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# Auto component industry defers \$2 bn investment due to slowdown

*Investments in capacity expansion have been put on hold but the industry is still doing certain investments in innovation, says Deepak Jain, ACMA President.*

Nabeel A Khan | ETAuto | September 08, 2019, 20:50 IST

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The Indian auto component industry contributes 2.3 percent to the country's GDP and employs about five million people.

New Delhi: The slowdown has forced the Indian [auto component industry](#) to hold at least \$2 billion (about Rs 14330 crore) investment planned for this year, said [Deepak Jain](#), the recently appointed president of the Automotive

Component Manufacturers Association.

Jain said [investments](#) in [capacity expansion](#) have been put on hold but the industry is still doing certain investments in

"If we talk about a \$57 billion auto component industry, usually the investment ratio is close to 1:3 or 1:4, so to generate additional revenue, considering we grew at about 14% last year, this investment could be \$2 billion that has been put on hold," Jain told ET in an exclusive interview.

**Capacity utilisation** has come down to 50-60% from 75-80% in normal situations, said Jain. This has already resulted in a loss of around 100,000 jobs, he said.

"I want to clarify here that in September 2018, we were almost running peak. We were growing at a very healthy double-digit (rate). In the manufacturing sector, going to peak capacities, even to hit 90%, all the companies start to expand capacity. So we did expand," said Jain. "We have run from 100 base threshold to 120, but unfortunately demand subsided and that 100 became 80. So we are looking at probably 50-60% capacity utilisation and 40% is under utilised."

**“ Capacity utilisation has come down to 50-60% from 75-80% in normal situations which has already resulted in a loss of around 100,000 jobs.”**

~ Deepak Jain, President, ACMA

JBM Group.

Several other companies, including Shriram Pistons & Rings, have also shelved their investment plans.

Jain blamed the development on factors such as implementation of new safety norms, which added to the total cost of vehicle ownership, and structural changes in the economy which squeezed liquidity.

The Indian auto component industry contributes 2.3 percent to the

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