

ACMA Needs Regulatory Road Map, More Say In Trade Deals, Financial Aid: Ram Venkataramani

India produced 29.86 million vehicles in FY 2018, registering 15 percent growth from the previous year. These included four million passenger vehicles, over 22 million two-wheelers and 800,000 commercial vehicles. It is the fourth largest vehicle producer in the world and is likely to be the third, overtaking Japan, by 2022.

The Indian automotive industry has the support of a very strong component industry with a turnover of \$51.5 billion, growing by 18 percent from last year. The industry contributes 2.5 percent to the National GDP and employs about 1.5 million people. Its exports to 160 countries grew by 24 percent to \$13.5 billion. Europe (34 percent) and North America (28 percent) are the main export destinations.

The Automotive Mission Plan (AMP) of the Indian government envisages manifold growth in the vehicle industry by 2026, to make India the second largest vehicle maker in the world. Correspondingly the component industry will grow five-fold to \$200 billion, with exports of \$70 billion and the aftermarket sales of \$32 billion.

Since six decades, the Automotive Component Manufacturers Association of India (ACMA) has been representing over 800 component manufacturing companies in India. They supply to domestic and global OEMs, large Tier-1 companies and to the aftermarket.

The auto component industry, poised for a big leap in the next six-seven years, is at a critical juncture. The 58th Annual Session of ACMA, held recently in New Delhi, India, elected Ram Venkataramani, Managing Director of the Chennai-based India Piston Rings, as its President. *AutoParts Asia* caught up with him for an interaction during Automechanika Frankfurt 2018, just a week after he was elected President of ACMA. He was leading the Indian contingent to the show. About his plans for the reshaping of the industry, he said, "The auto-component industry in India is entering a new phase of global exposure and technology adoption. The industry must invest in technology and add value to stay relevant and competitive. R & D should receive greater focus to generate intellectual property with world-class quality. An all-round transformation is imminent and we will have to be ready for it."

He says for this ACMA needs a regulatory road map to carry out the policy changes, more involvement in the trade negotiations and agreements, and a technology upgradation fund. There should be more meaningful collaboration among the various stakeholders of the value chain: the component manufacturers, OEMs, machine tool suppliers, the raw material industry and the Government. "Then we will be able to overcome the challenges and harness the new opportunities arising from the technological transformations in the automotive industry." Edited excerpts:

Q: What is the current status of the automotive component industry in India? What do you consider are the emerging opportunities?

A: Last year the industry clocked a turnover of USD 51.5 billion, 18

percent more from the previous year. It was heartening to note that exports which were worth about USD 13 billion increased by 24 percent, one of the highest growth rates in the last five years. The industry employs about 3.2 million people both directly and indirectly and contributes 2.5

percent to the GDP. According to the AMP 2026 we expect to grow four-fold, from \$50 billion to \$200 billion. Our exports will increase from \$13 billion to about \$70 billion. Passenger car segment is expected to grow from the present three million to almost nine million by 2026. Similarly, two-

wheelers are expected to grow from 20 million to almost 50-55 million. There will be corresponding growth in commercial vehicles and tractor segments as well. CVs will grow from 800,000 units to four million and tractors from 650,000 to about 1.2 million. The ACMA members are confident that these numbers are achievable. They are making substantial investments realising that the potential for growth is significant.

It is a time of disruption and it is a time of change in the automotive industry. There are several trends that people talk about: connected cars, autonomous vehicles, shared mobility and electrification of the powertrain. These four major trends will impact the component industry. The immediate pressure on the industry is to continue to invest in BS-VI technologies for the 2020 transition. We also have to keep in mind the electrification of the powertrain and the type of disruption that it

can cause. Most of our members, according to our theme, 'Preparing for the Future,' are getting ready for the future disruptions. They are beginning to make forays into one or many of the new areas of connected cars, autonomous vehicles or electrification of the powertrain.

With the regulatory changes that the government is mandating, the content or value of components per vehicle is increasing. A lot more features are being added in terms of electronics, safety, emissions, and fuel efficiency. For the customers, many of them are becoming standard features. What was considered luxury a few years ago, for example airbags or ABS, is a standard feature today. It is indicated that after ABS we will have to go for the Electronic Stability Control (ESC). That is the next step. Similarly, immediately after BS-VI we will have Real Driving Emission (RDE) standards.

These norms are complied with and very prevalent in the developed markets. These open export opportunities also for us. Now only a few companies manufacture for exports. But when the international norms are complied with, everybody becomes ready for exports. This is another advantage of complying with these regulatory norms.

Q: What does ACMA expect from the Government and the regulatory bodies to sustain the growth rate and to focus more on the four megatrends?

A: What we are seeking from the Government is a clear roadmap for the implementation of these regulations and features on safety, fuel efficiency and emissions. Such a roadmap from the Government or policy makers will help our members to make appropriate investments in advance. We are also requesting to involve us in trade policies that

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concern us. Now there are a lot of disruptions in trade agreements. India is a very important trading partner for many of the countries where the automotive sector is very strong. We are very happy that the government is now in a listening mode. ACMA is happy that, as a result of our request, the Government has given the assurance that it will help us and keep in mind our perspective while trade agreements are made. We will continue to build on it. We will engage with the policymakers, with regard to trade agreements, to ensure that there is a free inflow of technology, and Make in India continues to be a reality and is built upon. The trade agreements should be structured in that way.

Because of the regulatory changes and the significant investment that the industry needs to make for that, we are requesting the Government to make available a sizeable fund. Our membership comprises large number of Small and Medium Enterprises (SMEs) who have funding issues. So it is important that the Government supports us with a Technology Development and Acquisition Fund. It will be useful to our membership to gear up for the changes that are happening now and to invest in R&D.

We have proposed that we will match whatever the government gives to us. If a company gets Rs five crore, it will also put in Rs five crore. We have requested this to the Ministry of Heavy Industries and the funding should come from the Ministry of Finance.

The Government has supported us in our skill development initiatives. So there is an ACMA-UNIDO Skill Development Programme. We are happy that the government has supported us with a grant and with that we have developed institutions for our SMEs, especially in Tier-II and Tier-III cities and towns.

Q: Is ACMA exploring any new country or region to increase exports?

A: We are very keen on certain countries such as Brazil, South Africa and Russia. These are India-like markets and if there are trade agreements with these countries it will benefit the ACMA members. So we are requesting the Government to push trade agreements with these emerging markets.

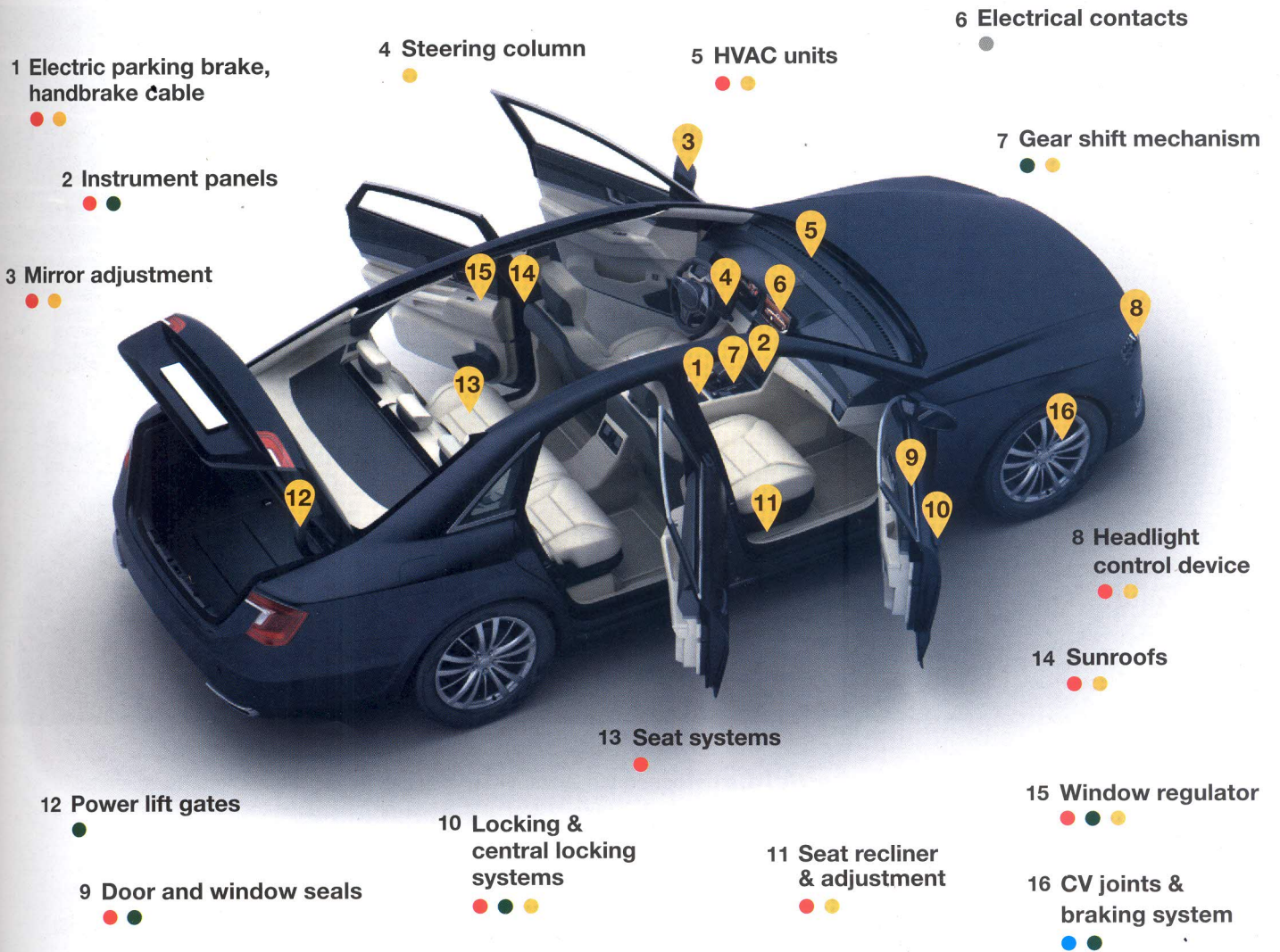
Q: How do you view the transition of the industry from BS-IV to BS-VI and to e-mobility?

A: We have made significant investments in transitioning from BS-IV to BS-VI. This has indeed been a big challenge for us as Europe took 10-12 years to make such a transition while we are endeavouring to do the same in just three years. Introduction of BS-VI will be followed by RDE Testing, the real time testing of emissions on road as in Europe. That apart, the Government is expected to announce even stricter Corporate Average Fuel Economy (CAFE) norms for implementation by 2023. Not only the industry but other supporting infrastructure such as testing agencies and monitoring agencies need to be scaled up several fold.

When it comes to the auto component industry, powertrain accounts for over 50 percent of our production and the same is also true for our exports. The dynamics of the automotive industry across the globe and in India is undergoing a tremendous change as we strive to comply with various new regulations related to emissions, safety and environment.

Electric mobility is gradually gaining a foothold in India. It will also impact mobility and make the conventional powertrain completely irrelevant.

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While this is a distant reality, we expect about 20-30 percent of the passenger vehicle and two-wheeler industry to be impacted by this. To support the changing customer needs and to stay relevant, the auto components sector needs urgent supportive government policies.

We have petitioned the Government for a well-defined, technology agnostic policy guideline defining the responsibilities of each stakeholder. This will ensure a smooth roll-out, create a local supply base for e-mobility and secure us from ad-hoc policy changes which often destabilise the industry. ACMA has actively contributed to the drafting of the new automotive policy of the Ministry of Heavy Industry and Public Enterprises and the new Industrial Policy of the Department of Industrial Planning and Promotion which will prepare the automotive industry for the challenges, the imminent as well as future. We look forward to their early announcement.

Q: As the President, how do you want to showcase ACMA globally, especially in trade shows like Automechanika Frankfurt?

A: We tell the world that India is a very competitive manufacturing hub. We welcome you to source from India. We are showcasing that India manufactures very high-technology products. We are no less than the developed countries such as in Europe. India is not just a manufacturer of commodity products. Almost 80 percent of our exports go to OEMs and Tier-1 companies, not

just to the aftermarket. Europe and North America together constitute 60 percent of our exports. We want to showcase our technological capability and prowess to the world.

About 60 percent of our export basket comprises engine and transmission. The Indian industry is very capable of manufacturing all segments of parts and components. Our competence is largely in machine castings. The engines and transmissions are the results of that. Gaskets, cables, and rubber parts are the other export products. The engine technology is the heart of any vehicle. That reflects our superior technological competence as well.

Our trade with Europe continues to grow. Europe accounts for 34 percent of our exports, out of this seven percent is to Germany. This is a very important market for us. The Indian contingent (at Automechanika Frankfurt) reflects the importance of the fair and also the market. Domestically we have a very strong aftermarket. In the overall \$51.5 billion sales, \$6.5 billion is in the aftermarket segment. Globally, OEMs and aftermarket share 50 percent each. For the Indian companies, this is a huge market to tap. **APA**

