

Deepak Jain: 'There is a need, and opportunity, to build brand India in the global industry.'

Deepak Jain, President, ACMA, talks about how the Covid pandemic and the call for Atmanirbharta (self-reliance) are driving the Indian industry to make new efforts to have a significant position in the global arena, in a candid interview with **Sumantra Bibhuti Barooah**.

What is the current status of Atmanirbharta in the Indian component industry, and what measures are being taken to strengthen it?

The honourable Prime Minister's call for Atmanirbharta, for the nation, I think, was primarily on self-reliance. When the lockdown was announced in March, and you had almost zero revenue during the first quarter of this financial year, the industry definitely realised the need of two things. First, to be more self-reliant and not be overly dependent on any one region. The second part was, how do we take this as an opportunity to have a more global presence? That's what we call as the 'China + 1' strategy.

I think there has been an intensive dialogue with all stakeholders of not just the industry, but also the government. I personally have not seen a Cabinet minister (Piyush Goyal) take so many meetings, and intensive meetings, with not just the automobile sector but also all sectors to understand where and how we can be Atmanirbhar. And very clearly so, Atmanirbhar is not to become more inclusive – it is to become more global. And one key thing is to remain and become more competitive.

The Covid situation has

actually helped the industry to become more resilient. I have often said that this is not the first slowdown which we've witnessed, and this will not be the last slowdown either. I am very happy to note that at least from ACMA's perspective, all our 800-plus membership, no one has gone bankrupt, or has stopped the business. Yes, there has been Tier 2s, Tier 3s, and there could be pain areas there but largely which we constitute 85 percent of the organised sector, we have been resilient. The industry has worked very hard along with the collaboration between supply chain partners as well as the OEMs.

There are three key things which are very key for Atmanirbharta. One is the localisation effort. We do run at high levels of localisation,

Though not a lion's share, the Indian component industry can look to increase its share significantly in the global component trade value in the near future through collective efforts towards excellence.

but the vulnerability of the supply chain is such that again if you are importing, and overly dependent on one region, the disruption in the supply of even one part leads to a problem. I think there is a whole lot of effort on that front.

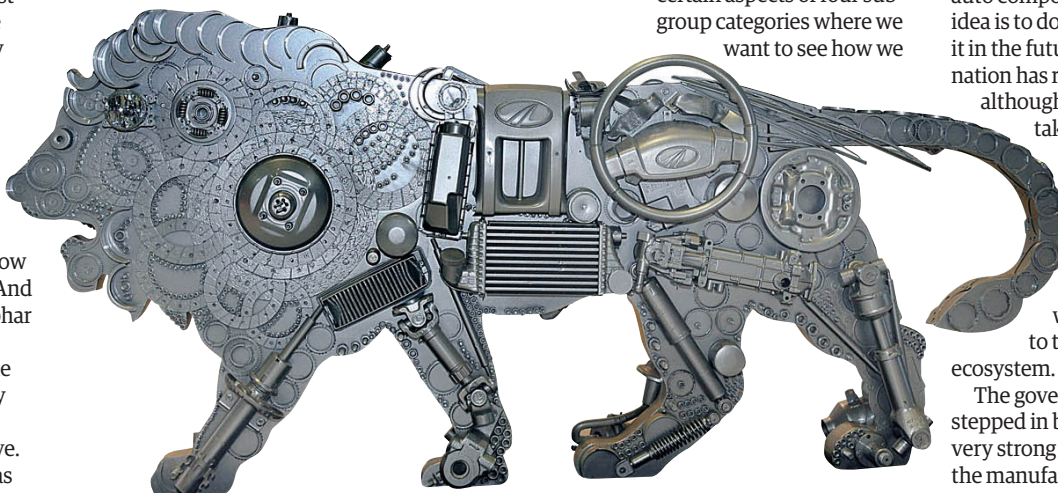
I am very thankful to Dr. (Pawan) Goenka because he is spearheading this thought. We have looked at the reasons why we are importing. Is it because of better competitiveness, costing of another region, technical capability or capacity? Or, is it just because of economies of scale, where one global manufacturer has put up their facility in one region? So, all these factors have been discussed, deliberated, with OEMs and at SIAM. SIAM always had a sourcing group but we looked at certain aspects of four sub-group categories where we want to see how we

can build the localisation efforts. And it's not restricted to components. It includes tyres, toolings, all aspects of localisation have been looked at. So, I would say deep localisation is at least at the forefront of everyone.

Atmanirbharta would not be complete only with localisation. It's talking about a holistic approach towards business. And how do we become more competitive, and dominant? Hence, exports. The industry and the government talked about how do we enhance our competitiveness so that in the global value chain model the auto components manufacturers in India are able to get a bigger piece of this pie. I think we are less than 1.5 percent of the global trade value of auto components, and the idea is to double or treble it in the future. I think the nation has realised that

although manufacturing takes priority there are some disabilities, compared to some competitive economies, when it comes to the Indian ecosystem.

The government has stepped in by giving a very strong impetus to the manufacturing sector



by motivating them by reducing taxation on the new manufacturing setups. But then there are land reforms, there's land, labour, logistics. There's also the cost of capital, which is high, and hence I think there has been a deliberation on the PLI (Performance Linked Incentive) which will help the Indian manufacturing to become more competitive. We are awaiting all the details to be worked out, but at least the deliberation shows the intent of the government to support the Indian manufacturers so that we can come to a global scale and basically compete at the global arena to get more share of the global value chain.

Among competitiveness, technical capability, economies of scale, and capacity, what were found to be the key reasons for which the Indian industry is not there yet?

I think all the four reasons would play a role, but the point is that there would be certain low-hanging fruits.

'Atmanirbhar is not to become more inclusive – it is to become more global. And one key thing is to remain and become more competitive.'

And there would be some long-term milestones and actions which the industry will have to take. Low-hanging fruits obviously means capacity building, or basically in terms of just cost. I think we need to sensitise the industry that what merits it actually takes for doing localisation. A very simple fact is that the rupee depreciates 10-15 percent every five years. So, if you don't localise, the cost of imports will go up by that much, just on the same parity level. That's

basically always been a high motivating factor for basically localisation. However, today the intent is to become self-reliant as well.

In the automobile industry, India needs to take its rightful place in the world order, because no one denies that India will be in the Top 3 in any segment in the future. That means scale would always be present in India, and we just need to basically backup with good, competitive things. The industry is very competitive. India is one of the most price-sensitive markets. But, again, to take it to a global level we



need to really refocus upon brand India. I think that was a realisation which I believe this whole Covid world and the Covid era has brought and dawned upon us. That there is opportunity, we need to build the brand, we can export out, but we need to take it not in silos but as an industry-wide focus in partnership with the government. That's where when you talk about localisation, there are low-hanging fruits. Simple tyres, electronics, steel, certain raw materials. We are talking about components and also about toolings.

ACMA PRESIDENT'S TOP 5 TAKEAWAYS ON ATMANIRBHARTA



- Focusing on deep localisation, investing in innovation and collaboration with the government and auto industry bodies could help transform India's dynamic industry into a leading automotive component manufacturing hub of the world.
- India's component industry is resilient. Of ACMA's over 800 members, no one has gone bankrupt, or has stopped the business. The industry has worked very hard along with the collaboration between supply chain partners as well as the OEMs.
- Industry awaiting details of PLI (Performance Linked Incentive) to help manufacturing become more competitive and compete at the global arena to get more share of the global value chain.
- India Auto Inc needs to work on its brand-building strategy. Most companies work in silos – if India is to make inroads into the global market, there has to be a cohesive industry-wide strategy.
- It is vital for industry to have a stable, accepted and agreed regulatory framework which basically talks about when and how the regulations need to be rolled out.



Investment in efficiency enhancing technologies, strengthening research capabilities and building scale are key for industry players to tap more opportunities.



So, we are looking at a more holistic manner.

We at ACMA have also put in a very stiff challenge where we have said that we would like to become a net exporter, instead of a net importer.

If Indian manufacturing is more competitive, it will obviously help in the whole \$5 trillion (Rs 37,005,000 crore) economy drive. If that doesn't happen in terms of competitiveness, there could be a problem. It's actually linked to a national goal.

What do you think needs to be done to enhance the equity of 'Made in India' when compared to 'Made in Germany' or 'Made in Japan'?

I think it's a long-term process. Let's look at components. I think almost one-third, or maybe more, of our components are exported to Europe and to the US. So, I don't think there's any compromise on

the quality aspect or the cost aspect. But what I think we need to do is work on our brand-building strategy, as to what does brand India, or 'Made in India' stand for. Is it quality, is it affordability, is it technology, is it robustness, what is it? I think that is the key. If Indian industry's share in the global value chain was a lot larger, if exports were a lot larger, brand building then comes automatically. I think it's a parallel discussion, a parallel effort, and that's where we are trying to build. Let's say you want to get a 5 percent share of the global trade; then, you need to build the brand. That's why I have said before, we have worked a lot in silos. You will see a lot of excellent companies, but as an industry, as a nation, I think that's where we are aspiring to reach.

The stringent deadline for transition to BS VI seems has turned the clock back for the



industry, in terms of localisation. Could the government's focus on electrification also challenge the industry in localisation?

There was a regulatory framework, a regulatory

commitment which we need to follow, and hence we had to fast track BS VI. It is not a desirable thing that we keep on continuing to do that, and hence I think most important today is to have a stable, accepted and agreed regulatory framework which basically talks about when and how the regulations need to be rolled out. While we are doing that, in terms of the timelines and other things, the industry needs to deliberate that what is the localisation content and readiness that the industry is able to achieve. I think when the regulators are making that framework, we need to take into cognisance that if we are to fast track some regulations, how much will it impact the economy in terms of localisation or the 'Atmanirbharta'. I think that is the new aspect which I am sure the regulators and the industry will look into and make a sustainable roadmap



for regulations.

Electrification is a global trend. As and when the scale starts coming in, I am sure people will also be ready to invest in electrification. We have to look at impact, and make sure localisation efforts or at least more value add coming to India is not compromised. It's very clearly mandated by the government that it would like electrification and other new trends of mobility which impact positively on the environment. So, while you are basically doing that, now you know, people will look at scale and then opportunity to invest.

How does 2020-21 look for the industry? How's the business sustainability looking after the festive months? Is the Covid impact over for the industry?

When the Covid pandemic started, there were estimates from a best-case

scenario to a worst case scenario by SIAM, where we were looking at 20-40 percent fall for the industry. Fortunately, we are not at that – 40 percent. We are seeing a recovery. Obviously, the visibility is still low because Covid is still there and hence everyone's being very cautious. Yes, there was a festive season which was better than expected basis on what the Q1 was a complete washout. Hence at least if I look at nine months, we are recovering but we are still negative because of Q1. We'll see going into Q4 how basically the trend changes, but overall annually as an industry we would see it contracting.

As an industry, we need to be very careful on all fronts and continue to take the safety protocols that we had started at the beginning of the pandemic. We were probably the first in the manufacturing sector to follow this extremely stringently, because the

There's cautious optimism in the industry and the investment cycle may be returning. However, the practice of Covid safety protocols need to be sustained for uninterrupted operations.

'I urge the industry to continue to follow the safety protocols, because Covid is not over.'

human safety, the safety of our associates is paramount. As you rightly said, you go out you may feel everything is normal, but I would take this opportunity to urge the industry to continue to follow the safety protocols, because Covid is not over. It is very much prevalent.

Whenever there's any festival or other such occasions where people get out and meet other people, we need to reset our safety protocols of the shopfloor. As far as the sustainability of demand is concerned, we hope and expect that the demand is robust and healthy enough, and therefore there is no unforeseen disruption. I think the government has also done a good job is supporting that. But we are still very wary about regional hotspots happening. But I think we are in a better position to plan our disruptions better. Be it international, or domestic. ■

30 SECONDS ON . . . WHAT INDIA COMPONENT INC NEEDS TO DO

- As supply chains shift, India could expand its share in the global automotive component trade to 4 to 5 percent by 2026, emphasising a targeted export expansion and import substitution program for key components.
- The aftermarket could be a growth engine during lockdown, with micro-market clusters driving the bulk of demand: India has 19,500 micro-markets serving approximately 30 million passenger cars – and of these around 1,275 micro-markets (7 percent) contribute to half of all demand.
- Collaboration with non-automotive sectors could unlock product opportunities for parts such as bearings, motors, engines and turbines, among others. In some cases, the product or process capability overlap between automotive and non-automotive parts is learnt to be more than 50 percent.
- A granular approach across 20 categories could help save ~15 to 25 percent of hidden costs. For instance, an optimised freight management system could save a company close to 25 percent of cost in under 8 months.
- By making digitalisation, analytics and automation a way of working, automotive component suppliers in India, across the value chain, can optimise processes and cut costs by up to 40 percent across more than 70 levers.