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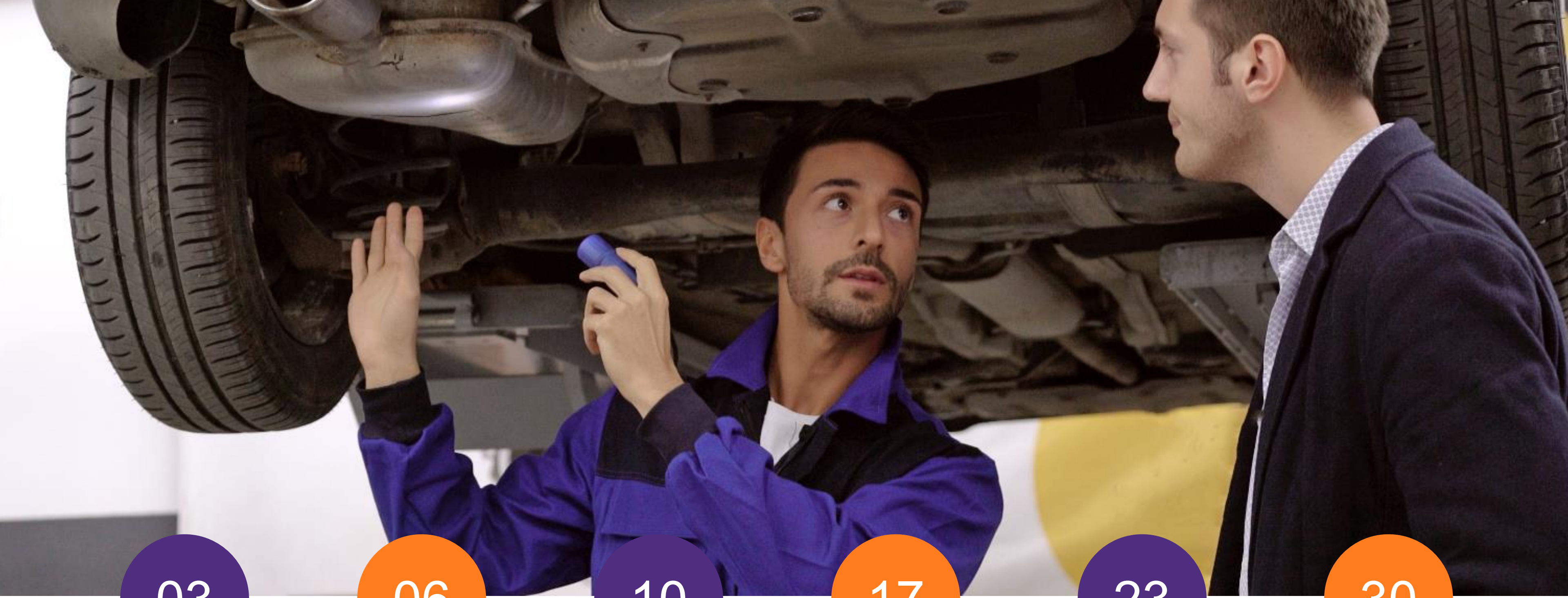
ACMA

Improving India's competitiveness in the global auto components supply chain

May 2020

Grant Thornton India LLP



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Background

Foreword: ACMA

The Indian auto component industry is well recognised globally with deep forward and backward linkages across the automobile and allied sector's value chain. However, as the industry undergoes a transformation and with COVID-19 severely impacting the supply chain, the industry is witnessing unprecedented stress. The business ecosystems across operations are vulnerable and exposed to several risks.

At this point, proactive crisis management and robust business continuity plans are needed for companies to survive and emerge stronger. This situation also presents a significant opportunity for the Indian auto component industry to emerge as a global leader.

With this context, Grant Thornton has partnered with ACMA to present a document highlighting export opportunities and leveraging India's competitiveness to either attract companies to set up manufacturing bases in India or evaluate moving elements of supply chain, especially procurement and vendor development to India.

Grant Thornton has engaged with some of the International Purchase Officers (IPOs) in India for the research of the report, which focusses on the following:

1. Top components (value) being exported from India
2. Top components (value) being imported by global automotive hubs and corresponding share of India's exports
3. Deep dive into components being manufactured by China, their country-wise exports to determine how and where India can capitalise

We would like to acknowledge and thank our colleagues from the automotive industry for sharing their perspective and learnings, which have been collated in this study for your benefit.

Deepak Jain
President

Foreword: Grant Thornton in India

The Indian auto industry has been witnessing testing times over the past few years, and the COVID-19 pandemic has proven to be a litmus test for the industry.

The industry has attempted to use this time to introspect; some have even tried to use this as an opportunity to reskill staff, strategise to improve in the future and evaluate new technology. Many others have contributed to the social cause by manufacturing products of urgent need.

As the world seeks to hedge its supply chain risks and find newer geographies to set up manufacturing units, India presents a unique opportunity. This document explores India's potential and lists some through provoking ideas for the country to capitalise.

We have also captured the expectations, challenges and recommendations from select IPOs of global OEMs.

Please reach out to us if you need more information or clarifications.

Grant Thornton India LLP

Rahul Kapur
Karishma Kukreja
Karan Jain

Executive summary

New markets to tap into and products to explore

	Existing markets where India exports	New markets where India can export
New products that India can develop	• Leverage engineering capabilities to build a strong manufacturing base for electronic components • Focus on delivering systems rather than components • Aluminum forging components • Hoses and tubes (upgraded to the latest technology)	• Gear boxes and axles are amongst the top imported components in Europe, North America and Latin America • Large fabricated brake components have untapped demand in Latin America and Europe
Existing products that India already exports	• Close to 75% of India's total auto components exports in 2019 included drive transmission and steering, suspension and braking, engine components, body/chassis category. India can leverage these product categories and further strengthen exports • Rubber components have a strong demand where India can improve its exports • Italy, Brazil, the UAE and the UK are amongst the top countries where India exports these components but its overall market share is significantly low	• Europe, North America, Latin America, Germany, Korea and Japan constitute key export markets for auto components but India's market share of exports to these countries remains low • Indonesia and Thailand have become the sourcing hubs for Japan. India should invest in quality machinery and increase exports to Japan

Interventions required to improve global competitiveness

India has developed itself as a preferred supplier by being considered as a reliable source. Moreover, non-conducive trade practices of some nations give India a unique edge.

Engineering services sourced from companies, such as Bosch, Wipro, Satyam and Infosys, are far greater in value than auto components, which instills the confidence on India's capability to undertake R&D and deliver on product requirements.

Actions required to improve India's competitiveness globally

Government's intervention, which is critical to bring Indian suppliers at par with its Asian counterparts

- Ensure availability of steel at competitive pricing
- Set up a fund to invest in technology upgrades and R&D
- Ease supply chain blockages and create infrastructure for efficient logistics

Industry's intervention

- Establish overseas sale representative offices
- Increase knowledge and exposure to global product requirements
- Collaborate with companies in Italy, Japan and other parts of Europe to increase technology know-how
- In addition to casting, forging and sheet metal businesses, produce technology-driven systems rather than components
- Improve systems and project management capabilities
- Continue building trust and relationships with customers

India and its global competitors

Although India has developed itself as a preferred and reliable supplier, it is not amongst the top suppliers. China, Indonesia, Thailand, Taiwan and Vietnam are its main competitors in Asia. Given below are some areas where these countries have an advantage over India.

Areas where China's has an advantage

- Turnaround time on order fulfillment is the least
- Supply chain is automated and product quality is consistent
- Chinese have mastered the art of fit to customer requirements
- Respond to RFQ's promptly and business development initiatives are swift (even during the lockdown)
- Supplier execution capability on project management is very high
- Chinese service the aftermarket demand in addition to OEM business
- Have made significant effort and investment for aftermarket requirements resulting in increase in product range and proliferation
- Have geared up for the next wave requirements related to electronics for electric and hybrid vehicles

Areas where Indonesia, Thailand, Taiwan and Vietnam have an advantage

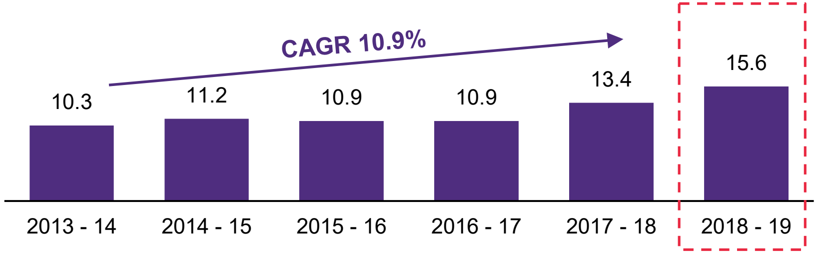
- Extremely proficient on project management that builds confidence at the customers end
- Manufacturing process is extremely efficient – melting capabilities and automation are of world-class standards
- Supply systems rather than components
- Indonesia and Thailand have inherited Japanese machine, their quality of product output and their inherent manufacturing efficiencies
- Tier Is have acquired stake in Tier IIs and IIIs to develop them and invest in capability enhancement
- Awareness and knowledge of what export customers want across nations is very high
- Suppliers have a strong relationship with local IPOs and have sales offices in overseas locations

India: Export analysis

Steady growth in export of auto components

India's export of auto components has steadily grown over the past few years, making the country an attractive destination for foreign investment.

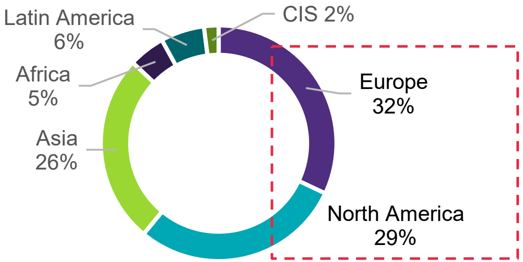
Auto components exports from India (USD billion)



- India's export of auto components witnessed at a CAGR of 10.9%; from USD 10.3 billion in FY 2014, it reached USD 15.6 billion in FY 2019
- Close to 75% of the total auto components exports in FY 2019 included drive transmission and steering, engine components, suspension and braking and body/chassis
- In terms of regions, at 33%, Europe continues to be the largest market for exports of Indian auto components, followed by North America at 29% and Asia at 26%
- The USA, Germany, the UK, Thailand and Italy together accounted for 45% of the total auto component exports from India

Source: ACMA

Auto components exports from India in FY 2019, by region (%)

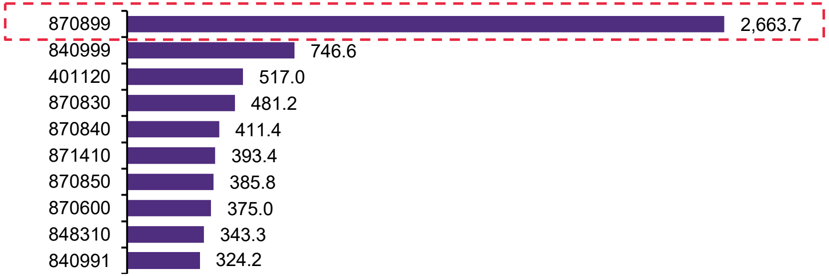


Country wise split of auto components exported from India in FY 2019 (%)

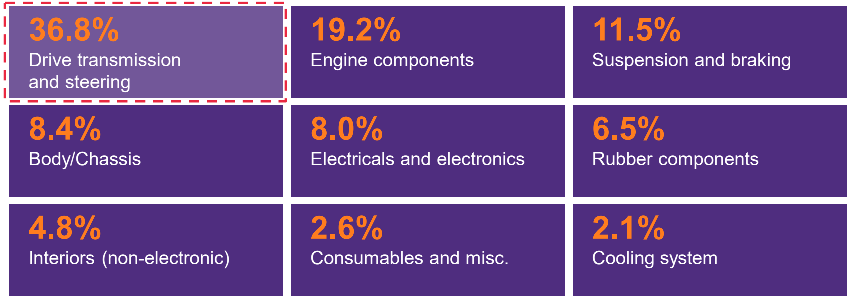
USA 25%	Germany 7%	UK 5%	Thailand 4%
Italy 4%	Turkey 4%	Brazil 3%	Bangladesh 3%
UAE 3%	Mexico 3%	Others 39%	

Top 10 products account for ~55% of total auto component exports

Export value of top-10 auto components exported from India in 2019 (USD million)



Category wise split of auto components exported from India in 2019 (%)



Description of HS Codes

HS Code	Description	Product Category
870899	Parts and accessories of vehicles/tractors	Drive transmission and steering
840999	Parts suitable for use solely or principally with compression-ignition internal combustion	Engine components
401120	New pneumatic tyres used on buses/lorries	Rubber components
870830	Brakes and servo-brakes and their parts for tractors and motor vehicles	Suspension and braking
870840	Gear boxes	Drive transmission and steering

HS Code	Description	Product Category
871410	Parts of motorcycles (including mopeds)	Interiors (non electronic)
870850	Drive axles with differential	Drive transmission and steering
870600	Chassis fitted with engines for motor vehicles/tractors	Body/Chassis/Body in white
848310	Transmission shaft (including camshaft and crankshaft)	Engine components
840991	Parts suitable for use solely or principally with spark-ignition internal combustion piston	Engine components

Source: Trade statistics for international business development

USA imports the maximum number of drive transmission, steering and engine components

HS Code 870899

Total value of product exported in 2019 (USD Mn)	Top-three countries for India's exports (USD Mn)		% of total requirement imported from India	% of total exports from India for the category*	Key competitors
2,663.7	USA	677.92	4.6	25.5	China
	Germany	150.14	2.4	5.6	Indonesia
	Brazil	145.12	23.5	5.4	Mexico

HS Code 840999

Total value of product exported in 2019 (USD Mn)	Top-three countries for India's exports (USD Mn)		% of total requirement imported from India	% of total exports from India for the category*	Key competitors
746	USA	193.69	5.7	25.9	China
	UK	78.93	4.9	10.6	Canada
	Germany	66.17	1.8	8.9	Mexico

India's contribution to total imports in the USA is low. For HS Code 870899, while India exported 26%, it accounted for only 4.6% of the USA's total imports. Similarly, for HS code 840999, while India exported 26%, it only contributed 5.7% to the total imports.

Source: Trade statistics for international business development
* To be read as, India exports 25.5% of its 870899 exports to USA

Philippines and Bangladesh rely on India for rubber-based auto components

	Total value of product exported in 2019 (USD Mn)	Top-three countries for India's exports (USD Mn)		% of total requirement imported from India	% of total exports from India for the category*	Key competitors
HS Code 401120	517	UAE	53.06	8.9	10.3	China
		Bangladesh	50.12	46.9	9.7	Indonesia
		Philippines	49.15	32.9	9.5	Vietnam
HS Code 870830	481.2	USA	177.01	3.0	36.8	China
		Germany	48.94	1.4	10.2	Indonesia
		UK	29.42	2.2	6.1	Mexico

For HS code 870830, while India exported ~37%, it accounted for only 3% the USA's total imports. For rubber-based auto components, the demand from South Asian countries, such as the Philippines and Bangladesh, is significant. India's share in total imports of rubber components is ~33% in Philippines and ~47% in Bangladesh.

Source: Trade statistics for international business development
* To be read as, India exports 10.3% of its 401120 exports to USA

Potential to increase share of gear boxes in existing markets

HS Code 870840

Total value of product exported in 2019 (USD Mn)	Top-three countries for India's exports (USD Mn)		% of total requirement imported from India	% of total exports from India for the category*	Key competitors
411.4	USA	70.41	0.8	17.1	China
	Thailand	49.29	2	12	Indonesia
	Turkey	31.77	2.2	7.7	Mexico

Source: Trade statistics for international business development
* To be read as, India exports 17.1% of its 870840 exports to USA

Key takeaways

India’s export contribution to the top-five auto component markets – the USA, Germany, Mexico, Japan and South Korea - is marginal. Dependency on India for supply of auto components is low.

For the top-10 auto components exported from India, the share of Indian imports in the respective countries is low.

India’s main competitors are China, Indonesia and Mexico.

Source: Trade statistics for international business development

Key import trends

India’s export contribution to top-five auto component markets is marginal

	Top-five importers (USD Bn)	China’s % share in the country’s import of auto components	India’s % share in the country’s import of auto components	Lead suppliers of auto components	Key auto components imported 2019	
USA	159.7	12.1	1.6	• Mexico • Canada • Japan • Germany	870829	Parts and accessories of bodies for tractors/motor vehicles
					870899	Parts and accessories for tractors/motor vehicles
					854430	Ignition wiring sets and other wiring sets for vehicles/aircraft/ships
Germany	95.1	4.9	0.9	• Czech Republic • Poland • France • Romania	870829	Parts and accessories of bodies for tractors/motor vehicles
					870899	Parts and accessories for tractors/motor vehicles
					870840	Gear boxes and parts for tractors/motor vehicles
Mexico	57.7	7.4	0.6	• USA • Germany • Japan • Canada	870840	Gear boxes and parts for tractors/motor vehicles
					840820	Compression-ignition internal combustion piston engine
					870829	Parts and accessories of bodies for tractors/motor vehicles

Source: Trade statistics for international business development and GT Analysis

India's export contribution to top-five auto component markets is marginal (Contd.)

	Top-five importers (USD Bn)	China's % share in the country's import of auto components	India's % share in the country's import of auto components	Lead suppliers of auto components	Key auto components imported 2019
Japan	24.8	29.9	1.1	• Germany • USA • Thailand • UK	854430 Ignition wiring sets and other wiring sets for vehicles/aircraft/ships 870870 Road wheels and parts and accessories for tractors/motor vehicles 870829 Parts and accessories of bodies for tractors/motor vehicles
South Korea	13.1	37.2	1.1	• Germany • USA • Japan • UK	854430 Ignition wiring sets and other wiring sets for vehicles/aircraft/ships 870840 Gear boxes and parts for tractors/motor vehicles 870899 Parts and accessories for tractors/motor vehicles

Source: Trade statistics for international business development and GT Analysis

India's auto component exports to key geographies is low

	Imports by key geographies (USD Bn)	China's % share in the country's import of auto components	India's % share in the country's import of auto components	Lead suppliers of auto components	Key auto components imported 2019
Europe	430.1	5.7	0.8	• Mostly supplied within European countries	870899 Parts and accessories for tractors/motor vehicles 870829 Parts and accessories of bodies for tractors/motor vehicles 870840 Gear boxes and parts 401110 New pneumatic tyres of rubber used for motorcars 854430 Ignition wiring sets and other wiring sets for aircraft
North America	257.9	11.5	1.4	• Mostly supplied within the USA, Canada and Mexico • Japan • Germany	870829 Parts and accessories of bodies for tractors/motor vehicles 870899 Parts and accessories for tractors/motor vehicles 870840 Gear boxes and parts 840734 Spark-ignition reciprocating piston engine 854430 Ignition wiring sets and other wiring sets for aircraft

Source: Trade statistics for international business development and GT Analysis

India’s auto component exports to key geographies is low (Contd.)

	Imports by key geographies (USD Bn)	China’s % share in the country’s import of auto components	India’s % share in the country’s import of auto components	Lead suppliers of auto components	Key auto components imported 2019
Latin America*	84.1	14.6	1.3	• USA • Germany • South Korea	870840 Gear boxes and parts 870829 Parts and accessories of bodies for tractors/motor vehicles 840820 Compression-ignition internal combustion piston engine diesel or semi-diesel engine 870899 Parts and accessories for tractors/motor vehicles 840991 Parts suitable for use with spark ignition internal combustion
Africa	19.3	26.5	3.8	• USA • Europe • Japan	870899 Parts and accessories for tractors/motor vehicles 401120 New pneumatic tyres of rubber used for buses/lorries 870829 Parts and accessories of bodies for tractors/motor vehicles 870710 Bodies for motorcars and other motor vehicles 401110 New pneumatic tyres of rubber used for motorcars

*Including Caribbean

Source: Trade statistics for international business development and GT Analysis

Key takeaways

The USA, Germany, Mexico, Japan and South Korea are the key importers of auto components in the world. The five countries, collectively, imported auto components worth USD 350.7 billion in 2019.

India's exports to the top-five importers is minimal (less than 2%).

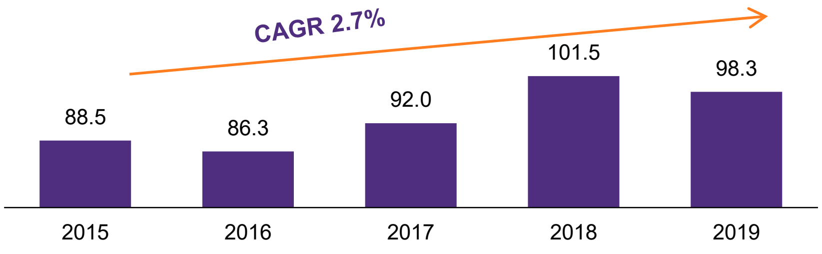
Japan and South Korea depend on China for import of auto components.

Source: Trade statistics for international business development

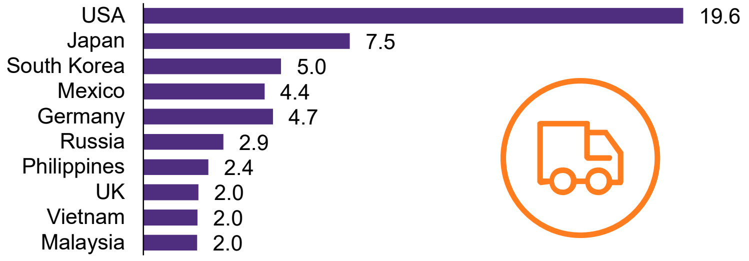
China: Export analysis

China has maintained its position as a global hub for auto components

Auto components exports from China (USD Bn)



Country wise split of auto components exported from China in 2019 (%)



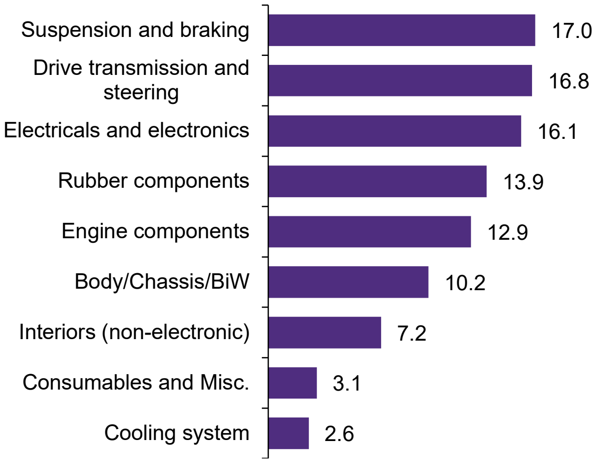
- China is a global export hub for auto parts and accounts for ~8% of the total global exports
- China's export of auto components witnessed a CAGR of 2.7%. From USD 88.5 billion in 2015, exports reached USD 98.3 billion in 2019, driven by growth in suspension, braking parts, drive transmission and steering components

- The top 10 export partners of China for auto components account for more than 50% of the total exports from China
- As of 2019, the USA was China's largest export partner accounting for nearly 19.6% of China's total auto component exports, followed by Japan at 7.5% and South Korea at 5%
- The major products exported by China to the USA are brake system components, such as brake rotors, automotive electronic equipment, such as generators, lighting and wiring components, petrol and diesel engines and lithium ion batteries

Source: Trade statistics for international business development

Top 10 products account for ~48% of total auto component exports

Category wise split of auto components exported from China in 2019 (%)



Export value of top-10 auto components exported from China in 2019 (USD Mn)

HS Code	Description	Exports from China in 2019
401120	New pneumatic rubber tyres used for buses and lorries	7,350.8
870870	Road wheels and parts and accessories for tractors/motor vehicles	5,619.4
401110	New pneumatic rubber tyres used for motorcars, e.g. station wagons and racing	5,571.8
870829	Parts and accessories of bodies for tractors/motor vehicles	5,548.7
870830	Brakes/servo-brakes and their parts for tractors/motor vehicles	5,476.2
870899	Parts and accessories for tractors/motor vehicles for the transport of 10 or more persons	5,147.5
840991	Parts suitable for use solely or principally with spark-ignition internal combustion piston	3,317.4
871410	Mopeds/saddles (motorcycles only)	3,145.8
731815	Threaded articles (screws and bolts)	3,074.0
850110	Motors of an output <=37,5 W	2,966.5

- In 2019, ~65% (USD 62.8 billion) of China's total auto components exports included drive transmission and steering, suspension and braking, electricals and electronics and rubber components
- As of 2019, the top-10 HS codes exported from China constituted 48% of the total auto components exports, with a cumulative value of USD 47.2 billion

Source: Trade statistics for international business development

USA is the highest importer of pneumatic tyres

HS Code 401120

Total value of product exported in 2019 (USD Mn)	Top-three countries for China's exports (USD Mn)		% of total requirement imported from China	% of total exports from China, for the category	Key competitors
7,350.7	USA	649.00	13.5	8.8	Thailand
	UAE	351.00	58.6	4.8	South Korea
	Mexico	336.00	27.2	4.6	Germany

HS Code 870870

Total value of product exported in 2019 (USD Mn)	Top-three countries for China's exports (USD Mn)		% of total requirement imported from China	% of total exports from China, for the category	Key competitors
5,619.4	Japan	823.00	53.6	39.0	Thailand
	USA	450.00	60	14.7	Vietnam
	Mexico	336.00	52.5	8	Indonesia

China's contribution to total imports to the USA and Japan is very high. For HS code 870870, of the total export of USD 5,619.4 million, China exported 39% to Japan (~54% of Japan's total imports). Similarly, for HS code 401120, China exported ~8.8%, contributing to 13.5% of the USA's total imports.

Source: Trade statistics for international business development

High dependency on China for HS codes 401110 and 870829

	Total value of product exported in 2019 (USD Mn)	Top-three countries for China's exports (USD Mn)		% of total requirement imported from China	% of total exports from China, for the category	China's competitors
HS Code 401110	5,571.8	United Kingdom	440.00	22.6	7.9	Poland
		Germany	251.00	6.0	4.5	France
		Saudi Arabia	243.00	25.7	4.4	Czech Republic
HS Code 870829	5,548.7	USA	1557.00	10.4	28.1	Indonesia
		Japan	571.00	45.6	10.3	Vietnam
		Germany	453.00	4.9	8.2	Germany

For HS code 401110, the dependency on China is high. China's share in total imports is ~23% in the UK and ~26% in Saudi Arabia. Similarly, for HS code 870829, Japan imports ~46% from China

Source: Trade statistics for international business development

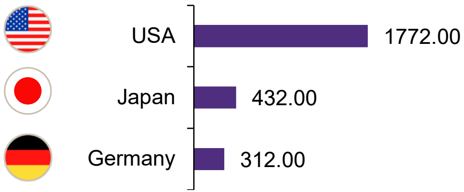
Japan relies on China for imports of brakes/servo-brakes

HS Code 870830

Total value of product exported in 2019 (USD Mn)

5,476.2

Top-three countries for China's exports (USD Mn)



Country	% of total requirement imported from China	% of total exports from China, for the category
USA	30.4	66.0
Japan	9.0	32.4
Germany	7.9	5.7

Key competitors

- Italy
- UAE
- Mexico

China is a trusted exporter of auto components in the world. High quality raw material and advanced technology continue to be the key success factors for the export market in China.

Source: Trade statistics for international business development

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Five common products amongst the top 10 exports for India and China

Comparison of the top-10 HS codes exported from China

India China

Common components in top-10 products for India and China

HS Code	Description	Exports sales in 2019 (USD Mn)
401120	New pneumatic tyres used in buses/lorries	517.0 7,350.8
870830	Brakes and servo-brakes	481.2 5,476.2
870899	Parts and accessories for tractors/motor vehicles	2,663.7 5,147.5
840991	Parts used with spark ignition ICE piston engines	324.2 3,317.4
871410	Parts of motorcycles (including mopeds)	393.4 3,145.8

Other components in top-10 products for China

HS Code	Description	Exports in 2019 (USD Mn)
870870	Road wheels and parts and accessories	123.5 5,619.4
401110	New pneumatic rubber tyres for station wagons	106.4 5,571.8
870829	Parts and accessories of bodies for tractors	170.8 5,548.7
731815	Threaded articles (screws and bolts)	306.5 3,074.0
850110	Motors of an output <= 37,5 W	155.7 2,966.5

Key takeaways

- For the common components in top-10 products, the export sales is significantly high for China, compared with India (China USD 24,437 million vs India USD 4,380 million)
- For other components in which China is a leading exporter, India's share is marginal

Source: Trade statistics for international business development

Annexure

International OEMs and Tier I players for potential partnership

OEMs/suppliers can partner with foreign-based OEMs, with presence in India, to increase their global presence and pursue export opportunities.

Foreign OEMs/Suppliers in India

Germany

- AMG
- AUDI
- BMW
- BOSCH
- CONTINENTAL
- DAIMLER
- DURR
- FLABEG
- HELLA
- PORSHE
- MAHLE
- MANN + HUMMEL
- MAYBACH
- MERCEDES- BENZ
- REHAU
- SACHS
- SCHAEFFLER
- VOLKSWAGEN
- ZIEHL-ABEGG

USA

- AMERICAN AXLE & MANUFACTURING
- BORGWARNER
- COOPER STANDARD
- CUMMINS
- DANA
- DELPHI
- DOW
- DU PONT
- FEDERAL MOGUL
- FIAT CHRYSLER AUTOMOBILES
- FORD
- GOODYEAR
- INTEVA
- LEAR CORPORATION
- MERITOR
- NEXTEER
- TENNECO
- TI AUTOMOTIVE
- TOWER INTERNATIONAL
- VISTEON

Korea

- HANON SYSTEMS
- HYO SEONG ELECTRIC
- HYUNDAI DYMOS
- HYUNDAI MOBIS
- HYUNDAI WIA
- HYUNDAI
- KIA MOTORS
- MANDO
- NVH KOREA
- SSANGYONG

Japan

- AISIN
- DENSO
- HI-LEX
- HINO
- HONDA
- ISUZU
- KEIHIN
- KOYO
- LEXUS
- MITSUBA
- MITSUBISHI ELECTIC
- MUSASHI
- NHK
- NICHIAS
- NIDEC
- NISSAN
- NISSIN
- TOYOTA
- UNO MINDA
- YAMAHA
- YAZAKI

Potential to increase international procurement office (IPO) base in India

Following international suppliers do not have an existing presence in India, presenting an opportunity for ACMA to scale up IPOs by approaching the suppliers.

Germany

- BBS
- FTE AUTOMTOIVE

Italy

- AGV
- COLOTTI

Japan

- DAIHATSU
- MITSUOKA
- SUBARU
- TOPY
- TOYO TYRES
- VEILSIDE

South Korea

- DAEDONG SYSTEM

France

- ADDUXI GROUPE
- OSCARO

USA

- BRIDGEWATER INTERIORS
- FLEX N GATE

Canada

- CAMI
- CAMPAGNA
- MARTINREA
- NEW FLYER

Key challenges faced by auto components industry in India

In 2019, the Indian auto component industry stood at an inflexion point, with both opportunities and challenges, in the form of disruptions and changes

Lack of adequate skilled labour

- Industry growth, growing economy, fast-changing technologies, high disposable income and short lifecycles for new consumer vehicles drove the demand for fresh skilled labour and upskilling within the sector
- The automotive industry's greatest threat to growth is lack of skilled manpower. The industry requires an additional manpower of around 30 million by 2022 to meet growing requirements and provide employment to 15 million people by 2022 (under Automotive Mission Plan)
- Advancing skilled labour is vital, where slow-paced infrastructure development can roadblock the industry to achieve growth and acceleration

Low R&D orientation and lack of state-of-the-art infrastructure

- India's spending on R&D amounts to only 0.7% of the Indian GDP, much lower than developed nations, such as the USA (2.8%), China (2.1%) and Korea (4.2%). In addition, the World Economic Forum's Global Competitiveness Report (2018-19) places India 35th in terms of innovation capacity
- India has scientists and engineers, as well as a research ecosystem that presents large opportunities for worldwide firms to divulge into the rich talent pool. The Indian auto component industry also lags on other factors such as university-industry R&D collaboration and patents granted per head
- Development of R&D innovation is fundamental to promote automotive manufacturing capability, and sharpen competitiveness where R&D centres are crucial in aiding parent companies to generate next-level innovation

Technology disruptions in the form of new regulations

- India's spending on R&D amounts to only 0.7% of the Indian GDP, much lower than developed nations, such as the USA (2.8%), China (2.1%) and Korea (4.2%). In addition, the World Economic Forum's Global Competitiveness Report (2018-19) places India 35th in terms of innovation capacity
- India has scientists and engineers, as well as a research ecosystem that presents large opportunities for worldwide firms to divulge into the rich talent pool. The Indian auto component industry also lags on other factors such as university-industry R&D collaboration and patents granted per head
- Development of R&D innovation is fundamental to promote automotive manufacturing capability, and sharpen competitiveness where R&D centres are crucial in aiding parent companies to generate next-level innovation

Source: News Articles, Exim, Industry Reports

Key challenges faced by auto components industry in India (Contd.)

In 2019, the Indian auto component industry stood at an inflexion point, with both opportunities and challenges, in the form of disruptions and changes

Large share of spurious auto parts

- The grey counterfeit auto parts market witnessed a CAGR of 9.6% with a market size/market losses of INR 22,000 crore (USD 2.9 billion)
- Authentication solutions provide visual identification tools that protect consumers from counterfeit products. Brands are under siege from both visible competitors and even from invisible rivals in the form of counterfeiting, product tampering and pilfering. Individually and collectively, these factors lead to the erosion of brand value, loss of market share, profit and dissatisfied customers

Low information and communication technology (ICT) adoption

- ICT adoption in the Indian automotive sector is at significantly lower levels compared with international standards
- Based on a NASSCOM study, many SME firms in the auto-component sector are facing tough challenges of IT adoption, which is crucial to enhance productivity and competitiveness
- ICT interface helps manufacturers interact frequently with vendors and consumers and leverage their ideas or preferences into vehicle design. Increased IT adoption in the automotive industry not only enhances the competitiveness of the industry in the existing markets but also creates new markets for the Indian automotive industry. IT sector has a major role to play in the development of the Indian automotive industry to achieve its global aspirations

Fuel price volatility

- Fuel price volatility in India has been a concern driving purchasing behaviours for automobile consumers as well as a concern for demand planning for Indian OEM suppliers
- Petrol and diesel prices have consistently been increasing for the past three years, dampening car sales. In addition to large consumer consequences, analysts opine that fuel prices have contributed towards spiked wholesale inflation
- Periods of highly volatility exacerbate consumer uncertainty about future price direction increases, and consequently current price changes has limited effect on new vehicle purchases, creating challenges on accord of petrol's complimentary relationship to automobiles

Source: News Articles, Exim, Industry Reports

Contact us

NEW DELHI
National Office
Outer Circle
L 41 Connaught Circus
New Delhi 110001
T +91 11 4278 7070

NEW DELHI
6th floor
Worldmark 2,
Aerocity
New Delhi 110037
T +91 11 4952 7400

AHMEDABAD
7th Floor,
Heritage Chambers,
Nr. Azad Society,
Nehru Nagar,
Ahmedabad - 380015

BENGALURU
5th Floor, 65/2, Block A,
Bagmane Tridib, Bagmane Tech
Park, C V Raman Nagar,
Bengaluru – 560093
T+91 80 4243 0700

CHANDIGARH
B-406A, 4th Floor
L&T Elante Office Building
Industrial Area Phase I
Chandigarh 160002
T +91 172 4338 000

CHENNAI
Arihant Nitco Park, 6th Floor
No.90, Dr. Radhakrishnan Salai
Mylapore
Chennai 600004
T +91 44 4294 0000

DEHRADUN
Suite no. 2211, 2nd floor Building 2000,
Michigan Avenue,
Doon Express Business Park Subhash
Nagar, Dehradun - 248002
T +91 0135 2646 500.

GURGAON
21st Floor, DLF Square
Jacaranda Marg
DLF Phase II
Gurgaon 122002
T +91 124 462 8000

HYDERABAD
7th Floor, Block III
White House
Kundan Bagh, Begumpet
Hyderabad 500016
T +91 40 6630 8200

KOCHI
6th Floor, Modayil Centre point
Warriam road junction
M.G.Road
Kochi 682016
T +91 484 406 4541

KOLKATA
10C Hungerford Street
5th Floor
Kolkata 700017
T +91 33 4050 8000

MUMBAI
16th Floor, Tower II
Indiabulls Finance Centre
SB Marg, Prabhadevi (W)
Mumbai 400013
T +91 22 6626 2600

MUMBAI
Kaledonia, 1st Floor,
C Wing (Opposite J&J office)
Sahar Road, Andheri East,
Mumbai - 400 069

NOIDA
Plot No. 19A, 7th Floor
Sector – 16A
Noida 201301
T +91 120 7109 000

PUNE
3rd Floor, Unit No 309 to 312
West Wing, Nyati Unitree
Nagar Road, Yerwada
Pune- 411006
T +91 20 6744 8800

For further queries, please contact: **Rahul Kapur** | rahul.kapur@in.gt.com | M +91 98112 10501

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