In lithium-ion products, more than 70 per cent of the Indian battery industry's consumption comes from China. "Now that Chinese factories are opening up after the Chinese New year, the cells and semiconductor supply chain will breathe a sigh of relief and the EV industry might gear up for new product launches and feature upgrades soon," said Gautham Maheswaran, co-founder and CTO of RACEnergy.

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Auto sector

In the automotive sector, too, companies are wary of commodity prices. "Commodity pricing outlook is speculative....The one thing we are waiting to see right now is what happens to China after opening up," said Rajesh Jejurikar, executive director of Mahindra and Mahindra, at the third quarter earnings call.

He added that if the Chinese economy really takes off, then that could completely change the global environment in terms of demand.

While rising commodity costs remains a concern, Balbir Singh Dhillon, Audi India's chief, pointed out that the semiconductor crunch was not over yet and was an acute problem for luxury cars, as they use more semiconductors. "With China opening up, we do expect some easing of the component supply chain. Audi's supply chain is spread globally, but, yes, some parts also come from China," Dhillon said.

S&P analyst Puneet Gupta said even those firms that had

Blackstone...

"The way we run these companies in India is incredibly professional and transparent. We follow the highest standards of corporate governance, and that's what we're trying to bring in as best practices. So I don't think, at the end of the day, this is going to be a long-term impediment to what's going to happen in India."

"If anything, it just raises the bar for everybody and forces people to operate at a certain standard. So I think, over time, India will continue to make progress in this area. And as it does, it makes it easier for the capital to come in," Gray said. "I believe India is on that path. But there will obviously be some bumps in the road."