

Disruptions Offer Double-sided Opportunities



By Rajnikant Behera

Rajnikant Behera is the Executive Director of RSB Transmissions (I) Ltd. Prior to the current corporate role he was involved in a few notable assignments including cross border M&A and various capital raising transactions at RSB. He has also worked with operations where he led several cost reduction programmes for the group through TQM initiatives. He has a Green Belt Certification in Six Sigma by Advanced Manufacturing Technology Associate Six Sigma Institute, Illinois, USA.

The automotive industry globally has started getting the feel of disruptive technologies and emergent changes in mobility. Digitisation, increasing automation, and new business models have revolutionised other industries. The automotive industry is no exception.

We feel the present mobility is expected to be there as of now and will move slowly with e-mobility over a period of time, before the latter takes total control. We do not perceive immediate threats, but in a decade, the trend will be moving in phases towards total e-mobility.

We are prepared for the disruption. We are keeping a steady watch on the pace of changes and accordingly aligning our strategies with the requirements of OEMs. Our subsidiary, I-Design Engineering Solutions, is keeping a vigil on the latest technologies and changing scenario, while working closely with our Business Development Team.

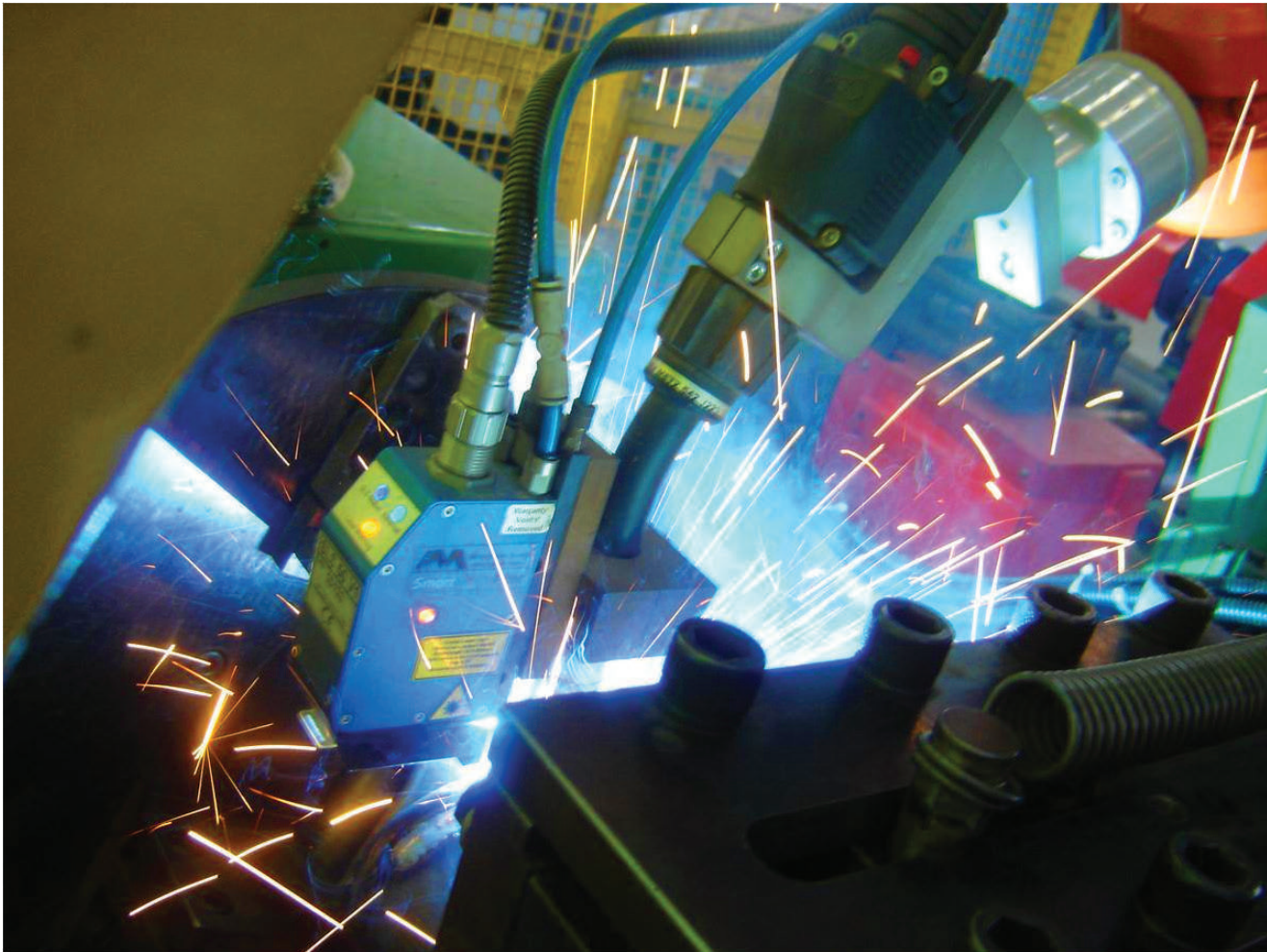
We see this as a double-sided opportunity – firstly to make in-roads in e-auto comp/accessories and to build new avenues of competition and cooperation. While 30 percent components are expected to be eliminated in e-vehicles, we are ensuring that we tap the remaining 70 percent of e-components with a significant share. We are waiting for e-signals from OEMs to adjust our sails for a smooth flow.

Secondly, we anticipate significant growth and revenue in the after-sales market for our existing auto components in conventional IC segment, which is expected to last for a good amount of time until it reaches total obsolescence.

These opportunities will make us enter into the new e-mobility segment and thus, obviously a diversification. RSB's business model traditionally is built on a strong edifice to take on any volatile trade swing with in-built cushioning to sustain any change, which we know is only constant and continual. We have been looking upon to make redundancy of the existing components through in-house research and development to sustain or improve and proactively offer to our OEMs such improvements - a rare and unique mix in partnering. This has brought us laurels and sustainable long-term association with our OEMs.

As I said earlier, it is a double-sided opportunity. One is to make in-roads in e-mobility through technological upgradation in line with the OEMs requirement and the other is to target after-sales auto component replacement market for traditional IC segment post e-mobility for at least a decade until total redundancy sets in, while simultaneously establishing a strong footing in e-comp market.

We feel the existing IC vehicle owners will continue to use the conventional mobility for the next 15 years with fuel prices spiralling down due to



the onslaught of e-vehicles while the conventional IC replacement market will continue to last until it reaches redundancy. We welcome EV technology more as a boon than a threat, to preserve ecology and avoid climate change. We will partner through the supply of quality EV components. Our mitigation action plan is very much in place.

E-mobility trend could impact the automotive industry in different ways like overlaps in value chain, cost structure and render a few components obsolete. For instance, it will gradually drive down demand for core value components like engines and transmission. This might push OEMs and suppliers to explore options beyond their traditional means of value addition. Uncharted areas like e-motors and battery services or packaging will emerge as more relevant and attractive. This could create an overlap between OEMs and suppliers, making it important for them to identify a collaborative model. The one certainty is that it

will impact automotive component manufacturers as it gains traction in India.

The market for ICE components like engine and transmission will shrink over a period of time. Key components and systems for EV motors and batteries, charging technology, power electronics and software will have good growth.

In Phase I, three-wheelers and buses are expected to be electrified, the next phase will see scooters, taxis and small/light commercial vehicles following the EV trend. This will be eventually followed by private cars and other vehicle segments. As a consequence, there will be a gradual transition for auto component suppliers giving enough breathing time for a different product mix. However, as the supply-demand balance shifts, auto-comp manufacturers need to brace up for significantly lean operations in ICE vehicle components.

Our Business Development team and subsidiary, I-Design Engg Solutions,





is working hand-in-hand vis-à-vis market signals and demand from OEMs, and accordingly changing our component mix in ICE vs. EV. We expect the transition to be smooth as we have enough breathing time. Depending upon the scenario from time to time, we will work out strategy for investment and collaborative ventures.

So far as front and rear axles are concerned, which are basic components in every vehicle, whether EV or AV, we are already one of the leading players in IC market with state-of-the-art facilities. Here modifications, if any, sought for by OEMs, will be met with. So far as transmissions technology like Single Speed Gear Box and Differential with peripheral components in speed automatic transmission, components for electric drivetrain and other transmission EV components are concerned, we will venture in a phased manner in consonance with demand swing.

Investment Triggers

Triggers of investment will be in the areas of state-of-the-art transmission technology, which has been our traditional core sector. We will

continue to cater to the after-sales of traditional IC auto component sector, which is expected to last for at least 15 years or until the existing IC engine sector gets totally extinct. We will also look for Government's liberal or soft funding, sops and incentives, besides internal accruals, for EVs through appropriate ventures as may be triggered by the changing scenario in the long run. Our priority of order for investments will chronologically be in product technology, automation, people, research, and finally capacity expansion. Product technology is the need of the hour and hence a priority sector. We will focus on automation to align the process and systems with the EV requirements and ensure we continue to give on-time high quality delivery.

People are the human capital and the most precious wealth of our organisation. The existing force will be re-trained to adapt to the new EV technology, and we will hire technical talents whenever warranted. We will continue to do our traditional research and development through our subsidiary. Capacity expansion will depend on the demand scenario. **APA**

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