



Automotive Component Manufacturers Association of India

Salient Points:

Interaction with Mr Rajan Wadhera, President, SIAM

April 15, 2020

Mr Deepak Jain, President ACMA welcomed Mr Rajan Wadhera, President, SIAM. He thanked Mr Wadhera for his, and SIAM's support, especially in these challenging times. Mr Jain sought guidance of Mr Wadhera in managing the COVID-19 disruption of the automotive supply chain as also resuming operations once the lockdown was lifted.

Mr Wadhera, in his opening remarks appreciated the support extended by ACMA and the component industry for standing together with the OEMs in these challenging times. President ACMA, together with President SIAM had been part of several ministerial meetings and had jointly advocated the case of the automotive sector. He also appreciated the contribution of ACMA members towards Prime Ministers' Relief fund as also for production of PPE, ventilators, and other safety equipment to support the Government in its efforts to control the spread of COVID-19 pandemic.

Joint Industry efforts had also led to the government announcing several measures including the RBI announcement on reduction on repo and reverse-repo rate, permitting movement of essential and non-essential trucking, reduction on demurrage rates among others.

Mr Rajan Wadhera stressed on the following points:

- **On current state of the Auto Industry & Future Scenario:**
 - The entire automotive supply chain is in complete disarray due to the lock down
 - All pervasive liquidity crunch and challenge of cash flow
 - An INR 2300 Crs. of turnover was being lost every day
 - The industry had witnessed sharpest decline in domestic sales in March 2020
 - According to the recent SIAM figures for FY19-20, the performance of vehicle industry had declined by 15%
 - PVs declined by 14%; CVs declined by 32%; 2Ws declined by 15%
 - Going forward, SIAM had created two possible scenarios:
 - **Scenario 1**- The impact of COVID-19 will lead to reduction in growth of GDP from 5.3% to 3%, which will in turn lead to de-growth in sales for all segments in the range of (-15)% to (-25)%.
 - **Scenario 2** - The other scenario is GDP growth being either muted or a meagre of 1%, which will lead to further downside in vehicles sales and the range of de-growth would be (-20)% to (-35)% (*likely scenario*)
 - The de-growth would take industry performance back by a decade i.e. to 2010; the capacity utilization in which case would reduce to 50%.

- **On Restarting Operations Post Lockdown:**
 - Restarting operations would not be easy and will take considerable time
 - SIAM had requested Government to allow single-shift operation of 12 hrs in auto industry post April 15, 2020, with limited capacity; Component suppliers may have to work in 2 shifts
 - Govt. needed to announce, permitting manufacturing in the auto sector at least 15 days in advance for the supply chain to be ready and for ramp-up
 - Availability of labour could pose a challenge in ramping-up
 - Proper SoPs will need to be followed to ensure safe and secure working environment. Industry could considering testing of migrant labours at their own cost before they joined.
 - Supply chain could face hiccups due to challenges of imports especially from EU for BSVI components; the supply chain could take a quarter to stabilize.

- **On Domestic Demand**
 - Demand to be weak post lockdown as Vehicles are not an essential commodity
 - SIAM has recommended for GST cut to 18%, reduction of road tax, scrappage policy etc. The government did reduce excise duty in 2008 and 2014 to support the industry when the sales had plummeted.
 - Small Cars and 2 Wheelers are expected to be more in demand due to liquidity issues at the consumer end, further people would continue to practice social distancing

- **Message to the auto component industry:**

Whilst the auto component industry had done well so far, the industry needed to focus on higher value addition. The COVID-19 disruption offered the Indian auto component industry a significant opportunity to enhance their share of global supply. The component industry needed to focus on the following in order to stay relevant to the its customers:

 - Design & development
 - Value addition in Technology Development
 - Work on localisation of imported parts, especially from China
 - Focus on Exports. Raise the quality benchmark

The interaction ended with Mr. Sunjay J Kapur, Vice President, ACMA thanking Mr Rajan Wadhera for his direction to the auto component industry . Mr Kapur sought Mr Wadhera's and SIAM's continued support to the auto components sector.
