

● SLOWDOWN

Auto component industry turnover dips 10% in H1FY20

Industry body ACMA says nearly 1 lakh temporary workers lost jobs till July as production was trimmed and extra workforce was not required

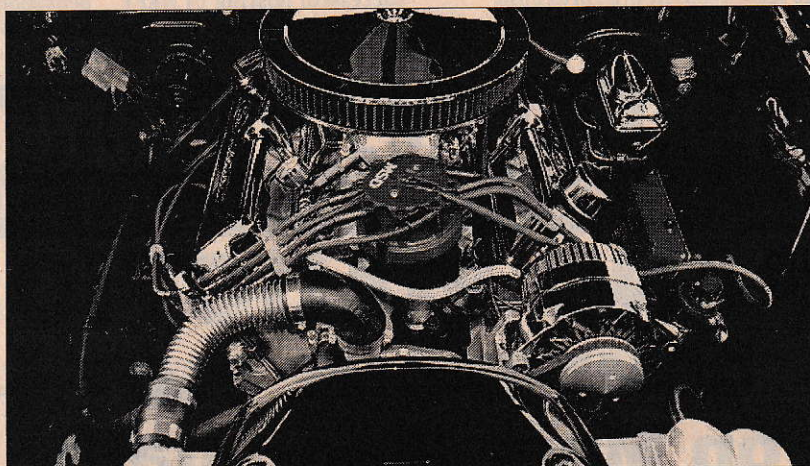
FE BUREAU
New Delhi, December 6

FOLLOWING A YEAR-LONG slowdown in vehicle sales, the auto component industry witnessed its worst ever decline in revenues in the first half of FY20, which dropped 10.1% year-on-year (y-o-y) to ₹1.79 lakh crore.

Industry body Automotive Component Manufacturers Association (ACMA) claimed nearly 1 lakh temporary workers lost jobs till July this year as production was trimmed and extra workforce was not required. This was, however, in stark contrast to the industry body's prediction in July 2019 that nearly 10 lakh workers are likely to be laid off if the demand for vehicle doesn't improve.

As per numbers shared by ACMA, domestic sales of components to manufacturers dipped 15.2% y-o-y at ₹1.50 lakh crore in H1FY20, as companies gave lesser orders on account of subdued production.

Vehicle sales across categories remained sluggish for the 12th consecutive month in November on account of rise in prices and unfavourable economic fac-



tors. As poor sales led to rise in inventory, manufacturers controlled production since the first half of this year, leading to decline in order books of component makers. Deepak Jain, president at ACMA, said vehicle sales in all segments have continued to plummet for the last year.

"Considering the component industry grows on the back of the vehicle industry, a current 15% to 20% cut in vehicle production has adversely impacted the components industry performance and investments," Jain said.

Top component makers, including Bosch, Minda Industries and Subros, reported decline in revenues in Q2FY20. Motherson Sumi's profit fell 7% in Q2 while revenues grew slightly on account of robust performance of international operations.

Sale of components in the aftermarket, however, grew 4% y-o-y to ₹35,096 crore in the April-September 2019 period, in an indication that used car sales were robust and consumers did not shy away from replacing vehicle parts. Exports also grew 2.7% y-o-y at ₹51,397 crore.

The industry body claimed the slowdown has also resulted in an investment loss of up to \$2 billion during the period. Jain said subdued vehicle demand and liquidity crunch had impacted the planned investments by many component manufacturers.

"Recent investments made for transition from BS-IV to BS-VI, lack of a clarity on policy for electrification of vehicles, among others, have also had an adverse impact on the expansion plans of the component sector," he said.