

# Rebooting automotive manufacturing

Business continuity to business effectiveness  
plans for sustainable growth

August 2020



# Contents

Section	Page
Foreword from CII	03
Foreword from Grant Thornton	04
Impact of COVID-19 on the automotive manufacturing ecosystem	06
Industry 4.0 changes the operations game	10
Strategies employed by key market players	21
Conclusion	24

# Foreword from CII

COVID-19's unprecedented impact on the global economy has been notable for its simultaneous disruption of both demand and supply. As nations and industries restart the economy, strategic planning for the new normal is essential.



The shutdown of the auto industry triggered by coronavirus has abruptly choked cash flows, leading many suppliers, especially the MSMEs, to financial stress.

The automotive industry has faced major challenges, including limited supply of vehicle parts, shut down of manufacturing, drop in new vehicles sales and declining working capital/liquidity.

Lockdowns due to the pandemic have also highlighted the expanding role for digital technologies and virtual platforms. Post-COVID-19, protecting the workforce will require additional investment and cost. This is bound to encourage more automation on production lines. Many elements of Industry 4.0 that emphasised the value of cyber-physical systems in orchestrating complex manufacturing activities will become indispensable.

Tracking the lifecycle of a part and all its components through the production system will become more prevalent. Digital tools to sense, measure, monitor and analyse supply chain performance will be increasingly employed to contribute to lower cost and better predictability and reliability of manufacturing.

The pandemic has brought about marked changes in consumer habits and behaviours. There is likely to be a shift away from shared mobility options as people prioritise social distancing and personal hygiene.

Many industry captains representing automotive and auto components and the automobile analysts have been advocating for quickly implementing transformational plans to ride through the COVID-19 storm in the shortest time possible and devise long-term strategies to minimise future impact.

The need of hour is to revisit our plans to ensure business continuity and embrace technology in most optimum fashion. I am sure the CII virtual conference on rebooting automotive manufacturing will be able to bring out many takeaways for the participants to make their own strategic plans for rebooting their businesses and be on the growth trajectory once again.

## Shreekant Somany

Chairman, CII- Centre of Excellence for Competitiveness for SMEs and  
Chairman & Managing Director, Somany Ceramics Ltd.

# Foreword from Grant Thornton

Every challenge brings new opportunity. As the effects of COVID-19 start to wane and the industry begins to recover, OEMs are set to explore various options to attract consumers and offset the drop in sales. The ongoing crisis is likely to change the outlook of auto manufacturers in the near term as the focus is likely to shift towards health and wellness solutions in vehicles.



The automotive manufacturing industry is disrupted by the four megatrends connected, autonomous, electric, and shared driving, causing an unprecedented technology and business model transformation. Amid this transformation, COVID-19 has put additional stress on the industry, making us believe that smart manufacturing would rebound aggressively, even after a downturn this year. The Indian economy is likely to rebound in the second half of 2020 as the impact of the pandemic is expected to recede, and the economy is projected to grow by 6.7% in the next financial year.

One of the main issue companies are facing now is a lack of liquidity, especially for SMEs. This undermines the possibility to recover as well as to make necessary investments in medium to long term. There is a need to ensure that the offered measures reach companies, and particularly SMEs, in the sectors that are vital for recovery of the overall industry at large.

Thus, fostering the economic activity across the automotive sector value chain, Grant Thornton Bharat LLP, in association with Confederation of Indian Industry (CII), has put together this detailed report aimed at sharing knowledge, ideas and trends that are changing the automotive landscape in the country and beyond. It is important for OEMs to remain on top of their strategic initiatives as not just a quantitative but a qualitative change is expected in the automotive manufacturing market. It is perceived that hyper-efficient

mega-factories would emerge in the industry. The stable market shares and supplier relationships are likely to be replaced with markets for specialist technology products, which would be essential for making or using vehicles effectively. These shifts would mean that the automotive manufacturing industry needs a diligent workforce with different skillsets going further.

Thus, there is a need to understand the challenges and take necessary steps to seize the opportunities that the pandemic has descended, bringing in its wake disruptions of global proportions. The new normal has changed the entire narrative of Industry 4.0, at least for the immediate future, which has made the role of automotive and manufacturing sector post COVID-19 a subject of great interest, hope and speculation to the country and the rest of the world. The nation not only aspires but has a firm belief that India would strongly emerge as one of the preferred centers for manufactured products vis-a-vis other countries.

So, just as several other sectors, the automotive manufacturing sector has embarked on its journey to tackle the challenges of the future.

**Saket Mehra**

**Partner and automotive sector leader  
Grant Thornton Bharat LLP**



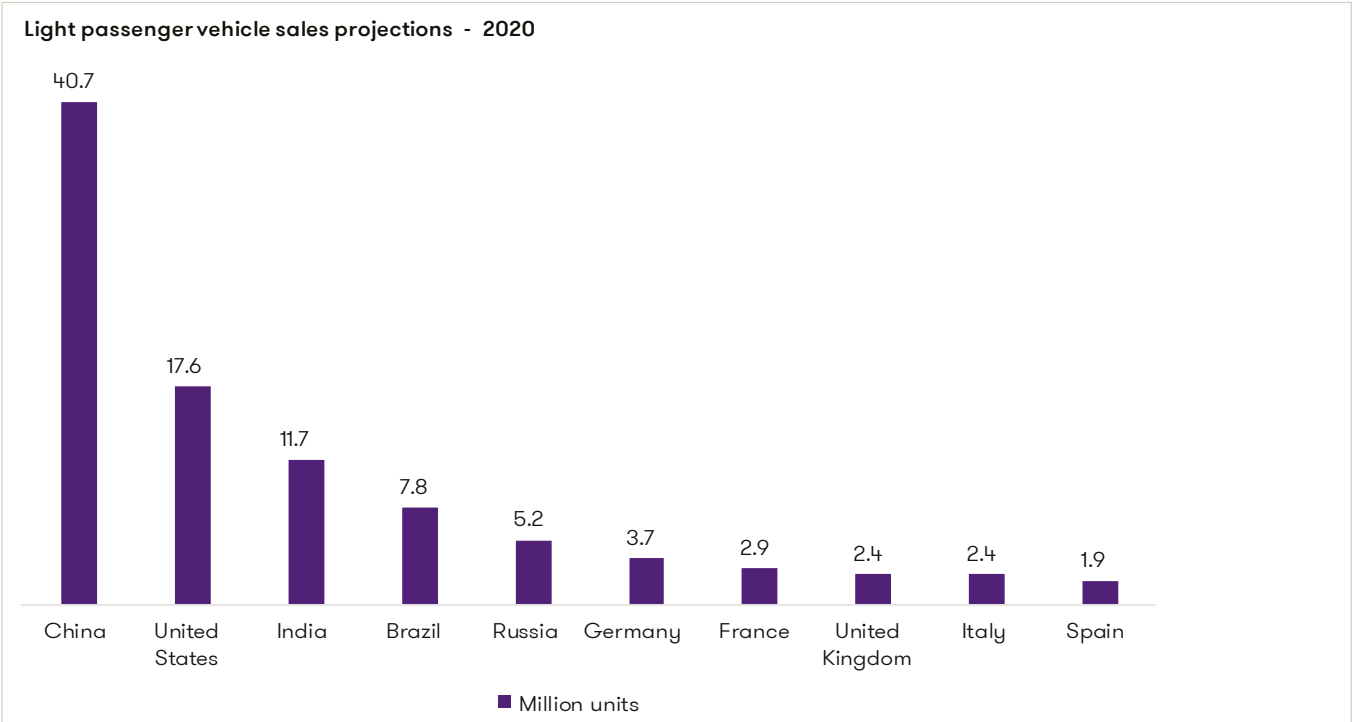
Industry players consider India to be an important pillar for the global automotive market as local policies, actions and strategies have a fundamental impact on the global automotive manufacturing landscape.

Due to the current pandemic, the automotive manufacturing business landscape has become highly volatile and unpredictable. Innovation in business model, both with

and without new technologies, is the key component to competitiveness and above all to an overall new economy of sustainability.

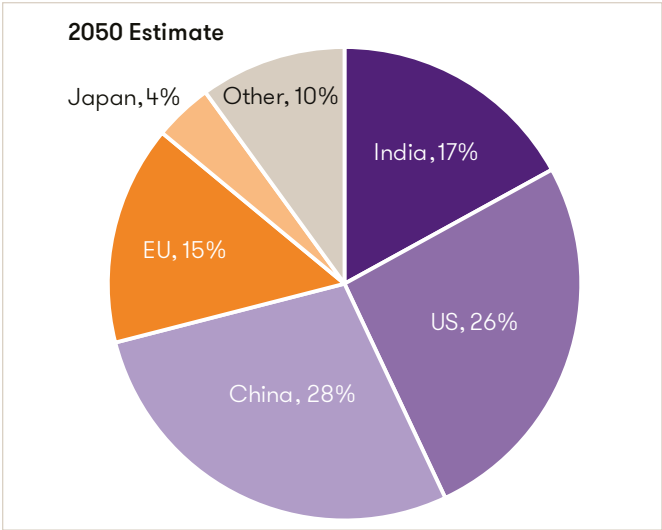
We project to maintain the trajectory

By 2030, India will be among the Global Big 3



World GDP, by region (in %)

(wherein the emerging markets are transforming the economic landscape)



# Impact of COVID-19 on the automotive manufacturing ecosystem

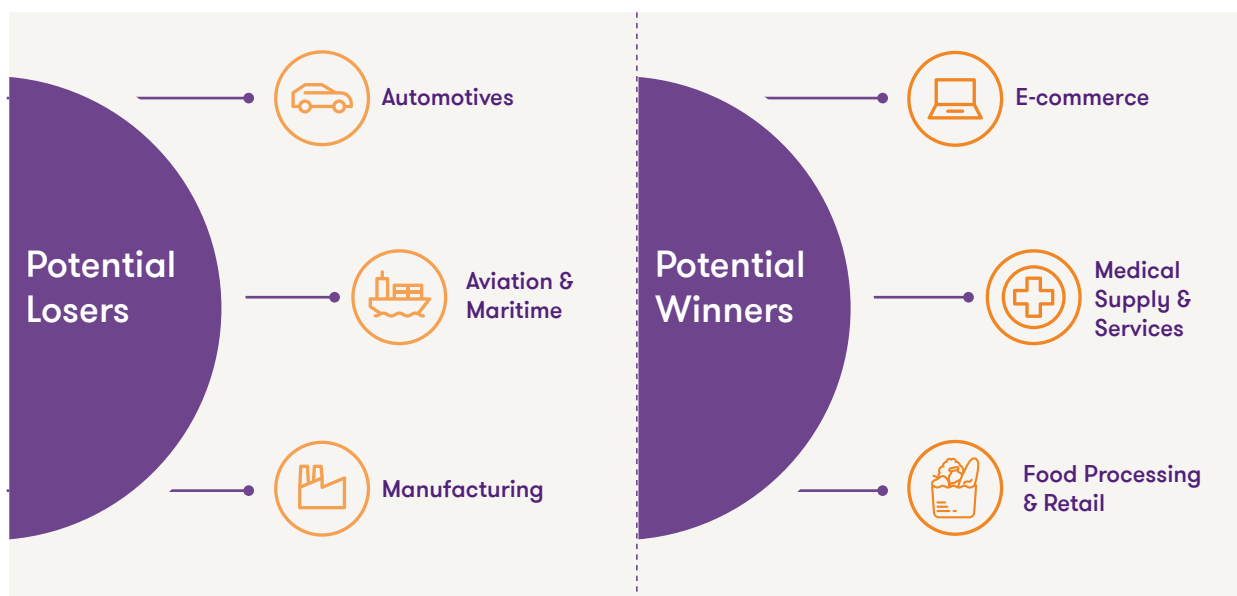
The spread of coronavirus forced plants to shut down, disrupting supply chain and quarantining workforces. Several automotive giants shut down their production plants for a definite period, causing severe impact on the global automotive and manufacturing industry. According to the United Nations Conference on Trade and Development (UNCTAD), the impact of COVID-19 could shrink global FDI by 5-15%, due to the downfall in manufacturing sector.

Due to the uncertain and marked impact of the virus, original equipment manufacturers (OEMs) of the automobile sector and manufacturers of other sectors, such as chemical, electronics and aircraft, faced serious shortage of raw material. The pandemic has heavily impacted the manufacturing industry and OEMs and parts suppliers are yet to return to full production capacity. Consequent delays in delivery are likely to impact the market at multiple levels, including delays in new vehicle model launches, disrupted supply chains, financially drained small and medium enterprises (SMEs) and dip in vehicle sales.

The automotive manufacturing industry is likely to be worst hit by COVID-19. Disruption in supply chain from China has severely impacted the manufacturing industry. Manufacturing units have been adversely affected as the nature of the work does not allow employees to work from home. Millions of workers are unable to go back to their work due to quarantine or travel restrictions.

Thus, after initial supply and manufacturing disruptions, the industry is contemporarily experiencing a demand shock with uncertain recovery timeline due to shelter-in-place regulations. With limited room to cut fixed costs, some OEMs have low liquidity to power through a long period of missing revenues. Decreases in market capitalisation are likely to accelerate industry consolidation and without securing additional funding, some players also risk going out of business. Changes in customer behaviour, such as different mobility preferences and online shopping expectations, would expectedly remain, even after the crisis subsides.

The global automotive industry is expected to register steady growth during 2019-25. The manufacturing sector is being pushed by the government globally as it is a major part of the economy and accounted for nearly 16% of the global GDP in 2018.



# Deviations in the automotive and manufacturing industry growth rate due to COVID-19 pandemic

## Auto sector impact 2020

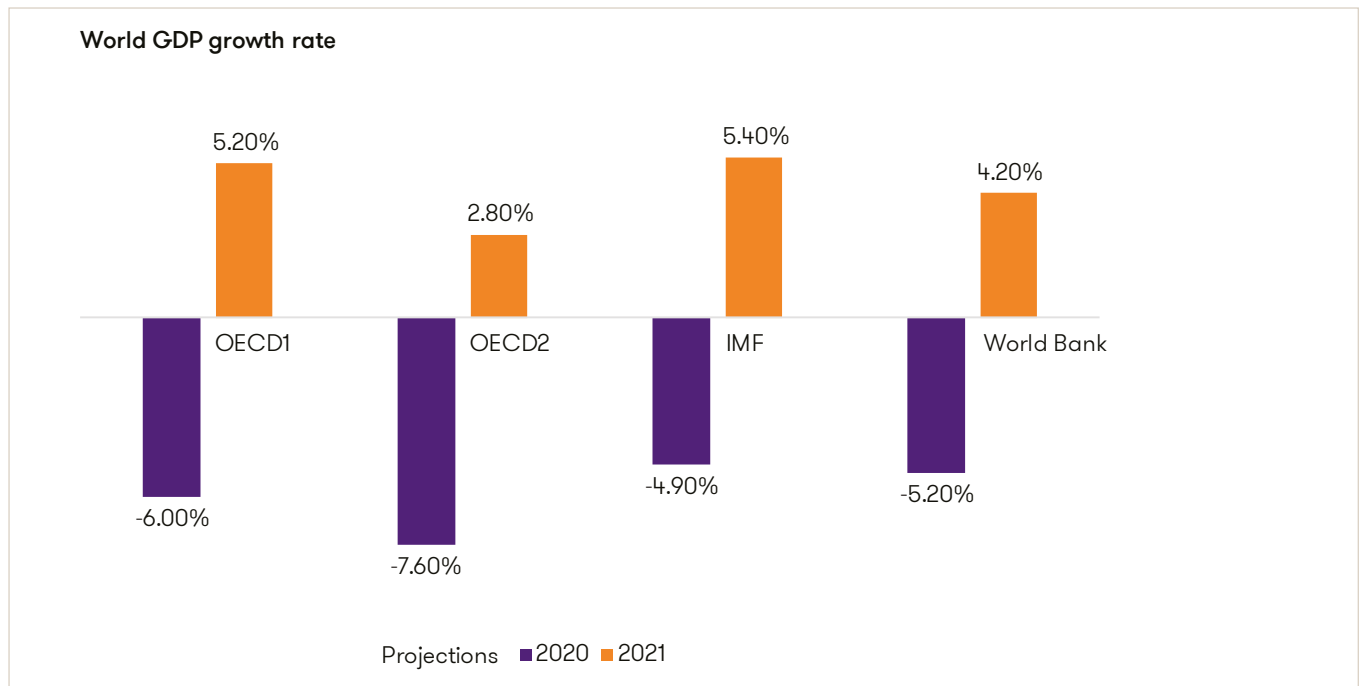
(excluding additional government measures and industry incentives)



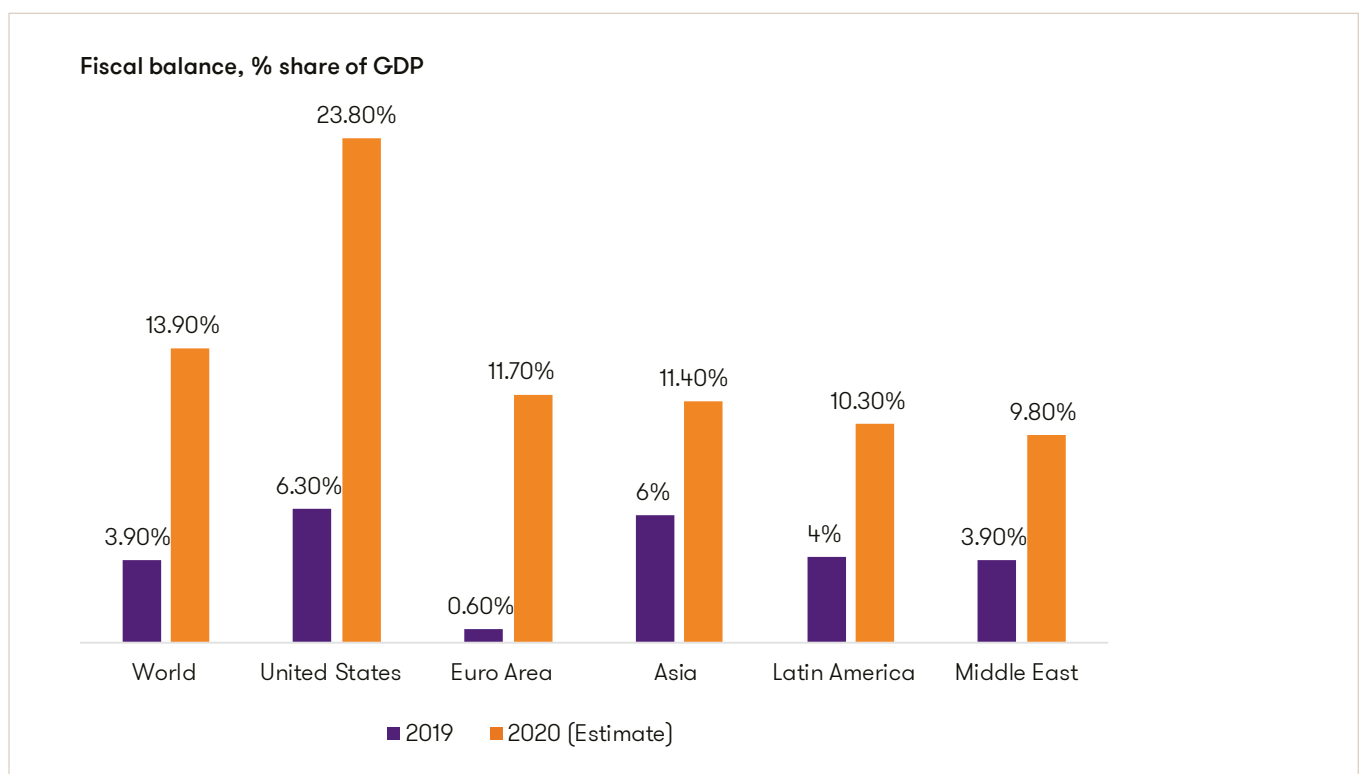
Without a clear understanding of when the global health and economic effects may peak and a greater understanding of the impact on economies, forecasts must necessarily be considered preliminary.

Some forecasts, however, raise the prospects that the pandemic could negatively affect global economic growth more extensively and for longer with a slow and drawn-out recovery. While the GDP forecasts were north of 5.5%, COVID-19 is expected to result in a negative impact of 1-2% on the expected growth rates.

The ongoing health crisis is weighing heavily on economic activity, employment and inflation in the near term, and poses considerable risks to the economic outlook over the medium term.



In context to the central banks of the economy, they not only filled the role of lender of last resort through large purchases of government debt, but also the buyers or lenders of last resort for private sector securities, in many cases engaging in activities that previously had been considered off-limits.

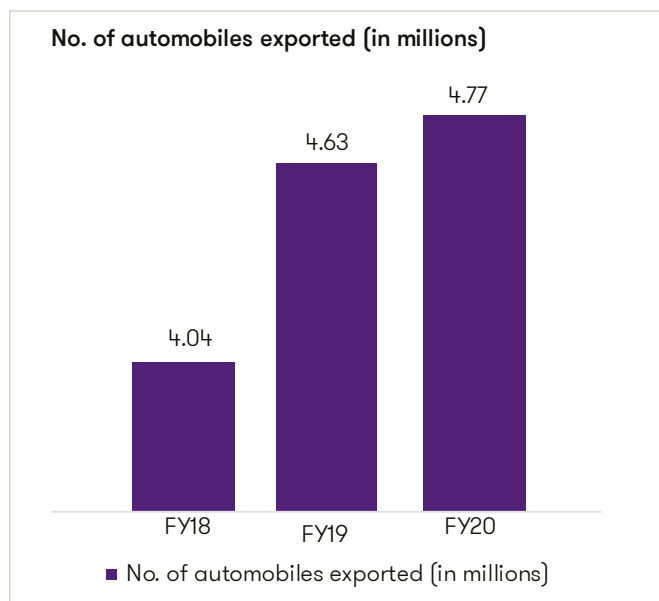




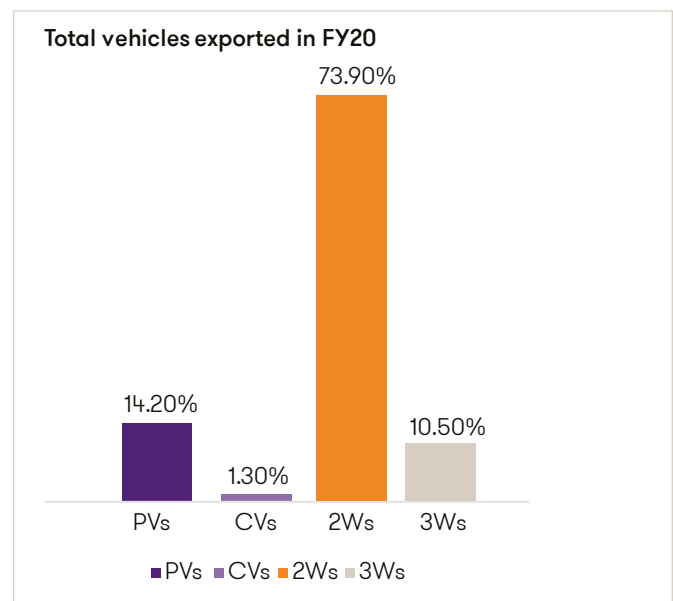
## Indian automotive industry - vehicle sales trend overview



The Indian automobile market in July 2020 showed a strong sign of revival, despite a continuous rise in the number of confirmed COVID-19 cases in the country. In July, 192,135 units were sold (-8.8%), leading year-to-date figures to 985,120 down 62.6% from the previous year.



CAGR 6.94% [Between FY16- FY20]



## Comeback for personal mobility

The demand for micro-mobility solutions are expected to witness a surge. These solutions are easy-to-use and ideal in congested city environments. In the current context, the single or double seaters, like mopeds and scooters, offer riders better control over their health and wellness. Auto manufacturers would therefore explore this potential as they attempt to draw up blueprints for a post-COVID-19 scenario.

# Industry 4.0 changes the operations game

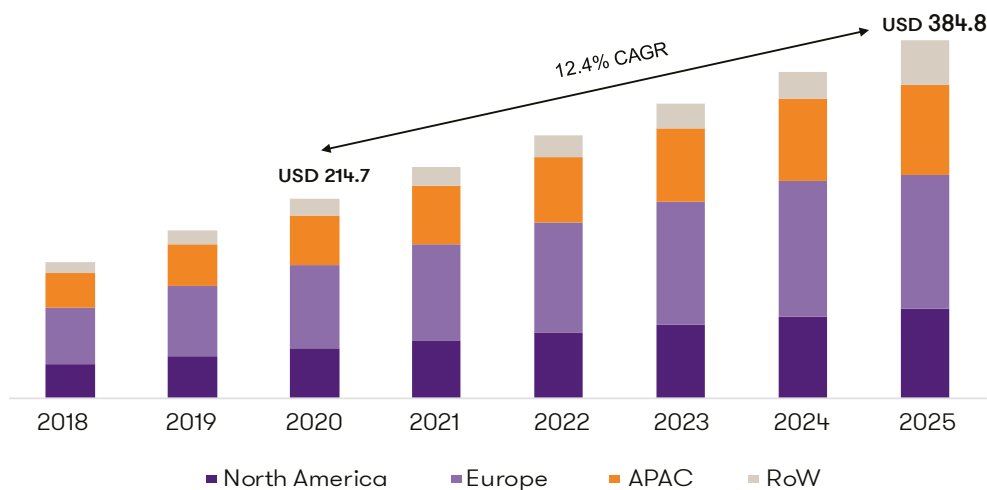
Digital workflows and automation are no longer goals, they are requirements. Manufacturing companies are undertaking Industry 4.0 initiatives, such as digital transformation, smart manufacturing and flexible production. OEMs are making efforts to successfully enable new automation technologies into their plants, reduce production times and costs, increase quality management and revenue and exceed safety goals.

From artificial intelligence for medical diagnostics to mobile technology for data collection and contact tracing, technologies associated with the fourth industrial revolution offer efficient and effective ways to cope with the speed, scope and impact of the COVID-19 pandemic. But these technologies

are far from evenly distributed around the world, and this leaves lagging countries and their vulnerable populations at a considerable disadvantage in their capacity to decrease the risk and slow the transmission of the disease.

COVID-19 is accelerating the adoption of Industry 4.0 products and services, leading companies across industries into a more mature state of Internet of Things (IoT)-based technology and workflow. Although businesses have had reason to embrace digital workflows in the past, COVID-19 has pushed the move toward a smart factory, complete with smart manufacturing or smart printing processes.

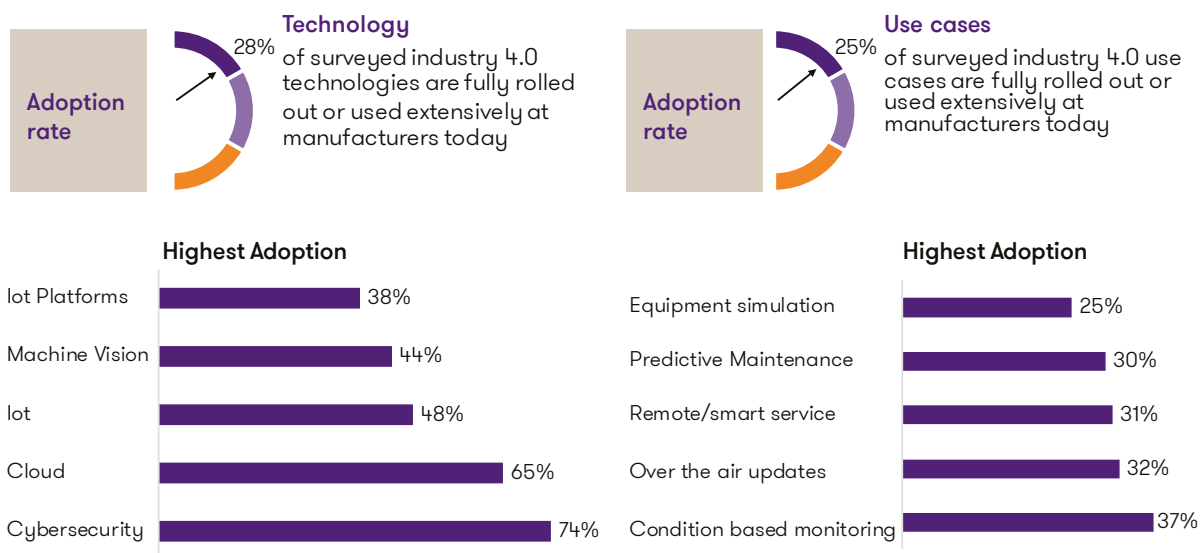
Smart manufacturing market, by region (USD billion)



**Post COVID-19, the smart manufacturing industry in India is expected to be worth USD 181.3 billion by 2020 and USD 220.4 billion by 2025**

Increased demand for smart manufacturing products and services will drive growth. This will likely spur continued evolution of digital twin technology – digital replicas of potential and actual physical assets, processes, people, places, systems and devices – in maintaining automotive manufacturing operations across the ecosystem and a rapidly expanding role for collaborative robots specifically in manufacturing sectors.

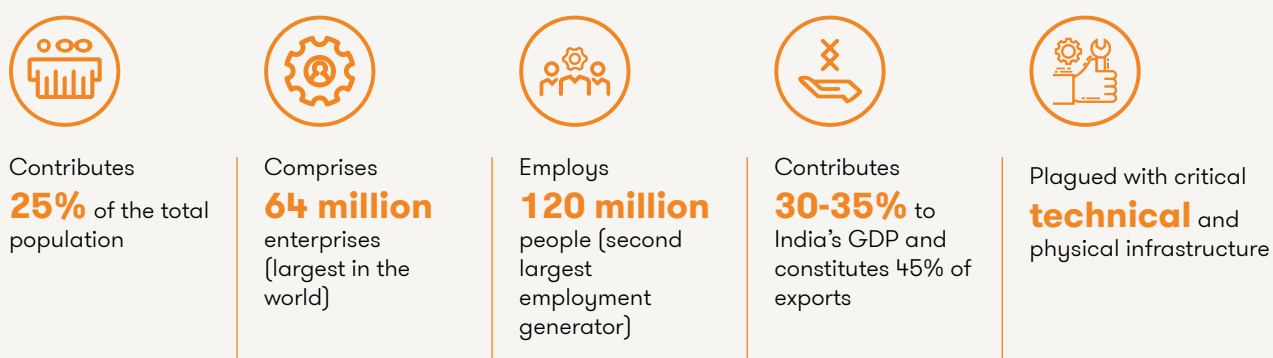
## Global industry 4.0 adoption in Q4 2019



## Ease of doing business for MSMEs

Decline in demand coupled with supply disruption has resulted in a sharp decline in the income of MSMEs. The pandemic has exposed issues with India's fragmented supply chain. Uncertainty around future income due to the spread of the pandemic and declining purchasing power among customers has endangered the survival of MSMEs.

## Gol focus on developing MSME clusters and prioritising Make in India initiatives



Under the MSME sector, 14% are women-led enterprises and close to 60% are based in rural areas. Hence, the sector's importance to the Indian economy is quite significant and critical for bridging the growing rural-urban divide.

## Relief packages targeted towards MSMEs focused on Atmanirbhar Bharat

The government e-marketplace (GeM) has already been set up to boost MSMEs' share in government procurement of goods and services. MSMEs have benefitted with orders worth INR 20,000 crore since the inception of GeM.

MSMEs can also foster product as well as process innovations by partnering with knowledge partners.

MSME clusters can also crowdsource solutions to improve their overall competitiveness as well as resilience.

Technology adoption can help MSMEs improve process efficiency, reduce cost, information visibility, and enhance worker safety.

With the advent of cloud and cloud-based technologies, MSMEs can easily create an elastic and flexible IT infrastructure compared to its large enterprise counterparts to support digitalisation

Other initiatives, such as One Nation One Card and Aajeevika app, are under implementation

## Essential steps to get MSMEs back on track

### Financial incentives

Higher provisioning revisions to banks as liquidity injection in the system is delayed

Instant availability of subsidies

GST refunds and short-term collateral free, low-interest loans

review of alternative lending mechanisms and credit scoring criteria

Incentivising export-heavy manufacturing industries

### Stable power supply

Risk of capacity underutilisation, loss of productivity, poor asset quality for banks and investors needs to be mitigated

### Protection of labour

Need to counter the reverse migration trend

Impart training in occupation health and safety for MSME manufacturers

Subsidised hospitalisation costs through Ayushman Bharat

### Waivers for raw material

Waiver of rents levied on MSMEs at ports and container depots

### Digitisation of MSMEs

Create holistic e-marketplaces Support marketplaces in both domestic and global markets

Create holistic e-marketplaces

Support marketplaces in both domestic and global markets

### Partnership avenues for MSMEs

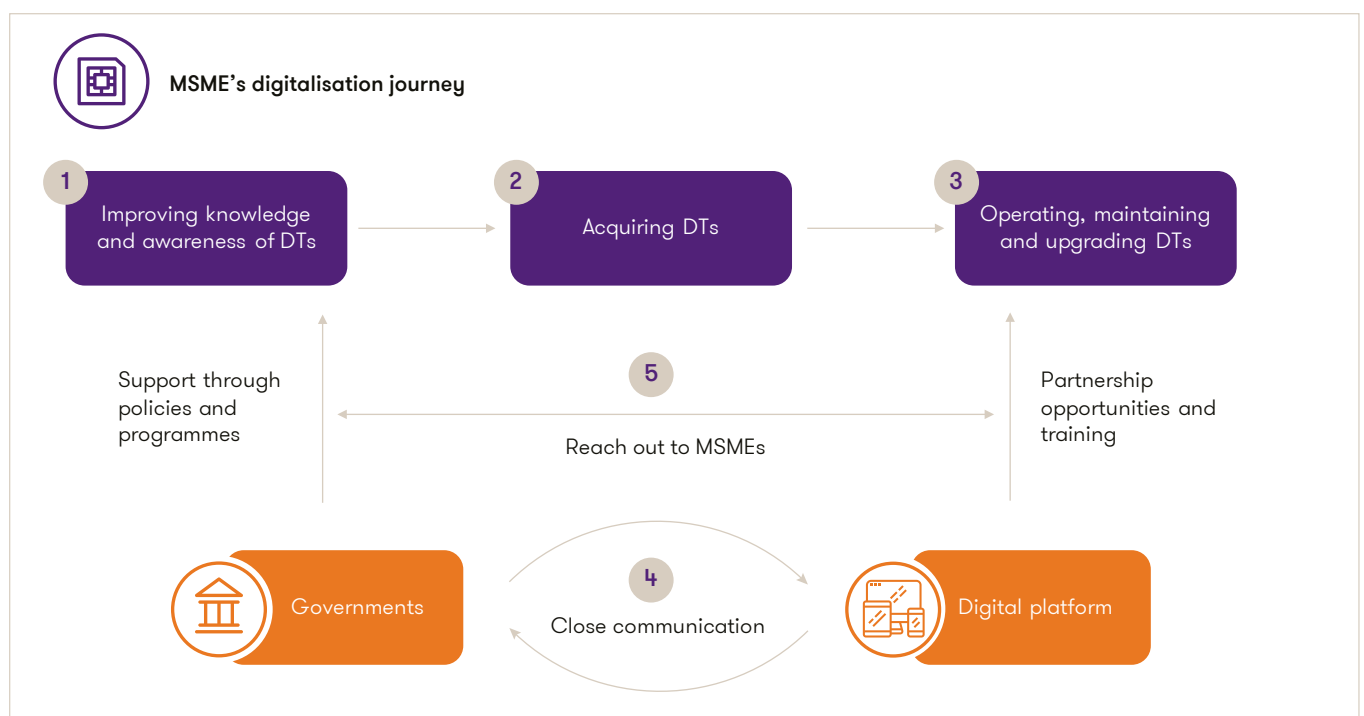
Clarity in policy communication, without subjectivity from the central and state governments

## How would MSMEs stay relevant in the global supply chain?

With adoption of automation and digital technologies (DTs), MSMEs would have better customer reach, would be able to associate with big companies and above all will display growth drivers to be relevant in supply chains globally.

Despite its benefits, digitalisation is low and remains unequally distributed amongst MSMEs.

There are factors that hinder MSME's digitisation journey which needs to be adhered to.



Governments must consider working with digital platforms, which are directly in operation with MSMEs to impart knowledge on digitalisation. The existing training and education programmes need to be refined so that they focus on peer learning and mentoring, which might prove to be more effective as MSMEs rely heavily on word-of-mouth information sharing.

To support the digitalisation journey of MSMEs, we examine possible policy options that would effectively address the challenges in the respective categories.



### Key challenges

1

Limited knowledge of MSMEs about digital technologies

2

Reluctance to change business processes

3

Shortage of expertise on digital technologies

4

Collaboration between governments and digital platforms

5

Difficulties in engaging MSMEs

### Policy options

Increase content in local language and refine menu of support programmes

Encourage MSME's digitalisation by providing initial support

Upskill and reskill MSME workforce

Develop collaborative framework with digital

Enhance both analogue and digital policy

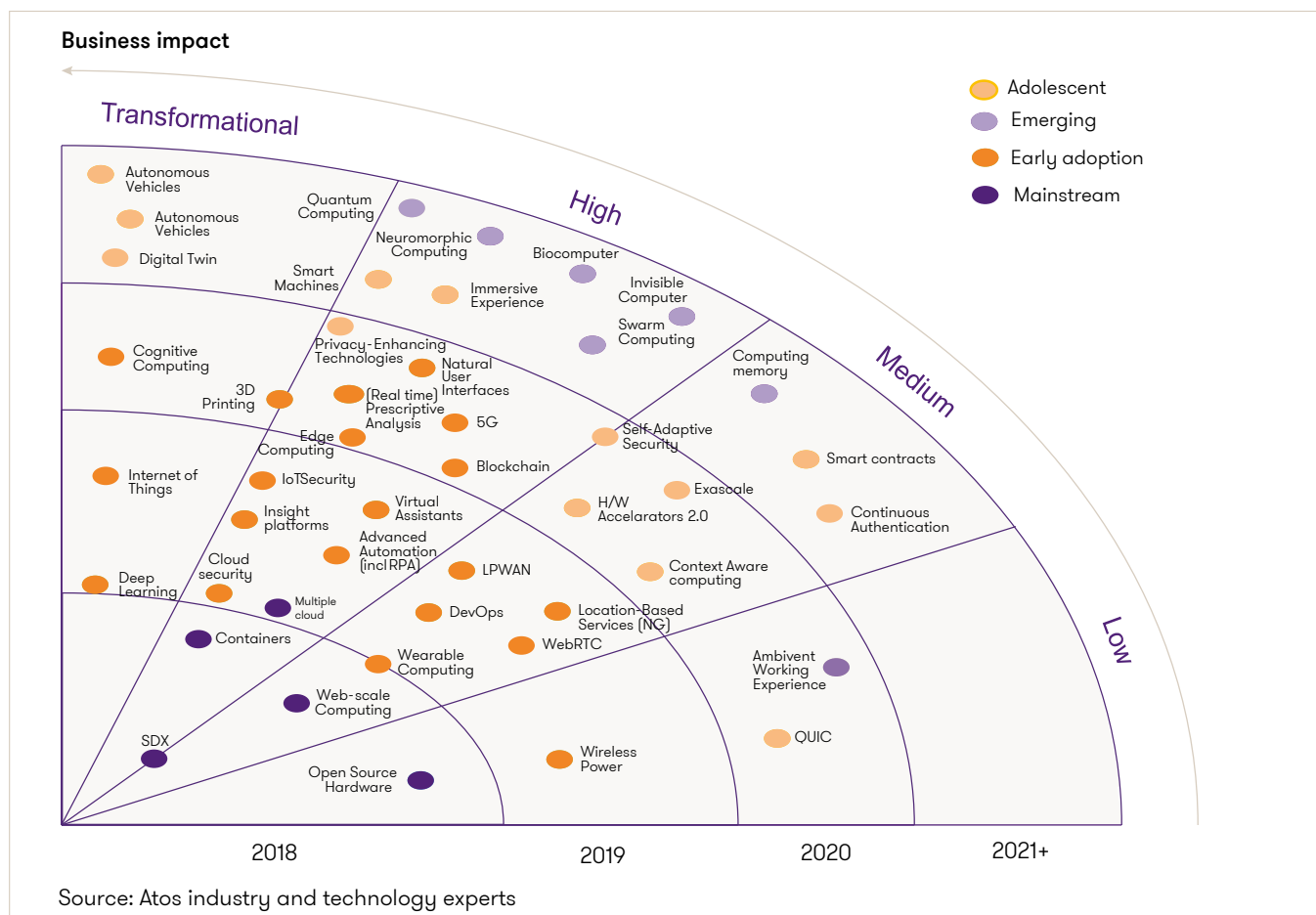
There is a need for MSMEs to rethink/reinvent their product strategy, its differentiators, distribution models, product pricing, etc. While there is a visible dip in the discretionary spending of consumers, there is also a marked shift in consumer preferences which can be leveraged.





## Technologies for future growth

The radar diagram provides a pictorial view of key emerging technologies and the actions consider taking. Their positioning in the quadrant illustrates when they are likely to impact businesses along with the potential size of the impact, while the colors represent the current maturity of each topic.



### Time of impact

**2018** Look today at how solutions could address your needs.

**2019** Consider potential solutions by running pilots, for example.

**2020** Understand now. Consider potential implications and how these could be addressed in your strategic technology planning.

**2021+** Follow for now. Watch how it's evolving.

### Business impact

**Transformational** Likely to require radical changes within organisations.

**High** Will have a high impact at work and in people's home lives.

**Medium** Will impact organisations' processes & services or affect users' & consumers' lives.

**Low** Will impact specific processes & services or affect some aspects of users' & consumers' lives.

### Maturity

#### ● Mainstream

There's a clear need and many clients are implementing solutions. Early adopter Clients are starting to look for solutions.

#### ● Adolescent

Discussed more widely by analysts and thought leaders.

#### ● Emerging

Mainly seen in academia and a small number of specialized markets.

The digital transformation of India that is currently underway is expected to accelerate the growth of e-commerce, changing the retail consumer market landscape over the next decade. This is attracting leading global multinationals in technology and e-commerce to the Indian market

## The business continuity plan for companies

The development of a Business Continuity Plan (BCP) ensures the continuation of businesses during and following any critical incident that results in disruption to the normal operational capabilities.

### Business continuity planning process



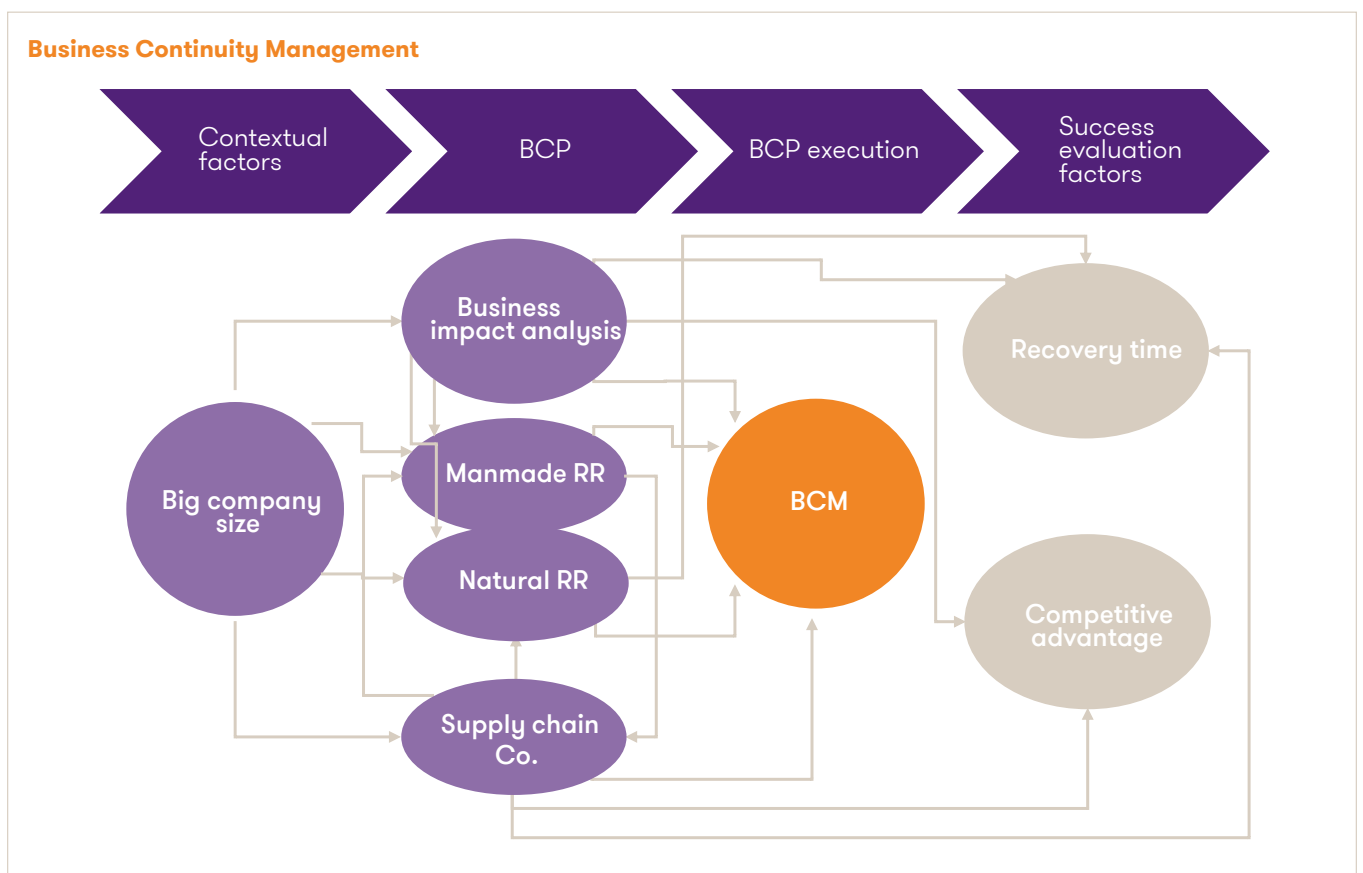
## How do companies evaluate and respond to supply chain risks and disruptions?

A business with a resilient and responsive supply chain will have a significant competitive advantage over other businesses. Businesses need to sense and prioritise new risks and implication to supply chain components, including services and the entire ecosystem with a comprehensive risk management plan having in depth business impact analysis (BIA) under automotive manufacturing business continuity management (BCM).

Risk type	Evaluation	Preparing for supply chain disruptions
External	<b>Demand risks</b> unpredictable or misunderstood customer or end-customer demand	Fundamental changes in consumer behaviour and routes to market
	<b>Supply risks</b> Interruptions to the flow of product, whether raw material or parts	Value chain transformation to help outmaneuver uncertainty
	<b>Environmental risks</b> Related to economic, social, governmental, and climate factors, including the threat of terrorism	Present throughout the business lifecycle To be tackled efficiently, else can have serious consequences, such as legal actions, penalties, and negative projection of the company

<b>Internal</b>	<b>Business risks</b> Supplier's financial or management stability, or purchase and sale of supplier companies	Strong data and analytics capabilities
	<b>Physical plant risks</b> Condition of a supplier's physical facility and regulatory compliance	Analyse "what if" scenarios
	<b>Manufacturing risks</b> Disruptions of internal operations or processes	Continuous cycle of risk mobilising, sensing, analysis, configuration and operation
	<b>Business risks</b> Changes in key personnel, management, reporting structures or business processes	Identify actions for shortening the duration of a disruption
	<b>Planning and control risks</b> Inadequate assessment and planning	Mobilise the command structure and developed balanced scorecards to measure the efforts
	<b>Mitigation and contingency risks</b> not putting contingencies (or alternative solutions) in place	Respond rapidly and confidently to shape and execute a short-term tactical plan of rehearse, maintain and review finding alternative production for each supplier and part
	<b>Cultural risks</b> Businesses' cultural tendency to hide or delay negative information Businesses are slower to react when impacted by unexpected events	Manage people through change

BIA is the single most important part of BCP as it had the strongest positive total effects on other BCP factors – i.e. supply chain cooperation (SCC), manmade risk ranking and natural risk ranking (RR), BCM and evaluation factors (competitive advantages and recovery time).



In order to provide an in-depth analysis, the diagram defines and discusses operationalisation of the factors. RR is a common ground for companies to maximise profit and inventory consideration to ensure continued supply (customer satisfaction) during and after disruption.

The framework adopted two BCM success evaluation factors; 'recovery time' and 'competitive advantages'. Recovery effort starts within an enterprise and reaches

out to the entire community. Another evaluation factor is competitive advantages which may be defined as a number of circumstances or conditions that puts a company in a favourable or superior business position relative to competitors, such conditions includes quick recovery time after disaster strikes, increase of sales share and profits before, during and after a disaster event and companies' image before, during and after disruption.



## How do companies prepare to avoid another crisis impact on their business?

The companies need to prepare a recovery time objective (RTO) wherein a declaration is made for a crisis/disaster for the time that the critical business functions must be fully operational in order to avoid serious financial loss.

Recovery is the return to a businesses' pre-emergency condition. Performing your critical activities as soon as possible after a critical incident should be the primary focus.

The following table illustrates an example of a 'Recovery Plan' with an intent of supporting recovery in 'worst case' scenarios. The same can be modified according to the degree of loss to the business.

Critical business activities	Preventative/ Recovery actions	Resource requirements/ outcomes	Recovery time objective	Responsibility	Completed
Production Services - halted	<ul style="list-style-type: none"> <li>Re-assess financial position of business including cash flows due to loss of revenue to meet minimal overheads</li> <li>Minimise overheads – review expenses and develop plan of action to reduce fixed and variable overheads include reduction of casual and permanent staff hours</li> <li>Negotiate with suppliers to prevent build-up of materials and reduce costs</li> <li>Source alternative production site</li> </ul>	<ul style="list-style-type: none"> <li>Put aside cash reserves to cover costs</li> <li>Reduce costs where able</li> <li>Research new products and services</li> <li>Identify alternative production site</li> </ul>	2 weeks	Business owner/ operator	0/0/0

## Factors impacting and the solution towards the growth of automotive EV value chain



### Reorganise supplier network

A quick assessment needed for seeing new opportunities to manufacture components in-house or find alternative suppliers in various geographic portfolios.



### Sales of EVs post crisis

Social distancing is likely to have a long-term impact, particularly, in urban areas. Thus, personal commute will be a preferred option that mass/shared mobility. Prospective benefit as induced sales' of two-wheeler EV market and entry level EVs would be witnessed.



### Strategy for auto manufacturers

The decline in sales is going to be a short-term impact, OEMs need to look into more sustainable spends on R&D, conserve cash for future spends, and higher automation in factories to rely less on contract labors.



### Virtual sales platform and online aftermarket support

Digital marketing and virtual reality showrooms have been the most transformational change that the auto industry has been focusing on. Retail and service stores are expected to have long-term impact of low footfalls and the use of digital platforms is a lucrative opportunity for consumers to continue enjoy their ownership experience.



### Restructure EV infrastructure network

PHEVs and EVs are the next point of focus for the Indian auto industry wherein OEMs to look for feasible solutions and take EV infrastructure networks to a larger scale in order to draw more customer acceptance. Any new technology would require high customer acceptance while regulations and government incentives would drive technology adoption.



### Attract consumers with eye-catching cost of ownership

Need to offer augmented personal customer-dealership experience with well-defined and effective virtual tours, including online negotiations with easy discounts and financing options through focused digital retailing.

## Strategic signals: Challenges and opportunities for tomorrow

The global COVID-19 pandemic and the subsequent economic slowdown has left governments and markets stumbling in directionless chaos and uncertainty. Amid a lurking global recession catalysed by the uncontrolled spread of the virus, companies and leaders invariably fall short of prompt decision making subsequently missing out on potential opportunities during such times of great distress.

India will be the world's fourth-largest passenger-vehicle market by 2021. It took India around seven years to increase its annual production to four million units from three million. However, the next milestone, five million units, is expected in less than five years.

**The most pragmatic solution for India would be to assume greater self-control over its national value chain; embrace and enhance as a strategy the appropriate approach of 'core self-sufficiency' with augmented domestic value addition in India's manufacturing industry.**

In the nature of assembly, wherein usually critical components and inputs of the value chain, are imported; the local value-addition must reach minimum 50% for the country to be truly called as a domestic manufacturer.





# Strategies employed by key market players

There are tough and challenging times for the automobile and manufacturing industry. Regression model predicts total vehicle sale of 20.43 lakh in the FY 20-21. There is also an opportunity for growth of the auto industry upon restart as the customers in the US and Europe take a look to move away from China. Thus, Indian industry needs to step up the efforts and grab these opportunities.

## Supply chain re-organisation

As the crisis will take a few months to subside, OEMs have stepped towards restructuring their supply chain by bringing more localised production through automation and digital retailing platforms. By the end of 2020, consumers will most likely be attracted with better purchase price through incentives and a more reliable infrastructure network.

To support electric vehicle (EV) manufacturers and tier 1 suppliers, the Indian EV market requires an overhaul of the ecosystem. India has strongly relied on imports from other countries (mainly China, South Korea and Japan) for components such as batteries, management systems, drivetrain and power electronics parts. Thus, high impact in the areas of supply are due to production shutdown, supply chain disruption and risk of low labour, the breakthrough for Internal Combustion Engine (ICE) vehicles, which would come through domestic manufacturing. Many EV players are focusing on the big boost of the EV industry in this direction.

## Changing consumer trends

**To understand consumer expectations and preferences for a safer mobility experience post the COVID-19 pandemic, Grant Thornton Bharat LLP conducted a survey on Personal mobility experience post COVID-19 in July 2020** wherein the trends signified that consumer behaviour towards purchasing a vehicle has not changed much due to the pandemic and purchases will be made only out of necessity.

Most respondents preferred cars to have hygienic air filters and mobile in-car offices considering the current crisis. Post COVID-19, most respondents expect a new car to have 'all technology in the most pocket friendly manner'.

## Drivers for new vehicle purchase



57%

would buy a new vehicle to avoid use of public transport



40%

would buy a new vehicle to upgrade from their existing vehicles



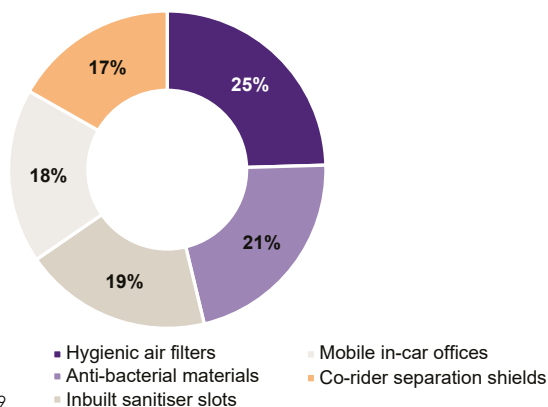
20%

wanted to buy to own a vehicle for the first time

Source: Grant Thornton survey results on personal mobility experience post COVID-19

## Consumer preferences towards features

Towards the contemporary scenario, when enquired to rank preferences for features the respondents would prefer in vehicles today, 'hygienic air filters' was the primary choice and 'mobile in-vehicle offices' and co-rider separation shields were ranked the lowest.



Source: Grant Thornton survey results on personal mobility experience post COVID-19

## Operational risks and liquidity restructuring

The automotive manufacturing industry has always transformed itself with multiple revolutions. OEMs have come a long way from drivetrains that power vehicles. And now, strategies are being adopted towards digitally connected ecosystems, which are reinventing driving and the customer experience. Overall, a greater focus is laid on customers' mobility with reduced emphasis on ownership to radically change the way vehicles are used, especially in big urban cities; however, these upheavals are with no doubt accompanied by broader challenges.

With enormity in the collapse of demand due to slump in private consumption; the consumption needs revival and the

investments needs to be revitalised. The substantial easing of financing conditions by Reserve Bank of India with the lifting of the nationwide lockdown is a great step towards the capitalisation of banks which would resurrect potential growth over the medium term.

With an attempt to restructure liquidity with improved credit flows, the impediments towards industrial growth are likely to be removed to foster capacity utilisation, mitigate operational risks, induce fixed investments and bridge the output gap to further evince interest in the economy towards a much needed turnaround.

## Best practices and recommendations for survival

Under intense cost pressures, quality is at risk at many manufacturers. Thus, there is a need for suppliers to sharply differentiate their products. In these times, the success would relate as much to their mindset as to the money they would invest in new technology.



Seek answers to certain questions: Are your suppliers focusing on quality, research and development - not just the component's price? Are you considering the global cost footprint when sourcing parts?

Moreover, manufacturers and other firms who paid regular wages and made bigger investments in training and equipment came through the downturn better than those who didn't. So, investing in employees is very important though critical.

**Above all, facilitation towards total productive maintenance is a requisite as firms' need to identify potential problems that affect production which would further reduce both downtime and production costs.**

Thus, to deal with the disruption, businesses need to execute actions over three timelines:

- Immediately deal with the emerging situation with a focused **approach**
- Identify and reset the ongoing activities to **adjust** to new financial realities
- Accelerate** strategic plans to emerge stronger in difficult times

	Approach	Adjust	Accelerate
 <b>Manufacturing</b>	Impetus to hygiene and safety of people	Accelerate the shift and be ready to face emergency situations	
	Exchange and align with their suppliers and tier-2 and 3 suppliers	Establish risk mitigation strategies	
			Establish IoT concepts in manufacturing
			Redesign networks towards increased resilience
 <b>Automotive</b>	Keep customers' preferences a priority		
	Operations to continue with mobilised supply chain operations	Move to digital vehicle experiences for customers Re-evaluate pricing strategies	
	Adjust production output	Gain full immediate financial transparency (e.g. capex, investment decisions)	Use of direct sales and doorstep deliveries



# Conclusion

Although the long-term effects of the pandemic are still unclear, automobile manufacturers are expecting only a delay in the purchases against people refraining from making the purchase. The reason for this expectation is that the people purchase vehicles only due to their need for it and not on a whim and hence cannot postpone their purchase indefinitely.

Moreover, OEMs have managed to handle the impressive range of challenges both from supply and demand side, over the past decades. However, in these times, the stakes are higher than they used to be and the coming upheavals would be on a much greater scale.

Thus, for automotive and manufacturing companies that would grasp the new realities, there would be plethora of

opportunities for them to position themselves innovatively and prosper in the industry of the future.

One thing is certain, the changes are going to be fast and the only players that move quickly and make bold decisions are the ones to thrive.



## Sources

Grant Thornton Auto Track Publication  
Grant Thornton Survey on 'Personal Mobility experience post Covid 19'  
Ministry of MSME  
Global insight Database  
Researchgate

Economic Times  
Livemint  
SPS Global  
Information services Group  
Centre for Automotive research

# About CII



**Confederation of Indian Industry**  
125 Years - Since 1895

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, government and civil society, through advisory and consultative processes.

For 125 years, the CII has been working on shaping India's development journey and, this year, more than ever before, it will continue to proactively transform Indian industry's engagement in national development.

The CII is a non-government, not-for-profit, industry-led and industry-managed organisation, with about 9,100 members from the private as well as public sectors, including SMEs and MNCs and an indirect membership of over 300,000 enterprises from 288 national and regional sectoral industry bodies.

The CII charts change by working closely with the government on policy issues, interfacing with thought leaders and enhancing efficiency, competitiveness and business opportunities for industry through a range of specialised services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Extending its agenda beyond business, the CII assists industry to identify and execute corporate citizenship programmes. Partnerships with civil society organisations carry forward corporate initiatives for integrated and inclusive development across diverse domains including affirmative action, livelihoods, diversity management, skill development, empowerment of women and sustainable development, to name a few.

With the theme for 2020-21 as 'Building India for a New World: Lives, Livelihood, Growth', the CII will work with the government and industry to bring back growth to the economy and mitigate the enormous human cost of the pandemic by protecting jobs and livelihoods.

With 68 offices, including 10 Centres of Excellence in India and nine overseas offices in Australia, China, Egypt, Germany, Indonesia, Singapore, the UAE, the UK and the USA, as well as institutional partnerships with 394 counterpart organisations in 133 countries, the CII serves as a reference point for Indian industry and the international business community.



**Centre of Excellence  
for Competitiveness for SMEs**

Established in 2004, today Chandigarh based CII- Centre of Excellence for Competitiveness for SMEs is a single point of reference for meeting the needs of small and medium enterprises for enhancing SME competitiveness. With a pan India approach, the Centre plays role of a guide and mentor for SMEs by its 'Cluster Approach', which enables SMEs to learn through sharing of knowledge with other Cluster companies. Best Practices and a detailed road map for enhancing productivity and efficiency of Cluster companies is charted and implemented by the seasoned counselors of the Centre. The Centre works exclusively to enhance the competitiveness of MSMEs, through interventions in areas such as Manufacturing Excellence, Energy Efficiency, Cost Management, Total Employee Involvement, Corrosion Management etc. Our Pro-active International Engagements ensure that we are in tune with the cutting edge of global Competitiveness in order to transmit the same to the Indian SMEs. More than 220. Training programmes have been held in the last 3 years, benefitting more than 3500 delegates.

Service delivery is through a co-ordinated and participative approach. The Centre works closely with industry via training, counseling, sharing best practices, study missions through class room learning and shop floor approach. The major services offered by Centre are:

- Manufacturing Excellence
- Human Resource Management
- Energy Audits and Management
- Corrosion Management

## **CII Centre of Excellence for Competitiveness for SMEs,**

Confederation of Indian Industry,  
Block- 3, Sector - 31- A, Dakshin Marg,  
Chandigarh - 160030

**T :** +91 172 2605868, 2607228

**W :** [www.cii.in](http://www.cii.in); [www.cii-competitiveness.in](http://www.cii-competitiveness.in)

# About Grant Thornton in India

Grant Thornton in India is a member of Grant Thornton International Ltd. It has over 4,500 people across 15 offices around the country, including major metros. Grant Thornton in India is at the forefront of helping reshape the values in our profession and in the process help shape a more vibrant Indian economy. Grant Thornton in India aims to be the most promoted firm in providing robust compliance services to dynamic Indian global companies, and to help them navigate the challenges of growth as they globalise. Firm's proactive teams, led by accessible and approachable partners, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients, and help them find growth solutions.



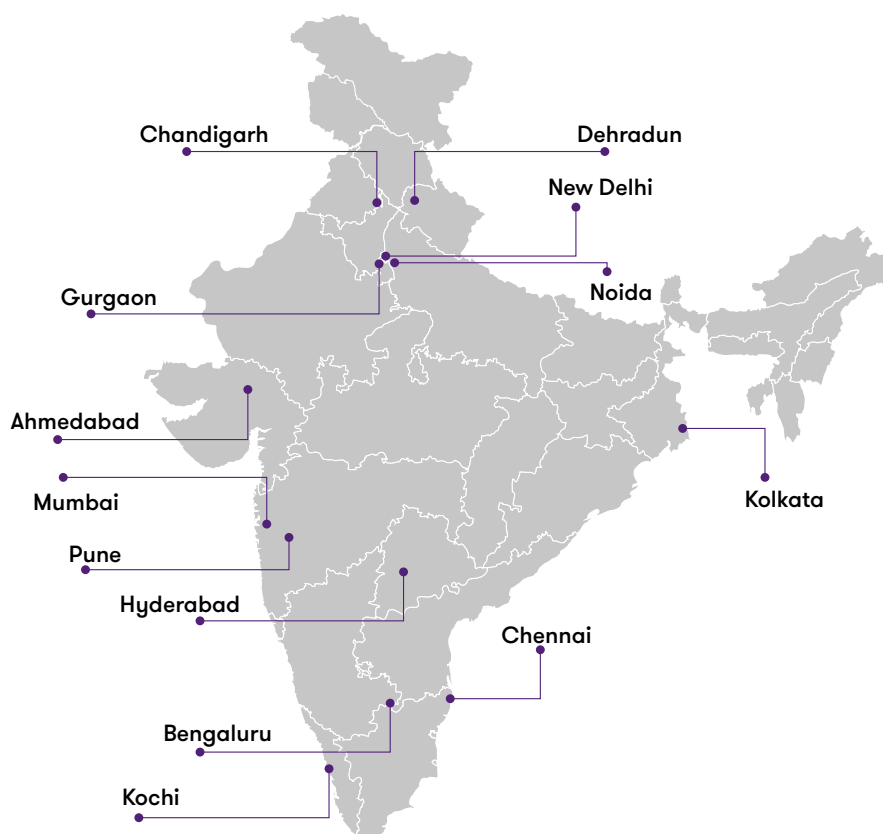
Over 4,500 people



15 offices in 13 locations



One of the largest fully integrated Assurance, Tax & Advisory firms in India





# Acknowledgements

Authors

**Saket Mehra**  
E: [saket.mehra@in.gt.com](mailto:saket.mehra@in.gt.com)

**Priyanka Mehra**  
E: [priyanka.mehra@in.gt.com](mailto:priyanka.mehra@in.gt.com)

For media queries, please contact

**Rohit Nautiyal**  
E: [rohit.nautiyal@in.gt.com](mailto:rohit.nautiyal@in.gt.com)

Editorial review

Charu Sharma

Design

Swati Rawat



# Contact us

To know more, please visit [www.grantthornton.in](http://www.grantthornton.in) or contact any of our offices as mentioned below:

## NEW DELHI

National Office  
Outer Circle  
L 41 Connaught Circus  
New Delhi 110001  
T +91 11 4278 7070

## NEW DELHI

6th floor  
Worldmark 2  
Aerocity  
New Delhi 110037  
T +91 11 4952 7400

## AHMEDABAD

7th Floor,  
Heritage Chambers,  
Nr. Azad Society,  
Nehru Nagar,  
Ahmedabad - 380015

## BENGALURU

5th Floor, 65/2, Block A,  
Bagmane Tridib, Bagmane  
Tech Park, C V Raman Nagar,  
Bengaluru - 560093  
T +91 80 4243 0700

## CHANDIGARH

B-406A, 4th Floor  
L&T Elante Office Building  
Industrial Area Phase I  
Chandigarh 160002  
T +91 172 4338 000

## CHENNAI

7th Floor,  
Prestige Polygon  
471, Anna Salai, Teynampet  
Chennai - 600 018  
T +91 44 4294 0000

## DEHRADUN

Suite no. 2211, 2nd floor Building  
2000, Michigan Avenue,  
Doon Express Business Park  
Subhash Nagar, Dehradun - 248002  
T +91 135 2646 500

## GURGAON

21st Floor, DLF Square  
Jacaranda Marg  
DLF Phase II  
Gurgaon 122002  
T +91 124 462 8000

## HYDERABAD

7th Floor, Block III  
White House  
Kundan Bagh, Begumpet  
Hyderabad 500016  
T +91 40 6630 8200

## KOCHI

6th Floor, Modayil Centre point  
Warriam road junction  
M. G. Road  
Kochi 682016  
T +91 484 406 4541

## KOLKATA

10C Hungerford Street  
5th Floor  
Kolkata 700017  
T +91 33 4050 8000

## MUMBAI

16th Floor, Tower II  
One International Center  
SB Marg Prabhadevi (W)  
Mumbai 400013  
T +91 22 6626 2600

## MUMBAI

Kaledonia, 1st Floor,  
C Wing (Opposite J&J office)  
Sahar Road, Andheri East,  
Mumbai - 400 069

## NOIDA

Plot No. 19A,  
7th Floor  
Sector - 16A  
Noida 201301  
T +91 120 485 5900

## PUNE

3rd Floor, Unit No 309 to 312  
West Wing, Nyati Unitree  
Nagar Road, Yerwada  
Pune- 411006  
T +91 20 6744 8800

For more information or for any queries, write to us at [contact@in.gt.com](mailto:contact@in.gt.com)



Follow us @GrantThorntonIN

© 2020 Grant Thornton Bharat LLP. All rights reserved.

"Grant Thornton in India" means Grant Thornton Bharat LLP, a member firm within Grant Thornton International Ltd, and those legal entities which are its related parties as defined by the Companies Act, 2013.

Grant Thornton Bharat LLP, formerly Grant Thornton India LLP, is registered with limited liability with identity number AAA-7677 and has its registered office at L-41 Connaught Circus, New Delhi, 110001.

References to Grant Thornton are to Grant Thornton International Ltd, (Grant Thornton International) or its member firms. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by the member firms.