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# Second wave affect: India Inc scramble to plug shortages | Semiconductors, metals, manpower at a premium

Rarely has demand outstripped supply in India, as it has now, when the country is in the grip of a severe pandemic.

If not for the semiconductor shortages, Jaguar Land Rover (JLR) would have produced 7,000 more cars during the March quarter and reduce the waiting period, which has, notoriously, climbed up to 12 months.

Bajaj Auto fell short of its production target of KTM bikes as supplier Bosch could not deliver semiconductor and ABS systems in time.

The chip shortage has not spared the non-automotive segment either.

Prices of television panels have spiked by 120 percent while laptop assembly operations have been hit badly by the semiconductor shortage.

Palm oil, used for home and personal care products, has been in short supply for months leading to a 30-40 percent jump in its prices.

While demand remains upbeat despite the second wave of COVID-19 ravaging the country, some companies are struggling to bring supplies on par with demand.

Shortage of finished components and raw material, restricted manpower usability and state-level lockdowns have disrupted the supply chain network.

Due to rerouting of oxygen for medical use, steel producing plants are operating at much below desired levels, raising the spectre of a supply crunch ahead. Prices of precious metals like rhodium, platinum and palladium have surged by 100 percent to 200 percent.

Says Shailesh Chandra, president, Passenger Vehicle Business Unit, Tata Motors: “Most of the suppliers are operating at 50 percent manpower or less. Semiconductor supply has further deteriorated during the March quarter. While it was a concern in Q4, this quarter has seen further deterioration, making it a matter of concern for the coming months”.

To make matters worse, suppliers are unable to forecast normalisation. Bosch, for instance, said that shortage of chips will continue to impact the car market right till 2022.

**Electronics**

"The sole cause for delay in chip production is because China consumption peaked after COVID-19 cases came down. This meant that most semiconductor chips produced for exports were retained within that territory. It is the primary producer so we as a company first have to meet local requirements," said the senior vice president-strategy at a global semiconductor company.

The Rs 34,000 crore Indian laptop and tablet industry is likely to remain impacted at least till August 2021, said the official.

“The demand is going to get hit because of this semiconductor shortage.” said Hindalco MD Satish Pai.

The March-June period accounts for 40 percent of the annual sales of laptops while the rest is split between festive sales around the year.

**FMCG companies gearing up**

After battling COVID-19 for more than a year, FMCG companies have found their way around supply-chain challenges. The learnings from the first wave are coming handy to counter the second wave. Dabur, for instance, has raised its raw material consumption to ward off possible supply shortage.

“With the growing incidence of localised lockdowns in some areas, regular supplies of raw and packing material are likely to come under pressure in the days to come,” says Shahrukh Khan, Executive Director-Operations, Dabur India.

Khan points out that in anticipation of such a situation, the company has proactively enhanced coverage of key raw and packing material at its manufacturing units to ensure that it does not face any disruption in production.

Last year, as the first wave of the COVID-19 pandemic hit the country, FMCG companies were riddled with supply chain challenges, which washed out their sales for the first quarter. This time around though the hurdles are lesser, some of them still stand.

For instance, palm oil, a key ingredient in home and personal care products including soaps, has remained in short supply. India’s palm oil demand is satisfied by Malaysia and Indonesia.

“Unfavourable weather conditions and labour problems due to pandemic had affected palm oil production in Malaysia in 2020,” says Bhagyashree C. Bhati, Deputy Manager- Industry Research, Care Ratings. As a result, analysts say, palm oil has of late witnessed 30-40 percent inflation.

Likewise, FMCG major Marico said that market prices of copra have spiked by 25 percent due to leaner supplies and lower coconut to copra conversions. Edible oil, which is also imported in large quantities from Malaysia, has also seen a supply shortage.

Besides high COVID-19 infections, reverse migration has only added to the issue of manpower shortages. An unspecified but large number of transporters (truck drivers) have been infected by the virus thereby crippling supplies.

Amitava Saha, CEO of logistics firm Xpressbees, which offers its services to several consumer goods and e-commerce companies, shares that while the movement of goods is not a challenge, they are facing labour shortage. Xpressbees has boarded 4,000-5,000 people in recent months as replacement of staff which has been infected with COVID-19.