# Strategic Adaptation to Response the Covid-19 Pandemic: A Case Study of Automotive Spare Parts Company in Indonesia

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## Abstract

Supply chain disruption during the Covid-19 pandemic led to the weakening of many organizations and supply chains globally, including the automotive industry supply chains such as the biggest automotive spare parts company in Indonesia. This paper aims to analyze the strategic adaptation of automotive spare parts manufacturers in Indonesia to maintain the Company's business continuity during Covid-19 pandemic and examine the influence of the strategy applied by the company on profitability. We analyze that the company is always chasing cost leadership in its strategic action since before and during the covid-19 pandemic. To improve financial performance during the economic crises, the company has employed some strategies such as market development strategy, product diversification strategy, operating expenses controlling, and wiser financial management.

## Keywords
Strategic Adaptation, Automotive Spare parts Company, Competitive Strategy, Porter Strategy, Profitability

## 1. Introduction

From December 2019, the coronavirus disease 2019 (COVID-19) has expanded throughout China as well as other countries (Wu et al. 2020). Covid-19 is a global pandemic that causing an economic stop and threatening overall well-being. Not only impact to heightened risks to healthcare works, the covid-19 pandemic, but also great impact on the global socio-economic such as higher employment and poorness rate, lower oil prices, education sector transformation, work nature shift, lower GDPs (Mofijur et al. 2021).

The COVID-19 caused a great hurdle to almost all industries, including the automotive industry. According to Ivanov (2020), one of the most severe supply chain disruptions and weakening many organizations and supply chains globally is the COVID-19 pandemic. So that, it impacted automotive supply chains such as automotive spare parts companies (Nicola et al., 2020; Trovao, 2020).

This paper focuses on the supply chain players in the Automotive Industry, that is automotive spare parts companies. Our study case is one of the Indonesian biggest automotive spare parts companies in Indonesia. The Company's focus is producing and distributing various spare parts for two-wheeled and four-wheeled vehicles. It has two largest market segments are automotive manufacturers (OEM - Original Equipment Manufacturer) and the after-market for replacement parts (REM - Replacement Market)

Based on GAIKINDO (2021), The automotive market in Indonesia experienced a significant decline in 2020 due to the pandemic. The automotive market for 4-wheeled vehicles fell 48.4% to 532,027 units from 1,030,126 units in 2019, while the automotive market for 2-wheeled vehicles decreased by 37.8% to 4,363,408 units compared to the previous year which reached 7,010,529 units. Additionally, most plants and dealerships around the world are closed for several weeks or months so that there are no productions for operational and hygienic reasons (Kufelova and Rakova, 2020). This impact was felt by the Company considering the decline in demand for Original Equipment Manufacturers (OEMs), directly affecting the Company's overall performance. In the OEM market, companies cannot meet economies of scale during the pandemic because so far about 80 to 90 percent of the raw materials for the component industry are still imported due to higher specifications (GAIKINDO, 2020).

The COVID-19 pandemic also has implications for shifting people's behavior, especially in Indonesia, as reinforced by consumer confidence which is closely related to economic health. In essence, consumers do not want or prefer to delay purchases, especially non-basic products during this uncertain period (Astra Otoparts, 2020). In addition, consumers are confined at home and face increasing logistical difficulties in purchasing, which in turn reduces demand and prefer digital transactions and home delivery services. (Mofijur et al., 2021; Astra Otoparts, 2020). This condition impacted the spare parts sales condition during LSRR (Large-Scale Social Restriction) very steep declining around 80% compared to the period before pandemic (GAIKINDO, 2020). The easing of the LSSR regulations or the transitional period made conditions slowly improve with the percentage drop in sales of only about 40 percent from the period before the pandemic. This situation shows the uncertainty demand that companies must face.

Many companies have suffered losses, not even a few have gone bankrupt because they are not ready to face the COVID-19 outbreak (Han, 2021). Standstill period has begun due to the uncertainty of demand. As a result, the supply chain members began to be reactive and awaited the other member's movement. This was a perfect evaluation timing to their role, external opportunities, and strategic action (Pato and Herczeg, 2020).

To become the market leader, Porter (1980) one of Generic Strategy should be chosen as company's dominant strategy. The Generic Strategy Porter includes cost leadership, differentiation, and focus (Porter, 2008; Porter, 2011). Furthermore, David (2009) explained 11 alternative strategies to achieve a certain competitive position that is classified into 4 big clusters: Integration, Intensive, Diversification, and Defensive strategies. Integration strategy is trying to take over the control all along the supply chain. While intensive strategy is developing company market through market penetration, market development, and product development strategies. Diversification strategy broadens the product line by related and unrelated diversification. Defensive strategy defense the company via retrenchment, divestiture, or liquidation. Both Porter and David strategy have countless variations in order to gain competitive advantage.

The uncertain global situation due to the Covid-19 pandemic gave extraordinary challenges, but on the other hand it also offered new business opportunities. Based on this phenomenon, this paper aims to analyze the strategic adaptation of automotive spare parts manufacturers in Indonesia to maintain the Company's business continuity during Covid-19 pandemic and examine the company's strategy influence on the company's profitability.

## 2. Literature Review

### 2.1 Strategy

The strategy adopted by a company determines how the company exploits its resources to achieve the company's long-term goals, competitive advantage (David & David, 2017). Furthermore, David & David (2017) elaborated eleven strategies often used by companies to gain a competitive advantage. These could be grouped into four groups of strategies, which are integration, intensive, diversification, and defensive strategy (Table 1). In addition to these eleven strategies, David & David (2017) also elaborated strategies proposed by Porter, called generic strategy. The generic strategy consists of three strategic alternatives that could be used by companies to run their business, which are cost leadership, differentiation, and focus (Table 2). Quite different from the eleven strategies presented by David & David (2017), Porter's strategies are taking more concern on the market-based view on its strategies. Each strategy implemented by the company should have a different impact on the company. Even the same type of strategy that is applied in different companies could give different results, depending on the business situations related to the company (Lopez-Zhapata et al., 2019). Therefore, to increase the effectiveness of strategies implemented by a company, on the external factors, strategies should consider carefully the uncertain business situation faced by the company (Kurniati & Nurcahyo, 2018).

Table 1. Eleven Strategies Proposed by David & David (2017)

| **Strategy Type** | **Definition** |
|---|---|
| **Integration Strategy** | |
| Forward Integration | Increased company control over the downstream supply chain |
| Backward Integration | Increase company control over suppliers (upstream supply chain) |
| Horizontal Integration | Seek ownership of competitors |
| **Intensive Strategy** | |
| Market Penetration | Enlarge the company's market share with various marketing efforts |
| Market Development | Looking for new market areas to increase market share |
| Product Development | Doing product innovation to increase sales |
| **Diversification Strategy** | |
| Related Diversification | Adding a product line related to the core product |
| Unrelated Diversification | Expanding product line with an unrelated product to the core product |
| **Defensive Strategy** | |
| Retrenchment | Reducing costs and assets to maintain profitability |
| Acquisition | Selling some of the company's assets that are no longer profitable |
| Liquidation | Sell all company assets |

### 2.1.1. Strategy Adaptation

The COVID-19 pandemic creates a severe economic crisis that couldn't be predicted and controlled by companies. Many companies suffered losses and many gone to bankruptcy because of their unpreparedness to deal with the COVID-19 pandemic (Han, 2021). Even many large companies were unable to anticipate the changes brought by the crisis and experienced difficulties during the crisis time. In such cases, perhaps government intervention is needed to be able to survive in a crisis (Enderwick, 2009). Martin-Rios & Pasamar (2017) stated that in this kind of severe crisis, strategic action becomes more relevant because operational action cannot guarantee the adaptation of the company during this crisis. Hence, in this crisis, companies' strategies play a big role to keep survive.

Table 2. Generic Strategy

| **Strategy Type** | **Definition** |
|---|---|
| Cost Leadership | Doing production at the lowest cost |
| Differentiation | Creating a unique product for consumers who are price insensitive |
| Focus | Serving the needs of a small group of consumers |

Under normal conditions, many companies could gain a competitive advantage by implementing a cost leadership strategy. However, if this strategy is not implemented properly, this strategy will become a strategy that is vulnerable to changes in the business environment. Implementing cost leadership is not just selling goods at the lowest price in the market, but it should optimize the production cost structure and reducing production costs (Han, 2021). Han (2021) further explained that in the COVID-19 pandemic, companies will find it difficult to make cost savings amidst declining sales and various adaptations that companies must make. In this regard, Martin-Rios & Pasamar (2017) found that out of the three clusters of strategic actions response is taken by service companies in the US (cost-oriented, commitment-to-expansion, and resource-balancing), companies that implement "commitment-to-expansion" has better resistance to the economic crisis than companies that apply "cost-oriented". Even after the crisis, this company was also able to show better performance (Martin-Rios & Pasamar, 2017). This idea is in line with Karyono, et al. (2020b) and Karyono, et al. (2019) who suggest conventional taxi companies in Yogyakarta, Indonesia to collaborate with online taxi companies and carry out market penetration to expand the market although in the middle of crisis conditions faced by all conventional taxi companies in Yogyakarta, Indonesia.

Emerging markets for companies that are struggling during a crisis are an opportunity to increase revenue and cut off operating costs. This could provide many benefits such as access to nascent markets, the experience of changing markets, the ability to arbitrage learning, the opportunity to enter specialist capabilities, and exposure to enhanced levels of competition. Kuppuswamy and Villalonga (2010) found that a diversification strategy was a strategy that could save companies during the economic crisis. However, not all diversification strategies could be used in crisis conditions. When the economy starts to indicate a crisis, the level of inherent risk in any business activity will increase. In this situation, it will be difficult to obtain capital from the capital market (Lopez-Zhapata, et al., 2019). In this case, unrelated diversified companies could face economic crises more relaxed. There are two reasons for this situation. First, diversified companies could diversify the risk of crisis in an industry (Han, 2021). Second, diversified companies could exploit their internal sources of financing through cross-subsidies between businesses (Lopez-Zhapata, et al., 2019; Han, 2021). For example, during the COVID-19 pandemic, companies engaged in the auto parts industry experienced a crisis, while companies engaged in the marketplace provider industry experienced an increase. However, even though the company has implemented a diversification strategy, the company should not be complacent about the created comfort zone and must continue to adapt to the changes that occur (Karyono, et al., 2020). Even in a growing market situation (Suryono, et al., 2020c), marketplace provider companies still have to innovate instant messengers, feedback systems, and interactivity (Suryono, et al., 2020a; Suryono, et al., 2020b)

## 2.2 Financial Performance

David & David (2015) stated that there are two types of benefits that should be obtained by companies from implementing the appropriate strategy, which are non-financial benefits and financial benefits. Furthermore, David (2009) mentioned that companies applying an appropriate strategy to face competition show significant improvements in sales, profitability, and productivity compared to companies implementing inappropriate strategies to face competition. To assess the benefits of implementing an appropriate strategy from a financial perspective, Brigham & Huston (2010) mentioned financial statement analysis as a starting point to evaluate the current conditions and to figure future actions to improve future performance. This is in line with Nurcahyo et al. (2021) which use sales growth and profit rate to measure business performance. Nurcahyo et al. (2018) revealed that a financial perspective, which consists of three indicators, namely green image, operational costs, profit, and resource productivity is needed to evaluate strategies in manufacturing companies using a sustainability balanced scorecard. This has led some researchers to the agreement that financial measurement is a more appropriate measurement to examine the effect of strategy on company performance (Koseoglu et al., 2013). In our research, we use profitability and liquidity to examine the impact of strategy on company performance.

### 2.2.1 Profitability

A measure of a company's ability to create profits is called the profitability ratio. Profitability consists of several ratios that combine the involvement of liquidity, asset management, and debt as a percentage of revenue (Brigham & Huston, 2010).

- **Profit Margin on Sale Ratio**

  Measuring net per sale is the function of profit margin on sale ratio (Brigham & Huston, 2010). The greater the profit margin on sale, the more capable the company in generating profits. This ratio is calculated by the following formula:

$$Profit\ Margin\ on\ Sales = \frac{Net\ Income}{Sales} \tag{1}$$

- **Return on Common Equity Ratio**
  The rate of income on common stockholders' investment showing the Return on Common Equity (ROE) ratio of a company (Brigham & Huston, 2010). The higher the percentage of ROE of a company, the more proper the company strategy in managing investor funds injected into the company. Companies with a high ROE are usually preferred by investors. To calculate ROE, the following formula is used:

$$Return\ on\ Common\ Equity\ (ROE) = \frac{Net\ Income}{Common\ Equity} \tag{2}$$

### 2.2.2 Liquidity

Liquidity is a measurement to determine the paying ability rate of current liabilities or short-term debt (Brigham & Huston, 2010). A company that has a high rate of liquidity means that it can easily pay off all its short-term debts. This company usually has a smaller chance of going bankrupt because of the inability to pay off its debt. The company's liquidity can be measured through two ratios, namely the current ratio and the quick ratio.

- **Current Ratio**
  The extent of the short-term debt that could be covered by current assets is the current ratio (Brigham & Huston, 2010). The current ratio is calculated by the following formula:

$$Current\ Ratio = \frac{Current\ Asset}{Current\ LIabilities} \tag{3}$$

- **Quick Ratio**
  The quick ratio measures the ratio of current assets minus inventory to the company's short-term debt (Brigham & Huston, 2010). Quick Ratio can be calculated with the formula:

$$Quick\ Ratio = \frac{Current\ Asset - Inventory}{Current\ Liabilities} \tag{4}$$

## 3. Methods

We used descriptive analysis to determine the strategic adaptation of the biggest automotive spare parts manufacturers in Indonesia to maintain the Company's business continuity during the Covid-19 pandemic. We chose the biggest automotive spare parts company in Indonesia based on Martin-Rios & Pasamar (2017) which argued that whenever we examine companies respond to severe crisis, we should learn from the market leader of the industry which might be relevant to other companies. To examine the impact of strategic adaptation on the profitability of the biggest automotive spare parts company, we collected and examined data on the balance sheet statement to assess the company's liquidity and income statement items to assess the company's profitability from the company annual report in the past five years (2016-2020).

## 4. Results and Discussion

### 4.1 Strategy Analysis

### 4.1.1. Cost Leadership Strategy

Company implements the LEAP strategy which leverages its business trading and it's positioning as preferred OEM suppliers. The company was trying to be more competitive by prioritizing the concept of cost leadership. Each company's business activity is striving to improve its products and processes to become more efficient, use less material, and reduce water and energy waste. This effort is a part of its strategy to run a better business activity as stipulated in LEAP strategy to increase efficiency and productivity to become "The lowest cost component producer."

Among the generic strategy, the company always pursue cost leadership and excelled quality. It is shown clearly in Table 3 that the company is in the middle of the price range of each category. By using the cost leadership-best value strategies the goal is reducing operating cost to the possible lowest cost but still ensuring product quality to hold on the top market share position. During covid-19 pandemic, the company also implemented a cost leadership strategy with "the Extreme Cost Reduction Program (CRP)" in all business lines and postponed unnecessary investment plans. The implementing strategy recorded a positive cash position for the company.

Table 3. Price Comparison Among Competitors

| Categories | Company | Competitor 1 | Competitor 2 |
|---|---|---|---|
| Tire | Rp.153.000 - Rp.1.260.000 | Rp.117.000 - Rp.1.611.000 | Rp.145.000 - Rp.1.200.000 |
| Oil | Rp.30.500 - Rp.475.000 | Rp.33.000 - Rp504.000 | Rp.32.000 - Rp.355.000 |
| Car Battery | Rp.693.000 - Rp.3.500.000 | Rp.835.000 - Rp.1.800.000 | Rp.1.000.000 - Rp.4.100.000 |

### 4.1.2. Intensive Strategy

We analyze that the LEAP Strategy refers to an intensive strategy as evidenced by implementing the Leverage Trading strategy and Position as market development strategies. Because the company serves almost all automotive manufacturers and replacement part markets in Indonesia both for two-wheeled and four-wheeled vehicles as well as other industries with a wide product range. In running this business, the company explores its products to its own retail network through Shop & Drive and other spare parts sales partners. Getting closer to consumers is also the focus of company strategy. One way to do this is by strengthening the Shop & Drive dealer network as their B2C platform.

Table 4 shows that in order to grow up sales in the substitution spare-parts market (REM – Replacement Market) for both the domestic and global markets, the company attempted to determine closer customer relationship and wider its customer portfolio. This strategy was shown by increasing the number of distribution networks and outlets since 2016-2019. In 2020, there was a decrease in the number of distribution networks and outlets due to the closure of offices during the pandemic. Amidst the uncertain conditions caused by the pandemic, the company maximized the use of digital channels to support sales activities through such as 24-hour call centers and online sales channels through www.astraotoshop.com platform for the aftermarket business that was shown by increasing the number of Users of Shop&Drive Application.

Table 4. Number of NPD, Network Distribution, and Outlets

| **Data** | **2016** | **2017** | **2018** | **2019** | **2020** |
|---|---|---|---|---|---|
| No. of NPD Related Spare Parts | 11 | 15 | 14 | 18 | 8 |
| Retail Stores | 12,000 | 12,000 | 12,000 | 12,000 | 12,000 |
| Distribution Network | 76 | 76 | 76 | 76 | 74 |
| Main Dealers | 52 | 52 | 52 | 52 | 50 |
| Sales Office | 24 | 24 | 24 | 24 | 24 |
| Export Destination Country | 35 | 40 | 40 | 40 | 45 |
| Users of Shop&Drive Application | - | 23,000 | 23,000 | 66,160 | 71,892 |
| Outlets | 364 | 371 | 545 | 566 | 512 |
| Shop&Drive | 363 | 370 | 375 | 383 | 364 |
| Shop&Bike | 1 | 1 | No Info | 3 | 9 |
| Super Shop&Drive | - | - | - | 10 | 10 |
| Motoquick | - | - | 170 | 170 | 129 |

The company reinforces its positioning as the most preferred automotive supplier by producing advanced and efficient technology inside its competitive products and focusing on changing its business development from process-based to product-based. Before Covid-19 Pandemic (2016-2019), it expanded its product portfolio through product variations, where the number of New Product Development (NPD) was increasing every year (as Shown in the Table 4). This shows that intensive strategies with product development become a strategy to strengthen and preserve its positioning as the component manufacturing' market leader.

During covid-19 pandemic (year of 2020), the company is still conducted by strengthening the products portfolio through adding product variations. However, the variety of products related to the automotive industry is less than the previous 4 years. The company focused on developing products that match the conditions during pandemic and exploring potential sectors such as medical devices and other non-automotive sectors, as conducted by PT Astra Komponent Indonesia, which produces innovative medical devices such as face shields, safety goggles, UV sterilizers (UV box) and EOSTRA and automatic doors (ADORE), in collaboration with the WINTEQ division which provides automatic door with temperature check & face recognition functions. The company also keeps their effort to be the best component player for Original Equipment (OE) by maintaining the Quality Cost Delivery (QCD) level, ensuring supply continuity with strict monitoring throughout the supply chain, operational adjustments and capacity planning while still implementing health protocols in every business process. In addition, new product development according to OEM requests is being carried out (Astra Otoparts, 2020).

### 4.1.3. Diversification Strategy

Diversification strategy with related diversification is shown by the company since 2006. The Winteq (Workshop for Industrial Equipment) business unit was developed by the company as an in-house engineering unit to meet the needs of the Company group which aims to improve the performance of manufacturing processes, engineering design and automation. In 2012, the EDC (Engineering Development Center) business unit was established, which focuses on market research and development (R&D). These two units work synergistically and integrated and becoming the countershaft of the changing from a process-based to a product-based manufacture that's able to develop its products at efficient and competitive prices, so as to bolster the automotive industry. component localization. During the Covid-19 pandemic, business units worked with several companies to develop products that were suitable for these conditions, such as medical devices.

### 4.1.4. Integration Strategy

Being in the dominant position in the sparepart's industry makes the company have to maintain and push its position. To help to maintain its position, the company also uses an integration strategy, as being part of Astra Group, Astra Otoparts became the main spare part supplier for PT Astra Internasional, doesn't stop there Astra Otoparts keep to extent its scope as an original equipment manufacturer (OEM) for Hyundai Indonesia and to push its position the company is using an intensive strategy. On the marketing side, besides joining with others marketplace, Astra Otoparts presents its own digital marketplace Astraotoparts.com.

## 4.2 Financial Performance

### 4.2.1. Sales Value

From the chart below, sales of automotive components before the pandemic experienced a significant upward trend between 2016-2019 with sales increases of 76.13%, 13.33% and 0.58% respectively. Even though there was a slowdown in the increase in sales from 2018 to 2019. However, Astra Otoparts managed to record a sales value of above 15 trillion rupiah (figure 1)

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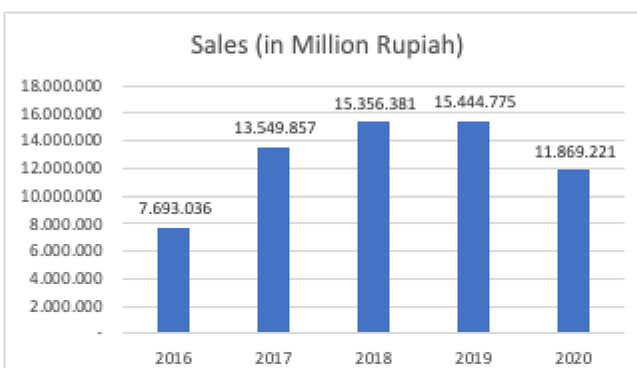


Figure 1. The Company's Sales from 2016-2020

The strategy implemented by this company is effective because it increases the sales value significantly from year to year. The company has two business segments. First, the business-to-business (B2B) segment as an original equipment manufacturer (OEM) that provides vehicle spare parts to various brands, both under the Astra International group and outside the Astra group. Second, the business to consumer (B2C) segment by running a spare parts trading business for vehicle owners, both for the local market and for exports to several countries. The largest sales value is from the OEM business which accounts for about 55% of the company's total revenue. During the COVID-19 pandemic in 2020, the company experienced 23.15% decline in sales. This was mainly due to lower sales of the OEM business due to reduced demand for automotives components in the domestic automotive market. In addition, export sales were also disrupted due to the lock down policy in export destination countries (Gaikindo, 2020).

### 4.2.2. Profitability and Liquidity

In this research, the ratio of profitability is proxied by the net profit margin (NPM), because this ratio has the most influence on the company's profit growth (Van Horne and Wachowicz, 2009). In table 5. The NPM value before the pandemic tended to increase from 2017-2019 respectively by 4.04%, 4.43% and 5.53%. During the COVID-19 pandemic in 2020 the value of NPM decreased significantly by 0.35% from the previous year. In general, a low ratio indicates management inefficiency. The Large-Scale Social Restriction (LSSR) policy issued by the government has a big impact because companies and dealers have to reduce operating activities. The factory also stopped operating temporarily so that it could not produce products to meet market needs (Gaikindo, 2020).

Table 5. Profitability 2016-2020

| Year | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Income after tax<br>(in million rupiah) | 364,309 | 547,781 | 680,801 | 853.,09 | 41,129 |
| Sales (in million rupiah) | 7,693,036 | 13,549,857 | 15,356,381 | 15,445,775 | 11,869,221 |
| Net profit margin | 4,.74% | 4.04% | 4.43% | 5.53% | 0.35% |

Profit is based on the ability to generate profits for shareholders as expressed by the Return of Equity (ROE) (Sartono, 2011). Before the pandemic, the ROE value always increased from 2016 to 2019. However, during the COVID-19 pandemic in 2020, the ROE value decreased significantly to 0.40% (Table 6). However, this value is still ideal and does not decrease to a negative level. This shows that the company is still in good condition (Ma, 2021). Shareholders still receive business dividends even though the value is not as big as the previous year

Table 6. Return of Equity (ROE) 2016-2020

| Year | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Income after tax<br>(in million rupiah) | 364,309 | 547,781 | 680,801 | 853.,09 | 41,129 |
| Total Capital (in million rupiah) | 9,495,652 | 9,772,409 | 10,207,684 | 10,580,610 | 10,293,093 |
| Return of Equity (ROE) | 3,.84% | 5.61% | 6,67% | 8,07% | 0.40% |

The liquidity ratio is the ratio showing the company's capability to meet short-term financial obligations in a timely manner. The company's current ratio and quick ratio are showing a downward trend in 2018 but increased in 2019 and 2020. Cash ratio increased significantly to 54,15% in 2020 (Table 7). This shows a good level of company liquidity, making it easier for companies to increase capital which will affect profitability. The increase in the quick ratio also shows the company's good ability to pay off debt (Sartono, 2011).

As of the end of 2020, the Company recorded a positive cash position, due to an effort in implementing a cost leadership strategy and postponing unnecessary investment plans. The company always strived to ensure adequate cash flow to meet the operational needs, both importing materials and other routine expenses. In addition, the optimum usage of digitalization has been proven to be able to maintain working capital at a healthy level and the Company's liquidity conditions throughout the year.

Table 7. Liquidity 2016-2020

| Year | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Current Ratio | 1.69 | 1.72 | 1.48 | 1.61 | 1.86 |
| Quick Ratio | 1.29 | 1.01 | 0.87 | 1.00 | 1.30 |
| Cash Ratio | 10.47% | 22.35% | 21.88% | 22.92% | 54.15% |

## 5. Conclusion

The company is still optimistic to grow above the average of the automotive industry. In addition, the Company consistently continues the LEAP strategy which adapted to the business challenges and demand. Accelerating digital in response to the customers demand and behavior, striving for operational excellence to become the lowest cost producer by continuing to carry out cost reduction, encouraging the implementation of automation to maximize productivity and efficiency in every business process. As well as seizing opportunities to develop new products and business as one of ways to achieve sustainable business growth especially in the covid-19 pandemic.

The Company success to manage capital by maintain the business continuity as well as maximize benefits for shareholders and other stakeholders. Periodically, the company analyzes and manages the capital structure and optimum returns to shareholders, by taking into account the required future capital and the Company's capital efficiency, current and future profitability, operational cash flow projection, projected capital investment and projected strategic investment opportunities. In order to maintain or adjust capital structure, the Company can adjust the amount of dividend paid to shareholders, issue new shares or sell assets to reduce debt.

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