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How is the Deteriorating Covid-19 Situation Affecting the Fastener Demanding Industries in India?

India is the fifth largest economy in the world and considerably backs global economic growth. With relatively high growth rates and its large size, the country has a substantial effect on the world economy. In terms of manufacturing, the country has successfully built a well-established and competitive manufacturing base over the past decades, ranked 6th in the world, just behind the big five (China, the USA, Japan, Germany, and South Korea), which is approximately equal to the combined manufacturing of Indonesia, Thailand, Malaysia and the Philippines, the major manufacturing economies in South East Asia.

Just a year ago, it seemed definite that the changing global business environment due to COVID had the great capacity to pave India's way into the next world's factory, but the situation of India in 2021 has led to a different story, and now more than half a year has passed, manufacturing in India has come to a near halt.

Last year, the sudden spread of the coronavirus pandemic came as a disaster to the world economy. As the world's largest manufacturer, China, became the centre for the worst pandemic of the century, stock markets reacted severely and supply chains from China were suspended. With countries revealing the necessity to untie the dependency on strongly integrated supply chains from China, the age of Indian manufacturing started to allure more than ever. Additionally, there was a huge belief that the conflict between the US and China, the so-called trade war, would expedite the shift from China to India as the next world's factory, and to some extent it was unquestionable.

Sources:

The Impact of COVID-19 on India's Manufacturing Sector, The Wire
COVID-19: Mobilizing the automotive industry now, Accenture





However, the year 2021 changed everything for India! The country now is in the worst shape of a variant of the original coronavirus. Manufacturing has come to a near standstill. **Restrictions imposed by the Indian government as a result of the surge in COVID-19 cases have led to substantial braking in the manufacturing sector. Metals and chemical products, motor vehicles, machinery and equipment, fastener, textiles, and many other sectors are amongst the most affected industries.** Many of those sectors, like automotive, suffered as they encountered a shortage of raw materials or spare parts from China in 2020, and then was shut down this year, following the tragic coronavirus outbreak in India. This calls for the Indian government to develop a new strategy for the manufacturing sector, where not only finished products are made in India, but also the whole value chain.

Consequently, the fastener industry is grappling with the immediate impact of COVID-19 as both their manufacturing and supply chain operations are being disrupted, and their customers' operations faced similar challenges. This is having an exponential effect down to the whole supplier network, hitting fastener players in the market with a break, but at full force. Moreover, the pandemic has brought up new challenges to this market that needed to be tackled fast, including worker absence, restricted site access and collaboration, travel limitations, and new ways of working.

Before the pandemic, the Indian automotive sector was expected to be the largest consumer of industrial fasteners, accounting for a major share of the market by next two years. However, the pandemic is affecting huge disruption to this industry and damaging India's automotive ecosystem rigorously.

Several major Indian automakers have decided to pause operations yet again, knowing that the road to recovery might be even harder this time. Soon after the automotive industry showed some revival's signals as the overall sales grew positively for a few months, the second wave of Covid-19 has hit the industry badly. This is very unfortunate for manufacturers who were expanding their operations into automobile sector-specific fasteners. Before hitting India by the Covid-19 crisis, the development of fasteners applications for manufacturing automotive parts such as engines, chassis, moulding, suspension systems and wheels, was anticipated to drive the growth of local fastener market in India.

The construction sector as another major source of fastener demand growth in India, which accounts for 8% of the country's GDP and includes more than 200 firms, is another key sector facing a perfect storm of challenges caused by the pandemic. High-tensile fasteners are mainly used in the construction and engineering sectors. **Before the pandemic crisis, there has been a major growth in construction sector-specific fasteners made of stainless steel, iron, brass, aluminium, nickel, plastics and composites, which the current pandemic has damaged that positive trend. The impact of the pandemic on India's construction sector is costing an estimated Rs 30,000 crore every day.** The longer the pandemic and the lockdown last, the more projects will be halted. The investment in construction has reduced by 13-30%, which certainly affects the gross value added (GVA) and employment, as well as other related industries and sectors such as industrial fasteners.

Last but not least, cash is king, and it becomes more and more vital these days. Some OEMs, smaller fastener manufacturers and distributors have low liquidity, with marginal operating cash flows, which may allow them to survive only for a few months. This issue has caused several small (or medium) sized players in the fastener market to negotiate higher credit lines, look for industry consolidation or at last, if there is no other option, to close down their operations and go out of business.

Conclusion

The impact of the COVID-19 pandemic on all sorts of industries is indescribable, and it will continually disrupt the world economy until the global vaccination ends this disaster. The pandemic results in a loss of millions of jobs in all industries and has a much broader impact than the recession did in the year 2008. Thus, the future is predicted to move towards one of the worst recessions of all times.

Fastener manufacturers now must have two things on top of their minds when planning for their business operations. First, the ongoing safety of their workforce, and second, the risk mitigation strategies for any future disruption in their business, as well as their customers' business.

Fastener manufacturers must act now to protect the integrity of their operations as well as their people, while getting ready for the post-COVID-19 business recovery and while some companies have started responding to the immediate crisis, taking steps to protect their workforce, supply chains, and operations. ■

