

ACMA

Automotive Component Manufacturers
Association of India



सत्यमेव जयते

Ministry of Heavy Industries and Public Enterprises
Government of India

Global Auto Components Aftermarket Industry *Market Dimension and Addressable Opportunities*

Phase 2: Deep Dive Report – Colombia

May, 2016

Knowledge Partner

FROST & SULLIVAN

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Executive Summary



Key Insights

Indian Auto Parts would be well received in the Colombian Market, and have significant potential in the 2 wheelers, passenger vehicles and commercial vehicle segments



Vehicle Fleet	Perception of Indian Auto Components	Auto Components Market
<ul style="list-style-type: none"> Vehicle production reached 128,444 vehicles in 2015 and it is concentrated in 2 assemblers accounting for 33.8% of the demand, while 66.2% is imported. The average age of a passenger vehicle in Colombia is 15.1 years old (16.8 for commercial) Colombia is the second motorcycle manufacturer in South America, only after Brazil with over half a million 2-wheelers produced annually 	<ul style="list-style-type: none"> The auto parts sector is highly fragmented, with a larger number of manufacturing companies. Indian auto components are perceived to be of good quality and are well received in the market Either China or Indian companies will take about 1 month to arrive in Colombia giving a equal competition in terms of lead time. 	<ul style="list-style-type: none"> 50% of supply in the auto parts and bodywork sector depends on domestic production. The most important sub-sector in auto parts and body works is “engine and lubrication”, which is mainly supplied from overseas Gray market is calculated in 40% average. The countries from which most auto parts are imported are China (16%), United States (15%), India (9%) and Japan (8%).

Source: Frost & Sullivan

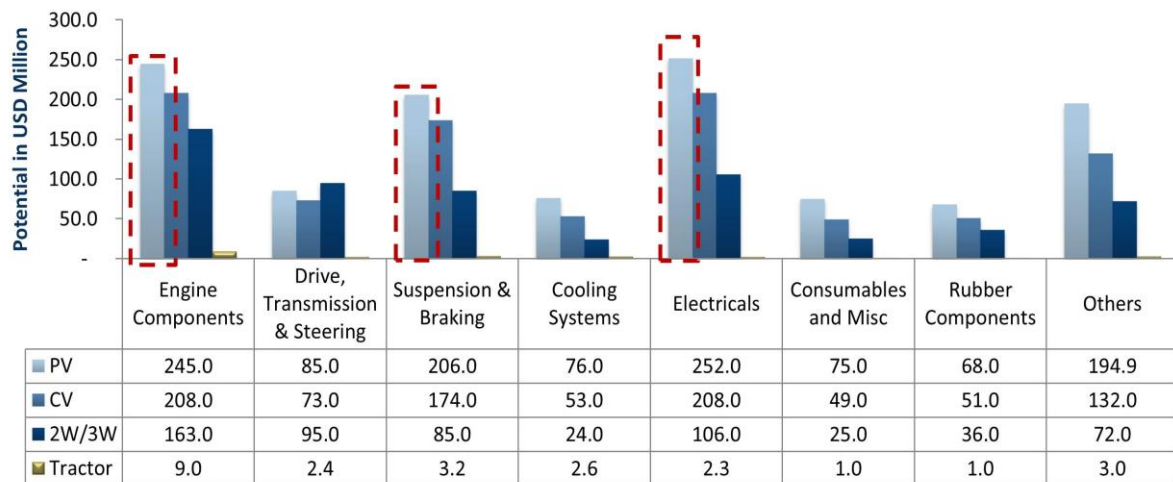
Unique Trends in the Colombian Automotive Market

<p>Replacement of the country's automotive fleet.</p>	<p>Faster rate of replacement of the country's automotive fleet is required. The average age of a vehicle in Colombia is 15.1 years old. The need for renewal appears to be more urgent in the areas of freight and passenger transfer, with average vehicle ages of 16.8 years.</p>
<p>A greater involvement of the Local Vehicle Assembly</p>	<p>A greater involvement of the local assembly in total vehicle sales in the country is expected. The devaluation of the exchange rate can be a support for domestic industry and a determinant of the slowdown in imports.</p>
<p>Low "Car/Population" Ratio</p>	<p>As well as in other Latin American countries, Colombia has a Low "cars/population" ratio, The low penetration rate of vehicles in Colombia, with 100 vehicles for every 1,000 inhabitants, when compared to other countries at a similar stage of development, shows the sector's possibilities. Colombia is still far from saturation rate estimated at 500 cars per thousand habitants.</p>

Source: Frost & Sullivan

Auto Component Market Size

The total auto component aftermarket potential in Colombia accounted for US\$ 2,780.4 million in 2015



- The auto parts consumption in Colombia is comprised of USD \$ 1.40 billion of national production, USD \$ 1.46 billion of imports, and only USD \$ 79.6 billion of exports.
- In 2015, main auto parts produced in Colombia were "electrical equipment" (25.2%), "other bodyworks" (19.8%), "steering, brakes and suspension" (17.6%), "engine and lubrication" (12.8%), racks (9.8%).
- Auto parts for "engine & lubrication" and "steering, brakes & suspension" are the most imported products with 75.2% and 49.6% respectively.
- The main countries of origin of imports of auto parts are China (16%), United States (15%), India (9%) and Japan (8%).

Source: Frost & Sullivan

Indian Auto Component Manufacturers - SWOT Analysis

Strengths

- Auto parts with high quality and competitive prices,
- FTA's gives a good perspective for Indian Auto component manufacturers,
- Hero Motors is currently constructing one production plant in Colombia. An Bajaj is very strong in the market

Opportunities

- The size of the illegal market gives an opportunity for auto parts with competitive prices,
- Colombia can be a HUB for distribution of parts for other countries, such as Peru, Ecuador
- Due to the Free Trade zones in Colombia there are incentives for FDI's.



Weaknesses

- Due to the size of the illegal market and the presence of FARC in the country this could restrain the development of new businesses.
- The lead time for Auto components that are imported from India will take longer than USA and might affect in the final price.

Threats

- Chinese auto components are important in the country and play an important role in the aftermarket
- Customers are not influenced in the purchase funnel about the country of origin of parts, therefore, they might consider either the price or the quality according to what is necessary.

Source: Frost & Sullivan

Critical Success Factors

- Motorcycles in Colombia have a huge penetration into the population being the third most important in South America and with the biggest growth rates.
- Passenger vehicles are still a traditional market in expansion and the VIO growth gives good opportunities for the market.

- Improvements in brand image, such as packaging design
- Due to the size of the illegal market in Colombia it's important to have a competitive price
- Customers are sensible to price and will only look for a specific part when it's necessary. The maintenance services are usually done in the DIFM market channel.



- Incentives should be developed with the purchase influencers.
- Partnerships with distributors and retailers in order to set the best supply chain strategies and Point of Sales network.
- Indian brands should also work on having the best warranty period.

- Meet the product technical specifications. Auto parts with high quality and competitive prices
- One opportunity is to have a better balance of quality and price in order to compete with the grey market as one safe option in the market.
- Indian products are not perceived with low quality, therefore, the acceptance with the end customer might be positive.

Source: Frost & Sullivan

Perception of Indian Auto Components

Colombian Automotive Stakeholders perceive product range and product development capability as the key concerns

Total Potential	<ul style="list-style-type: none"> • The total aftermarket potential in Colombia for imported parts is over \$2.66 billions dollars and the export is over \$ 200 million. Total supply of auto components is composed by national production of \$ 1.4 billion (48.8%) and imports \$ 1.46 billion (51.2%)
Impact of Chinese Competition	<ul style="list-style-type: none"> • The main countries of origin of imports of auto parts are China (16%), United States (15%), India (9%) and Japan (8%). • Chinese components are available in varying grades of quality and prices but usually very competitive. Chinese alternators are not preferred for critical component categories such as engine, drive and transmission components.
Market Perception of Indian Auto Components	<ul style="list-style-type: none"> • Indian auto components are considered to be of superior quality as compared to Chinese components but for the final customers knowledge and familiarity with Indian brands is relatively nascent.
Willingness of Local Businesses to Sell Indian Auto Components	<ul style="list-style-type: none"> • Local traders are generally willing to do business with Indian manufacturers on the condition of consistent order fulfilment • Product range and product development capability are key for success in this market

Source: Frost & Sullivan

Recommendations

Stakeholders willing to pay an incremental premium for Indian parts over Chinese depending on the quality of parts

Suggested Road Map to enter Colombia for ACMA Members

Segment	<ul style="list-style-type: none"> • The 2w and 3w segments which has a potential of USD 17 million presents a significant opportunity to ACMA members owing to <ul style="list-style-type: none"> – Presence of Indian brands Hero, TVS and Bajaj • The huge illegal market mainly for PC segment gives a positive outlook for Indian brands with higher quality than Chinese parts. • The long term opportunity in the market is high provided the Indian suppliers strengthen their Product Development Capability • Asopartes will be an important association to be in contact with in order to avoid risks when starting the operation.
Product Development	<ul style="list-style-type: none"> • Product durability and quality is key – Indian suppliers have to test these products on Colombian road conditions, geography and weather before launch in order to ensure component durability. • Customers may not be aware of Indian brands in term of quality or durability. Launching of those products should be done with higher quality and competitive prices in order to establish the image perceived as better than the Chinese brands.

Source: Frost & Sullivan

Recommendations

Stakeholders willing to pay an incremental premium for Indian parts over Chinese depending on the quality of parts

Suggested Road Map to enter Colombia for ACMA Members

Quality	<ul style="list-style-type: none"> • The general perception among Colombian stakeholders is that Indian products are better than Chinese alternates – reinforce this perception by providing high quality products, thus creating value for the incremental price the customer pays
Price	<ul style="list-style-type: none"> • Products can be priced between that of Chinese parts and those from Japan or USA manufacturers - provided high quality, durability, and, strong brand awareness in the market • Importer/distributors are willing to pay up to 10~15% premium on Indian components
Promotion	<ul style="list-style-type: none"> • Organized and participate in road shows and product seminars with local stakeholders including trade, and, garages and mechanics • Bonus incentives with purchase influencers will be decisive in the country • ACMA should establish a relationship with the Colombia Motor Repairers Association (ASOPARTES) to promote and improve visibility of Indian components
Channel	<ul style="list-style-type: none"> • In the short run, connecting with main importers as Omniparts and Auteco should bring benefits in a shorter period of time. • In the long run, as brand awareness grows, Indian suppliers can look at exporting full containers where 4 to 5 companies can benefit from a single container load • The DIFM channel counts with 75% of the aftermarket segment in Colombia

Source: Frost & Sullivan

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Colombia – Economic Profile



Colombia Country Profile

76% of population resides in urban areas



Area	11,41,748 sq. km												
Population	Total: 48.21 million (2013)												
Male Female Population	<div style="display: flex; align-items: center; justify-content: center;"> <div style="margin-right: 20px;">Female 50.6%</div>  <div style="margin-left: 20px;">Male 49.4%</div> </div>												
Population by age group	<table border="1"> <thead> <tr> <th>Age Group</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>0-9</td> <td>16,5%</td> </tr> <tr> <td>10-19</td> <td>17,3%</td> </tr> <tr> <td>20-29</td> <td>17,4%</td> </tr> <tr> <td>30-39</td> <td>14,1%</td> </tr> <tr> <td>40-49</td> <td>13,2%</td> </tr> </tbody> </table>	Age Group	Percentage	0-9	16,5%	10-19	17,3%	20-29	17,4%	30-39	14,1%	40-49	13,2%
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	20-29	17,4%											
30-39	14,1%												
40-49	13,2%												
Key cities	Bogota, Medellin and Cartagena.												
Legal Driving Age	16 years* (There are restrictions for this age)												
Vehicle driving mode	Right												

Source: World Bank, IMF, Frost & Sullivan

Colombia Gross Domestic Product

One of the best economics in South America in terms of growth, and its expected that this behaviour will continue in future years

Growth in Gross Domestic Products, Colombia, 2004-2014



Colombia economy is very dependent on energy and mining. However, it is limited due to the lack of structure and security.



Public transportation has been undergoing continuous improvements. Therefore, with the economic boost in recent years the VIO is now the second most important in South America.



There is assembling lines for cars, motorcycles and also auto parts. Moreover, about 60% of the VIO is imported. In recent years the country got some attention for being a possible hub for distribution for South America.

Implications:

- The Economy directly generates demand for auto and auto components markets due to the positive forecast in the future years.
- Leads to increase in vehicle fleet generating more demand for auto components
- Major dependence on imported vehicle parts in the aftermarket and autos.
- Attracting the inversion of foreign companies to se hub of distribution and new operations.

Note: GDP at constant prices

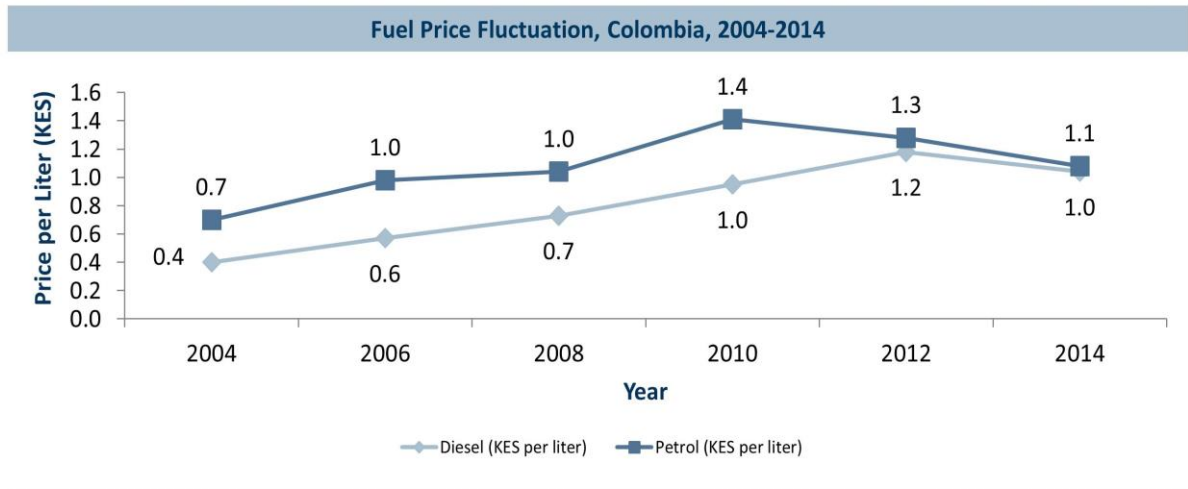
*f = forecast

Source: Frost & Sullivan ; Colombia Revenue Authority

Current: 1 Colombian Shilling = USD 0.011

Colombia – Fuel Price Fluctuation

Directly affected by the international oil's price cool down



- The fuel prices have grown until 2012. However, due to the international petrol prices decrease has directly impacted on the national prices.
- From 2009 to 2014 the Fuel prices have grown by CAGR +3,7% (Petrol) and +4,0% (Diesel).
- Colombia is a country that extracts and refines oils. Therefore, with the cool down in the fuel prices it's expected that it will negatively influence in the country economics mainly due to the high prices of oil's production and logistics.

Conversion Rate: 1 USD = KES 101.35

Source: World Bank, Frost & Sullivan

Automotive Industry in Colombia

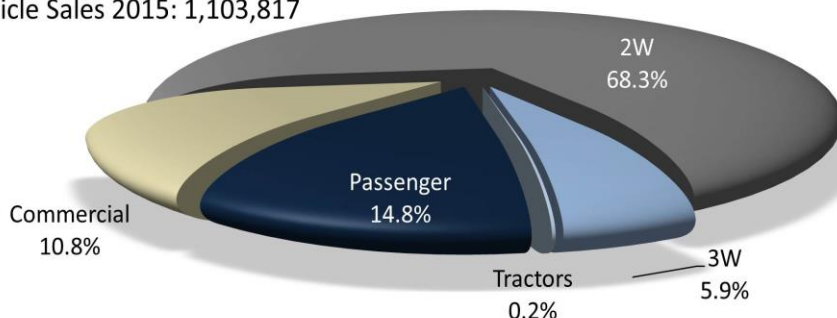


Automotive Industry Overview

Colombia is the fourth Latin American manufacturer behind Brazil, México y Argentina. Colombia counts with 15 assembling companies.

Automotive Industry Sales, Share by Vehicle Category, 2015

Total Vehicle Sales 2015: 1,103,817



- In the passenger and commercial segments, there are 7 assemblers; four assemblers concentrate 96% of the national production of 95,873 units in 2015. **General Motors Colmotores** (ISUZU, SUZUKI, VOLVO and Chevrolet); **SOFASA** (RENAULT); **HINO Motors** (HINO - Toyota); and **Carrocerías Non Plus Ultra** (Non Plus Ultra, CKD and Volkswagen), Other assemblers are **Daimler**; **Navistrans S.A: Agrale**; **Compañía de Autoensamble NISSAN**. It is important to mention that the MAZDA assembler "Compañía Colombiana Automotriz" closed its plant in 2014
- Regarding motorcycles there are 8 assembling plants (please refer to "2 Wheelers Segment Overview" for details)
- The national production accounted for 33.8% of the demand, while the 66.2% was covered with imports. Key import origins for vehicles in 2015 were Mexico 30.4%; Korea 25.2%; China 9.3%; Japan 7.9%, Europe 7.6%; India 3.9%.

Source: Frost & Sullivan , Colombian Association of Motor Vehicle (ANDEMOS)

Drivers and Restraints in Colombia Automotive Sales

Feature rich second hand vehicles at relatively affordable prices restrain the sales of new vehicles

Market Drivers



The low penetration rate of vehicles in Colombia. The country has 5.9 cars per thousand inhabitants, while Argentina, with a similar population has 14.8

Colombia is attracting new investments and FDI's also for the automotive sector. Hero Moto Corp is currently investing in the country with a new production plant that may act as a hub for the region.

The good performance in average household income, which is reflected in the rise of the middle classes, and the need for renewal of the vehicle fleet. Between 2009 and 2012 the age was reduced only marginally, from 15.3 years to 14.9 years

Market Restraints



The grey market in Colombia counts with 40% of the whole market.

With a majority of customer buying vehicles through credit, any volatility in lending rates will have an adverse impact on vehicle sale. Credit for acquisition of new vehicles could slow during 2016 and 2017

It's estimated that 40% of the internal demands are supplied by national production of parts in Colombia. However, the main weakness of the market is the dependence in imported auto parts and the competitive structure of the sector in the country.

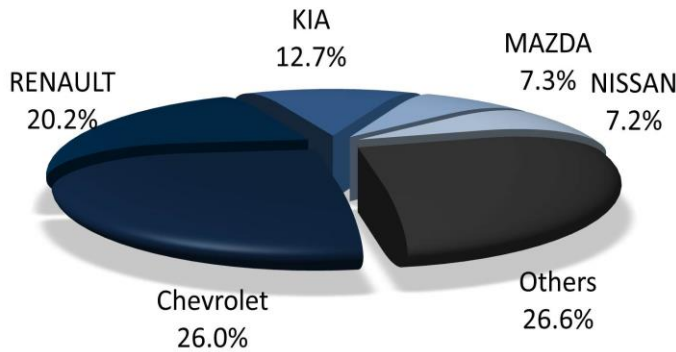
Source: Frost & Sullivan

Passenger Vehicle Market in Colombia



Passenger Vehicle Segment Overview

The North American brand Chevrolet and RENAULT concentrates almost the half of the Colombian Passenger cars segment



Make	Top Models
Chevrolet	Spark, Sail, Tracker
RENAULT	Sandero, Duster, Logan
KIA	Picanto, Sportage, Rio
MAZDA	Mazda 3,
NISSAN	Versa, March

- In 2015 the segment composed by cars and taxis reached 163,680 units sold.
- There are 7 assemblers in the country that share around 50,000 units (manufactured in 2015). **General Motors Colmotores** (manufacturer of ISUZU, SUZUKI, VOLVO and Chevrolet); **SOFASA** (manufacturer of RENAULT); **HINO Motors** (HINO - Toyota); **Carrocerías Non Plus Ultra** (Non Plus Ultra, CKD and Volkswagen); **Daimler**; **Navistrans S.A: Agrale**; **Compañía de Autoensamble NISSAN**. Is important to mention that the MAZDA assembler **Compañía Colombiana Automotriz** closed its plant in 2014.
- Passenger vehicles are imported mainly from Mexico 32.4%; Korea 26.3%; China 10.1%; Japan 9.3%; and Europe 8.4%.

Others includes, but is not limited to HYUNDAI, FORD, TOYOTA, VW, SUZUKI, Dodge, Jeep, Mercedes Benz, BMW, Audi, VOLVO

Source: Frost & Sullivan , Colombian Association of Motor Vehicle (ANDEMOS)

Passenger Vehicle Usage Conditions

Passenger cars ply in generally congested traffic conditions and on average quality roads



Daily Driving Patterns

- Average year commute 12.000~13.000 km.
- Before the driving circulation restrictions in Colombia the average drive was 20~22 km per year. However, with the new rules it has influenced the diminution of the mileage per year. In the main cities the traffic jam is intense resulting in slow locomotion during rush times. The lack of investments in public transportation makes the city totally dependent on private transportations. The VIO of buses is slower than taxis.

Driving Conditions



- Average speeds: 23,67 km/h,
- In order to avoid the biggest traffic jams in the biggest cities the government has established a driving circulation restriction of vehicles accord to their plates numbers. It's expected that by 2050 almost 85% of the population will live in urban canters. Nowadays the number is next to 75%. It's important to understand that the road network and structured in the biggest centres are more structured than those presented in the country side.

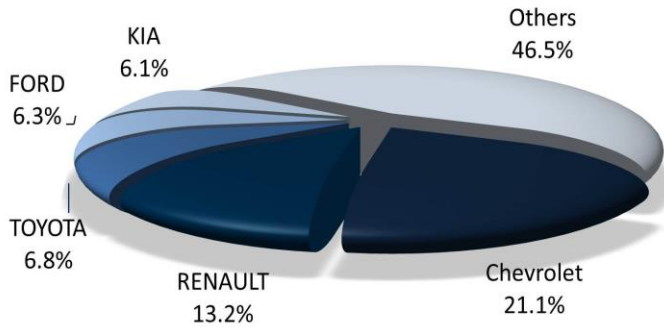
Source: Frost & Sullivan

Commercial Vehicle Market in Colombia



Commercial Segment Overview

Chinese brands CHERY, DFSK, FOTON and JAC accounted only for 4.0% of the market share in 2015, with 4,680 units sold



Make	Top Models
Chevrolet	FE84, FE85, FE71
RENAULT	KANGOO, TRAFIC, DUSTER
TOYOTA	HILUX, RAV4
FORD	F-150
KIA	K2700, PREGIO
NISSAN	NV350 URVAN, NP300

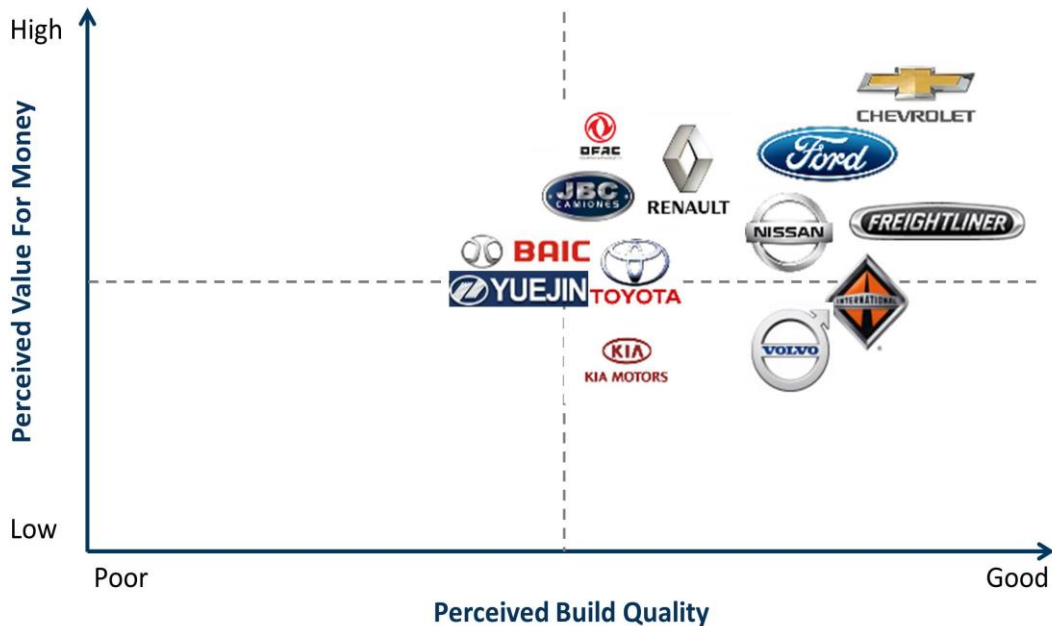
- In 2015 the segment composed by utility vehicles, Pick-Up's, Van's, Commercial Passenger, Cargo Commercial below 10.5 T and Cargo Commercial above 10.5 T, reached 119,700 units sold
- Manufacturing plants for Commercial vehicles in Colombia are **HINO Motors** (HINO - Toyota); **Carrocerías Non Plus Ultra** (Non Plus Ultra, CKD and Volkswagen); **Daimler**; and **Navistrans S.A: Agrale**.
- In the Cargo Commercial above 10.5 T segment, North American manufacturers concentrated 77.8% of the market share with 3,511 of the 4,510 units sold in 2015. INTERNATIONAL (28.6%); KENWORTH (21.85); Chevrolet (13.7%); FREIGHTLINER (13.7%); HINO (8.5%); and others (13.7%)
- Commercial vehicles are imported mainly from Mexico 19.2%; Japan 18.4%; Korea 10.1%; China 8.9%; and Europe 8.4%

Others includes, but is not limited to VW, Chery (China), DFSK (China), Mercedes-Benz, HINO, VOLVO, FOTON (China), JAC (China), INTERNATIONAL, KENWORTH, FREIGHTLINER

Source: Frost & Sullivan, Colombian Association of Motor Vehicle (ANDEMOS)

Commercial Vehicle Segment Overview (continued)

European and American products are perceived to offer the best value for money



Source: Frost & Sullivan

Commercial Vehicle Usage Conditions

Overloading is a common practice, particularly in the industrial and rural areas



Daily Driving Patterns

- Average year driving 119.000~120.000km.
- The road network is mainly used for CV's in order to distribute products to the internal market like petrol, food, and others. Also, the road network are fully used in order to deliver the production to the ports and export the raw material such as: cooper, coal and oil. Colombia is the only Latin America country with both Caribbean and Pacific Ocean.
- The lack of investments in public roads network makes the road structure not favourable for the parts durability. Also, with the lack of security it makes harder for the transportation of high valuable items.

Driving Conditions



- According to some researches in the country companies do influence drivers to manage in higher speed limits and also for more hours than what is expected. Therefore, traffic accidents do happen with certain frequency due to this reason.
- Also, as heavier the load transported more susceptible it is to be exposed to an accident and the higher mileages per year.
- Colombia has signed new FTA in the last decade. However, the road network couldn't follow the same development. Government has augmented the road network but lacking on good quality rods.

Source: Frost & Sullivan

2 Wheeler Market in Colombia

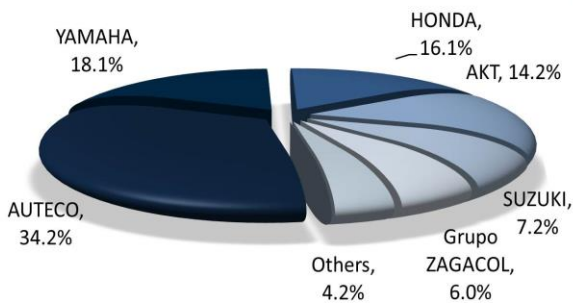


2 Wheelers Segment Overview



Japanese, Chinese and Indian brands dominate the 2 wheeler market

The motorcycle sector satisfies 93% of its consumption with domestic production.



Make	Top Models
AUTECO (Kawasaki, KTM, Bajaj and KYNCO)	Pulsar 200NS, Pulsar models, Boxer, Agility Digital, Discover
YAMAHA	T115, XTZ125, YW125X
HONDA	CB110, XR 150L, Wave, Invicta
AKT	AK125 NKD-R, AK125 BR-TTR, AK150 BR-TTR
SUZUKI	GN125, GD110

- There are 8 assembling plants in the country. **AUTECO** in the assembling Kawasaki, Bajaj, KYMCO and KTM; **SUZUKI**, **Honda** (Fanalca); **YAMAHA** (Incolmos); **AKT** with AKT and TVS; **AYCO**, **Hero Motocorp** and **Grupo ZAGACOL** (UM, Qingqi and Jialing)
- The most sold motorcycles in Colombia are from the categories: Sport (66%), Scooter (14%) and Moped (12%). The most important displacement is from 100~180cc (94%). In 2015 753,723 motorcycles were sold in Colombia. 29% of the whole motorcycles drivers use this type of vehicle to either work or do deliveries.
- The sport category most sold motorcycles by displacement is from 100-125cc with more than 61%. Another 23% is mainly from 126-150cc, 14% from 161-200cc. The Scooter category is mainly divided by 85% from 100-125cc, 15% 126-150cc and a very niched market over 200cc.

Others includes, but is not limited to Kibo, Shineray, Hero, JINCOL, SIGMA Motors Royal Enfield

Source: Frost & Sullivan

2 Wheeler Usage Conditions



Rash riding and bad roads are common usage conditions for 2 wheelers



Daily Driving Patterns

- Average year commute 9.000~10.000 km.
- The most common motorcycles in Colombia are street/sport segment and with 100~150 cc. Motorcycles in Colombia are used as fast deliveries or commuter proposes.
- Costumers that seek for sportive motorcycles will also pay attention on the size of the tires, exhaust systems, bi-party seats and the size of the fuel tank. It's also important for them the alloy wheels.

Driving Conditions



- Big regions such: Bogotá, Antioquia (Medellin), Valle del Cauca (Cali) and Cundinamarca are very crowded cities specially during the rush time. Therefore, more and more people are stepping up from the public transportation and saving time with motorcycles.
- Colombia is a country used to bicycles as a mean of transportation. Therefore, residents are naturally driving to use motorcycle when they seek for better transport conditions.
- The crime in the city is so alarming that in several municipalities are studying new laws to not permit passengers in motorcycles and the use of the plate's number in the jackets that the driver uses. A big portion of the robbery uses motorcycles to run away.
- Big cities have a structured road network. This scenario is different than the country side for example. The geography of the country and weather can diminish the durability of parts.

Source: Frost & Sullivan

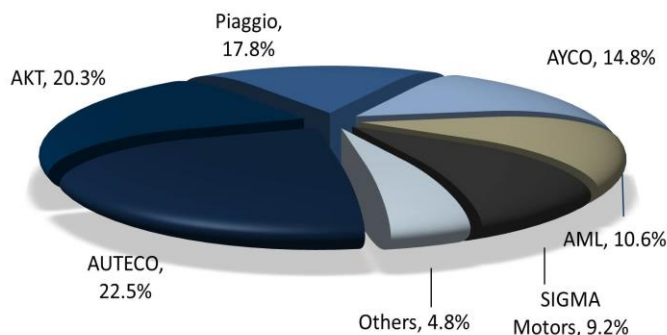
3 Wheeler Market in Colombia



3 Wheeler Segment Overview



Chinese and Indian brands dominate the 3 wheeler market



Make	Top Models
AUTECO (Bajaj-TORITO)	Transport model
AKT (TVS)	King Tuk Tuk basic
Piaggio	Ape cargo and city
AYCO	Force and DUR
AML (Fulu / Dongben)	Mototaxi Fulu
SIGMA Motors	SIGMA Carguero

- Tuk-tuks are becoming increasingly popular in Colombia, mainly as Taxis. These vehicles became very popular since 2008, when they were approved by the Ministry of Transport, to provide public passenger service in towns with less than 55,000 inhabitants, by Decree 4125 of 29 October 2008. This allows its use as a taxi where this service is provided by motorcycle taxis.
- Market is dominated by 3 Tuk-tuks assemblers and 3 large importers. The assembly plants correspond to **AUTECO** assembling the Bajaj Tuk-tuk TORITO RE; **AYCO** with his own brand; and **AML Nacional Ensambladora** assembling Chinese brands Fulu and Dongban; The biggest importers are **AKT Motors**, which imports from India the TVS brand; **Piaggio**, a Italian brand, which imports its Tuk-tuk of its plants in China and India; and **SIGMA Motors**.
- In 2015 around 65,000 Tuk-tuks were sold in Colombia.

Others includes, but is not limited to Xinling, Jinchen, Jialing

Source: Frost & Sullivan

3 Wheeler Usage Conditions



Rash riding, bad roads and overloading are common usage conditions in the sub-urbs and rural areas



Daily Driving Patterns

- Average daily running ranges from 90-110 kms, which is largely within the city limits, i.e. suburbs
- Drivers are normally rash, over speed and brake hard
- Tuk tuks carrying goods are normally overloaded. Coupled with the general driving habits, the engine, suspension and transmissions of these vehicles are at risk of premature failure.

Driving Conditions



- General operation of tuk tuks for passengers is well within city and suburb limits
- Good carriage in tuk tuks is very limited to within industrial and market areas
- Medium to high overloading is common for tuk tuks carrying that are carrying goods
- Tuk tuks servicing industries and markets run on poor quality roads and dusty environments

Source: Frost & Sullivan

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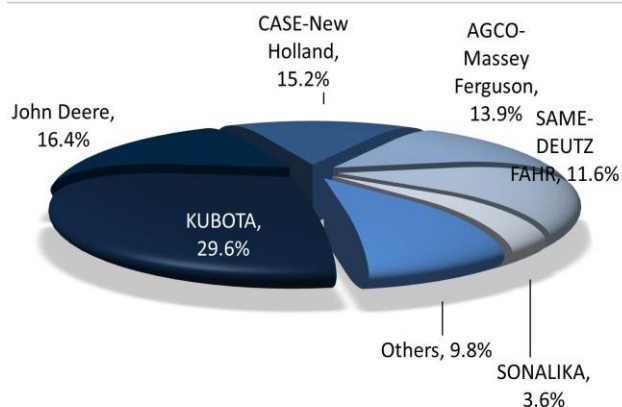
Tractor Market in Colombia





Tractor Segment Overview

SONALIKA is the only strong brand imported from India



Make	Top Models
KUBOTA	L3400, B2320
AGCO-Massey Ferguson	MF35, MF290
John Deere	215, 9200
CASE-New Holland	TT75, TT40
SAME-DEUTZ FAHR	Agrolux 50-70-100

- Due to the fact that there is no tractor production in Colombia, this market is stocked by imports. AGCO-Massey Ferguson imports tractors from Brasil, India and Mexico while KUBOTA with representatives such as MOTOMART and Diesel KUBOTA, import their tractors from Japan and Germany.
- In 2015, 1,714 tractors were sold in the Colombian market. KUBOTA has remained ahead in the market from the rest as for the past 5 years, with a market share of 29.6%, while the brands with less participation were SAME/DEUTZ FAHR with 11.6%, which imports tractors from Italy and Germany with its distributor TRACTOCENTRO, and the tractors imported from India SONALIKA WITH 3.6%, with its distributor EDUARDOÑO.

Others includes, but is not limited to AGRALE, FOTON, Mitsubishi, International

Source: Frost & Sullivan

Tractor Usage Conditions

Tractors are majorly used for tillage operation with annual usage of 700-800 hrs, on field or local repair service are preferred due to remote working location



Daily Driving Patterns

- Average daily commute 1.500 hours a year.
- Tractors are the most used vehicles in the agriculture segment in Colombia. As much as a tractor can have a good fuel economy, high technology and be able to carry others agriculture implements it is going to be one of the top selling products.
- Each time more the precision agriculture is taking over the segment getting the productivity to another level. The ICR (incentives to the agriculture) have provoked a augmented sales in the last years.

Driving Conditions



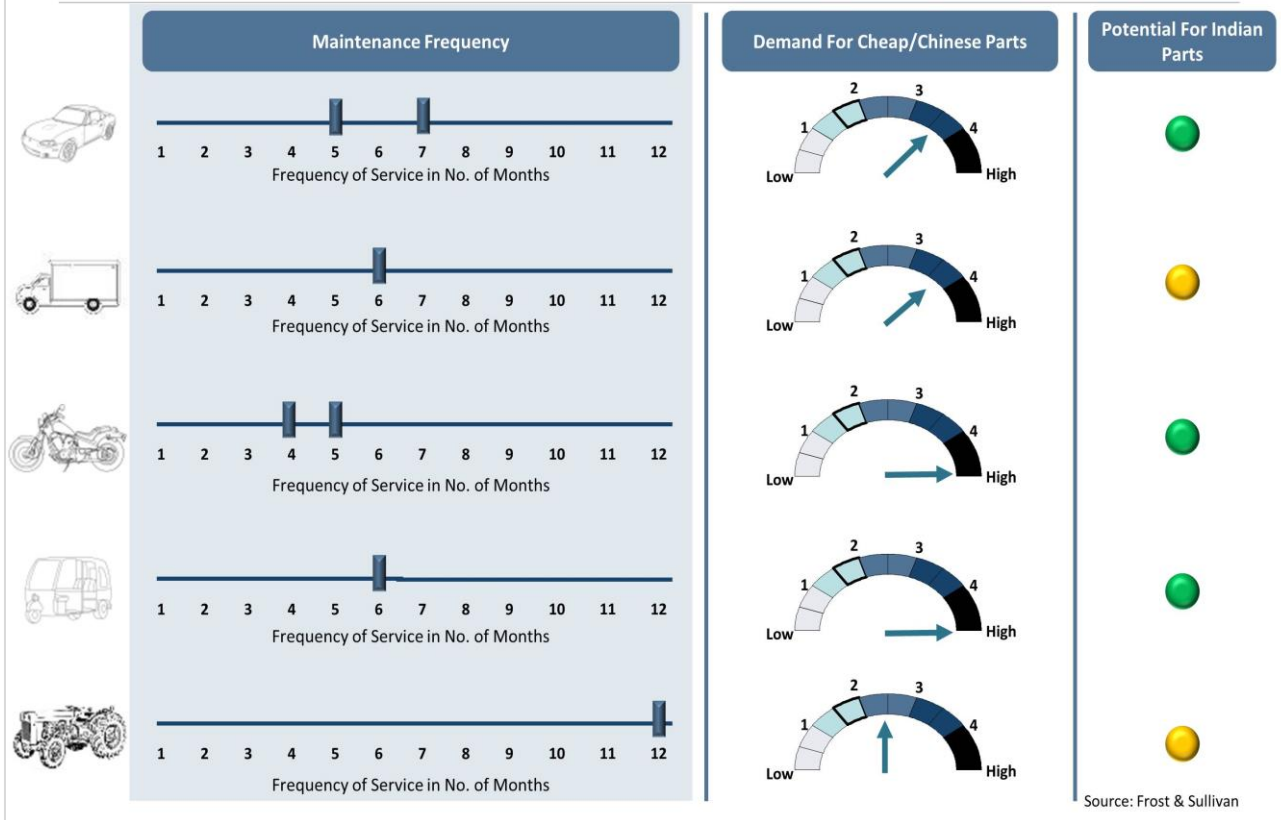
- The buying funnel of a tractor depends on the type of rural activity that the machine will be used. This fact will also play an important role in the mechanization level required for this product.
- A big part of the tractors sold in the country are diesel engines equipped.
- The after sales departments do offer warranty of 1500 hours of work or one year. We can expect that in average a tractor runs per year about 1500 hours.

Source: Frost & Sullivan

Maintenance and Parts Replacement Practices



Maintenance and Parts Replacement Practices



Passenger Vehicles



The average maintenance frequency for passenger cars is once in 5 months

Maintenance Frequency and Parts Replacement

- The Maintenance intervals are the regular ones and recommended by all OEM every 10,000 or 15,000 km, or every 6 to 12 months. The private vehicle market is very well developed. Although the average maintenance frequency in Colombia is 5 months.
- Most of the new car buyers are faithful to the brand during the first two or three years, after that they start using less expensive parts and auto shops. Assemblers have tried to revert this situation by designing strategies that give out loyalty incentives such as promotions and temporary or regional discounts.
- The geography of Colombia, temperature and the lack of good road network gives a positive perspective for the maintenance intervals

Choice of Brand for Auto Components

- The internal market is totally influenced by the imports of auto parts, mainly from China, United States, Japan and Mexico.
- Depending on the client the mass market will be sensible to the price, one of the reasons that explain the size of the illegal market. Second and more niched, they will chose high quality parts with the technology needed.
- Most of the owners of a motor vehicle look for original spare parts, either with the distributor (these are of course more expensive) or with a spare parts importers. Gray Market is calculated in 35%.

Source: Frost & Sullivan

Commercial Vehicles



IAM parts are mostly consumed for light and medium duty commercial vehicles specially when out of warranty.

Maintenance Frequency and Parts Replacement

- In the commercial segment intervals of maintenance are more frequently, since in most cases, these vehicles are used for work, regularly 3,000 or 5,000 km (3 or 6 months). Commercial vehicles tend to use maintenance and distributor spare parts during a longer period of time, due to the fact that most of them are acquired in fleet maintenance programs or acquired in financial leasing.
- One of the most important channels is the independent aftermarket workshops for maintenance.
- Auto parts are mainly important to the country making the services and demand highly dependent in the import of auto parts.

Choice of Brand for Auto Components

- In the same way as the private segment, most of the owners of a motor vehicle look for original spare parts, either with the distributor (these are of course more expensive) or with a spare parts importers. Gray Market is calculated in 30%.
- There are large importers such as Motorcraft (the FORD spare parts brand) or HERKO, that offers original parts or good quality own products with affordable prices. In the Cargo Commercial above 10.5 T segment, it is estimated that 60% of owners seeking original parts. Companies such as FREIGHTLINER or NAVITRANS have a wide distribution network in parts and spare parts in the country. Gray market is calculated in 40%.

Source: Frost & Sullivan

2 Wheelers



The wide use of cheap Chinese parts in 2 wheelers ensures high demand for parts in this segment

Maintenance Frequency and Parts Replacement

- The most important displacement for motorcycles is 100~150cc.
- Motorcycles are easier to repair than cars and commercial vehicles, so the customer's fidelity with the brand lasts only for 6 months. The maintenance normally have to take place in an interval of 3.000 to 6.0000 kilometers or 3 months, depending on work conditions.
- This type of vehicle is one of the most important in Colombia mainly due to the lower prices of maintenance compared to the public transportation or private cars.
- The geography of the country, temperature and the lack of good road network gives a positive perspective for shorter maintenance intervals.

Choice of Brand for Auto Components

- Original parts are available for all brands sold in Colombia. There are companies that manufacture certain components for motorcycles, especially rubber hoses and components for best-selling brands as Kawasaki, SUZUKI, YAMAHA, AKT and HONDA. Gray Market is calculated in 50%.
- The motorcycles components will be drastically influenced by the final price and therefore from the illegal market. In 2014 about 31.212 vehicles were stolen which almost 60% were motorcycles. The main destiny of the stolen parts is for the internal market in Colombia, Venezuela and Equator.

Source: Frost & Sullivan

3 Wheelers



The wide use of cheap Chinese parts in 2 wheelers ensures high demand for parts in this segment mainly because they adapt motorcycle into 3-wheelers

Maintenance Frequency and Parts Replacement

- After the first year of ownership, the maintenance practice ranges from 'once in 6 months' to 'very rarely serviced'
- Parts are often replaced on complete breakdown of the part as against with the intent of preventive maintenance
- Using motorcycles engines and chassis in order to structure 3 wheelers make it possible to save money either in the maintenance and the product price itself.

Choice of Brand for Auto Components

- Tuk-Tuks are very close to the motorcycles in terms of durability and maintenance.
- The general preference for parts after a year of ownership is inclined towards cheap parts
- Owing to the dominance of Indian tuk tuks in the market, parts options are mostly for Indian manufacturers
- Retailers often send samples of parts to Chinese suppliers with the intent of buying affordable Chinese alternates to sell in the market
- The 3 wheelers components will be drastically influenced by the final price and therefore from the illegal market.

Source: Frost & Sullivan

Tractors



The correlation of this segment is totally influenced by the agribusiness sector. De to the longer working life the aftersales will be influenced as well.

Maintenance Frequency and Parts Replacement

- The after sales departments do offer warranty of 1500 hours of work or one year. We can expect that in average a tractor runs per year about 1500 hours
- The aftersales departments are able to give the maintenance needed. Depending on the service the DIY channel can be very important.
- Usually tractors have a working life of 10 to 12 years old.
- Tractors are classified in 5 categories: small: 0-15HP, one: 15-40HP, two: 40-120, three: 120-200HP and for: more than 200HP.

Choice of Brand for Auto Components

- Since maintenance and parts for tractors are a more specialized market, most of the parts and maintenance are provided by the official dealer in the 80% of the cases. Actually there is a used tractor market supported by the official brands, that help the owners in the re-selling process. There is a wide original parts distribution network.
- Anyway, In the countryside, there is a large number of basic mechanics that offer tractor repair services. On the other hand, in the subject of spare parts, buyers tend to always look into buying the original ones, either with a distributor or an importer.
- SONALIKA is the only Indian brand with presence in Colombia

Source: Frost & Sullivan

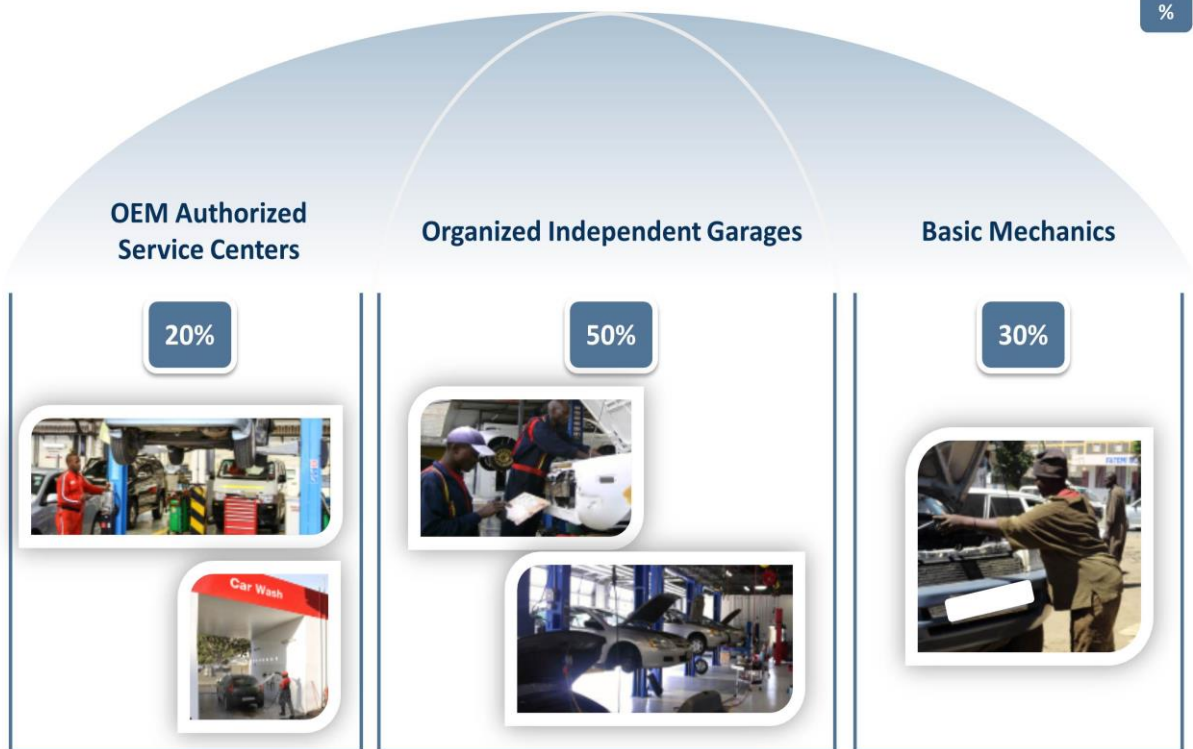
Vehicle Servicing Infrastructure



Vehicle Servicing Infrastructure

Organized independent garages are preferred service channels in Colombia

%

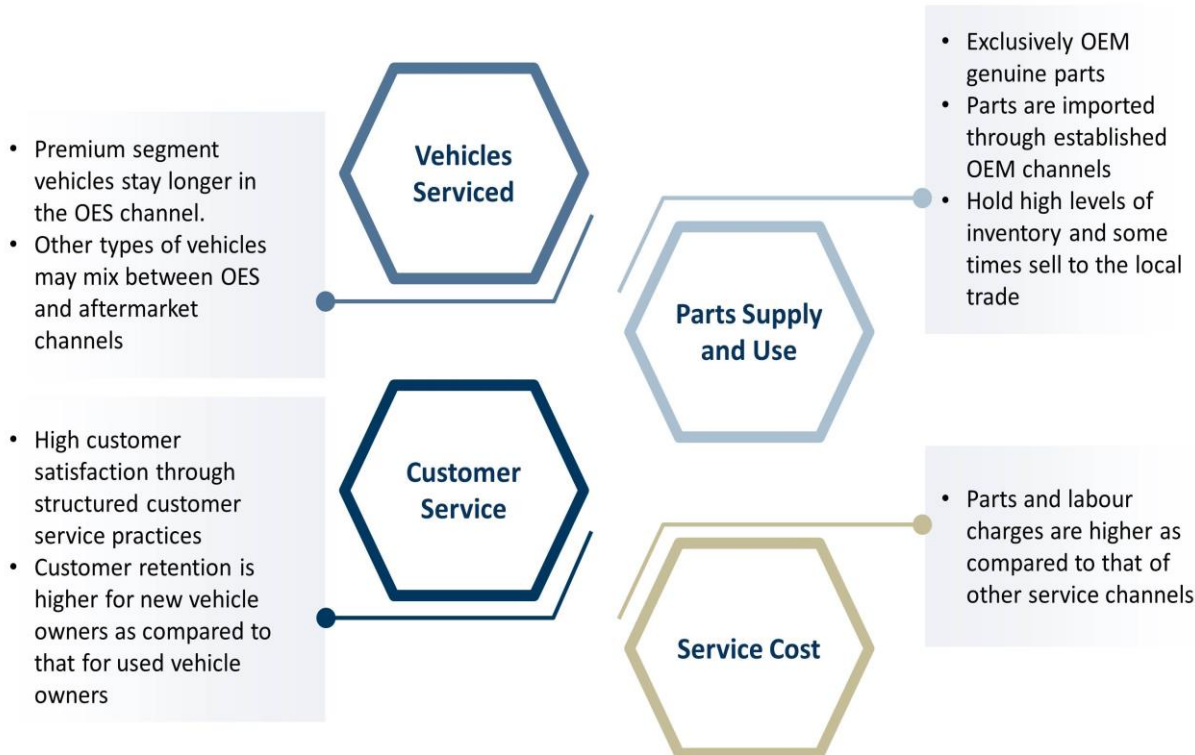


Note: Estimated share of Vehicles Services at these facilities

Source: Frost & Sullivan

OEM Authorized Service Centers

These service centers are primarily used for new vehicles and high end used vehicles



Source: Frost & Sullivan

Organized Independent Garages

Their preference toward good quality parts makes this a key channel to target for sale of aftermarket auto parts

- Multi brand service outlets
- Some garages have contracts with large fleet owners
- Separate facilities for passenger and commercial vehicles
- Fully equipped to undertake mechanical and body repairs, including painting
- Large scale independent garages work with insurance companies on claim related repairs



- Mix of OEM genuine parts, aftermarket branded, and high quality Chinese parts
- Parts are sourced from local importers, however, in some cases directly imported from manufacturers
- Some garages hold inventory of fast moving parts

- Parts and labour charges are lower than that at OEM garages

Source: Frost & Sullivan

Basic Mechanics

The choice of parts is significantly inclined toward the cheapest options in the market

- Offer quick services that require very basic tooling
- Capable of minor repairs on all brands of vehicles
- Service mostly non-premium segment vehicles
- Rarely capable of offering body work services



- Parts are procured as needed from local retailers
- Parts consumed at these service points are mostly cheap consumables
- Mechanics buy parts of brands that offer the best incentives
- No inventory holding in this service channel

- Cheapest repair services among all service channels
- Service costs at these garages are around 25-30% lower than OEM authorized service channels

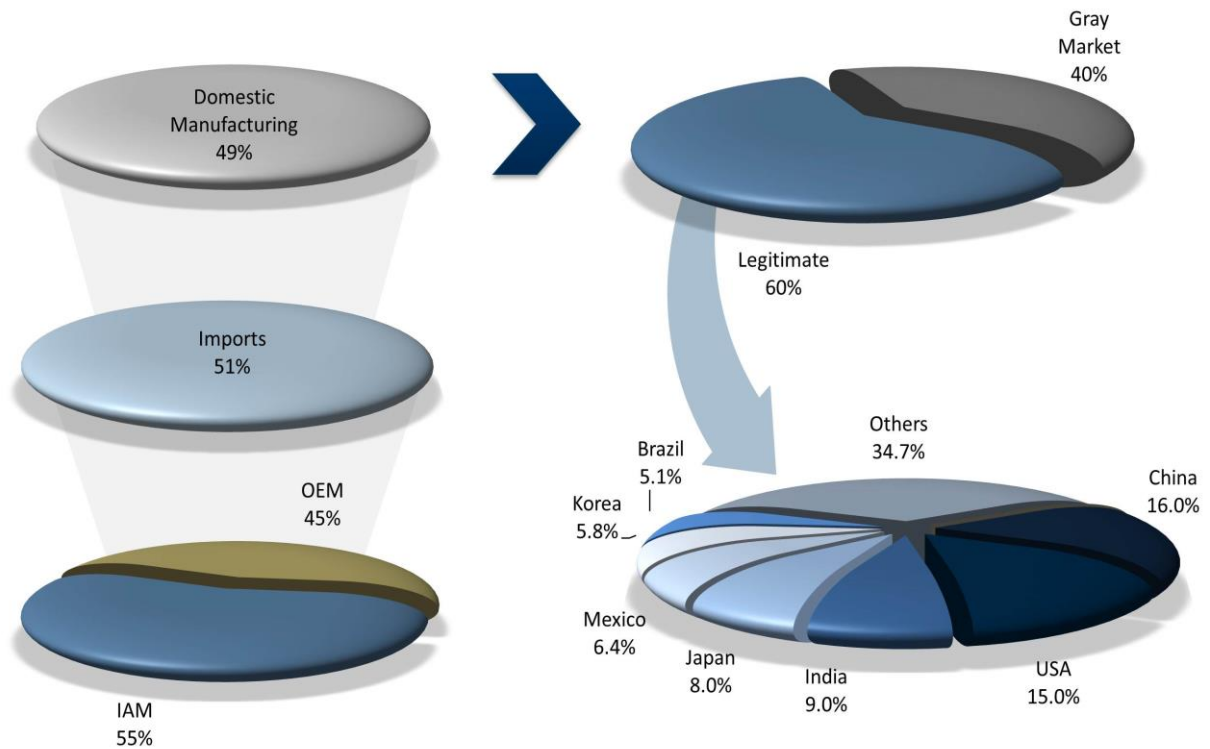
Source: Frost & Sullivan

Auto Components Market



Auto Component Market Summary

Chinese auto components account for about 20% of the IAM in Colombia



Source: Frost & Sullivan

Main Auto Components Brands in the Colombia Market

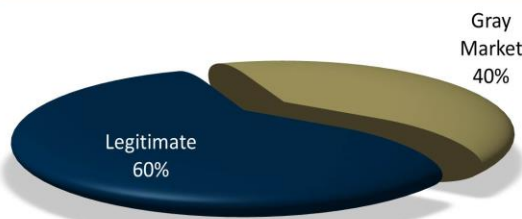


Source: Frost & Sullivan

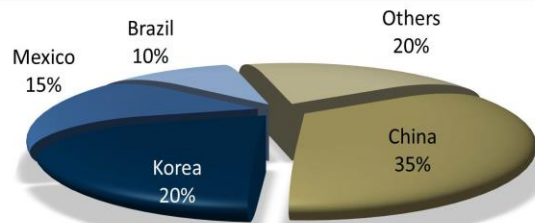
Share of the Gray Market

The gray market is estimated at 40% of the total auto components aftermarket in Colombia

Share of Auto Components Gray Market, Colombia



Share of Gray Market Parts by Export Origin

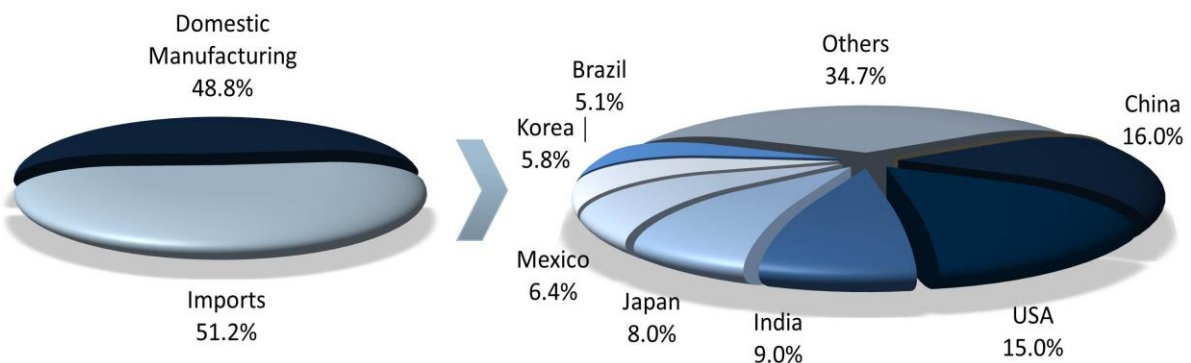


- Colombia has one of the biggest illegal auto parts market in Latin America. Although the government has tried to manage this fact in last year the result are still very superficial.
- A big portion of the illegal parts sold in the market are from vehicles that were stolen.
- The main illegal parts, that don't pay taxes when entering in the country comes from China, Korea, Mexico and Brazil. Besides to the fact of the piece is not original, when is used in a vehicle, it can also cause more problems. Companies are trying to give better services in order to retain customers and to offer a better quality products.
- Imports through maritime transport, take around 30 days from the Asian countries. As example the transit time for imports from Xingang, China to Barranquilla is a month 16,728.56 km, crossing the Panama Canal
- The Illegal auto parts are sold in average 20% cheaper than the original ones.
- With the depreciation of the Colombian currency, the prices for original spare parts turned expensive. Situation that does not affect the illegal part final prices.

Source: Frost & Sullivan

Market Overview

Chinese parts have a significant presence in the aftermarket across vehicle segments



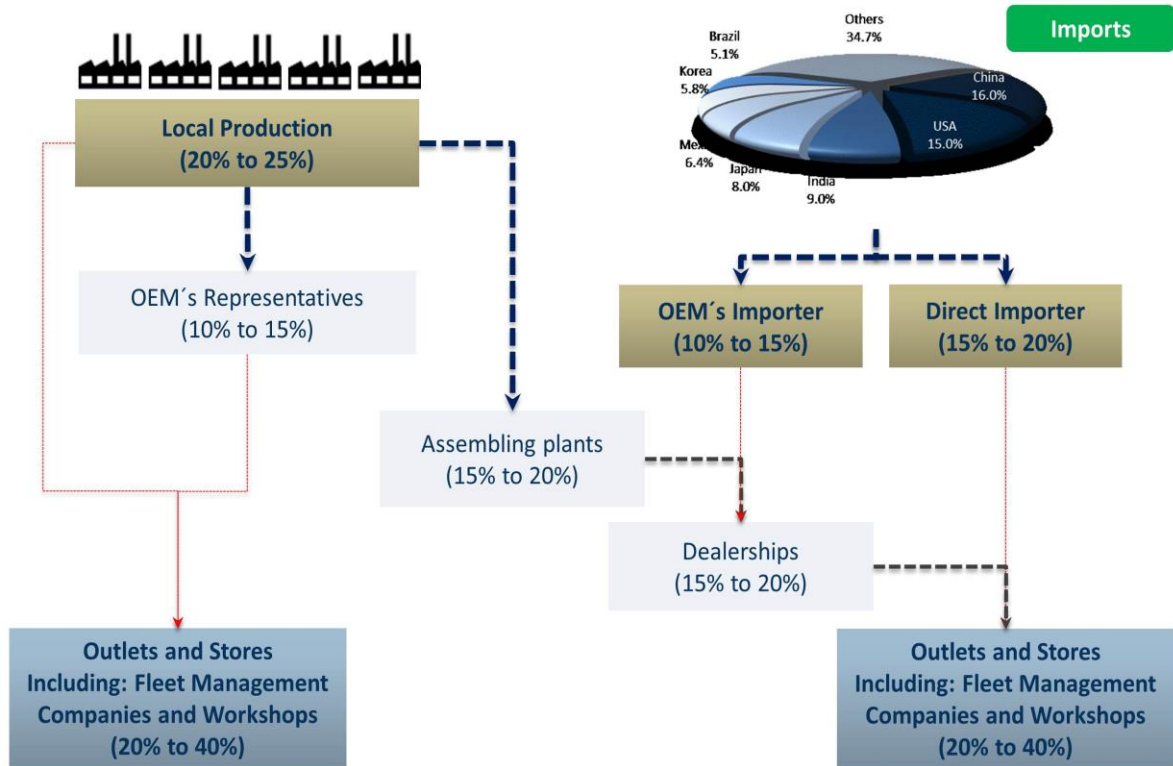
- The production of auto parts and bodyworks sector represents 0.7% of the gross industrial production. There are about 180+ companies in the spare parts manufacturing segment. Products that contribute most to the sector's output are "electrical equipment" (24%), "other bodyworks" (20.3%) and "steering, brakes and suspension" (16.5%). The other links in the chain of auto parts are "engine and lubrication" (12.2%), racks (9.2%), interior finishes, accessories and packaging, air conditioning, vehicle bodies, steering, brakes and suspension, electrical equipment and facilities, control equipment and tools, engine and lubrication, wheels, tires and transmission and gearboxes.
- 48.8% of the internal demands are supplied by national production of parts in Colombia. However, the main weakness of the market is the dependence in imported auto parts and the competitive structure of the sector in the country.

Others includes imports from Germany, Argentina and other European and Latin American Countries

Source: Frost & Sullivan

Auto Components Distribution and Margin Structures

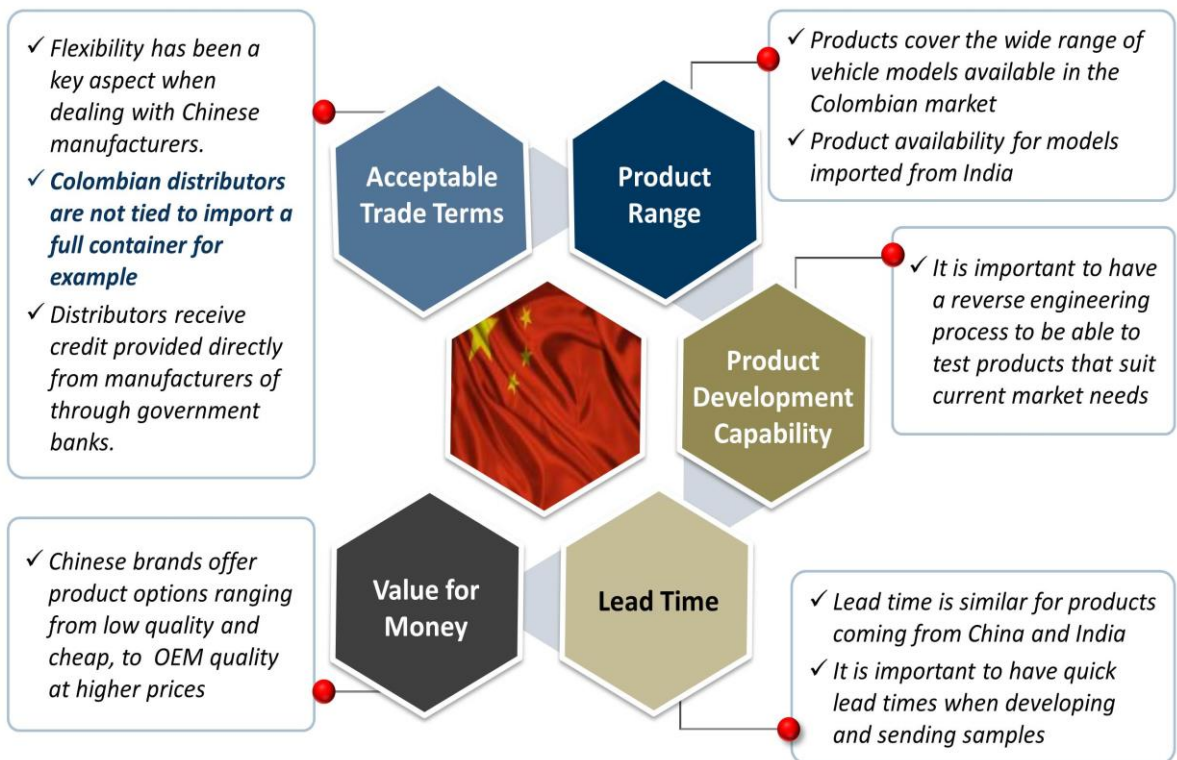
Traders opine that total margins on a part can reach over 100%



Source: Frost & Sullivan

Chinese Auto Components in Colombia

Reverse engineering capability of Chinese manufacturers is a significant advantage over competing manufacturers from other countries

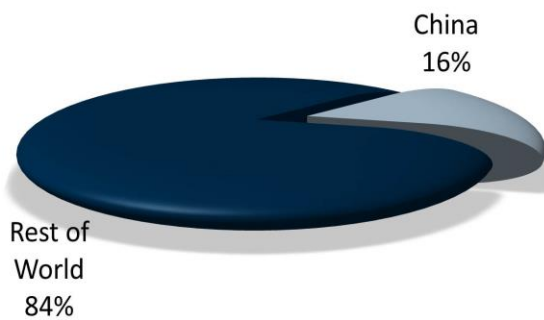


Source: Frost & Sullivan

Impact of Chinese Auto Components

The key advantage of Chinese manufacturers lies in their extensive product and quality range, to a wide range of vehicle models

Share of Chinese Components in Total Imports



- Chinese components are perceived to be **Value for Money, i.e. low price for low quality, high price for OEM quality**
- Manufacturers have short lead times for product development
- A wide range of vehicle models across segments are pretty well covered by Chinese products
- Mechanics and small retailers favour Chinese products as they sensible to prices

- Chinese products are know in the country by affordable prices and low to medium quality. However, it is important to mention that some Chinese spare parts are not perceived anymore as poor quality products. Actually most of the OEM's have manufacturing plants in China, therefore some Chinese parts are actually original parts. Consequently, there are multiple Chinese alternatives of varying quality grades and prices for most auto components, the cheapest being around 25-30% of the price of the OEM genuine part.
- China and Colombia do not currently share any free trade agreements.
- The transit time for imports from Xingang, China to Barranquilla is one month.

Source: Frost & Sullivan

Duty Structure for Import of Auto Components and Impact on Indian Exporters



Regulatory Framework and Duty Structure for Auto Components

The Colombian RTAs

Relevant regulations, on imports of auto components
(FTAs and RTAs with any countries on this cargo)

Main Commercial Agreements:

- FTA Colombia - Mexico
- Colombia - Northern Triangle (El Salvador, Guatemala, Honduras)
- Andean Community (CAN)
- **CARICOM** - Colombia and the Caribbean Community
- **MERCOSUR** - Colombia, Argentina, Brazil and Uruguay.
- Colombia - Chile
- **EFTA** - Colombia Iceland, Liechtenstein, Norway and Switzerland
- Colombia - Canada
- Colombia - USA
- Colombia - Venezuela
- Colombia - Cuba
- Colombia- Nicaragua
- Global System of Trade Preferences among Developing Countries (GSTP)



Source: Frost & Sullivan

Regulatory Framework and Duty Structure for Auto Components

Description about the GSTP RTA.

Global System of Trade Preferences among Developing Countries (GSTP)

The Global System of Trade Preferences among Developing Countries (GSTP) is a preferential trade agreement signed on 13 April 1988 with the aim of increasing trade between developing countries in the framework of the United Nations Conference on Trade and Development. Its entry into force was on 19 April 1989 and its notification to the WTO on 25 September 1989.

Agreement name:	Global System of Trade Preferences among Developing Countries (GSTP)		
Coverage:	Goods	Type:	Partial Scope Agreement
Status:	In Force	Notification under:	Enabling Clause
Date of signature:	13-Apr-1988	Date of notification:	25-Sep-1989
Date of entry into force:	19-Apr-1989	End of implementation period:	1989
Current signatories:	Algeria; Argentina; Bangladesh; Benin; Bolivia, Plurinational State of; Brazil; Cameroon; Chile; Colombia; Cuba; Ecuador; Egypt; Ghana; Guinea; Guyana; India ; Indonesia; Iran; Iraq; Korea, Democratic People's Republic of; Korea, Republic of; Libya; Malaysia; Mexico; Morocco; Mozambique; Myanmar; Nicaragua; Nigeria; Pakistan; Peru; Philippines; Singapore; Sri Lanka; Sudan; Tanzania; Thailand; Trinidad and Tobago; Tunisia; Venezuela, Bolivarian Republic of; Viet Nam; Zimbabwe		
RTA Composition:	Plurilateral		
Region:	Africa; South America; West Asia; Caribbean; East Asia; Middle East; North America; Central America		
All Parties WTO members?	No	Cross-Regional:	Yes

Source: Frost & Sullivan

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Regulatory Framework and Duty Structure for Auto Components

PROFIA (Development Program for the Automotive Industry).



PROFIA (Development Program for the Automotive Industry).

In August 2015, the 1567 decree is issued to modify the decree of the Development Program for the Automotive Industry (PROFIA), launched in 2013. This way manufacturers of auto parts that requiring auto parts not produced in the country, they can do it through the figure of "imports with tariff franchise".

Although the measure does not apply VAT exemption, coverage includes 538 beneficiaries subheadings. Is a control system that guarantees exemption for goods without domestic production within the same tariff subheading.

PROFIA allows the import with a preferential tariff of 0% of parts and goods from anywhere in the world as long as these parts are not produced in Colombia and are used to manufacture auto parts or assembling vehicles.

The benefit of the program is given regardless of the origin of imported goods and if final goods are for the domestic market or for export.

Benefits for industry: This scheme will reveal in detail what the assemblers import for vehicle manufacturing, and obtain reference information for what national automakers can compare their products competitively and even identify which could produce to respond to the domestic industry.

- It gives new impetus to the industry local vehicle assembly
- Promote greater competition in the auto parts raising the standards of the national industry.
- Promotes attraction of new investments in the industry.
- Strengthen the joint work between the different links in the chain in the industry

Source: Frost & Sullivan ,rtais.wto.org

Regulation Impact on Indian Exporters Auto Component Manufacturers

Regulatory Norms	Law Name/Number		
Local vehicle regulations	Safety Regulations <ul style="list-style-type: none"> • Vehicle standards applied • UN World forum on harmonization of vehicles standards • New car assessment program Vehicle Regulations <ul style="list-style-type: none"> • Front and rear seat-belts required in all new cars • Front and rear seat-belts required all imported cars • Penalty/demerit point system in place 	Safety Regulations <ul style="list-style-type: none"> • National speed limits-Yes • Local authorities can set lower limits • Maximum limit urban roads 80 km/h • National drink-driving law • BAC limit – general population 0.039 g/dl • BAC limit – young or novice drivers 0.039 g/dl • BAC limit – professional/commercial drivers 0.039 g/dl • Random breath testing and/or police checkpoints 	Safety Regulations <ul style="list-style-type: none"> • National motorcycle helmet law • Applies to drivers and passengers • Helmet standard mandated • National seat-belt law • Applies to front and rear seat occupants • National law on mobile phones while driving • Law prohibits hand-held mobile phone use • Law also applies to hands-free mobile phones
	Emission Regulations Inspections: <ul style="list-style-type: none"> • Mandatory • All vehicles • Started in 2007 Providers: <ul style="list-style-type: none"> • Certification of service providers that meet governmental standards • Strong push for EVs and specific NAMA programs and incentives (subsidies/reduced tax) for cleaner vehicles Decree 1135 of 2009 released mandate for introduction of FFV vehicles—delayed		

Source: Frost & Sullivan

Regulation Impact on Indian Exporters Auto Component Manufacturers

Regulatory Norms	Law Name/Number
Business Environment	<p>FDI Norms</p> <p>The Government of Colombia actively encourages foreign direct investment. In the early 1990s, the country began economic liberalization reforms, which provided for national treatment of foreign investors, lifted controls on remittance of profits and capital, and allowed foreign investment in most sectors. Generally, foreign investors may participate in privatization of state-owned enterprises without restrictions. Colombia imposes the same investment restrictions on foreign investors that it does on national investors. Since 2010, the Santos administration has continued efforts to open up the economy. Liberalization has progressed furthest in telecommunications, accounting/auditing, energy, mining, and tourism, and to a lesser extent in legal services, insurance, distribution services, advertising, and data processing. In 2012, Colombia received over \$15 billion of Foreign Direct Investment (FDI) compared to the U.S. \$13 billion received in 2011 when it ranked fourth as FDI destination in Latin America behind Brazil, Mexico, and Chile.</p> <p>Foreign investors face exceptions and restrictions in the following sectors: television concessions and nationwide private television operators, radio broadcasting, movie production, maritime agencies, national airlines, and shipping. Portfolio investment in financial, hydrocarbon, and mining sectors are subject to special regimes, such as investment registration and concession agreements with the Colombian government, but are not restricted in the amount of foreign capital permitted. Foreign investors can participate without discrimination in government-subsidized research programs. In fact, most Colombian government research has been conducted with foreign institutions.</p> <p>The Ministry of Trade, Industry, and Tourism formulates foreign investment policy in coordination with the Ministry of Finance and Public Credit, taking into account the guidelines of the Council on Economic and Social Policy (CONPES). The primary regulations governing foreign investment in Colombia are Law 9 of 1991, Decree 2080 of 2000, CONPES Resolutions 51, 52, and 53, and Resolution 21 of the Board of Directors of the Central Bank.</p> <p>A commercial presence in the country (defined as a registered place of business, a branch, or an agent) is a standard operating practice for conducting business in Colombia. All foreign direct investment that involves the establishment of a commercial presence in Colombia requires registration with the Superintendent of Corporations ('Super Sociedades') and the local chamber of commerce. Colombian law regulates the number of foreign personnel in several professional areas, such as architecture, engineering, law, and construction. For firms with more than 10 employees, no more than 10 percent of the general workforce and 20 percent of specialists can be foreign nationals.</p>

Source: Frost & Sullivan

Regulation Impact on Indian Exporters Auto Component Manufacturers

Regulatory Norms	Law Name/Number
Business Environment	<p>FDI Norms (continued)</p> <p>Investment screening has been eliminated, and the registration requirements that still exist are generally formalities. Under Decree 1844 of 2003, the type of investment, its ultimate destination, and the type of currency determines the registration requirements. Foreign investments must be registered with the Central Bank's foreign exchange office within three months of the transaction date to ensure repatriation of profits and remittances and to access officially-registered foreign exchange.</p> <p>Colombia has a comprehensive legal framework for business. Colombia's judicial system defines the legal rights of commercial entities, reviews regulatory enforcement procedures, and adjudicates contract disputes in the business community. The judicial framework includes the Council of State, the Constitutional Court, the Supreme Court of Justice, and the various departmental and district courts, which are also overseen for administrative matters by the Superior Judicial Council. The 1991 constitution provided the judiciary with greater administrative and financial independence from the executive branch. However, the judicial system remains hampered by time-consuming bureaucratic requirements and corruption. Colombia's foreign direct investment legal framework also incorporates binding norms (Decisions 291 and 292) resulting from its membership in the Andean Community of Nations (CAN) as well as other free trade agreements and bilateral investment treaties.</p> <p>Colombia's Congress passed Laws 962 and 963 in 2005. Law 962 simplified existing administrative procedures and provided for the review of new procedures. Law 963 offers investors the opportunity to enter into so-called "legal stability contracts" with the State. These contracts guarantee that the laws applicable to the investment at the time the investment is entered into will remain in effect for a period between three and 20 years depending on the type and amount of the investment. The minimum dollar value of the investment must reach U.S. \$1.2 million, and those seeking such a contract must pay a fee based on the investment. The law applies to investments in manufacturing, agriculture, tourism, mining, petroleum, telecommunications, construction, electricity production and transmission, port and railroad development, and other activities approved by a special committee. Although still in force, there has been some discussion of revising these contracts to increase tax revenue.</p>

Source: Frost & Sullivan

Regulation Impact on Indian Exporters Auto Component Manufacturers

- The Global System of Trade Preferences among Developing Countries (GSTP) FTA gives a positive outlook for Indian Companies. Also, Hero Moto Corp have established their new manufacturing plant in Colombia which gives a good perspective for others Indians companies.
- Colombian import tariffs have been significantly reduced and simplified. There are four tariff levels: 5% for raw materials, and intermediate and capital goods not produced in Columbia; 10% and 15% for goods in the first category but with domestic production in Columbia; 20% for finished consumer goods; and 35% for automobiles, and other luxury items. The average tariff lies between 11% and 13.5%. The four-tariff system also acts as the common external tariff for the Andean Community, which became effective for Columbia in 1995. The value-added tax is 16%, but automobiles sales taxes range from 16% to 60%. Legislation was being planned in 1999 to reduce the sales tax to 12%.
- Non-tariff barriers to trade include restrictions on poultry parts, powdered milk, wheat, and other agricultural products. Tariff rates for some of these selected basic commodities ranged up to 119% in 1999. Import and export licenses are required for most items.
- Colombia maintains free trade agreements with Venezuela, Ecuador, Bolivia, and Mexico. There are also international agreements for preferential duty rates with the Caribbean Common Market and the Central American Common Market, and Colombia has requested consideration for NAFTA accession and entry into the future Free Trade Area of the Americas (FTAA). Several free trade zones are in operation.

Source: Frost & Sullivan

Market Insights Importers/ Distributors, Retailer and Mechanics



Sample Covered for Field Work in Colombia

Frost & Sullivan has interacted with 30 respondents in Colombia

Respondent Category	Quantity
Importer/Distributor	10
Retailers	10
Garage	5
OE Supplier	5

Frost & Sullivan also interacted with 3 top auto components distributors in Colombia

Source: Frost & Sullivan

Importers-Distributors



Importer-Distributor - Overview

Medium satisfaction with Chinese products sourcing



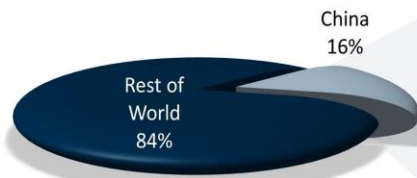
- There are two types of importers in the Colombian market. Direct importers and OEM’s importers. Regarding stock, there are not big differences, on average both have 3 months, although importers with more storage capacity maintain inventories of 6 months or even a year.
- Imports of specialized parts, which are not taken into inventory, can take one or two weeks if those are imported from Brazil or Mexico, or for a month or 45 days if imported from Asia. Although maritime transit time, usually it is 30 days.
- Credit periods with suppliers range from 30 to 90 days
- Some distributors expressed challenges in long lead time (30-45 days), arrival of wrong products and/or damaged products

Source: Frost & Sullivan

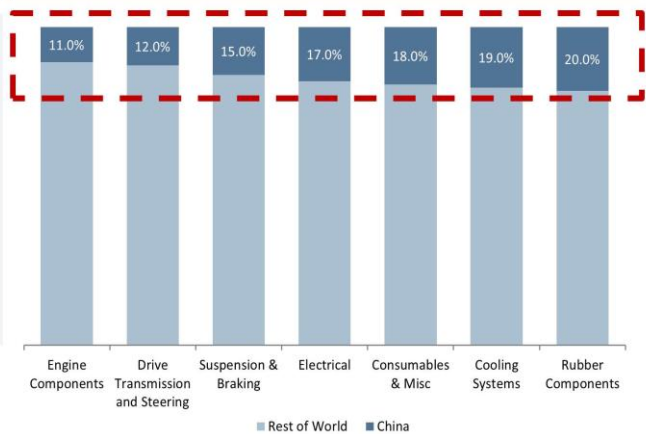
Importer-Distributors’ Sourcing from China

Low quality perception of Chinese components restrains their potential in some component categories

Share of Importer-Distributor Sourcing from China



Share of Chinese Imports by Component Category



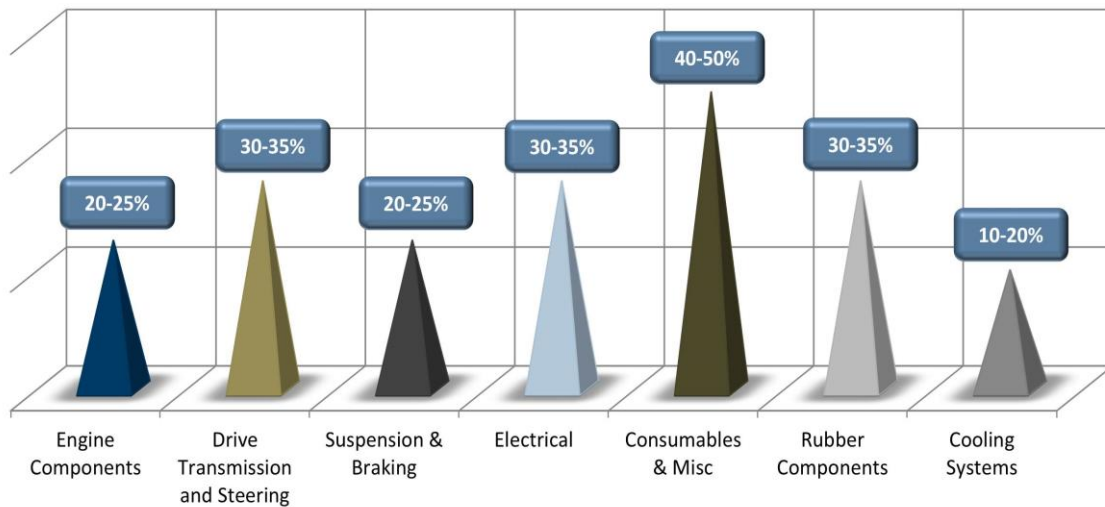
- Chinese products are known in the country by affordable prices and medium quality, it is important to mention that Chinese spare parts are not perceived anymore as a poor quality products. Actually most of the OEM’s have manufacturing plants in China, therefore some Chinese parts are actually original parts.
- There are no restraints in terms of country of origin for parts either for Chinese or Indian.
- A big amount of the total imports are also done by the OEM that have stalled production plants in the country like Renault, GM, Mazda and others. For those processes the suppliers need to “homologate” the parts with the OEM.

Source: Frost & Sullivan

Importer-Distributor Margins

Importer-distributor margins can be as high as 50% in Consumables & Misc. parts

Importer-Distributor Margins on Auto Components



- OEM’s have a recommended sales price for its dealers according to the VIN (Vehicle Identification Number), anyway the lack of surveillance from OEM’, allows distributors, official dealers and traders to set their own prices based on current market conditions, allowing for healthy margins.
- Overall, importer reported an average margin of over 25-30% on sale to customers, and upto 20% on sale to other retailers
- Chinese products offer high margins, and still might be the cheapest option for consumers

Source: Frost & Sullivan

Willingness to Selling Indian Brands

Indian brands are considered to be higher quality than Chinese options, and more sellable in the market. However, the brand awareness should be developed.

● Low/Poor ● Medium/Average ● High/Good

Importer/Distributors and Indian Brands	
Previous Experience(s) Dealing with Indian Suppliers	● Medium/Average
Awareness of Specific Indian Brands	● Low/Poor
Perception of Quality of Indian Brands	● Medium/Average
Perception of Product Development Capability of Indian Manufacturers	● Low/Poor
Willingness to Trade with Indian Suppliers	● High/Good

- Colombia out of three surveyed countries, is the one that as more experience dealing with Indian suppliers
- The “Indian brand” is perceived by distributors and bigger retailers to have more quality than the Chinese and they also highlight this potential niche market for new companies or suppliers.
- Mechanics and smaller retailers will be harder to move upon Indian companies due to the price difference of the Chinese parts. They would prefer to remain with low quality products and higher margins.

Source: Ernst & Sullivan

Distributor Profiles - I

OMNI Parts has a sales team in each of the major cities, covering the entire Colombian territory with wholesales only.

Company Name	OMNI Parts Importadora de Autopartes	Contact Person	Luis Ortiz
No. of Year in the Business	30	Designation	Sales Manager, Bogotá
Contact Number	00571-864-3666 00571-864-3795	Email Address	omniparts@omniparts.com.co

Head Office: Bogotá, D.C. - Colombia S.A.

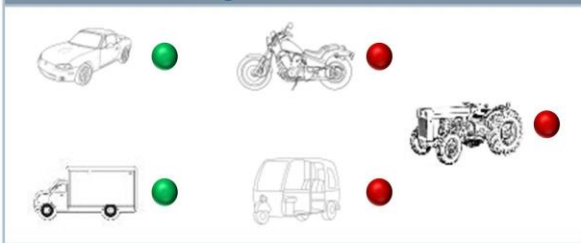
No of branches: 5

Business Assets



Storage Space: 40,000 sq. ft.

Segments Covered



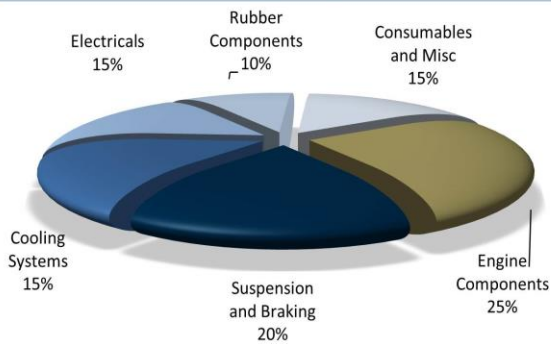
- Engine Components
- Drive Transmission and Steering
- Suspension & Braking
- Electrical
- Consumables & Misc.
- Rubber Components
- Cooling Systems
- Filtration (Air, Oil and Fuel)

Source: Frost & Sullivan

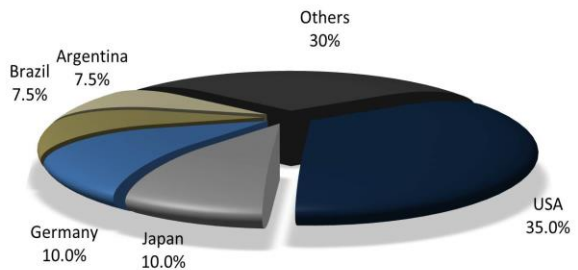
Distributor Profiles – I (continued)

OMNI Parts only imports mainly from USA.

Share of Different Component Categories Sold by the Distributor



Share of Imports by Country of Origin



Top Models Catered To

Make	Models
General Motors	SPARK, SONIC, TRAIL-BLAZER
RENAULT	CLIO, LOGAN, SENDERO
VW	GOL, GOLF, JETTA

Chinese Brands in the Distributor's Business

Distributor for Chinese Brands	No
Share of Chinese Brands in Total Business	N/A

Source: Frost & Sullivan

Distributor Profiles – I (continued)

Indian components are of good quality, and if they match specifications they can be sold easily in Colombia

Interest in Dealing Indian Parts



- Indian auto components are perceived as good auto components
- They can be easily sold if prices are competitive.

Top Indian Auto Component Brands Recalled by the Distributor

None

They think that India imported components are of good quality, but are specialized for 20 years in the brands they currently represent.

Distributor Expectations from Indian Suppliers



- **Price** – Match market prices
- **Quality** – Must match OEM’s specifications
- **Product Range** – Wide product range with specifications
- **Marketing** – Promotions, promoting deals with large retailers, and campaigns to raise awareness of the brand and the products
- **Terms of Trade** – Small MOQs
- **Lead Time** –30-40 days

Source: Frost & Sullivan

Distributor Profiles - II

IMPOCALI offers Japanese and Korean spare parts for passenger and commercial vehicles as well as motorcycles.

Company Name	IMPOCALI. Importadora Cali	Contact Person	Jose Luis Serrano
No. of Year in the Business	47	Designation	Imports Department
Contact Number	00572-487-1500	Email Address	jserrano@impocali.com

Head Office: Cali - Colombia

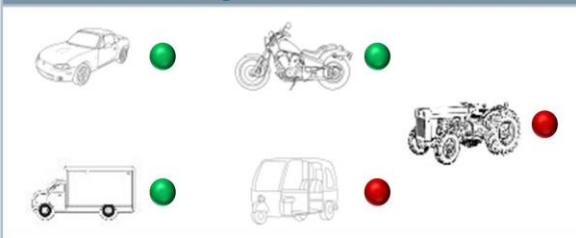
No of branches: 2

Business Assets



Storage Space: 20,000 sq. ft.

Segments Covered



- Engine Components
- Drive Transmission and Steering
- Suspension & Braking
- Electrical
- Consumables & Misc.
- Rubber Components
- Cooling Systems
- Filtration (Air, Oil and Fuel)

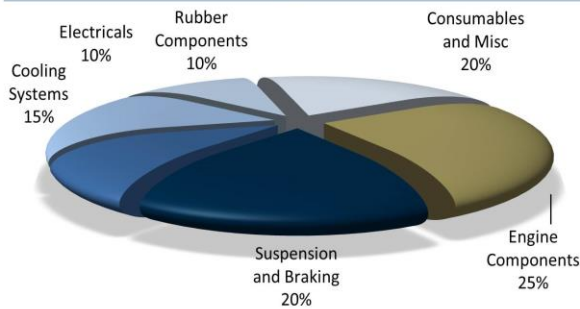
Source: Frost & Sullivan

Distributor Profiles – II (continued)

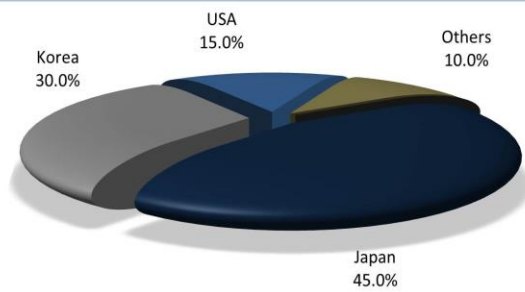
IMPOCALI offers high quality components for

Japanese vehicles and motorcycles, such as Nippon Piston Company or Riken

Share of Different Component Categories Sold by the Distributor



Share of Imports by Country of Origin



Top Models Catered To

Make	Models
KIA	PICANTO, RIO, CERATO
NISSAN	MARCH, TIIDA, X-TRAIL
MAZDA	MAZDA 2, MAZDA 3
TOYOTA	COROLLA, HILUX

Chinese Brands in the Distributor's Business

Distributor for Chinese Brands	No
Share of Chinese Brands in Total Business	N/A

Source: Frost & Sullivan

Distributor Profiles – II (continued)

IMPOCALI also consider that Indian components are of good

quality, and if they match specifications they can be sold easily in Colombia

Interest in Dealing Indian Parts



- Indian auto components are perceived as good auto components
- They can be easily sold if prices are competitive.

Top Indian Auto Component Brands Recalled by the Distributor

None

Distributor Expectations from Indian Suppliers

- **Price** – Competitive prices. There are national and overseas suppliers
- **Quality** – Must match OEM's specifications
- **Product Range** – Engine components.
- **Marketing** – Promotions, promoting deals with large retailers, and campaigns to raise awareness of the brand and the products
- **Terms of Trade** – First imports: 50% advance and 50% upon delivery. After 6 successful operations, credit: 30 to 60 days
- **Lead Time** –30-40 days



Source: Frost & Sullivan

Distributor Profiles - III



Castelmotors offers the Chinese brand KMX transmission & steering; and suspension & braking spare parts for almost all brands in Colombia

Company Name	Castelmotors Autopartes	Contact Person	Diana Fernandez
No. of Year in the Business	10	Designation	Sales Manager, Bogota
Contact Number	00572-370-5060	Email Address	colombia@kmxsuspension.com

Head Office: Bogota - Colombia

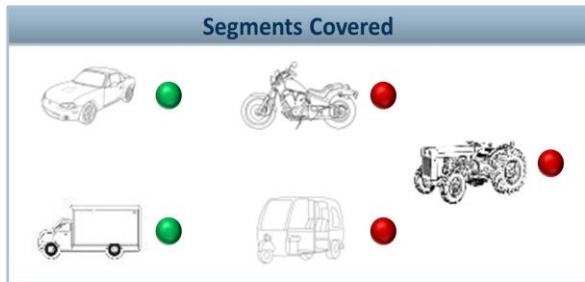
No of branches: 2

Business Assets



Storage Space: 40,000 sq. ft.

Segments Covered



- Engine Components
- Drive Transmission and Steering
- Suspension & Braking
- Electrical
- Consumables & Misc.
- Rubber Components
- Cooling Systems
- Filtration (Air, Oil and Fuel)

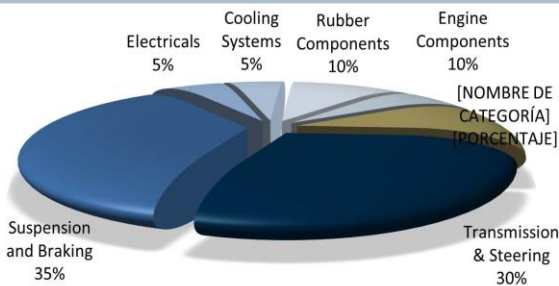
Source: Frost & Sullivan

Distributor Profiles – III (continued)

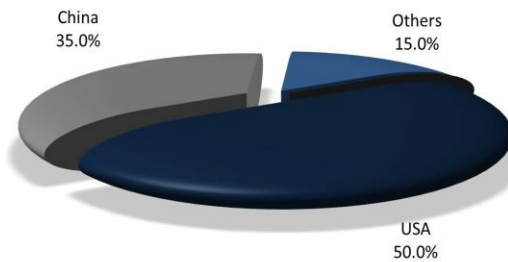


Although Castelmotors is a distributor of the Chinese brand KMX, most of the imports of the brand are made from USA.

Share of Different Component Categories Sold by the Distributor



Share of Imports by Country of Origin



Top Models Catered To

Make	Models
Chevrolet	SPARK, SONIC, TRAIL-BLAZER
RENAULT	CLIO, LOGAN, SENDERO, KOLEOS, DUSTER,
KIA	PICANTO, RIO
NISSAN	MARCH, TIIDA, X-TRAIL

Chinese Brands in the Distributor's Business

Distributor for Chinese Brands (Imported from USA)	YES
Share of Chinese Brands in Total Business	85%

Source: Frost & Sullivan

Distributor Profiles – III (continued)



Castelmotors is not interested in dealing Indian spare parts, because is a authorized dealer of the Chinese brand KMX

Interest in Dealing Indian Parts



- Indian auto components are perceived as good auto components
- They can be easily sold if prices are competitive.

Top Indian Auto Component Brands Recalled by the Distributor

None

Distributor Expectations from Indian Suppliers

- **Price** – Competitive prices.
- **Quality** – Must match OEM’s specifications
- **Product Range** – Mainly for Chevrolet specifications. Chevrolet in Colombia is a good business for worldwide spare parts manufacturers. Mainly spare parts for engine; transmission & steering; and Suspension & Braking
- **Marketing** – Promotions and campaigns to raise awareness of the brand and the products. Important to work with ASOPARTES and attend events
- **Terms of Trade** – First imports: 50% advance and 50% upon delivery.
- **Lead Time** –30-40 days



Source: Frost & Sullivan

Retailers



Retailer - Overview

While some distributors deal exclusively in high quality components, most retailers deal in components of all quality grades and price ranges

Auto Component Retailers in Colombia	
Average Stock Held	2 weeks to 3 months
Retailer Margins	15-35%
Credit Facility to Mechanics	Yes, for familiar mechanics

- China manufacturer's flexibility has been key to be chosen by suppliers to Colombian distributors. Being able to buy small quantities, credit options, and a wide product portfolio were mentioned as key aspects.
- Inventory holding by retailers generally ranges from 3 weeks to 3 months but will vary depending on the product
- The illegal market plays an important role in this category once there are sold original parts with an accessible price.
- Most retailers deal in components of all quality grades and price ranges unlike some distributors who deal exclusively in high quality components sourced from USA, China and others manufacturers
- Mechanics being key influencers in the choice of auto component used in a vehicle (DIFM channel is the most important in Colombia), retailers incentivize mechanics to push products that offer better margins and that's the reason why they chose Chinese brands.

Source: Frost & Sullivan

Fast Moving Auto Components - Retailer Perspective

Harsh driving behaviour, road quality and overloading practices drive demand for suspension and braking components making it an attractive segment

Component Category	Fast Moving Components
Engine Components	Pistons Piston Rings Cylinder Liners Cylinder Head Gaskets Engine Bearing Engine Valves Crank shaft Connecting Rods Cylinder heads
Drive Transmission & Steering	Clutch Assembly Clutch Plate Ball Suspension Joints
Suspension & Braking	Brake Pads Brake Shoe Master Cylinder Kit Shock Absorbers

Source: Frost & Sullivan

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Fast Moving Auto Components - Retailer Perspective

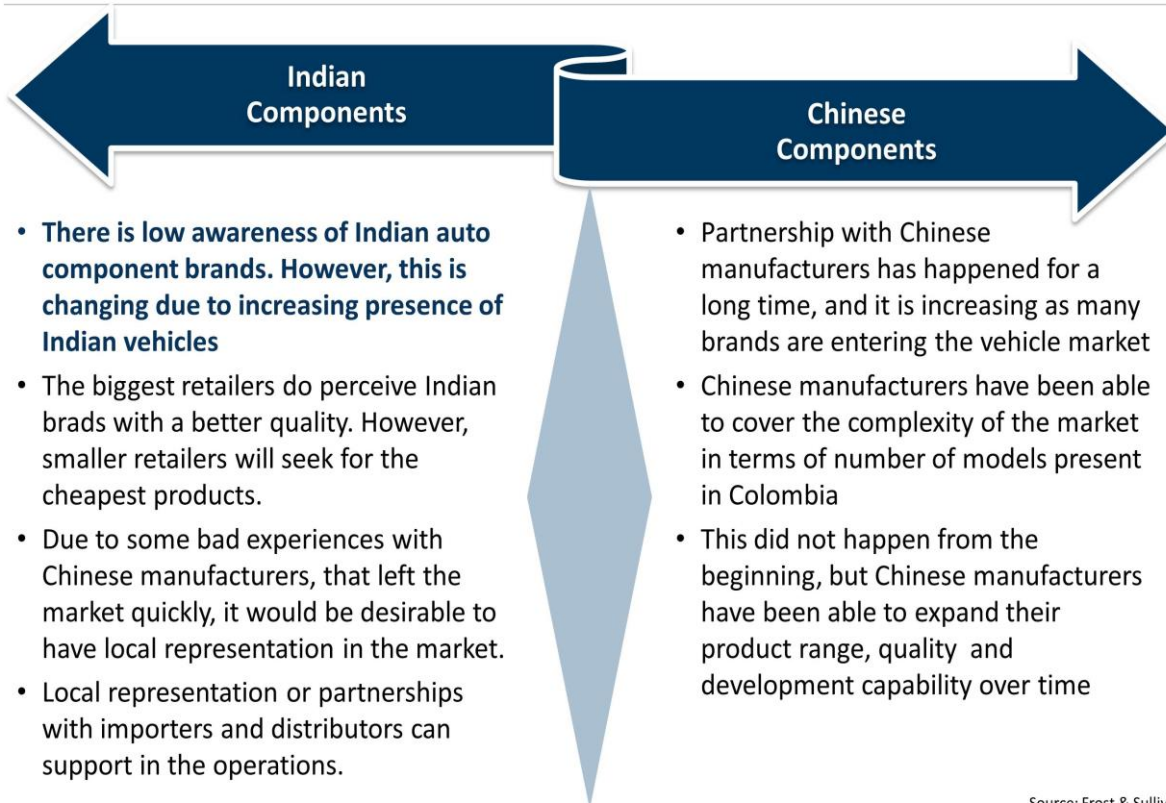
Dusty conditions in the suburbs and rural areas, and contaminated fuel contribute to the demand for consumables; light assemblies are often replaced because of fading or damage in accidents

Component Category	Fast Moving Components
Electricals	Starter Alternator Head lamp Assembly Tail Lamp assembly
Consumables & Misc	Air Filter Fuel Filter Oil Filter Wheel Bearing Wiper Blades
Rubber Components	Hoses Oil Seals Strut Mountings
Cooling Systems	Water Pump Oil Pump

Source: Frost & Sullivan

Chinese vs. Indian Parts – Retailer Perspective

Indian Manufacturers lose out because they do not have products readily available for the market or in the same range of price



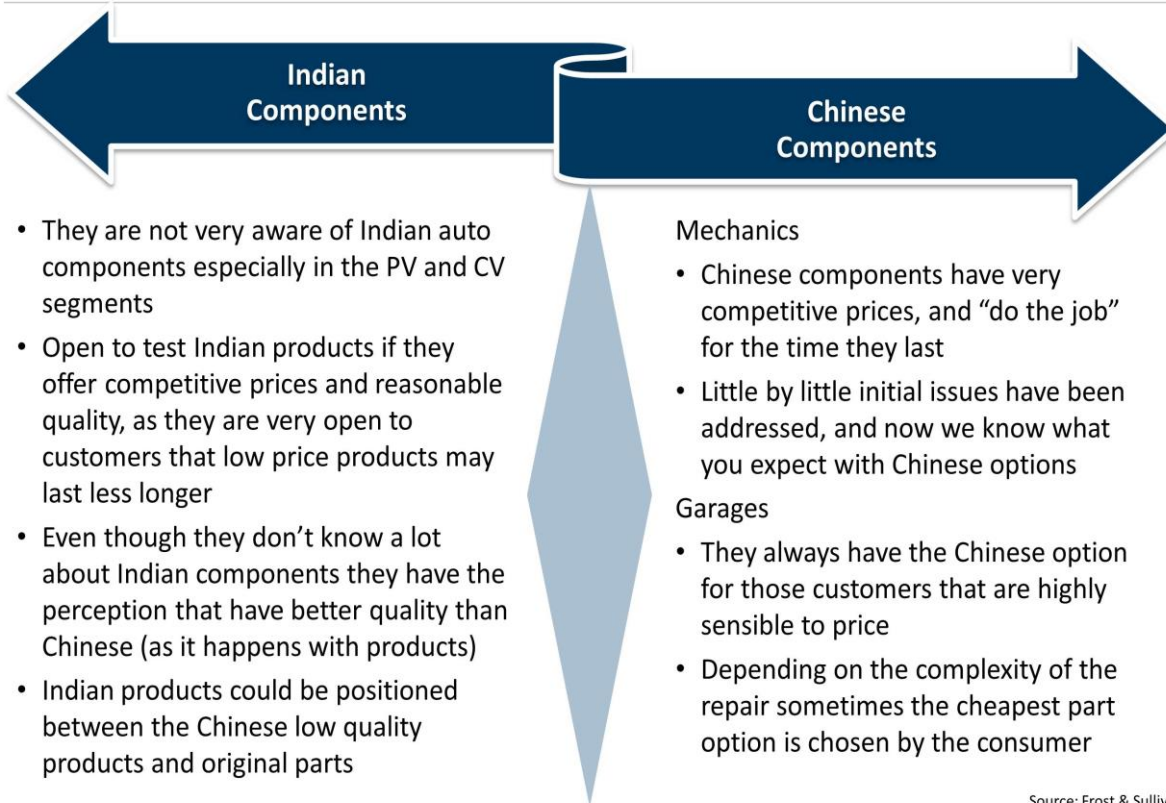
Source: Frost & Sullivan

Garages & Mechanics



Chinese vs. Indian Parts – Garages and Mechanics Perspective

Garages will use Chinese components in circumstances where the overall repair cost is too high, or a customer specifically requests for cheap parts and also because of the margins



Colombia Motor Repairers Association



Mission: Auto parts association that supports the social, commercial and technical objectives integrating the market and forting

- Standards for:
- Body shop repairers
- Import of used automotive spare parts - Colombia standard dks2190-2009
- Fees, painting charges, labour, re-inspection, timelines, investigation reports



- Offering training to educate associates in changing market needs
- Training has to be mostly in topics related to repair skills

- Commission research and studies in partnership with Government entities and other industry stakeholders

- Represent industry interests in front of local government agencies and industry, and in global events; to make sure its interests are represented

Source: KEMRA, Frost & Sullivan

Will Extend Support To Indian Auto Component Manufacturers Who Are Interested in an Organized Entry to The Market



- Promoting Indian brands among the members of Asopartes.
- Guidance on relevant incentives for the local market, introduction to importers and distributors with market know how.

- Recommendations on route to market.
- Addressing concerns and questions pertaining to local taxes and duty structures.

- Conducting local events and meetings.
- Access to key stakeholders in the local industry.
- Identifying and accessing reliable potential local partners.

Source: Frost & Sullivan

Thank You





Automotive Component Manufacturers Association of

The Automotive Component Manufacturers Association of India (ACMA) is the apex body representing the interest of the Indian Auto Component Industry.

ACMA represents over 740 companies, which contributes to more than 85% of the total auto component output in the organised sector. In the domestic market, they supply components to vehicle manufacturers as original equipment, to tier-one suppliers, to state transport undertakings, defence establishments, railways and even to the replacement market. A variety of components are being exported to OEM's and after-markets world-wide.

ACMA has played a critical role in growth and development of the auto component industry in India. Its active involvement in trade promotion, technology up-gradation, quality enhancement and collection and dissemination of information has made it a vital catalyst for this industry's development. Its other activities include participation in international trade fairs, sending trade delegations overseas and bringing out publications on various subjects related to the automotive industry.

ACMA's charter is to develop a globally competitive Indian Auto Component Industry and strengthen its role in national economic development as also promote business through international alliances.

ACMA is represented on a number of panels, committees and councils of the Government of India through which it helps in the formulation of policies pertaining to the Indian automotive industry.

For exchange of information and especially for co-operation in trade matters, ACMA has signed Memoranda of Understanding with its counterparts in Brazil, Canada, Egypt, France, Germany, Hungary, Iran, Italy, Japan, Malaysia, Nigeria, Pakistan, Russia, South Africa, South Korea, Spain, Sweden, Thailand, Tunisia, Turkey, UK, USA and Uzbekistan.

ACMA is an ISO 9001:2008 Certified Association

Further information and data on the Indian automotive industry is available on the ACMA Website: www.acma.in

Automotive Component Manufacturers Association of India

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