

News monitored for: ACMA

# Auto component makers gear up for EV disruption

SHALLY SETH MOHILE  
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Over the past two years, the din around India's ambitious plan to go all-electric by 2030 has been growing louder. Manufacturers of engine and transmission components, which will be at the centre of the disruption, are not worried, however. They account for more than half the \$43.5 billion revenue of India's auto components industry, according to the Auto Component Manufacturers Association of India (Acma).

These companies are looking to diversify into non-engine parts and are also scouting for acquisitions to stay relevant, but are confident that the internal combustion engine (ICE) is here to stay, at least for a decade and a half, if not more. To be sure, meeting BS-VI emission norms, which kicks in from April 1, 2020, is on top of their priority list.

Take the case of Shriram Pistons & Rings (SPR), one of the

largest manufacturers of engine aggregates and parts. The firm draws half of its revenue from engine-related parts in the personal mobility space. While it is keen to participate in the EV space, it will take more concrete steps only after the policy is announced.

As part of risk mitigation, SPR plans to strengthen its presence in off-highway applications, tractors and such like, which are expected to be insulated from electric mobility. It is also stepping up its presence in the aftermarket segments in India and abroad, says Ashok Taneja, managing director (MD) and chief executive officer (CEO), SPR. The firm is also working towards diversifying into non-ICE parts and tapping into new areas, including braking, by way of acquisitions.

Others have a similar approach. "I think there will be a lot of space for ICE for many years to come," says Tarang Jain, MD at the Aurangabad-based Varroc Group. Jain says the transition



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has been slow even in most developed markets.

However, he does not want to be caught off-guard. Jain's company, which draws a third of its revenue from engine and emission parts, is working on the electronic motor side of the powertrain. Varroc is also looking for tie-ups with start-ups, and at acquisitions to tap into the EV space, but is not in a rush.

"My priority is BS-VI," Jain says.

The electric mobility deadline has served as a huge distraction for an industry that has spent big to make the switch to BS-VI emission norms, says Vinnie Mehta, director-general at Acma. Carmakers, auto parts makers and oil refiners are expected to fork out ₹700-900 billion in the effort to leapfrog from BS-IV to BS-VI.

Some see the disruption as an opportunity to reposition themselves. Greaves Cotton, a 160-year-old engine maker that counts many commercial vehicle makers as its customers, is one such firm. "Greaves is transforming itself from an engine company to a powertrain fuel-agnostic solution and services firm," says MD and CEO Nagesh A Basavanhalli. Besides upgrading its engines to BS-VI and bringing technologies like CNG, Greaves is working with partners on hybrids and electrics.

Taneja says that while his firm is not holding back investments, it is a lot more cautious and is trying to not set up greenfield plants. It is, instead, optimising production. "While we look for other opportunities, we have to invest a lot in BS-VI and that is not the end of the story, as advance fuel emission norms will require more investments. Clearly, we have to do some tight-rope walking," he says.

With companies being cautious on fresh investments in

ICE-related parts, the demand is going to outpace supply, says F R Singhvi, joint MD at Bengaluru-based engine parts maker Sansera Engineering. "With so much talk around EVs, no company is going to invest in a new engine parts unit. This will result in the number of suppliers coming down and capacities will shrink. This will be a positive for existing suppliers like Sansera," Singhvi says.

"We are in a good situation for the next 15 years," he adds. Sansera will consider investment in EVs only after it reaches critical mass. It does not take long to forge collaborations or buy out a start-up, Singhvi says.

Traditional powertrain component suppliers "must act now, or risk losing the opportunity to Chinese suppliers," says Wilfried Aulbur, senior partner, Roland Berger. Indian firms need to acquire technology inorganically, reach global markets swiftly and demonstrate capabilities to global and local automakers, Aulbur says.