

**Indian auto component industry review: CARE** (also see in [Jpeg](#))Publication: [www.moneycontrol.com](http://www.moneycontrol.com), Agency: Bureau

Edition: Internet, Page No: 0, Location: Internet, Size(sq.cms): 0

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## [Indian auto component industry review: CARE](#)

Bureau

CARE Research has come out with its report on "Indian Auto Component Industry". According to the research firm, the entry of foreign OEMs and auto component manufacturers has pushed domestic manufacturers to enhance their product as well as manufacturing technology.

### ***"Rising indigenisation and exports to keep momentum going for auto components"***

After witnessing a decline in 2009, auto component industry bounced back strongly in 2010 and 2011 with a turnover growth of 28 per cent and 35 per cent respectively. Growth was pushed by strong vehicle demand across the categories of automotive industry. However, growth rate softened to 16 per cent in 2012 as the auto sales were strangled with high interest rates and towering fuel prices coupled with general economic slowdown. Of the total industry size of around Rs. 2,014 billion in 2012 70 per cent was contributed by domestic OEM, 14 per cent by replacement market and the balance 16 per cent by exports. The giant share of domestic OEM demand in total turnover clearly indicates that domestic OEM sales shape the fate of Indian auto component industry. CARE Research foresees the growth in 2012-13 to remain tepid as compared to the past few years on account of demand pressure from auto sector which is witnessing turbulent phase since 2011-12 due to high interest rate scenario coupled with spiralling fuel prices and slowdown in economy.

### **In absence of strong auto demand, rising level of indigenisation will drive auto component growth.**

Indian auto component manufacturers offer advantages like low-cost and adequate production capacity with world class technology. Domestic auto component manufacturers are increasingly complying with the internationally accepted quality standards like six sigma, ISO, etc which has caught the attention of global OEMs. Global OEMs with presence in India are increasing level of localisation in products offered them in the Indian markets. The level of indigenisation is being increased in phased manner to keep costs low without compromising quality. Furthermore, depreciating rupee is resulting in increase of import bill for global OEMs, who source a large proportion of their inputs from overseas markets. In order to curtail the burden of growing import bill global OEMs are resorting to increased local sourcing. Although indigenisation level of domestic players is already around 95 per cent in 2011-12, indigenisation level of foreign OEMs stands between 65-70 per cent, CARE Research expects it to reach around 80 per cent by the end of 2014. According to Ms. Revati Kasture, Head, CARE Research, "Growing levels of indigenisation in next couple of years will drive growth of auto component manufacturers in the next 2-3 years regardless of slowdown in automobile demand".

Trade gap to narrow in next five years on the back of growing indigenisation by global OEMs In 2011-12 imports stood at Rs. 514 billion as compared to exports of Rs. 334 billion, however, we believe that the trade gap would narrow going ahead due to continuously rising rate of growth in exports and expected decline in growth rate of imports due to increase in levels of indigenisation. In 2011 and 2012 exports have grown by 55 per cent and 41 per cent respectively compared to imports which have witnessed a growth of 33 per cent in both 2011 and 2012. Increasing number of global OEMs are moving substantial part of their manufacturing operations to India so as to make India their export base. This will provide opportunity for domestic component manufacturers to expand their clientele as well as presence. Further, it also provides opportunity for domestic manufacturers to become a part of global supply chain of these OEMs. The entry of foreign OEMs and auto component manufacturers has pushed domestic manufacturers to enhance their product as well as manufacturing technology. D. R. Dogra, MD and CEO CARE Ltd. says, "Indian auto component manufacturers have gradually started to enjoy level field with global auto component manufacturers in terms of quality and scale. A considerable rise in investments towards research and development has been observed during the last one decade which is helping Indian auto component industry to build reputation in overseas markets and bag global orders. India is foreseen as the hub for sourcing auto components by the leading global OEMs."