

## AUTO COMPONENTS INDUSTRY IN INDIA

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### Introduction:

The Indian auto-components industry has experienced healthy growth over the last few years. Some of the factors attributable to this include: a buoyant end-user market, improved consumer sentiment and return of adequate liquidity in the financial system.

The auto-components industry accounts for almost seven per cent of India's Gross Domestic Product (GDP) and employs as many as 19 million people, both directly and indirectly. A stable government framework, increased purchasing power, large domestic market, and an ever increasing development in infrastructure have made India a favourable destination for investment.

### Market Size

The Indian auto-components industry can be broadly classified into the organised and unorganised sectors. The organised sector caters to the Original Equipment Manufacturers (OEMs) and consists of high-value precision instruments while the unorganised sector comprises low-valued products and caters mostly to the aftermarket category.

Over the last decade, the automotive components industry has scaled three times to US\$ 39 billion in 2015-16 while exports have grown even faster to US\$ 10.8 billion. This has been driven by strong growth in the domestic market and increasing globalisation (including exports) of several Indian suppliers.

According to the Automotive Component Manufacturers Association of India (ACMA), the Indian auto-components industry is expected to register a turnover of US\$ 100 billion by 2020 backed by strong exports ranging between US\$ 80- US\$ 100 billion by 2026, from the current US\$ 11.2 billion.

### Investments

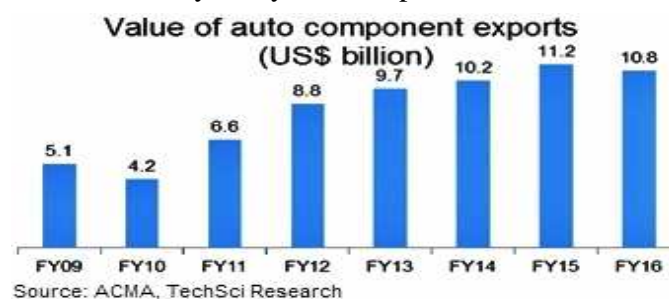
The cumulative Foreign Direct Investment (FDI) inflows into the Indian automobile industry during the period April 2000 – March 2016 were recorded at US\$ 15.07 billion, as per data by the Department of Industrial Policy and Promotion (DIPP).

Some of the major investments made into the Indian auto components sector are as follows:

- Mercedes Benz India Private Limited has set up India's largest spare parts warehouse in Pune, with an area of 16,500 square meters which can stock up to 44,000 parts. It will also

include a vehicle preparation centre that can stock up to 5,700 cars to customise them before delivery.

- JK Tyre and Industries Ltd, India's leading tyre manufacturer, has acquired Cavendish Industries Ltd (CIL) for Rs 2,200 crore (US\$ 329.2 million), which will enable JK's entry into the fast-growing two-wheeler and three-wheeler tyre market.
- Japanese auto major Honda is planning to step up supply and target exporting of auto components worth Rs 1,500 crore (US\$ 224.45 million) from India to its various international operations.
- Auto components maker Bharat Forge Ltd (BFL), the flagship company of the US\$ 3 billion Kalyani Group, has formalised agreement with Rolls-Royce Plc which will supply BFL with critical and high integrity forged and machined components
- Canada's Magna International Incorporated has started production at two facilities in Gujarat's Sanand, which will supply auto parts to Ford Motor Co in India
- Everstone Capital, a Singapore-based private equity (PE) firm, has purchased 51 per cent in Indian auto components maker SJS Enterprises for an estimated Rs 350 crore (US\$ 51.35 million).
- ArcelorMittal signed a joint venture agreement with Steel Authority of India Ltd (SAIL) to establish an automotive steel manufacturing facility in India.
- German auto components maker Bosch Ltd opened its new factory at Bidadi, near Bengaluru, which is its fifth manufacturing plant in Karnataka. The company has also signed a memorandum of understanding (MoU) with Indian Institute of Science (IISc), Bengaluru with a view to strengthen Bosch's research and development in areas including mobility and healthcare thereby driving innovation for India-centric requirements.
- French tyre manufacturer Michelin announced plans to produce 16,000 tonnes of truck and bus tyres from its Indian facility this year, a 45 per cent rise from last year.



### Government Initiatives

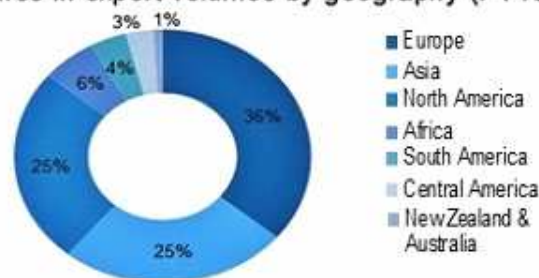
The Government of India's Automotive Mission Plan (AMP) 2006–2016 has come a long way in ensuring growth for the sector. It is expected that this sector's contribution to the GDP will

reach US\$ 145 billion in 2016 due to the government's special focus on exports of small cars, multi-utility vehicles (MUVs), two and three-wheelers and auto components. Separately, the deregulation of FDI in this sector has also helped foreign companies to make large investments in India. The Government of India's Automotive Mission Plan (AMP) 2016–2026 envisages creation of an additional 50 million jobs along with an ambitious target of increasing the value of the output of the sector to up to Rs 1,889,000 crore (US\$ 282.65 billion).

### Road Ahead

The rapidly globalizing world is opening up newer avenues for the transportation industry, especially while it makes a shift towards electric, electronic and hybrid cars, which are deemed more efficient, safe and reliable modes of transportation. Over the next decade, this will lead to newer verticals and opportunities for auto-component manufacturers, who would need to adapt to the change via systematic research and development.

Shares in export volumes by geography (FY16)



Source: ACMA, TechSci Research

### References:

- Media Reports and Press Releases, Department of Industrial Policy and Promotion (DIPP)
- Union Budget 2015-16
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- <http://www.ibef.org/industry/autocomponents-india.aspx>