

The logo for ACMA (Automotive Component Manufacturers Association of India) features the letters 'ACMA' in a bold, blue, sans-serif font. The letters are closely spaced and have a slight shadow effect, giving them a three-dimensional appearance. The background of the logo area is a light blue gradient with faint, overlapping gear patterns.

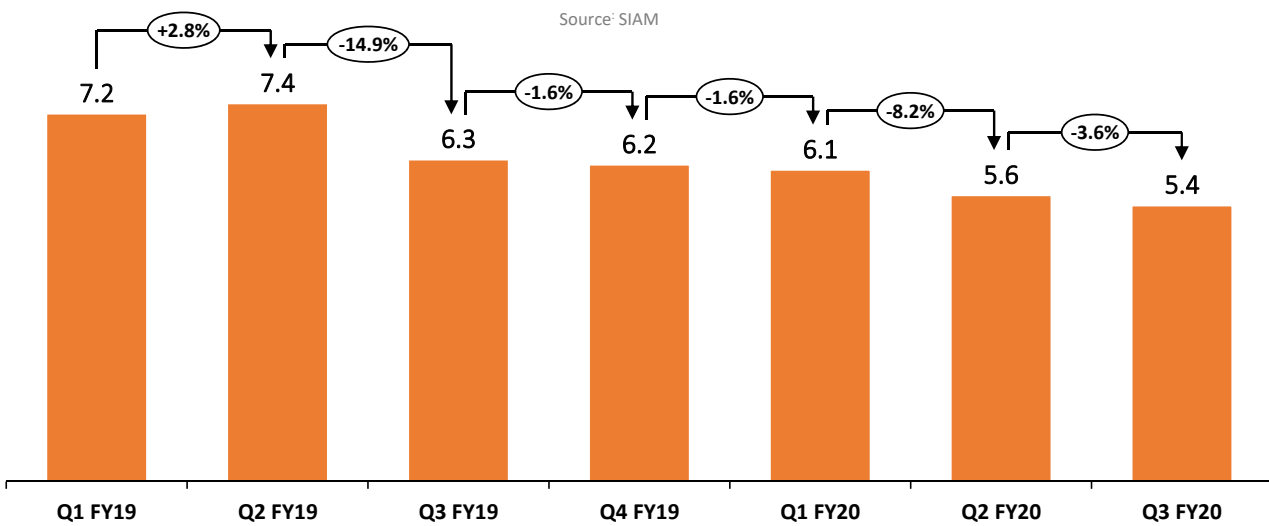
Automotive Component Manufacturers Association of India

ACMA Recommendations: Dealing with Challenges of Supply Chain Disruption due to COVID-19



Automotive industry sales have been rapidly dropping over the last 5 quarters; exports markets have been the only growth avenues

Domestic Auto Sales Quarterly View | (in million units)



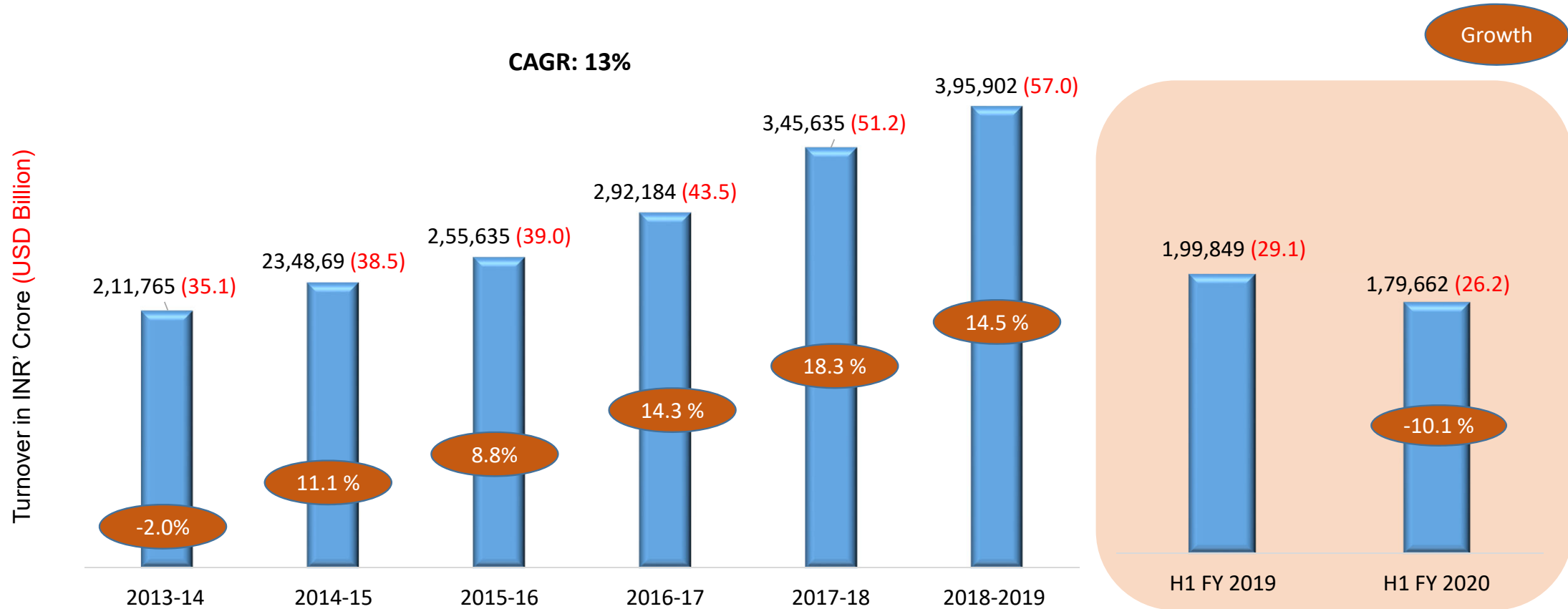
Key Reasons

Poor customer sentiments, less rural consumptions	Unfavourable exchange rate	Liquidity crisis with NBFCs	BS IV to BS VI transition
Long term Insurance, cost increase	Axle load norms, fleet utilization	Traffic congestion in cities	Increased CapEx for OEMs

Vehicle segment	Dom. Sales Y-o-Y 9M 19-9M 20 (Apr-Dec)	Exports Q-o-Q 9M 19-9M 20 (Apr-Dec)
	▼ 15.8%	▲ 6.9%
	▼ 16.4%	▲ 5.9%
	▼ 21.09%	▼ 38.7%
	▼ 10.3%	▼ 16.1%
	▼ 2.7%	▼ 8.0%
TOTAL	▼ 15.0%	▲ 4.1%

*Includes Passenger Vehicles, Commercial Vehicles, 2 wheelers & 3 Wheelers

Auto Components Industry Performance: H1 FY20



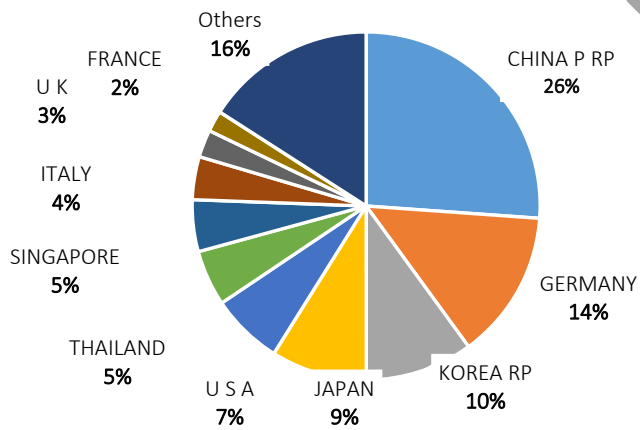
(Turnover includes supplies to OEMs, aftermarket sales and exports)

Expensive imports coupled with erosion of export demand means a double impact for component manufacturers

Imports

74% of imports worth **\$13.1 billion** from affected countries

Imports by Country

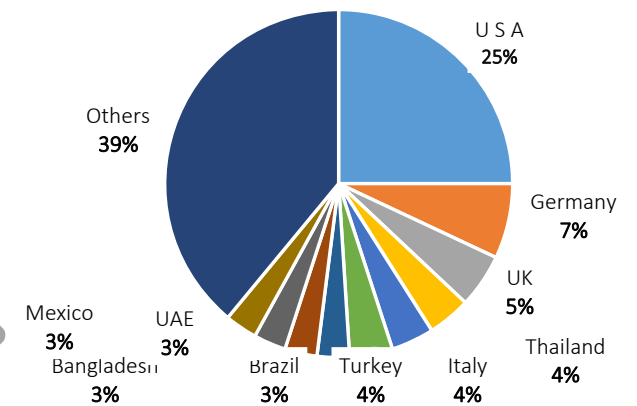


\$13.1 Bn

Exports

45% of exports worth **\$6.8 billion** to affected countries

Exports by Country



\$6.8 Bn

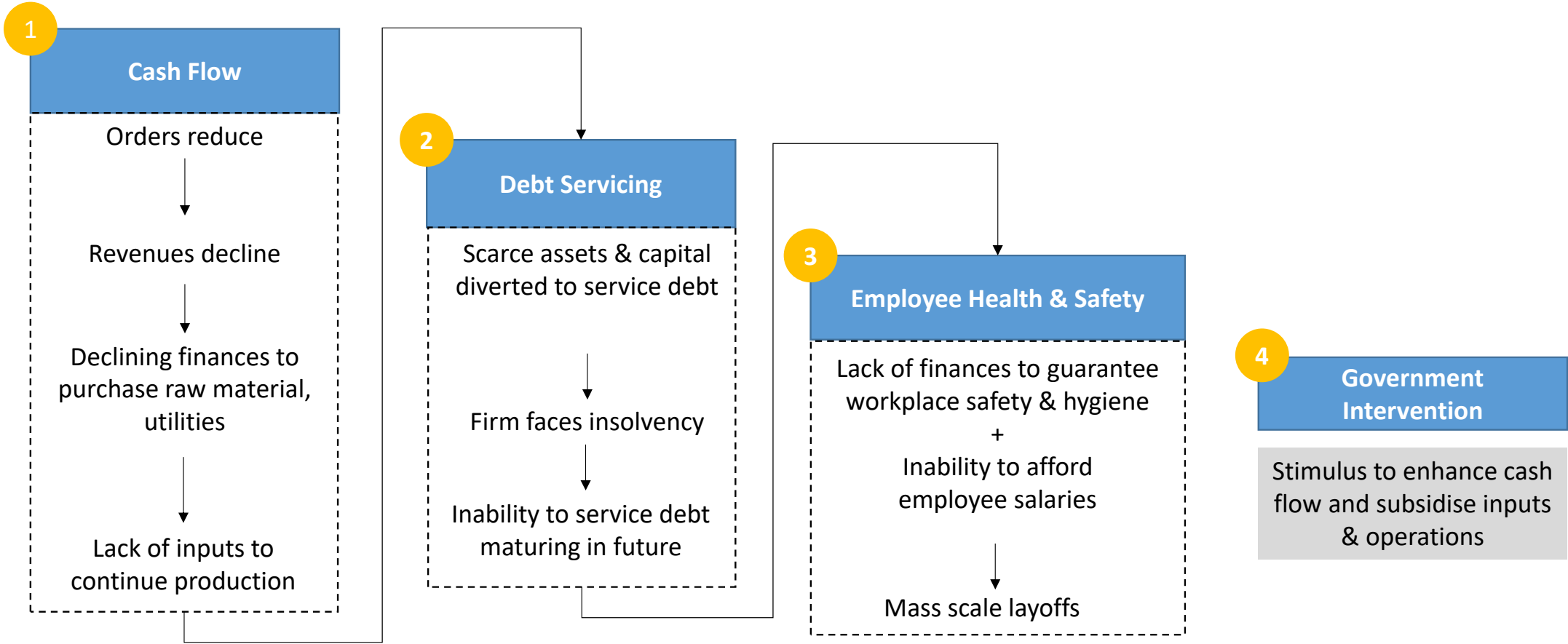
Auto-Component Manufacturers

More expensive components from alternate supply chains

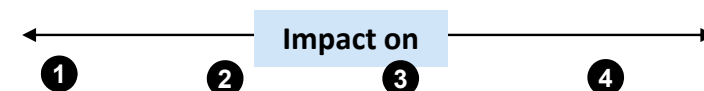


Erosion of demand in domestic & export markets

As the virus propagates and demand drops, firms find it increasingly hard to function



ACMA seeks Government's support to provide relief to the component makers of India(1/2)



SL	Government Intervention sought on	Category	Working capital	Long term debt position	Well being & safety	Incentives & schemes
1	Extend 6 months moratorium to large companies and 1 year in the case of MSMEs on loans	Banking	X	X		
2	Complete pass through of reduction in repo rates to the companies	Banking		X		
3	Allow 10% additional overdraft on sanctioned limits	Banking	X			
4	Extend 3% Interest subvention/subsidy for working capital/loan requirements to the companies with Turnover less than INR 250 crores	Banking	X	X		
5	Deferral of GST return filing and tax payment- GSTR 1 and GSTR 3B at least for 90 days	Indirect Tax	X			
6	Deferral of TDS payment from March 2020 until September 2020	Direct Tax	X			
7	Deferral of levy Tax Collection at Source of 0.1% on sale of goods (if sale exceeds Rs.50 lacs in the year), w.e.f. April 1, 2020 at least six months.	Direct Tax	X			
8	Extension of deadline for filing of results for the year ended March 31, 2020 in case of listed entities to June 30, 2020	Direct Tax	X		X	
9	Extension 'Vivad se Vishwas' Scheme until September 2020	Direct Tax		X	X	

ACMA seeks Government's support to provide relief to the component makers of India(2/2)

SL	Government Intervention sought on	Category	Impact on			
			① Working capital	② Long term debt position	③ Well being & safety	④ Incentives & schemes
10	'Remission of Duties or Taxes on Export Product' (RoDTEP) scheme should have benefit equivalent to the existing MEIS or else extend MEIS until September 2020	Trade				X
11	Demurrage free customs clearance at airport - extend to 7 days from existing of 3 days	Trade	X			
12	Submission of bill of entry without penalty – extend to 5 days from existing 1 day	Trade	X		X	
13	Interest equalisation scheme (Pre and Post Shipment Rupee Export Credit) should be extended to cover all auto component tariff lines and Manufacturers; Credit rate should be increased to 5% from existing 3%	Trade				X
14	Extend credit on Social Welfare Surcharge (SWS)	Trade	X			
15	EPCG Scheme: (a) Period of export obligation fulfilment should be increased to 8 years from 6 years (b)Removal of Composition Fees of 2 percent for extension of export obligation block	Trade	X			X
16	Deferment of hearings - All scheduled hearings to be deferred by 3 months and no new hearings should be fixed	Other			X	
17	Government should look into delayed payment from PSUs	Other	X			
18	Deferment of ESI & PF payments by six months	Other	X			
19	Expenses on treatment/welfare of employees for COVID-19 should be treated as CSR	Other	X			

1 Recommendations on Working Capital support

In 2019, the average components manufacturer in India took 56 days to convert working capital into revenue. With cautious buying sentiment domestically and lockdowns in major export markets, components manufacturers' days working capital is estimated to touch ~90 days. This shall render manufacturers' ability to purchase raw materials and utilities null. The situation shall be worse for medium and small firms whose solvency will be challenged. To avoid such a scenario, we request the following:

Recommendations :

- Allow 10% additional overdraft on sanctioned limits
- Extend 3% Interest subvention/subsidy for working capital/loan requirements to the companies with Turnover less than INR 250 crores
- Deferral of GST return filing and tax payment- GSTR 1 and GSTR 3B for at least 90 days (payments on accrual basis)
- Deferral of TDS payment from March 2020 until September 2020
- Deferral of levy Tax Collection at Source of 0.1% on sale of goods (if sale exceeds Rs.50 lacs in the year), w.e.f. April 1, 2020 at least six months.
- Extension of deadline for filing of results for the year ended March 31, 2020 in case of listed entities to June 30, 2020.
- Demurrage free customs clearance at airport - extend to 7 days from existing of 3 days
- Submission of bill of entry without penalty – extend to 5 days from existing 1 day
- Government should look into delayed payment from PSUs.
- Extend credit on Social Welfare Surcharge (SWS)
- Deferment of ESI & PF payments by six months
- Expenses on treatment/welfare of employees for COVID-19 should be treated as CSR

2 Recommendations on Improving Long term debt positions

In the current scenario of extreme sales slow down, firms require liquidity to fund working capital in order to maintain even low production rates. Using current assets to fund operating purchases rather than servicing long term debt will help upstart the cycle of production once business as usual resumes. The following measures shall help ensure a healthy long term debt position for manufacturers:

Recommendations :

- Extend 6 months moratorium to large companies and 1 year in the case of MSMEs on loans
- Complete pass through of reduction in repo rates to the companies
- Extend 3% Interest subvention/subsidy for working capital/loan requirements to the companies with Turnover less than INR 250 crores
- Extension 'Vivad se Vishwas' Scheme until September 2020

3 Recommendations on Ensuring Safety & Well being

As citizens of this country, it behoves us to contribute in containing the spread of this pandemic. In line with the message put out by the Honourable Prime Minister, it is important for workers in this sector to practice all essential requirements such as social distancing, avoiding large gatherings and working from home wherever possible. These measures may hinder certain operational necessities and to that extent, we request the following:

Recommendations:

- Deferment of hearings - All scheduled hearings to be deferred by 3 months and no new hearings should be fixed
- Submission of bill of entry without penalty – extend to 5 days from existing 1 day
- Extension of deadline for filing of results for the year ended March 31, 2020 in case of listed entities to June 30, 2020
- Extension 'Vivad se Vishwas' Scheme until September 2020

4 Recommendations on Obligations on Schemes & Incentives

It is a certainty that global demand will be hit as the virus propagates in economies accounting for ~50% of global GDP. 45% of components' exports from India are to countries severely affected by the virus. In this scenario of demand dipping, capacity utilization shall be negatively impacted pushing up unit production costs significantly, thereby impacting the competitiveness of Indian components in global markets.

Recommendations:

- EPCG Scheme:
 - Period of export obligation fulfilment should be increased to 8 years from 6 years
 - Removal of Composition Fees of 2 percent for extension of export obligation block
- Remission of Duties or Taxes on Export Product' (RoDTEP) scheme should have benefit equivalent to the existing MEIS or else extend MEIS until September 2020
- Interest equalization scheme (Pre and Post Shipment Rupee Export Credit) should be extended to cover all auto component tariff lines and Manufacturers; Credit rate should be increased to 5% from existing 3%



Thank You!