

# 'Trump has started a dangerous game'

This can affect the whole global economic growth, says the chief of Rane Group

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The Chennai headquartered 84,400 crore Rane Group is engaged in the manufacture and distribution of steering and suspension systems for the automotive industry. Its chairman L. Ganesh spoke on a variety of issues. Edited excerpts:

The automobile sector is doing well. What does it mean for a component manufacturer like you?

■ Fiscal 2017-18 is almost over. The industry has done quite well. During the beginning of the year, we expected passenger vehicle and two-wheeler segments to do well. However, we had not projected good growth for the medium and heavy commercial vehicles (MHCV) and tractors because of factors such as GST floods and Services Tax) and demonetisation.

People were waiting as to what is likely to be coming and the model of transportation and logistics. Passenger cars did quite reasonably well in line with our forecast to did two-wheelers.

Surprisingly, the MHCV segment, in the second half, suddenly started picking up. We thought we might end the year with a small negative growth. We now seem to be ending with a small positive growth.

The first-half of 2017-18 was bad and the swing in the second-half was positive. And that helped the auto component industry like Hane very much. Secondly, farm tractors have done much better than what we expected. Perhaps, this could be due to a combination of factors such as monsoon and the initiatives taken by the Centre.

Thirdly, two-wheelers have done well though Rane's presence is minimal in the space with engine



valves and brake pads. In line with the gross domestic product (GDP) growth for 2018-19, we expect the automotive industry to continue to do reasonably well, and our customers are quite confident.

The MHCV segment is expecting some amount of pickup next year due to the change over from BS-IV to BS-VI norms. Prices of vehicles will go up. The customers are expecting 2018-19 to be a very good year. Within MHCV, we see a shift towards heavier tonnage - from 37 to 40 tonne vehicles. Last quarter, we were indeed scrambling for capacities.

What happens with the shift in the tonnage?

■ With the GST coming in, it is easier and productive to transfer larger loads for inter-city. With the medium and heavy vehicles moving to higher tonnage and light commercial vehicle to lesser tonnage, we are moving towards a hub-and-spoke model. With more efficient transportation along long distance and higher tonnage, the cost will come down. One has to watch which tonnage is moving.

Your view on shifting to an all-electric fleet by 2030...

■ It will take much longer than 2030. This will be so [even] globally. And in India, it will definitely take much longer. While the govern-

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ments have got carried away by the concept, there are two things one has to look at - the 'well-to-wheel' life cycle and the environmental effect. Nobody has done deep analysis. This concept is not as environment friendly as they make it out to be, especially with smaller cars as India accounts for 70% of vehicles in A and B segments. Does it make an environmental impact to switch to EV? If so, what about the materials that are to be imported - lithium, cobalt and precious metals? T

hat study is yet to be done. There will be some sobering effect on the transition. The industry is right now investing for BS-VI and within 10 years, you cannot expect them to invest on EVs. In this euphoria, the customer has been left out.

At the end of the day, there should be convenience, economic value and ease of use for customers. Otherwise, penetration will not happen fast. Without subsidy, EVs are going to cost more. Will the government give subsidy? Is that a priority?

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by 2030. However, the government should set the direction to enable transition of technology.

Your view on moving directly to BS-VI?

■ It is an expensive transition. Prices of vehicles will go up. Ultimately, the market has to absorb the price.

What is your take on the kind of protectionism sought to be practised by Donald Trump?

■ [U.S. President Donald] Trump's protectionism is really dangerous. He has started a dangerous game. India has started its own way of Make in India. If EU and others respond...if China moves, then it can make a big difference. This can affect the whole global economic growth. This is something really worrying. It will stunt growth, and everybody will retaliate. Where is this going to lead?

Are corporates wary of approaching banks now for working capital given recent events?

■ No one can afford to grow only with internal accruals. The cost of equity being much higher, unless you leverage cost of borrowing and pay interest, the weighted average cost will not come down. But one has to be cautious.

Do you think economic reforms will continue, given that the BJP has faced setbacks in by-polls ahead of the general elections?

■ The direction will shift to populism and farmers. It will not affect the auto industry. [But] we cannot think much of pro-industry reforms. Prime Minister [Narendra] Modi had said once that he would continue [with] reform irrespective of setbacks. For the next year, being an election year, we cannot expect radical reforms.