

COVID Impact - A Purview of the Indian Industry in a Global Framework

As we come to grapple with the uncertainties that have emerged from the COVID-19 pandemic, we realise that a crisis of such global proportions is the first, and hopefully the last, being witnessed by living generations today. It has affected every single industry in one way or the other. For this reason, as people, as companies, and even as economies, what we can and must do is optimise our ecosystems. To say it simply, we have to quickly master living with it, and find our ways around it.

For a long time now, the world has been in a state of VUCA: Volatile, Uncertain, Complex and Ambiguous. Subdued international trade flows have been impacting the business ecosystem. However, across industries in both B2B and B2C environments, unethical behavior of some companies and a few countries has aggravated trade wars. This includes excessive expansion, non-compliance with World Trade Organisation norms by way of subsidies, dumping of products, and hostile takeover bids, among many others. Such practices have discouraged a global level playing field, leading back to a protectionist trade regime.



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The imposition of 25% duty under Section 232 on most of the countries by USA in 2018, application of safeguard quota by EU, and imposition of anti-dumping duty (ADD) on Indonesia by China are some cases in point. Due to the alleged role of China in the current pandemic situation, the global economic and trade sentiments have turned against Chinese products and investments.

As a result, many countries are flexing their muscles to impose additional trade barriers to create a level playing field for domestic manufacturers. In fact, even during the current COVID-19 period, EU imposed interim ADD on some of the stainless steel flat products from China, Indonesia, and Taiwan. Moreover, to avoid hostile takeovers by Chinese companies, countries are now enforcing





investment restrictions. To cite an example from the industry I belong to, India has always struggled against unfair imports of stainless steel despite having adequate and underutilized capacities and capabilities to produce practically every stainless steel flat product. In fact, Indian stainless steel products are well accepted in advanced and developed economies like North America and EU.

As a market with immense growth potential, India has been an attractive destination for dumping of goods. Merely two cost elements, cost of capital and cost of logistics, contribute to a difference of 10-12% in comparison with countries against which Indian manufacturers compete. Interestingly, these uncompetitive factors actually sit outside the manufacturing units. The government is already cognizant of these obstacles; however, it's time for quick action.

Another challenge that is now faced by the domestic industry is that of subdued demand and progression of the unlock-relock dubiety. Objective forecasting is nearly impossible at this

time. Adding to this are the routine and multiplied challenges of profitability and cash flows faced by all industries at this hour.

Several Micro, Small, and Medium Enterprises (MSMEs) are finding it difficult to comply with the whole host of regulatory requirements. This is over and above the genuine fear of employees reluctant to re-join work. Suddenly, we're finding past experience and rules getting redundant. Even as we ramp-up production gradually, which in itself is a challenge, the interruption in supply chains is impacting the entire ecosystem. Allied industries in upstream and downstream businesses are faced with the same situation. The dilemma of productivity evaluation and cost-benefit analysis between offline working and working-from-anywhere (WFA) persists without clarity or consensus.

Let me highlight another perspective from my experience in our industry. MSMEs account for over one-third of the manufacturing GDP in India, and about 40% of the total stainless steel flat production in the country. We at

Jindal Stainless consciously foster ancillary industries. For instance, in Hisar (Haryana), several MSMEs have emerged around our plant area without any government support.

Taken together, their annual capacity is that of 1.75 lakh tonnes, which translates into an annual turnover of approximately INR 3,000 crore. We've handheld MSMEs to meet the demand from segments like stainless steel tubes, utensils, fabrication segment, and auto parts. In and around Jalpur (Odisha), with government facilitation, we expect an even more organized and proliferant growth story. I think this is the right time for the government to further support MSMEs along with industry players to transform the manufacturing sector into a self-reliant or 'Atma-Nirbhar' sector.

The Government has already recognised the importance of MSMEs in manufacturing ecosystem, but several policy and economic support systems need to be activated to further strengthen their growth. In the manufacturing environment, MSMEs are



a critical link but extremely vulnerable during a slowdown. To cite an example, the situation is more severe now as MSMEs particularly in the Indian stainless steel industry struggle to re-start operations, while our competitors in China and Asia have already moved ahead on the COVID-19 curve.

Moreover, Indian Free Trade Agreements with ASEAN countries and circumvention of duties by Chinese manufacturers continues to fuel the financial crisis. The domestic industry needs immediate relief and has apprised the government for imposing suitable tariff and non-tariff barriers. The government has mooted a bold plan for self-reliance, indicating that indigenous industry will be prioritised over imports

in the post-COVID-19 India. To do that, while also keeping prices competitive for end customers, the government must expedite projects that increase our industry's' competitiveness. I think it is the right time for the government to fully stimulate infrastructural development, and the National Infrastructure Pipeline (NIP) of INR 100 lakh crore will be critical for this stimulus. Moreover, the recently updated guidelines for MSMEs will empower them to participate and contribute to NIP projects. However, such initiatives are time-consuming, and till then, the industry needs a level playing field.

The health and medical industry, with a revamp long due, has opened up new avenues for production

of equipment and infrastructure. Global companies shifting base out of China might be a blessing in disguise for positioning India as the new 'Manufacturing Hub'.

As the subsidized Chinese industries of auto components, white goods, pharmaceuticals, electronics etc. vacate global markets, the Indian stainless steel industry can aptly fill the gap.

There is adequate capacity and expertise in the country to do this while meeting existing demand of stainless steel from various segments. It is safe to infer that despite the ongoing uncertainties, the world has its eyes on the promising future of the Indian stainless steel sector. □ **By: Vijay Sharma**

