

On unsure ground

The current slowdown in the automotive industry has hit the components sector particularly hard. Harish Lakshman, Vice President, ACMA, and Managing Director, Rane TRW Steering Systems Ltd, talks about the measures component manufacturers are taking to combat the downturn, in an interview with Jayashree Kini-Mendes.

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Q The auto components industry has seen severe ups and downs in the last year. How is ACMA helping the industry in maintaining some stability in business, helping it to survive?

It is unfortunate that the business has hit a low this year. However, it is also a fact that it is no longer possible to sustain the high rates of growth that we witnessed in the last few years. The industry needs to internalise the fact that the business will be cyclical, there will be crests and troughs, and I think the industry has matured sufficiently to handle these challenges. Having said that, each company is responding to the current challenges according to their strategy and resources. Some are utilizing the time to invest in upgrading the skills of their people, while some are taking a keener look at their portfolios and even consolidating it. At ACMA, we are stressing on the need to explore external markets as well as considering adjacent markets such as aerospace and defence. We are also urging ACMA members to focus attention on value addition through R&D and new product development. All this is, however, much easier said than done. A lot of infrastructure and government support will be needed.

Q What government grants are available and expected to come to auto vendors to help them diversify their product range and customer base?

While various schemes are available with various government departments for promotion of R&D, we haven't harnessed them well. Some schemes are difficult to make use of as these are not extended to individual companies but can only be given to a consortium through the association. Others have to be made use of in collaboration with academic institutions. I am confident that sooner rather than later you will witness the industry taking steps for R&D and innovation, whether that happens through government schemes or otherwise remains to be seen. One of the requests we have made to the government is a 5% interest subvention scheme towards capital investments.

Q For a long time, OEMs have been dictating the prices of aftermarket products. Vendors have little say. How can this be changed so as to make the aftermarket more lucrative for vendors?

This is somewhat complicated. We hope competitive forces will prevail and the market will open up for the benefit of all. The aftermarket in India is growing very rapidly and we believe that there is enough room for both OEMs and component manufacturers to further develop this market and grow.

Q Given that OEMs are slashing the prices of their models, what does that bode for vendors? Should they follow suit? Kindly explain.



The component industry is dependent entirely on the automobile industry for their survival. With vehicle sales spiralling down, the impact is surely being felt on the component industry as well. This has probably been one of the worst years for our industry. The vehicle industry is slashing prices to sustain itself. There is pressure on us to always reduce prices. We hope that the economy and the industry recover soon, or else the situation will further worsen for all of us.

Q With more manufacturers resorting to just-in-time manufacturing, how do vendors manage the product supply chain? How does it help them in terms of costs?

One of the strengths of the Indian auto component industry has been its flexibility. However there are inefficiencies when you benchmark with, say, Japan. The inefficiencies increase as you go from Tier-1 to Tier-2 to Tier-3. However with more and more OEMs resorting to just-in-time manufacturing the efficiencies have improved significantly in the last few years. This has happened especially at the Tier-1

levels. Recently there has been a trend to implement the just-in-time concept to Tier-2 and Tier-3 as well. Many large Tier-1 companies are successfully implementing this. There is a clear recognition that more and more just-in-time will lead to lower cost across the value chain.

Q In January this year, you had pegged the Indian auto components industry to grow at 12% during 2012-2021. What are the steps you have taken or intend to take to see this through?

There is no denying that the Indian economy is under stress, and this is well reflected in the state of the manufacturing sector in the country including the automotive sector. Speaking of the automotive sector in particular, in the current fiscal while most segments of the industry, be they CVs or passenger cars or two-wheelers, will witness negative growth, it is the aspirations of the people of the country to own vehicles which will drive this sector in the long run. Even today the automotive sector has emerged as the hub for manufacturing small vehicles. Going forward we will have to invest in R&D, new product develop-

ment and eventually owning our own IPs to be globally competitive. I am fairly confident that by 2020 we will be a USD 115 billion industry as envisioned by ACMA.

Q We have been constantly hearing at various fora that Indian components manufacturers need to make a transition in terms of product innovation. What could these transitions be? What are the new growth opportunities for this sector? Please elaborate.

Today, a majority of vehicles and components are developed overseas, creating a gap in local knowledge and expertise. Consequently, the Indian auto component industry is largely a 'build to print' industry. The industry needs not only to scale-up in capacity but also needs to invest in technology to support local automotive industry growth. India possesses a competitive advantage in its low-cost, high-quality frugal engineering capabilities. This needs to be maintained and further enhanced to be competitive. This will be the next phase in the evolution of the Indian auto component industry and this is the transformation we need to bring about. **EJ**