

The Indian Auto Components Industry

Indian auto component industry is emerging as a global manufacturing hub for auto component manufacture. Indian auto component industry is one of the front runners for grabbing the global auto component outsourcing market, estimated to be worth US\$700 billion by 2015. Auto components sector requires an incremental investment of Rs 2,000-crores as per the report of working group on automobile industry Eleventh Five Year Plan (2007-2012).

Today, India has the potential to manufacture a range of automotive components (about 20,000 in numbers) - from fasteners to engine parts Apart from the foreign demand, the domestic car production is also growing with sales expected to be about 10 million by 2009. The exports are expected to touch US\$5 billion by 2010.

The Indian auto component Industry is highly fragmented:

- Around 500 organized players account for the 77% of the value added in the sector.
- Unorganized players are mainly replacement market players or tier 3/4 component manufacturers
- Automotive Manufacturers Association of India (ACMA) represents the auto component industry in India and has around 500 registered members.

Segment-wise division:

The Auto components industry is predominantly divided into the following segments:

- Engine parts: 31%
- Drive Transmission & Steering Parts: 19%
- Suspension & Brake Parts: 12%
- Electrical Parts: 9%
- Body and chassis: 12%
- Equipments: 10%
- Others: 7%

Opportunities:

- India is emerging as a global manufacturing hub for auto component manufacture.
- India is among the most competitive manufacturers of auto components in the world. Auto component industry in India has potential to grow at a CAGR of 13% to reach US\$40 billion by 2015.
- India's share in world Auto Components is expected to grow over 2.5% by 2015.
- Domestic market projected to grow at around 8-10% p.a. in the next 10 years
- Exports projected to grow at over 30% p.a.
- India amongst the most competitive manufacturers of Auto Components; especially,
- Metal Intensive components: Forgings, Stampings, Castings
- Skilled Labour-intensive components: Machining, wiring-harness, other electrical components
- Hi-tech components: Electronic Fuel Injectors
- Opportunity to address the global Auto Components market while leveraging India's large and growing domestic market
- Opportunity to set up R&D centres in India
- Potential of over US\$5 billion for investment in India.
- High level of sourcing of auto components from low cost countries (LCC's) to act as a driver for growth.
- Besides, the announcement of 'Automotive Mission Plan' for the period of 2006-2016 is a major step taken to make India a global automotive hub. The Mission Plan aims to make India emerge as the destination of choice in the world for design and manufacture of automobiles and auto components, with output reaching a level of US\$ 145 billion.

Market Trends:

Auto Component Industry – Statistics

(Value in US \$ million)	2003-04	2004-05	2005-06	2006-07	2007-08
Turnover	6,730	8,700	12,000	15,000	18,000
Exports	3,615	2,873	2,469	1,692	1,274
Imports	4,938	3,328	2,482	1,902	1,428
Investment	3,100	3,750	4,400	5,400	7,200

- The Indian auto component industry reached a size of US\$ 15 billion in 2006–07, growing at a CAGR of nearly 29% in the last four years.
- The exports of auto components industry has reached around US\$ 2.9 billion in 2006-07, having grown at a rate of 40% CAGR over the last four years.
- The industry crossed a total turnover of over US \$ 15 billion (Rs. 64,500 crore), with exports of US \$ 2.9 billion (Rs. 12,643 crore) during 2006-07.
- According to the Automotive Component Manufacturers' Association of India (ACMA), the domestic Indian auto component manufacturing industry is heading for a whopping 18% growth in the coming years compared to the export market which is estimated to reach \$2.7 bn by the year 2010.
- The sector is set to grow at a CAGR of 15 per cent till fiscal 2012.

Foreign Direct Investment:

The auto parts industry with a turnover of US\$15 billion offer excellent scope for FDI.

Automatic approval for foreign equity investment upto 100 per cent of manufacture of automobiles and component is permitted.

The Import of components is freely allowed.

Export:

More than a third (36 per cent) of Indian auto component exports head for Europe, with North America featuring a close second at 26 per cent.

The following is India's position in world production:

2nd in two wheelers
11th in passenger cars
13th in commercial vehicles

Some major Acquisitions:

The Indian auto component companies are spreading their operations globally, mainly through acquisitions.

Indian Company	Acquired	Country	Acquisition value
Tata Technologies	Incat International	UK	US\$ 95 million
Bharat Forge	Imatra Kilsta AB	Sweden	US\$ 56 million
Amtek Auto	GWK	UK	US\$ 37 million
Amtek Auto	Zelter	Germany	US\$ 36 million
Bharat Forge	Carl Dan Peddinghaus	Germany	US\$ 35 million
EL Forge	Shakespeare Forgings	UK	US\$ 28 million
Ucal Fuel Systems	Amtec Precision	USA	US\$ 28 million
Bharat Forge	Federal Forge	USA	US\$ 9.1 million
Bharat Forge	CDP Aluminiumtechnik	Germany	US\$ 7.5 million
Sona Koyo Steering	21% of Fuji Autotech	France	US\$ 6.15 million
Tata Auto Comp Systems	Wundsche Weidinger	Germany	US\$ 5 million
Sundaram Fasteners	Cramlington Forge	UK	US\$ 2.6 million

Regulatory Policy:

The Department of Heavy Industry (DHI), in the Ministry of Heavy Industries and Public Enterprises, is the nodal authority in India for promoting the development and growth of the in auto component sector.

Auto Mission Plan 2016: Government of India has launched the Ten Year Plan for the Indian auto industry, the Automotive Mission Plan 2006-2016 covering all aspects of the industry to make India a global automotive hub.

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The Automotive Mission Plan (AMP) envisages increase in production of automotive industry from the current level of Rs.169000 crore to reach Rs. 600000 crore by 2016.

The Motor Vehicles Act, 1988 & Motor Vehicles Rules, 1989 - for Emission Standard and Safety: The Motor Vehicles Rules, 1989 (Amendment in the year 2004) includes: Safety norms for various components of agricultural tractors such as power steering, lamps, light, parking light, etc.

The Motor Vehicles Rules, 1989 (Amendment in the year 2005) includes: Mandatory norms for the manufacturer to supply a protective headgear conforming to BIS Standards at the time of sale of the two wheelers, subject to the exceptions under Section 129 of Motor Vehicles Act, 1988.

Safety standards by Automotive Industry Standard Committee & Bureau of Indian Standards etc.

The National Standards for Automotive Industry are prepared by Bureau of Indian Standards (BIS).

Incentives- Duty Regime:

- The reduction in the Customs Duty on Steel and Aluminum Scrap from 5% to 0%
- Reduction of Excise Duty on Small Cars, Two/Three Wheelers, Buses, Hybrid and Electric Vehicles which will also benefit the auto components and ancillary units as the demand from the replacement market would increase.
- Reduction in Central Sales Tax from 3% to 2%.
- 125% Weighted Income Tax Deduction on expenses incurred on outsourced R&D which helps to promote automotive R&D.

Leading Manufacturers:

Some leading manufacturers of auto components in India include the following:

- Motor Industries Company of India
- Bharat Forge

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- Sundaram Fasteners
- Wheels India
- Amtek Auto
- Motherson Sumi
- Rico Auto
- Subros

Localization of the Industry:

The regional base of auto component manufacturers is mostly concentrated in the West, North and South of India. The main auto component manufacturing hubs in India are situated in Pune, Gurgaon and Chennai.

The following are the major automotive clusters:

- Western India: Mumbai - Pune - Nasik - Aurangabad
- Southern India: Chennai – Bangalore -Hosur
- Northern India: Delhi-Gurgaon – Faridabad

The state of Uttaranchal is also turning into an autohub, because of the industry friendly government policy