



“THERE IS LATENT DEMAND AS MACRO FUNDAMENTALS OF INDIAN ECONOMY HAVEN'T CHANGED”

The automotive industry is going through an exceedingly challenging phase with sales across all vehicle segments plummeting. Auto Tech Review met up with **Deepak Jain, President, Automotive Component Manufacturers Association of India (ACMA) and Chairman & Managing Director, Lumax Industries** to understand how the industry is bracing up to deal with the sales stress all around.

Deepak Jain, the newly-appointed ACMA President, has been serving as Chairman & Managing Director (CMD), Lumax Industries since April 2018. Jain carries over 22 years of industry experience and is a business graduate from Illinois Institute of Technology, USA with specialisation in Operations Management & International Business. He has undergone extensive training at Stanley Co Limited, USA & Stanley Elec-

tric Co Limited, Japan. Jain is also the Vice President of Toyota Kirloskar Supplier Association (TKSA) and Executive Committee Member of Maruti Suzuki Supplier Welfare Association (MSSWA). He has held the following positions in the past; President of Supplier Club, Honda Cars India Limited (2010-11) and Sr. Vice Chairman, Society of Automotive Engineers (SAE) – NIS (2012-2014).

What will be your immediate priorities as the recently-appointed President of the Automotive Component Manufacturers Association of India (ACMA)?

As a member of the Automotive Component Manufacturers Association of India (ACMA), I will strive to be more responsive and engage proactively with all stakeholders of the ecosystem, be it government bodies, customers as well as our ACMA members. My key priority in times of adversity is to ensure we all stand united at all times. The Society of Indian Automobile Manufacturers (SIAM) and ACMA share a wonderful working relationship. I'm extremely excited about working together with SIAM because I know the SIAM leadership (Rajan Wadhwa, President, SIAM) and (Kenichi Ayukawa, Vice President, SIAM) very well and from that perspective it gives me immense confidence that I will be able to enjoy their support and confidence. I'm sure both SIAM and ACMA will collaborate on multiple automotive industry-related issues. As ACMA President, I will like to talk less and do more.

The automotive industry is currently undergoing a lot of distress. How do you assess the slowdown-induced job losses?

First and foremost, the automotive industry is a cyclical industry. Let's make one thing crystal clear – it is not the first slowdown and it is not going to be the last. The nature of the automotive industry is such that there is a need for a lot of flexibility. As you would realise, automotive companies hire more people during a period of upturn, and in the same corollary, when a downturn comes around it is unfortunate that companies have to let go some people. But the nature of such laid-off people is probably temporary in nature – in fact, those are the people who actually help get the flexibility right.

The automotive industry has endured slowdowns in the past as well, including the ones in 2008-09 and 2013-14. How is this different from the past slowdowns?

You have to understand that this slowdown has some new elements – this is by far the longest slowdown the automotive industry has witnessed (the slowdown has been going on since September 2018). This slowdown is affecting all segments. In earlier slowdowns, we have seen the

two-wheeler segment was doing ok, the commercial vehicle segment was down and the passenger car segment was doing a bit better.

There are structural changes happening in the economy as well as in the automotive industry – on the economy front, there have been massive changes such as demonetisation, GST, NBFC liquidity crunch and weakening of the rupee. Similarly, on the industry front, there have been various legislations including axle load norms, migration to BS VI emission norms, safety norms as well as insurance regulations – all of these have resulted in the total cost of ownership (TCO) going up.

Prime Minister Narendra Modi has been talking about India becoming a \$ 5 tn economy by 2025. If we go by PM's line of thought, India needs to have one trillion manufacturers. The automotive industry contributes around 48 % to our domestic manufacturing. It is crystal clear that if growth aspirations are to happen, the country's automotive industry has to grow. For the first time, the automotive industry has seen a responsive government with Finance Minister Nirmala Sitharaman responding to our concerns within two weeks of meeting her; coming up with measures to enhance consumer sentiment. Of course, it is too short a duration to see the actual impact of the government's stimulus measures. The timely intervention by the

government will ensure liquidity will flow with the festive season round the corner. Having said that, the industry has also made other requests to the government and I'm sure they are seriously considering the same.

The automotive industry has been clamouring for reducing the goods and services tax (GST) on automobiles from 28 % to 18 % for a long time now – how crucial is this GST cut for the industry?

I'm not going to read between the lines but I have full faith in the government that they will do everything possible to support the automotive industry in this period of distress. The government sees auto as a key sector and all I desire is, whatever necessary actions the government takes it must decide fast and we will abide by it.

Do you think that such slowdowns enable companies to revisit their overall mode of operations?

Every company must look intrinsically to manage the downturn. We must basically calculate by managing our fixed cost as well as train our people during the slowdown period. Having said that, I believe we must continue making investments in right areas – of course, companies may not invest in capacity building as many of them have overcapacities now. From the previous slowdowns, we've learnt to manage ourselves better.



The ACMA President said the current automotive slowdown is different from earlier slowdowns because it has affected all vehicle segments



Jain said there are new discontinuities and new norms that will become the new normal

The move from BS IV to BS VI emission norms has been a hugely challenging period for OEMs and component suppliers. What's your perspective on the industry's readiness for BS VI?

The industry is ready for BS VI. We felt assured and comforted, when the SIAM leadership applauded the auto component industry at the 59th SIAM Convention for meeting the BS VI challenges in just three and a half years. Every supplier has burnt midnight oil to make this happen. We are already aligned with our customers. Post-BS VI, we have the Corporate Average Fuel Economy (CAFE) norms coming in, which means we will keep investing in new technologies as the national intent is to promote safer and cleaner vehicles and the auto components industry is committed to that. It is critical that some kind of demand is there in the market over the next few months in the lead-up to BS VI emission norms kicking in on April 1, 2020, and such a scenario will enable the auto industry to deal with the BS VI emission norms in a better way.

The sluggish Indian automotive market will only make it tough for auto companies to cope with BS IV inventory dilution – your thoughts.

BS IV inventory dilution is of course a big concern. Automotive OEMs have already raised this and I'm sure every company must have drawn up their plans on how

to tackle it. We all know that BS VI emission migration date (April 1, 2020) will not shift and from ACMA's point of view, we will follow our customer schedules. We are a B2B entity and we don't have to get into market forecasting.

The 59th ACMA annual session was themed 'Future of Mobility – Embracing the Discontinuity'. What is your take on 'discontinuity'?

There have been so many rapid structural changes happening across the automotive industry. There are new discontinuities and new norms that will become the new normal. We need to embrace all that comes along and accept this discontinuity. There have been arguments in the past that this will happen and this will not happen – whether this technology will come through or this technology will not come through. The government has made it very clear – everything can co-exist be it ICEs and EVs and we have to accept discontinuity with love so that the auto industry can grow further.

The country is still heavily importing automotive components from China. How do you promote localisation, especially in the electronics space?

We must promote localisation in India and encourage investments to make components in India so that we don't have to bank on imports. The govern-

ment has been supportive and has enhanced custom duty on certain product lines so that better competencies can be built in India. As far as electronics products are concerned, we don't have an ecosystem in place. We have to build it up from merely assembling it. India needs to truly indigenise electronic components for which we look for more support from the government.

Industry 4.0 has taken prominence across the global auto industry. How do you see the Indian auto industry embrace Industry 4.0?

Industry 4.0 is not just a technology but a means to become more competitive. It is all about getting more efficient and flexible leveraging real time data. I think the current adoption of Industry 4.0 in India will be in single digits but everybody will have to embrace it sooner or later.

Realistically when do you see the auto industry get back on its 'growth' feet?

As you would recall the slowdowns of 2008 and 2013, the government came out with quick interventions and the industry quickly bounced back. This time around, I'm confident that on the back of the festive season coupled with recent government interventions, the industry would be able to rebound or at least arrest the prevailing downfall, and more importantly, restore consumer confidence.

This is a great time to buy vehicles. It makes sense to buy BS IV vehicles because it will get registered till the end of life. It is better to buy now as vehicle prices will go up with the onset of BS VI, especially BS IV diesel vehicles. I believe there is latent demand as the macro fundamentals of the Indian economy haven't changed. It is all about giving confidence to end consumers and this is where right messaging is the key.

TEXT: Suhrid Barua

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