Manufacturers burst balloon

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WHILE THE ANTI-CHINA sentiment is high across the country, especially for made in China products, a boycott, and an immediate one at that is far from feasible.

Firstly, if the government buckles under the pressure of the rising chorus to boycott Chinese products by raising import duties on them, it is the consumers who will feel the hardest pinch as prices will increase for a host of items ranging from mobile phones, smart TVs to cars. Even if several of these products are manufactured in the country, their components are either imported from China or the vendors of the final products are dependent on China for their supply.

Industry executives agree that in several cases alternatives can be sourced or domestic capabilities can be created, but these would take time.

For instance, though automobile companies like Maruti Suzuki do not import anything from China, their vendors do so by sourcing components from there. The market size of the auto components industry is to the tune of $57 billion and Chinese share in it would be about 25%.

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Any increase in duties would raise cost for vendors, which would be passed on to the manufacturers and onwards to consumers. Since domestic manufacturing of such components is not enough, there's no substitution possible currently.

Coming to the mobile phone segment, the overall market size is of around ₹2 lakh crore and the share of the Chinese products is around 72%. Chinese brands dominate here and any higher duties would impact the market in terms of prices of the phones. Even Chinese or some domestic firms assembling these products in India import several components from China. The situation is not much different in the ₹25,000-crore TV market. The share of Chinese products in smart TVs is higher at around 45%, while in the non-smart TVs, their share is at around 9%. Raising duties here may work, but consumer prices of smart TVs would rise as non-Chinese smart TVs are costlier by 30-50%. Says Vinnie Mehta, director-general of Automotive Component Manufacturers’ Association, “The imports from China cannot be replaced so soon, but the value chain can be created in India given our skills, quality and capabilities. So the Indian auto parts industry can bring down dependence on China, which accounts for about a fourth of India’s annual auto parts imports of $18 billion. Indian exports to China in this segment, however, are only about $300 million annually.”

B. Thiagarajan, MD of air-conditioning major Blue Star, told FE that China is the biggest component supplier. “The Atmanirbhar initiative has been taken by the government to enable component makers to become self-reliant, but all these will take time.”

“When it comes to global supply chain in the domain of electronics manufacturing, China is the one inseparable link. There is some component or process of virtually all products for which every electronic manufacturing country in the world is dependent on China. If India decides to stop imports from China, the production will be impacted,” George Paul, CEO, Manufacturers’ Association for Information Technology, said.

“It is no secret that a substantive part of India’s supply chain has its roots in China. Efforts are underway to enhance self-dependency. Meanwhile, we remain confident that the Indian and Chinese leaderships will find a lasting solution for the current border impasse. We remain hopeful of peace without compromising India’s strategic priorities,” said Pankaj Mohindroo, chairman of the India Cellular and Electronics Association. Kamal Nandi, business head and executive vice-president of Godrej Appliances, said, “For the next few months, there is enough stock of components and parts for consumer electronics and though there will be disruption in the long term, it can be mitigated with alternatives available. The impact on prices is not known because the industry has to see what cost impact would be there while importing from other countries.”