



Automotive Component Manufacturers Association of India

Press Release

ACMA seeks relief measures for the component industry to withstand COVID 19 impact

- Creates taskforce to evaluate the possibility of manufacturing facemasks, hand-sanitisers by auto component companies
- Industry committed to be emphatic to employees, over 1 lakh contractual employees already received salary for the month of March

New Delhi, 27th March 2020: The impact of Coronavirus over the industry, people and the economy is a grave concern. Given the unprecedented situation, the auto component industry is trying to mobilise all possible resources and assets that can help the Government and front-line workers fight the pandemic.

The Automotive Component Manufacturers Association (ACMA) has created a taskforce which is evaluating the possibility of manufacture of facemasks, hand-sanitisers by its members. Several of the component companies have shown keen interest to manufacture these items. Specifically, for ventilators, members are evaluating the option to import them through their CSR funds. The industry also seeks guidance from government on the standards for such equipment and the quantity needed.

ACMA has issued an advisory to all its members to maintain safety & security of all permanent and contractual employees, ensuring no layoffs and timely salary for the month of March. In fact, over 1 lakh contractual employees have already been paid their salary for the month of March. Further, several of the component manufacturers have promised to extend full medical aid to their employees, including contractual, in the eventuality of them or their family members contracting the Novel Coronavirus. Many auto component companies are also running community kitchens, with all necessary norms of social distancing, to ensure their contractual employees get regular food.

Commenting on this situation Mr. Deepak Jain, President ACMA, said, *“These are indeed unprecedented times, and I thank our Prime Minister for his exemplary leadership in announcing timely measures to control the spread of COVID-19 pandemic in India as also the recent measures announced by the Finance Minister and RBI Governor. The Auto Component industry stands by the Government of India in this hour of challenge. However, with complete stoppage of production in the vehicle industry and scarcity of working capital, the situation in the component manufacturing units, including the tier-2s and tier-3s has become quite acute, threatening their survival. We have requested the government for helping us with immediate relaxation of borrowing norms & statutory payments, extension of moratorium on payment of principal and interest of loans for a year, among others. We are also seeking support of SIAM and the OEMs to ensure minimal disruption of the supply chain.”*

There is no denying that the automotive industry in India has already been reeling under significant pressure to cope with plummeting vehicle sales for over a year now as also transitioning from BSIV to BS VI. The industry is now faced with the onslaught of a much bigger challenge of the COVID-19 pandemic which now threatens to destabilize the entire automotive value chain. The situation is even worse for small and medium firms whose

solvency is being challenged. To avoid such a scenario, ACMA has requested for the following:

- Support for Working Capital – Relaxation of borrowing norms & statutory payments
- Norms for NPA recognition to be eased by extending moratorium on payment of principal and interest by at least 1 year
- Relaxation in fixed electricity charge
- Relaxation in of levy demurrage charges for at least 7 days for import cargo clearance

With a three-week lockdown announced by the Government, production has come to a standstill in the automotive industry across the country. Auto Component manufacturers, especially the Tier-2s and Tier-3s are facing severe hardship on front of cash flow, which if not immediately addressed will lead to insolvency of several companies, especially the Tier-2s and Tier-3s. Further, there is no clarity on how the market will pan out in the ensuing months, thus further eroding the industry's confidence. It is estimated that the component sector is facing production loss of INR 1,000 – 1,200 crore per day.

The Auto Component Industry contributes 2.3% to India's National GDP, 25% to national Manufacturing GDP and employs over 50 lakh people. In 2018-19, the turnover of the industry stood at USD 57 billion with USD 15 billion in exports. The sector exports to almost all of world's leading vehicle manufacturers and Tier 1s, which speaks of its strong capabilities and global competence. The industry dominated by SMEs, is one of the key drivers of India's economic growth and the 'Make in India' program.

About ACMA:

The Automotive Component Manufacturers Association of India (ACMA) is the apex body representing the interest of the Indian Auto Component Industry. Its membership of over 800 manufacturers contributes more than 90% of the auto component industry's turnover in the organized sector. ACMA is an ISO 9001:2015 Certified Association.

The Indian Auto-Component Industry contributes 2.3% to India's National GDP and provides employment to 5 million people.

The Industry witnessed a growth of 14.5% posting a turnover of Rs. 3,95,902 crores (USD 57.10 billion) in the FY 2018-19. While the exports showed a growth of 17.1% scaling to Rs. 106,048 crores (USD 15.16 billion) in FY 2018-19. The Aftermarket grew by 9.6% to Rs. 67,491 crores (USD 10.1 billion) from Rs 61,601 crore (USD 9.2billion) in the previous fiscal.

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