

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 – Mexico

May, 2016

Knowledge Partner

FROST & SULLIVAN

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Executive Summary



The Mexican Market has a favourable opinion about Indian auto components as compared to Chinese components

Indian components are especially well known in 2W and 3W segments



Vehicle Parc	Perception of Indian Auto Components	Auto Components Market
<ul style="list-style-type: none"> The passenger vehicle parc of 26.5 million is diverse with no single dominant model Nissan accounts for around 22% of the PC parc, followed by General Motors and Volkswagen with 20% and 15% respectively In the 2W and 3W segments, Bajaj, and TVS, are the only Indian OEMs present in the market, and Hero is expected to arrive to Mexico in 2016. 	<ul style="list-style-type: none"> Indian auto components are perceived to be of good quality and are well received in the 2W and 3W markets However, only a few respondents have bought Indian parts in other segments. Turn around time from receipt of an inquiry to actual supply is very high compared to Chinese counterparts (40-50 days from India, compare to 20 days from China) 	<ul style="list-style-type: none"> Some importers/ distributors sell directly to customers. Non-OES channels service around 70% of the vehicle parc The gray market accounts for less than 10% of the total IAM The US, China, and Japan are the key origins of imported components. India is in the 9th place.

Source: Frost & Sullivan

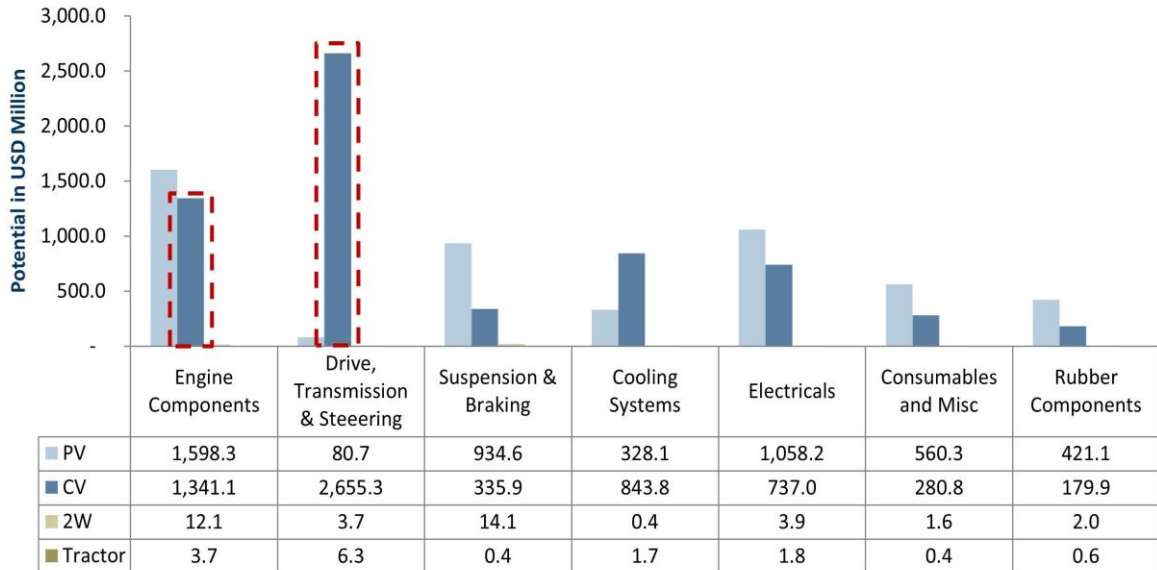
Unique Trends in the Mexican Automotive Market

Imports of Used Cars	<ul style="list-style-type: none"> Imports of used cars decreased almost 65% in 2015 compared to 2014, and the trend is expected to continue. In 2015, imports of used cars represented 13.6% of the total light vehicle sales The decreasing trend is expected to continue as the government has imposed stricter requisites to import used vehicles
Increasing Credit	<ul style="list-style-type: none"> Credit to buy new vehicles increased around 22% in 2015, which is expected to stimulate the vehicle market in 2016 This increment is coming from the finance arms of OEMs, rather than from local banks
Local Vehicle Assembly	<ul style="list-style-type: none"> Mexico is the 7th largest vehicle producer globally and it is expected to reach more than 5 million units produced by 2020. Mexico is the 4th exporter of light vehicles in the world, and the top exporter of Class 8 trucks

Source: Frost & Sullivan

Auto Component Market Size

The total auto component aftermarket potential in Mexico is estimated at US\$11,407.8 million



- In rural areas consumption of parts like bearings is higher than in urban areas or major cities, as there is more dust
- In urban areas, especially largest cities like Mexico City, Guadalajara and Monterrey friction components like brake pads, disc rotors and drums, etc are more consumed due to road and driving conditions. Heavy traffic conditions, bumps and potholes are common in big cities.

Source: Frost & Sullivan

Similarities Between the Mexican Vehicle Parc and Indian Models

● Nil ● Low ● Medium ● High

Similarity Between Mexican Vehicle Parc and Indian Models		
	Level of Similarity in the Segment	Vehicle Models
Passenger Vehicles	● Low	Volkswagen – Polo, Vento Hyundai – Atos, i10, Grand i10
Commercial Vehicles	● Nil	
2 Wheelers	● Medium	Bajaj – Pulsar NS200, BM150, Discover Honda – Dio, Beat, CBF, Activa, CBR
3 Wheelers	● High	Bajaj – Bajaj, RE 205, GC TVS - King
Tractors	● Medium	John Deere Massey Ferguson - MF275

Source: Frost & Sullivan

Mexican Perspective of Indian Auto Components - SWOT Analysis

Opportunity for Indian Players to position between Chinese and American/Japanese parts

Strengths

- Generally positive experiences with Indian vehicles, i.e. 2W and 3W
- Product quality is higher than other Asian competitors like China and Korea



Weaknesses

- Low penetration and brand/origin awareness
- Apparent lack of product range
- No local representation
- No presence of Indian brands in the PV and CV segments, although imports of Indian-made cars is increasing (PVs)



Opportunities

- General openness in the market to explore Indian auto components
- Small but growing parc of Indian, PVs 2 wheelers and 3 wheelers
- Increasing imports of PVs from companies like Ford, VW that are very entrenched in the market, and Hyundai that is growing exponentially in the market.



Threats

- Not sure about Indian capabilities to be priced as competitive as competing Chinese options
- Longer wait periods than Chinese counterparts



Source: Frost & Sullivan

Critical Success Factors

Market Reach is a critical area – Indian suppliers ought to have as many stockists as possible to make Indian parts as easily available as Chinese parts

- Interest of some importers/distributors to develop exclusive branded products
- Initial products could be those that fit imported vehicles from India
- Turn-around time in delivery is a critical success factor

- Packaging quality, and attractiveness must be exploited
- Participation in regional events, and organizing meets events in the market will help create brand awareness



- Promotional material and giveaways will help improve brand recall
- ACMA members could organize product exhibitions in the local market especially with installers

- A local representative in the market is crucial to engage with the traders and garages
- A local representative can provide real time feedback on market developments
- and aid in product development
- Will give confidence of trust and permanence in the market

- Price levels must ideally be around 15% to 20% above Chinese products, and at least 20% cheaper than an OEM genuine part
- Acceptable price and product quality will help to ensure strong demand for Indian components

Source: Frost & Sullivan

Perception of Indian Auto Components

Mexican Automotive Stakeholders perceive product range, lead time and product development capability are the key concerns

Total Potential	<ul style="list-style-type: none"> The total aftermarket estimated value in Mexico is estimated at US\$11,407.8 million
Impact of Chinese Competition	<ul style="list-style-type: none"> Chinese components are available in varying grades of quality and prices Chinese alternates 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
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 if the offering meets local market requirements They opine that product range, lead time and product development capability are currently the key concerns

Source: Frost & Sullivan

Recommendations

Product range and lead time are the key elements to succeed; stake holders willing to pay an incremental premium for Indian parts over Chinese

Suggested Road Map to enter Mexico for ACMA Members

Segment	<ul style="list-style-type: none"> The 2w and 3w segments represent a significant opportunity to ACMA members due to: <ul style="list-style-type: none"> Presence of Indian models Most parts except engine components are interchangeable between Indian and Chinese The CV segment presents low potential in the short term given the fact that there is no presence of Indian brands in the market, and it is dominated by American and Japanese brands The immediate opportunity in the PV segment is low as there are limited Indian models in the vehicle parc. However, increasing imports of Indian manufactured models from OEMs like VW, Hyundai, Honda, Ford, Suzuki that have important market shares in Mexico
Product Development	<ul style="list-style-type: none"> For segments other than the 2w and 3w segments, Indian suppliers have to develop products to address at least the top models available in the market (parc, and best sold models) Indian suppliers must set up new dedicated project teams with the sole responsibility of identifying and generating new references Critical factor in product delivery is the lead time – ensure turnaround time of 30 days for delivering to compete with Chinese suppliers

Source: Frost & Sullivan

Recommendations

Product range and lead time are the key elements to succeed; stake holders willing to pay an incremental premium for Indian parts over Chinese

Suggested Road Map to enter Mexico for ACMA Members	
Quality	<ul style="list-style-type: none"> The general perception among Mexican 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 OEM manufacturers - provided high quality, durability, and, strong brand awareness in the market Importer/distributors are willing to pay a premium on Indian components
Promotion	<ul style="list-style-type: none"> Organized and participate in road shows and product seminars with local stakeholders including distributors, and, garages and mechanics Giveaways will help promote products and enhance brand recall ACMA should establish a relationship with the Mexican Association of Representatives, Importers and Distributors of Autoparts and Accessories (ARIDRA) as an initial point to promote and improve visibility of Indian components
Channel	<ul style="list-style-type: none"> In the short run, as part of the educational process it is recommended that ACMA starts with second tier distributors, as processes to do business with largest importers may be long In the long run, as brand awareness grows, Indian suppliers can look at exporting full containers where 4 to 5 dealers can benefit from a single container load

Source: Frost & Sullivan

Mexico – Economic Profile



Mexico Country Profile

79% of population resides in urban areas



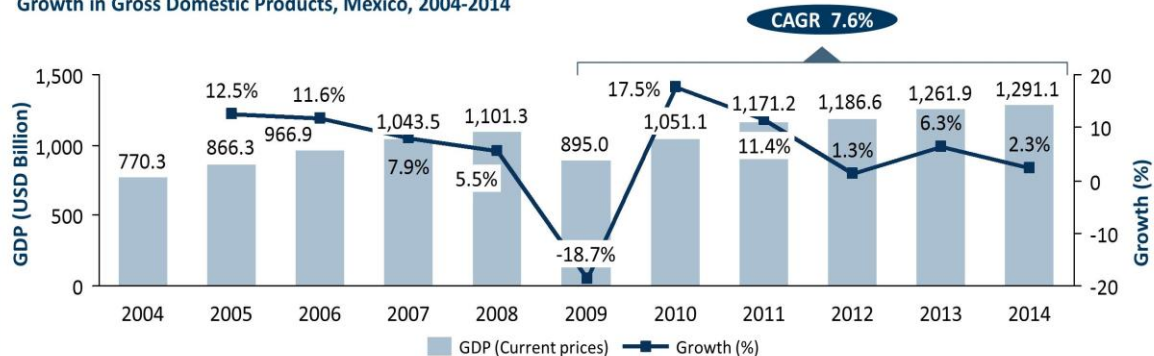
Area	1,959,248 sq. km
Population	Total: 121.0 million (2015); Growth 1.18% (2015 est.) 79.2% population resides in urban area
Male Female Population	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>Female</p> <p>51.2%</p> </div> <div style="text-align: center;"> <p>Male</p> <p>48.8%</p> </div> </div>
Population by age group	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p>15-29 years</p> <p>26.8%</p> </div> <div style="text-align: center;"> <p>29-59 years</p> <p>34.8%</p> </div> <div style="text-align: center;"> <p>Above 60 years</p> <p>9.1%</p> </div> <div style="text-align: center;"> <p>< 14 years</p> <p>29.3%</p> </div> </div>
Key cities	Mexico City, Guadalajara, Monterrey
Legal Driving Age	18 years
Vehicle driving mode	Left

Source: INEGI, CIA Worldfactbook, Frost & Sullivan

Mexico Gross Domestic Product

Mexican economics is presenting a positive growth since 2010 and it is expected to maintain this behaviour for future years

Growth in Gross Domestic Products, Mexico, 2004-2014



Mexico economy is based on the manufacturing since NAFTA and the export of these items for more than 46 countries with FTA's.



Public transportation has been undergoing continuous improvements. However, vehicle ownership remains high due to the lack of public transportation for the population.



Vehicle production has been below the potential due to the low international demands. The oil prices have also influenced the government revenues. Frost & Sullivan expects that vehicle production and sales will be back on the growth trajectory from H2 2016 or early 2017.

Implications:

- Service Economy directly generates demand for auto and auto components markets
- Leads to increase in vehicle parc generating more demand for auto components
- Major dependence on imported vehicle parts in the aftermarket

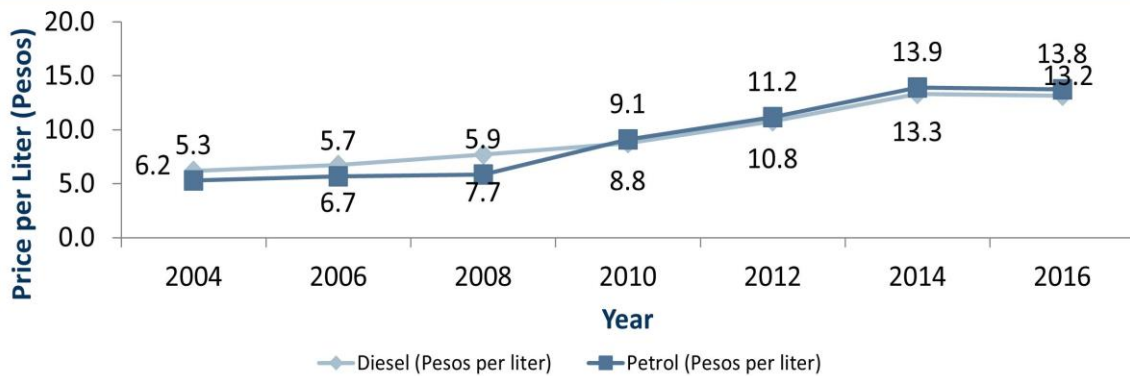
Note: GDP does not include Producers of Government Services and Total Except Import Duties

Source: World Bank, IMF and Frost & Sullivan Analysis
CAGR calculated for a 5 year period 2014 to 2018

Mexico – Fuel Price Fluctuation

Mexico fuel distribution has been a State monopoly (PEMEX), but from April 2016 franchisers will be able to sell fuel coming from other vendors

Fuel Price Fluctuation, Mexico, 2004-2014



- Fuel prices in Mexico have been subsidized and controlled by the State.
- With the Energy Reform and the entrance of new participants prices are expected to fully fluctuate according to market conditions from 2018.
- In January 2016, fuel prices dropped around 3% for the first time in recent history. From this moment until 2018, the government will fix a maximum price (instead of a fixed price). Prices cannot fluctuate more than 3% at a time.
- Tax on fuels in Mexico averages at 49% of the pump price. Gasoline taxes reach 45%, while diesel is charged with taxes of up to 53%

Conversion Rate: 1 USD = KES 101.35

Source: Deputy Chamber, Frost & Sullivan

Automotive Industry in Mexico

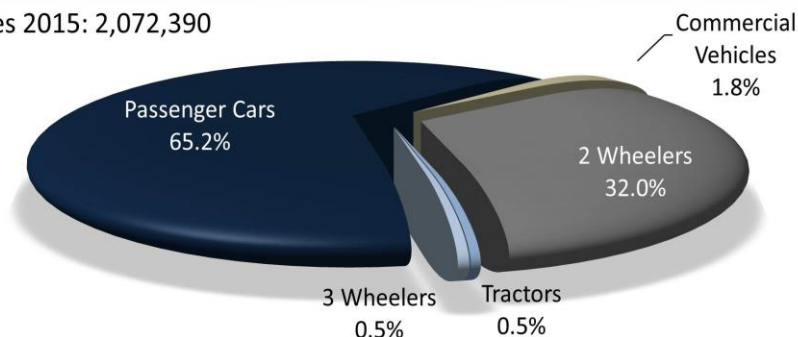


Automotive Industry Overview

A very diverse vehicle market with more than 50 brands present in the market

Automotive Industry Sales, Share by Vehicle Category, 2015

Total Vehicle Sales 2015: 2,072,390



- Mexico is the 4th exporter of passenger cars globally; and the top exporter of trucktractors in the world. Around 19% of total production of passenger cars is destined to satisfy the local market.
- By 2020 it is expected that Mexico will reach production of 5.1 million vehicles, and 14% will stay in the local market.
- Premium OEMs like Audi, BMW and Mercedes Benz and Infiniti will start production in Mexico in 2016-2017 shifting physiognomy of the current industry
- Around 25% of the passenger cars market are used vehicles

Source: Frost & Sullivan

Drivers and Restraints in Mexico Automotive Sales and Production

Overall economic growth will provide the platform for the growth of the automotive industry



Market Drivers

Increase of the minimum wage in Mexico by 4.2%.

One of the most important segment in the economy is the manufacturing. From the total production of cars 83% is dedicated to the exports.

The production of vehicles in Mexico has exceeded Brazil. It has also attracted some other OEM's to establish new production plants in the country.

With the entrance of imported used vehicles the need of parts by independent channels increases.



Market Restraints

Extremely dependent on the USA and Canada market with the NAFTA Free trade agreement, although continuously diversifying its exports matrix

With the entry of imported used vehicles in the country the illegal auto parts is fully influenced with the arrival of "new" parts in the country.

Mexico also have some benefits from agreements between North American Countries where the price and quality of parts are very competitive.

Source: Frost & Sullivan

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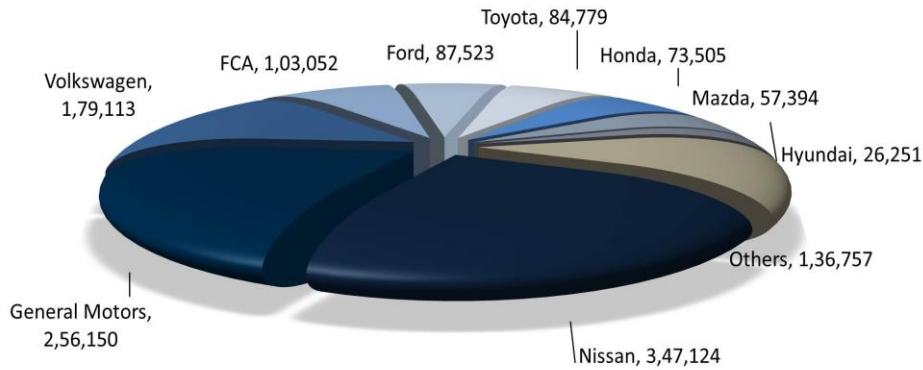
Passenger Vehicle Market in Mexico



Passenger Vehicle Segment Overview



Nissan is the market leader in the passenger cars segment with 25.7% of sales in 2015



Make	Top Sold Models*
Nissan	March, Tsuru, Tiida, Versa, Sentra, Altima, Xtrail, NP300
Chevrolet	Aveo, Spark, Sonic, Trax, Camaro
Volkswagen	Vento, Jetta, Passat
Honda	CR-V, Accord
Mazda	Mazda 3 Sedan, CX-5

- There are over 30 OEMs present in the Mexican passenger car market.
- Currently there are no Chinese or Indian OEMs selling in this segment.
- Japanese brands accounted for 43.1% of new vehicles sales in 2015, while American OEMs continue losing share holding now 33.4%

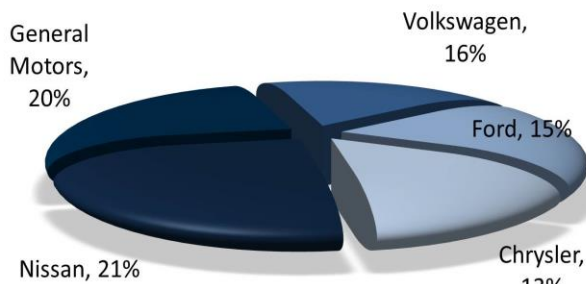
Total Passenger Vehicle Parc 2015: 20,025,780

Source: AMDA, Frost & Sullivan

Passenger Vehicle Segment Overview



It is estimated that Japanese brands represent around 5.6 million units in the vehicle parc



Top Circulating Models	Similarity with Indian Models
Nissan Tsuru	1,633,877
GM Chevy (3, 4 and 5-door)	892,235
VW Jetta Clasico	740,320
VW Sedan	688,170
Nissan NP300	534,459
VW Pointer (2 and 4 door)	423,938
Nissan Sentra	406,616
Ford F350	260,230
Nissan Platina	244,038

- Traditionally, American brands were dominant in the market, but nowadays Japanese brands have taken over, and Korean brands are expected to grow tremendously in the market
- Nissan accounts for 21% of total vehicle parc followed closely by General Motors with 20%
- The other top brands in the vehicle parc are Volkswagen, Ford, and Chrysler.

Total Passenger Vehicle Parc 2015: 20,025,780

Source: Frost & Sullivan

Passenger Vehicle Usage Conditions

In big cities like Mexico City, Guadalajara and Monterrey, passenger cars ply in generally congested traffic conditions



Daily Driving Patterns

- The average annual distance covered for personal passenger cars ranges from 14,000-17,000 kms in urban areas, and around 7200 kms in rural Mexico.
- For taxis, the average annual distance covered is in the range of 50,000 kms
- General driving habits such as lane discipline and braking are average. In big cities driving is known to be rash with constant rapid acceleration and tough braking.



Driving Conditions

- Traffic congestion, bumps and potholes are a challenge in the main cities like Mexico City, Guadalajara, and Monterrey.
- Rush hour traffic can be bumper to bumper for as long as 10 km stretches.
- Average driving speeds within the city range from 30-50 kmph.
- Road conditions are good in the city, but tend to deteriorate in the outskirts of the cities and small towns. Very dusty in some rural areas

Source: Frost & Sullivan

Commercial Vehicle Market in Mexico

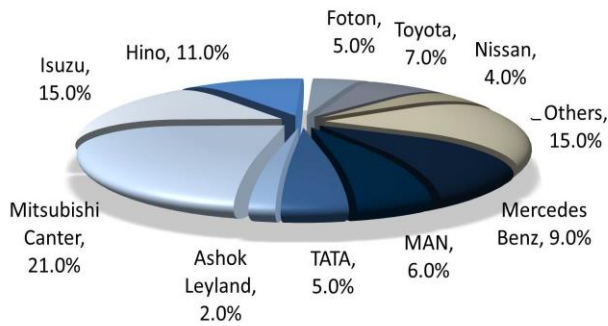


Commercial Segment Overview



The TATA Motors 2516 is a preferred platform in the construction segment

● Nil ● Low ● Medium ● High



Make	Top Models*	Similarity with Indian Models
Kenworth	T800, T660, W9000, T370	●
Freightliner	Columbia, FL360, M2	●
DINA	861	●
International	9200	●

- During 2015, local manufacturing reached 190,978 commercial vehicles in Mexico, majority of them to be exported to the United States.
- Almost 56% of this production were Class 8 trucks with 106,266 vehicles manufactured in 2015.
- Mexico is the top exporter of Class 8 trucks globally. In 2015, 92,985 vehicles were exported from the country.
- Freightliner and Kenworth are the leaders in Mexico in both, production and sales of commercial vehicles

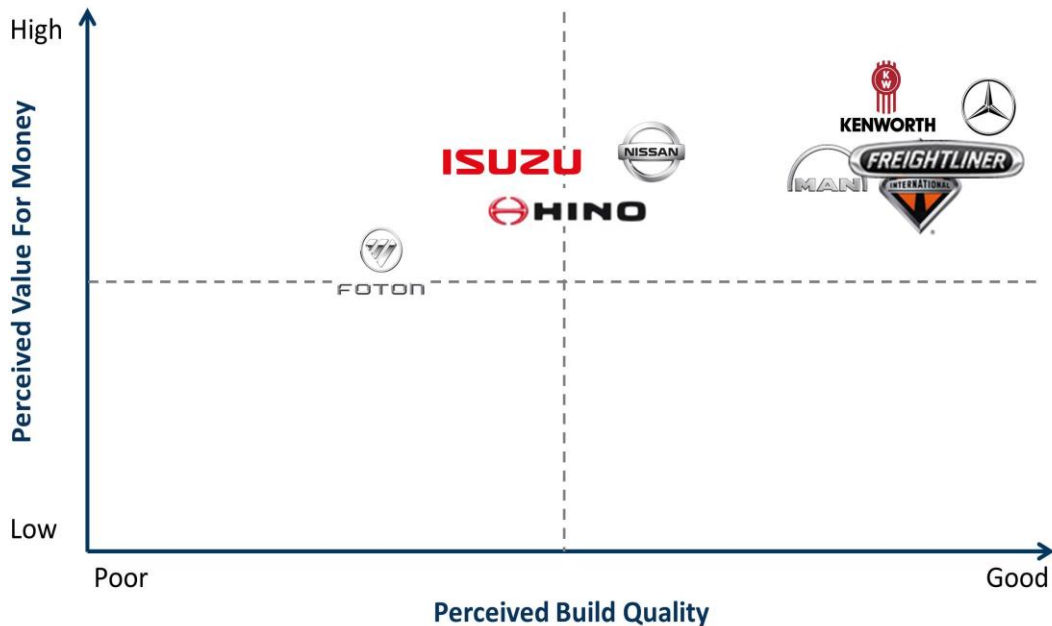
Others includes, but is not limited to FAW, JAC, JMC, Renault, Fuso, DAF, Scania

Source: Frost & Sullivan

Commercial Vehicle Segment Overview (continued)



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



Source: Frost & Sullivan

Commercial Vehicle Segment Overview (continued)

Asian brands are preferred for short haul applications and American brands are common in long haul heavy duty applications



- Hyundai is the most recent entrant with domestic assembly capability inaugurated in February 2016. Its current manufacturing capacity is 2,500 truck per year.
- This investment was done between Grupo Eljuri (Ecuadorian automotive company) and Hyundai.
- The LCV market is dominated by brands such as the Isuzu and Hino on the value segment, and Freightliner in the premium segment
- The long haul tractor trailer market is dominated by brands like Kenworth, Freightliner and International
 - The preference for these brands for long haul applications is owing to the perceived rugged build quality of these vehicles, their reliability and driver comfort
 - Although these products are expensive, their operating economics allow for quick ROI and also have a healthy resale potential in the market
- There are no Indian brands in this segment

Source: Frost & Sullivan

Commercial Vehicle Usage Conditions

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



Daily Driving Patterns

- The average annual distance covered is 90,000-100,000 kms for heavy duty trucks and around 72,000 kms for light and medium duty trucks
- Public transport commercial vehicles are driven rashly within the city limits
- Heavy goods vehicles ply on highways where speeds are steady for the most part, in the range of 60-80 kms per hour, and slower at key entry and exit points to cities

Driving Conditions



- Mexico has around 133,000 kms of paved roads, so in general trucks run on good-condition highways
- Road conditions range from good to average within the city, but tend to deteriorate in some rural areas
- Overloading is a common practice, with high overloading noted in rural areas
- Diesel quality is considered poor in Mexico so it has been difficult to adopt stricter emission levels standards

Source: Frost & Sullivan

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2 Wheeler Market in Mexico

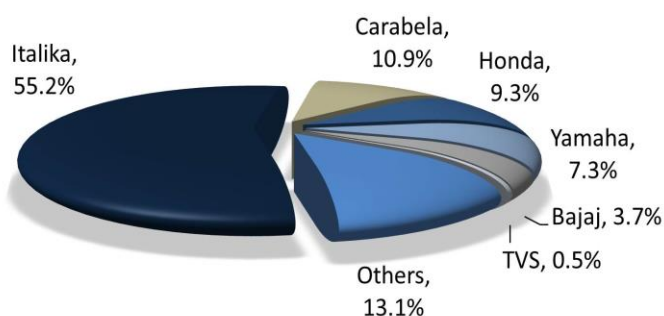




2 Wheelers Segment Overview

Mexican brands built in China dominate the 2 wheeler market

Total 2 Wheeler Parc 2015: 1,868,427



● Nil ● Low ● Medium ● High

Make	Top Models*	Similarity with Indian Models
Italika	FT125	●
Carabela/ Kurasai	Classic, Bobcat	●
Honda	Cargo150, Dio	●
Yamaha	125-3, 150-7, FZ16	●
Bajaj	NS200, BM150	●

- Motorcycles in Mexico are used for both personal and work purposes.
- Delivery of goods, documents and food is the main usage for 2W in Mexico. In recent years, people in biggest cities are adopting more and more the use as a personal mean of transport (to avoid traffic congestions).
- The most commonly used models for work are Italika FT125, Honda Cargo150, Kurasai Classic
- Other applications for motorcycles include recreational which has a good market in the countryside
- The market is highly fragmented with more than 30 brands present in the market, some of them are only known at a regional level with small volumes. Majority of them coming from China

Others includes, but is not limited to Islo, Suzuki, BMW, Harley Davidson, etc

Source: Frost & Sullivan



2 Wheeler Usage Conditions

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



Daily Driving Patterns

- On average motorcycles may run 15,000 kms per year, but delivery motorcycles may reach 35,000 – 40,000 kms per year
- Work motorcycles are known to be rashly driven, and some of them poorly maintained
- Motorcycles are also used for goods transport of small loads.
- Larger fleets of delivery motorcycles like newspapers, couriers and food delivery are well maintained

Driving Conditions



- Majority of motorcycles run within the city on paved roads. However motorcycles are also very common in rural areas where road quality is average or poor.
- Despite bad road conditions, rash driving is rampant
- Harsh acceleration and deceleration while weaving through heavy city traffic is common

Source: Frost & Sullivan

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3 Wheeler Market in Mexico



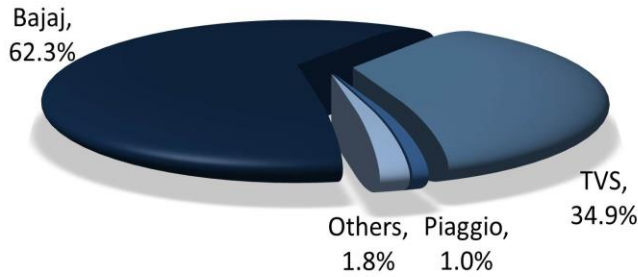
3 Wheeler Segment Overview



Mexico started selling 3W for passenger transportation around 2003

Total 3 Wheeler Parc 2015: 39,000

● Nil ● Low ● Medium ● High



Make	Top Models*	Similarity with Indian Models
Bajaj	RE, GC100	●
TVS	King GS	●
Piaggio	City	●

- 3 wheelers in Mexico exist outside the main business districts of the country, and in the coastal markets. However, they are forbidden in some areas of the country.
- Referred to locally as 'mototaxis', they are a preferred mode of transport for passengers in very rural areas as they are cheaper than taxis, and also used for transportation of small consignments of goods as they are cheaper to rent than small trucks, have reasonable load bearing capabilities, and are ideal for travel on narrow roads
- Run primarily for public transport and commercial purposes, but still on a very limited areas. In some areas like Oaxaca, Yucatán and Chiapas (Southeast part of the country) municipalities issue a limited number of permits every year.
- In some other areas like Jalisco and Nayarit mototaxis run without authorities permits.

*Models account for 100% of the market

Source: Frost & Sullivan

3 Wheelers Segment Overview (continued)



The market for 3 wheelers in Mexico is a 100% new vehicle market

Used, 0.0%



- Around 97% of 3 wheelers are imported from India
- Bajaj is the leader in the 3 wheeler market owing to its perceived rugged construction and load bearing capacity
- Bajaj is continuously taking over TVS market share as its distribution and after-sales service is stronger than any other brand
- Bajaj is considered a reliable brand in the market owing to product quality, a good service network and affordable parts

Total 3 Wheeler Sales 2015: 9,533

Source: Frost & Sullivan

3 Wheeler Usage Conditions

Rash riding, bad roads and overloading are common usage conditions in the suburbs and rural areas



Daily Driving Patterns

- Average distance covered annually ranges from 50,000-62,400 kms, which is largely within the city limits, i.e. suburbs. They run on average 6 days per week
- Drivers are normally rash, over speed and brake hard
- Mototaxis 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 mototaxis for passengers is in suburb limits, and only in very limited areas of the country
- Goods transportation in mototaxis is very limited to coastal rural areas
- Medium to high overloading is common for mototaxis carrying that are carrying goods
- Mototaxis normally run on poor quality roads and dusty environments

Source: Frost & Sullivan

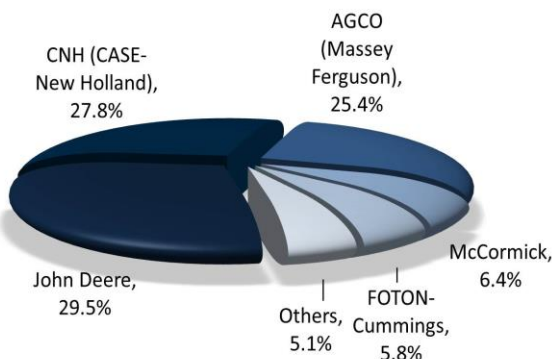
Tractor Market in Mexico





Tractor Segment Overview

John Deere, CNH and AGCO dominate the Mexican market



Make	Top Models
John Deere	Series: 5015, 6000
CNH (CASE-New Holland)	Series: TT, TS6000, TS6
AGCO (Massey Ferguson)	MF 8600, MF 7600
McCormick	MB85, D125 MAX
FOTON –Cummings	FT 504, FT 904

- In 2015, sales in national territory will close about 10,238 units, while 20,793 units were produced. There are 2 of the major tractor manufacturers and 3 assembly plants. In Mexico, competition is close between John Deere and CNH, who manufactures tractors and AGCO (that assemble tractors). A little more than 80% of the tractor demand in the country is covered by these 3 companies.
- The national market configuration has 3 levels (tiers):
 1. Manufacturers in Mexico. OEM’s that have great local capability: **John Deere** and **CNH** (New Holland and Case IH)
 2. OEM’s that have local assembly capability: **McCormick**; **AGCO** (Challenger (CAT), Fendt, Massey Ferguson and Valtra) and **FOTON –Cummings**.
 3. OEMs operating through distributors: **Belarus**; **Harvest King**; **YTO** and **KUBOTA**.

Others includes, but is not limited to Belarus; Harvest King; YTO and KUBOTA.

Source: Frost & Sullivan



Tractor Usage Conditions

Tractors are majorly used for tillage operation with annual usage of 1,200 hrs.



Daily Driving Patterns

- Average working time 1,200 hours a year.
- Tractors are the most used vehicles in the agriculture segment in Mexico. A tractor can have a good fuel economy, high technology and is able to carry other agriculture implements.
- There is also a big segment for the family agriculture businesses.

Driving Conditions



- A big part of the tractors sold in the country are equipped diesel engines.
- The agribusiness in Mexico counts with 3,3% of the whole GDP.
- The after sales departments do offer a warranty of 1,200 hours of work or a whole year. We can expect that, in average, a tractor runs about 1,200 hours per year.

Source: Frost & Sullivan

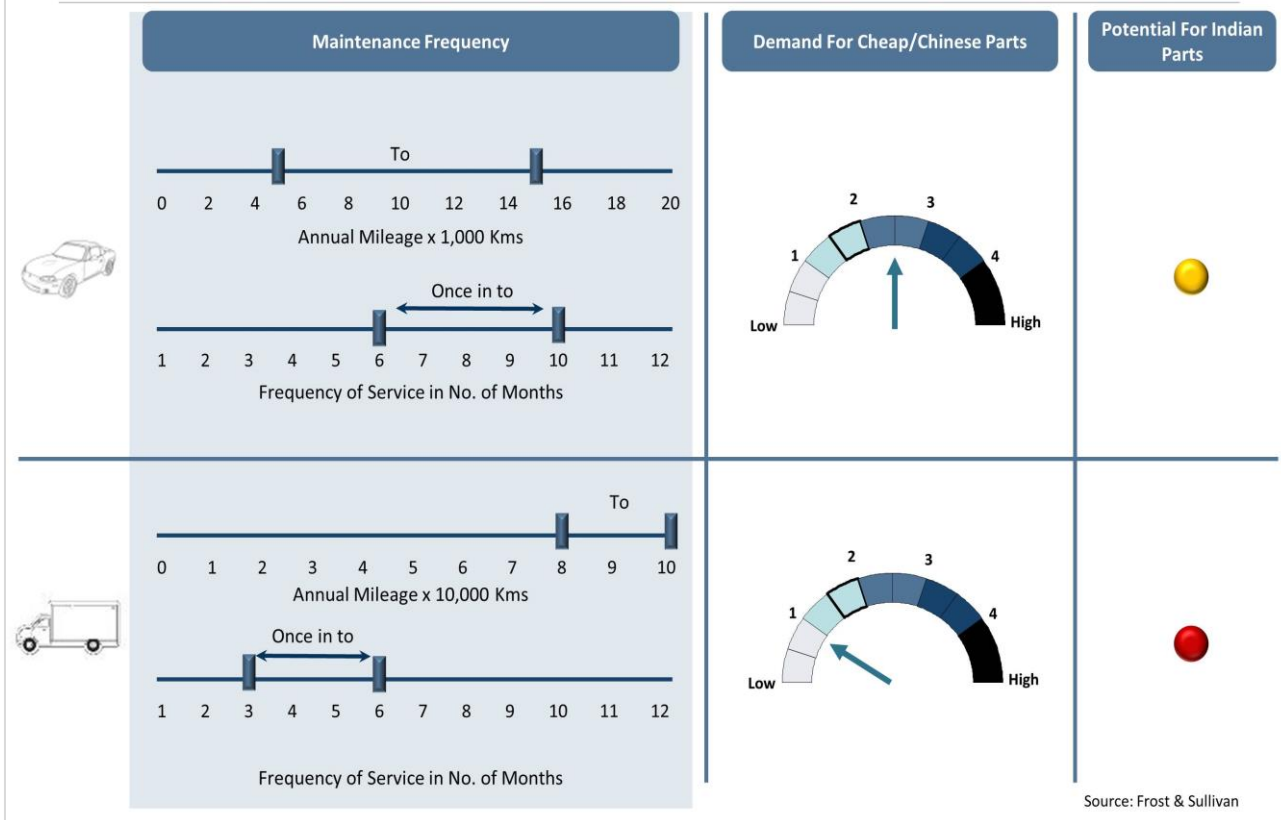
Maintenance and Parts Replacement Practices



Maintenance and Parts Replacement Practices

The potential for Indian parts in the CV segment is very limited as major brands are American and European

● Low ● Medium ● High

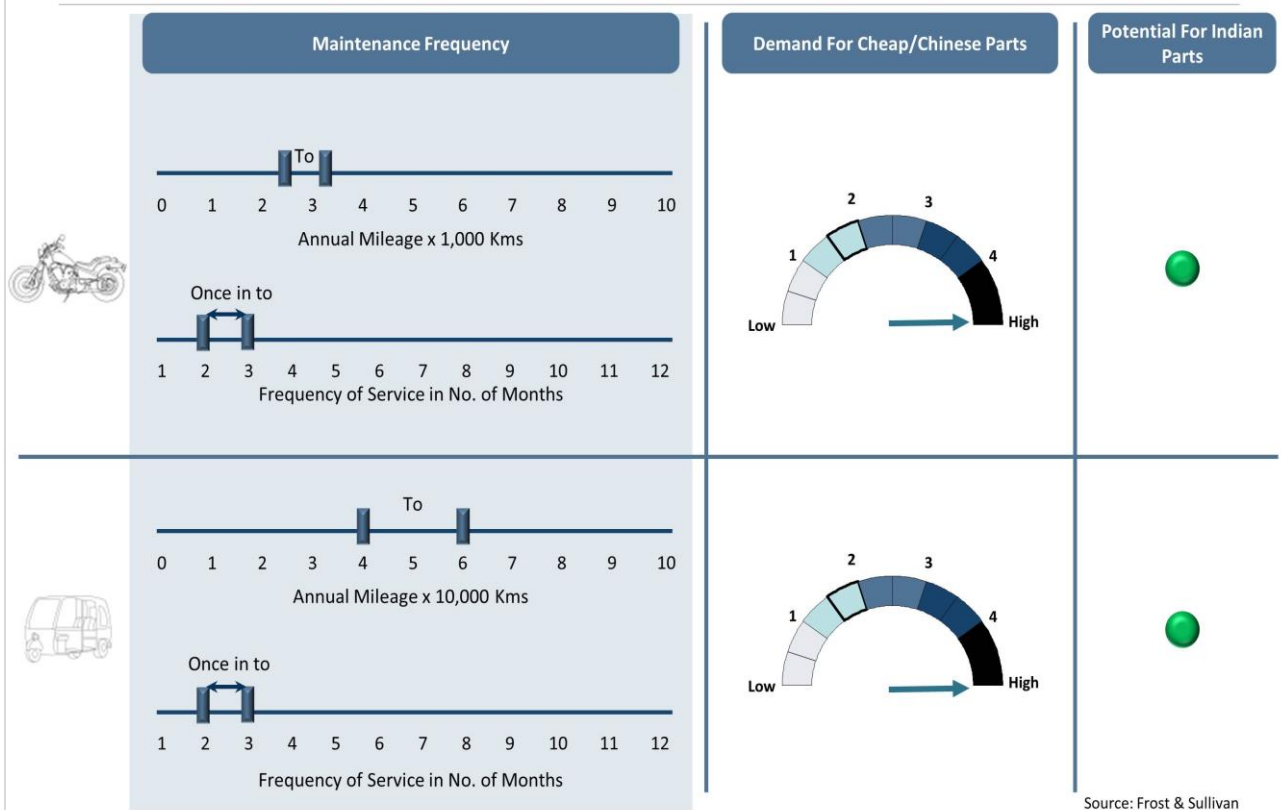


Source: Frost & Sullivan

Maintenance and Parts Replacement Practices (continued)

While the demand for cheap parts is high in both of these segments, the potential for Indian parts is high given the presence of Indian brands in both segments

● Low ● Medium ● High

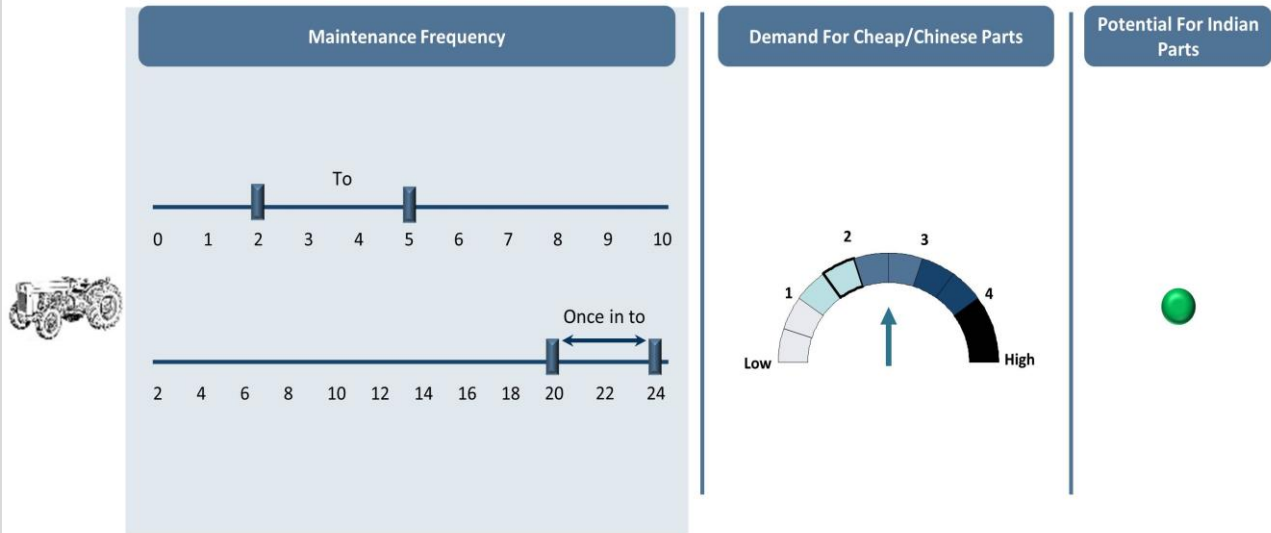


Source: Frost & Sullivan

Maintenance and Parts Replacement Practices (continued)

High imports from India of Masey Ferguson and John Deere represent a good potential for Indian parts in the tractor market

● Low ● Medium ● High



Source: Frost & Sullivan

Passenger Vehicles

The average maintenance frequency for passenger cars is every 6 months, or every 10,000 kms



Maintenance Frequency and Parts Replacement	<ul style="list-style-type: none"> Recommended maintenance periods for cars vary from every 5,000 kms (Renault) to every 15,000 kms (Volkswagen) Private passenger car owners are known to service their vehicles every 6 months, while taxis are serviced, on an average once in 4-5 months The most consumed passenger car parts are consumables, suspension and braking components, such as brake pads, and, fuel, oil and air filters
Choice of Brand for Auto Components	<ul style="list-style-type: none"> Vehicles serviced in the OES and franchise channels are mostly fitted with good quality and original parts If parts required for repairs under an insurance claim are too expensive, insurance companies may recommend the use of cheap alternates for non-critical parts Parts replaced by some independent garages are usually cheap low quality parts, or those that offer the mechanic the best incentives

Source: Frost & Sullivan



Commercial Vehicles

IAM parts are mostly consumed for light and medium duty commercial vehicles

Maintenance Frequency and Parts Replacement

- **The average service interval for commercial vehicles in 3-6 months**
- In the case of heavy duty trucks, the service interval is 6-8 months due to their mainly operating on highways
- Overloading is a very common practice in Mexico, especially in small and medium size fleets
- This results in demand for suspension and braking components, filtration components, and some engine components

Choice of Brand for Auto Components

- Heavy duty vehicles are largely serviced at fleet maintenance facilities, or in the OES channel where parts used are usually genuine parts or reputed aftermarket alternates
- **For light and medium duty commercial vehicles, servicing is carried out in fleet maintenance facilities, franchises or independent garages and mostly IAM parts are used**
- **Around 70% of this segment purchase IAM parts.**

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

- Majority of motorcycles are serviced in brand authorized service shops across the country, or in the case of fleets in their own facilities
- **While maintenance intervals are irregular, in the first year of ownership they tend to get services once every 3 months**
- **After-sales service is becoming more and more important for fleet owners/managers when buying motorcycles.**
- **Indian parts are recognized and perceived as a high price/quality value**

Choice of Brand for Auto Components

- Affordability being a critical factor for a large section of the motorcycle owners, cheap parts have a high potential in this segment
- **Chinese and Indian parts account for over 90% of the 2 wheeler parts business**
- **The use of cheap Chinese parts results in shorter replacement cycles for these parts, and consequently higher demand**
- **Excepting engine components, mechanics use Chinese parts on Indian motorcycles for replacement of suspension, braking and consumable parts**

Source: Frost & Sullivan

3 Wheelers



Indian components dominate the 3 wheeler components market

Maintenance Frequency and Parts Replacement

- After the first year of ownership, the maintenance frequency ranges from 'once in 6 months' to 'very rarely serviced'
- The rough use of these vehicles necessitates regular visits to mechanics for minor repairs

Choice of Brand for Auto Components

- Affordability is a critical factor for majority of mototaxi owners
- **The general preference for parts after a year of ownership is inclined towards cheap parts**
- **Mototaxi owners are recognizing that Indian parts last longer than Chinese parts as they are better quality, therefore willing to pay higher prices for them.**

Source: Frost & Sullivan

Tractors



The regular maintenance intervals are 200, 500, 1,200, 2,000 hours or 2 years

Maintenance Frequency and Parts Replacement

- Service and Maintenance. Every 200-hours, motor oil change, change engine oil filter, air filter service, lubrication hook 3 revision points, starting system, review and clutch adjustment.
- Each 500-Hours, replacing fuel filter, Oil Change in MMRD, cleaning the breathing tube motor, lubricating the front wheels, hose revision and tightening, lubricating bearings of rear axle, revision of pivot pin, front axle revision.
- Every 2 years or 2,000 hours, revision and rinse of the cooling system, adjust the free space that occurs in valves.

Choice of Brand for Auto Components

- Most of the parts and maintenance are provided by the official dealers in 80% of the cases.
- 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.

Source: Frost & Sullivan

Vehicle Servicing Infrastructure



Vehicle Servicing Infrastructure

Franchised independent garages are preferred service channels in Mexico

%

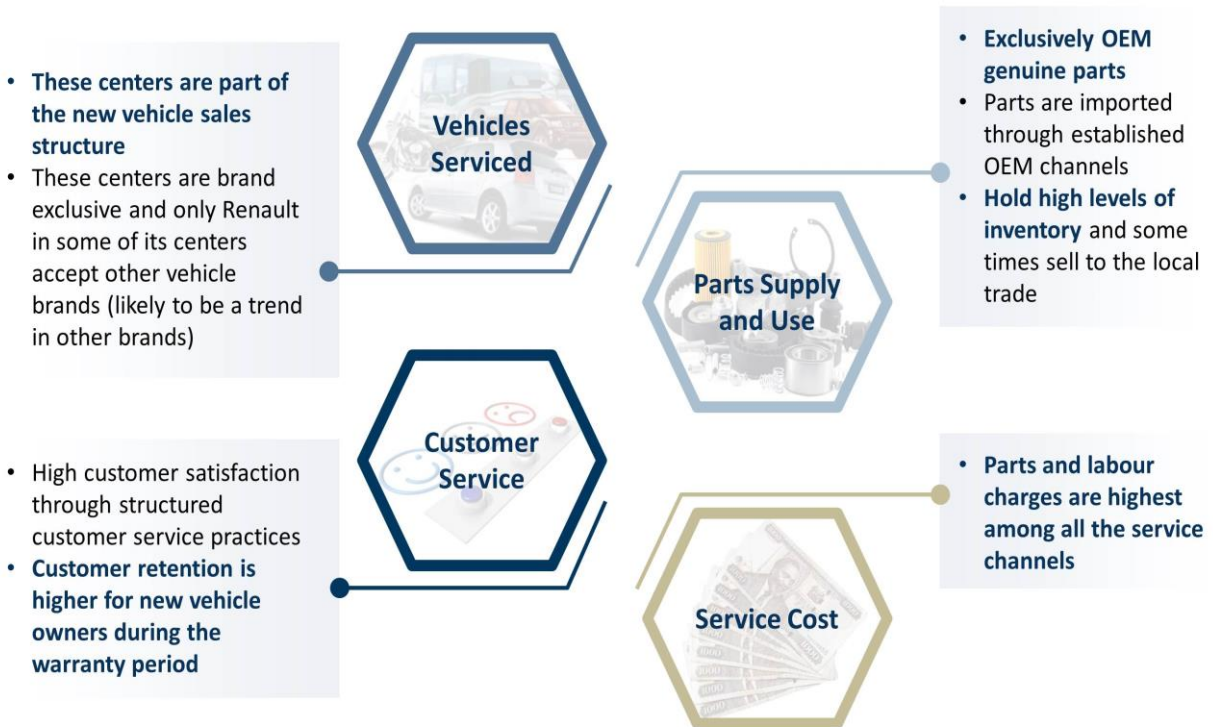


Source: Frost & Sullivan

Note: Estimated share of Vehicles Services at these facilities

OEM Service Centers

New vehicles that are under warranty period and high end used vehicles are serviced by this channel



Source: Frost & Sullivan

Franchised Garages

Are increasingly becoming popular as they have the necessary tools and equipment to service newer vehicles

- They can repair basically every vehicle and brand
- Focus basically in passenger cars, although may have some particular contracts for commercial vehicles
- They focus on maintenance activities such as brake pads, shock absorbers, etc



- Mix of OEM genuine parts, aftermarket branded (OE quality)
- Parts are sourced from local importers, distributors, or OES channels
- Some garages hold inventory of fast moving parts and do not have preference for particular brands.
- They recommend part and brand to the consumer and let the consumer choose

- Customer satisfaction is important for them, but they may not have customer service practices implemented.
- They aim for customer loyalty so starting to offer packages or programs for clients to return to them



- Overall service costs are lower than those at OEM authorized by 15-20%

Source: Frost & Sullivan

Small Mechanics

Have a lot influence in the decision-making process of end user for parts and components used in repairs

- Capable of minor repairs on all brands of vehicles
- Service mostly non-premium segment vehicles
- Capable of offering body work services
- Are losing share as normally do not have vehicle scanners nor sophisticated service bays



- Parts are procured as needed from local retailers, or online
- Parts consumed at these service points are very diverse, including sophisticated components
- Mechanics buy parts of brands that offer the best fit for their need
- No inventory holding in this service channel

- They do not offer any customer service, but they are keen on delivering quality repairs
- Attend neighborhood customers, therefore there is a certain degree of customer loyalty



- Service costs at these garages could be around 40-50% lower than OEM service centers when repair involves wear and tear parts such as brake pads, shock absorbers, etc

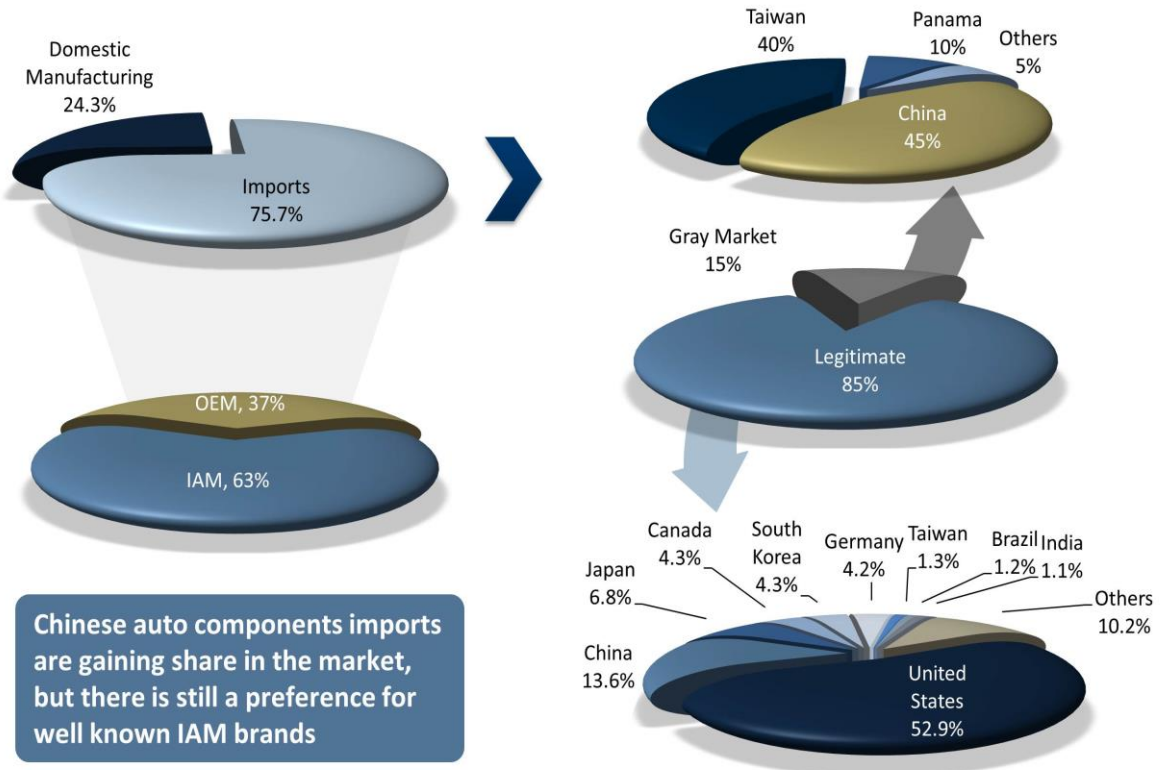
Source: Frost & Sullivan

Auto Components Market



Auto Component Market Summary

Chinese auto components account for only 13.9 of the IAM in Mexico



Chinese auto components imports are gaining share in the market, but there is still a preference for well known IAM brands

Others includes imports from Thailand, Nicaragua, Italy, France, Spain, Czech Republic

Source: Frost & Sullivan

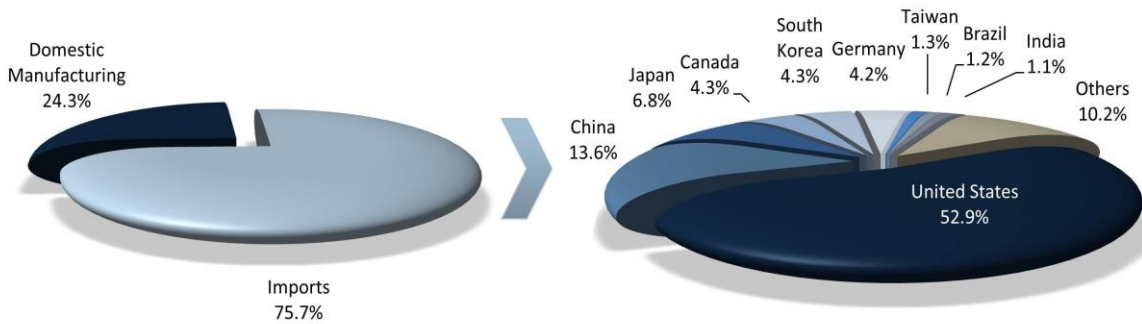
Main Auto Components Brands in the Mexican Market



Source: Frost & Sullivan

Auto Components Imports

Traditionally American parts have the largest share in the autoparts imports segment



- United States imports are dominant in the auto components imports. This is largely due to the fact that Mexican automotive industry is largely dedicated to this market
- China has increased its penetration in the market, basically for the replacement segment
- Harness components, stamping, engines and its components are among the top imports to Mexico.
- Audio systems and accessories are also among the top components imported.

Source: Frost & Sullivan

Others includes imports from Thailand, Nicaragua, Italy, France, Spain, Czech Republic

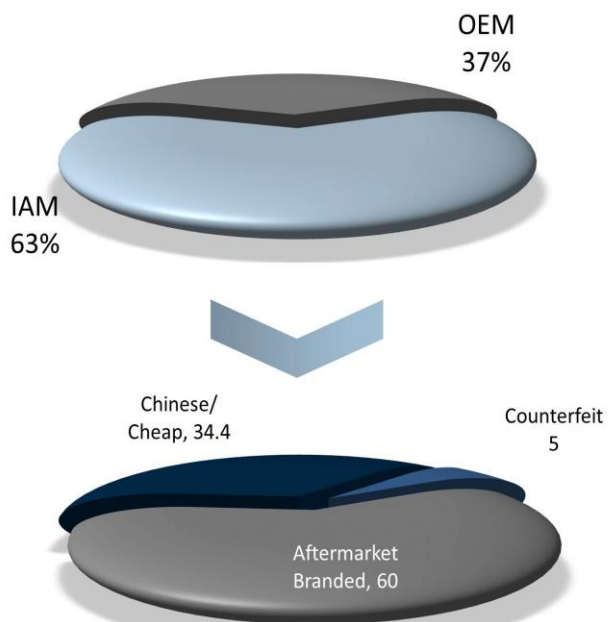
Auto Components Market Overview

Chinese components have product options ranging from cheap and low quality to expensive and high quality

Key OEM Genuine Parts Sold in Mexico

Siempre presente, siempre adelante.

Share of OEM Vs Independent Aftermarket



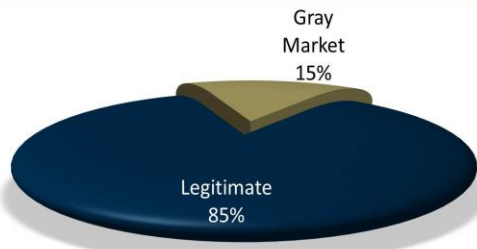
- Counterfeit parts account for around 5% of the total IAM, notably in the passenger cars, commercial vehicles and tractor components segment
- The demand for genuine and branded parts is higher for the commercial vehicle and tractor segments
- Some importers are bringing Chinese parts and labeled them with their own brand (Rolcar with Rodstar brand, Autozone with Valucraft brand)

Source: Frost & Sullivan

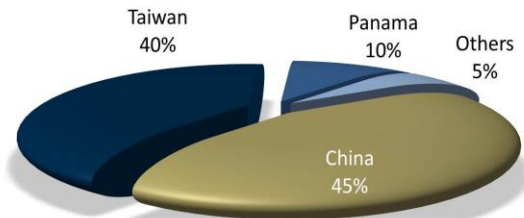
Share of the Gray Market

The gray market is estimated at 15% of the total auto components aftermarket in Mexico

Share of Auto Components Gray Market, Mexico



Share of Gray Market Parts by Import Origin



- The gray market in Mexico is estimated to account for around 15% of the total auto components market
- Gray market parts are largely imported from China and Taiwan, but also from other Latin American countries such as Panama, Guatemala and Paraguay
- **Since there are no regulations to specify quality of imported components, counterfeit parts may enter the country legally without restrictions**
- **There are also stolen parts available in the market due to insecurity in some parts of the country**
- Rubber and electrical components account for the major share of the gray market imports, however, engine components are also found imported through this channel

Source: Frost & Sullivan

Chinese Auto Components in Mexico

Faster product development capability of Chinese manufacturers is a significant advantage over competing manufacturers from other countries

- Flexibility has been a key aspect when dealing with Chinese manufacturers.
- **Distributors are not tied to import full containers for example**
- Distributors receive credit provided directly from manufacturers or through government banks.

Acceptable Trade Terms

Product Range

- Products cover the wide range of vehicle models available in the Colombian market
- **But still lack of product availability for models imported from India**



Product Development Capability

- Some importers/distributors are keen on having owned brands at competitive prices
- It is important to have a reverse engineering process to be able to test products that suit current market needs

- Although decreasing, distributors and repairers still have the perception of low quality from Chinese parts
- Retailers opine that Chinese auto components lower quality than IAM brands

Value for Money

Lead Time

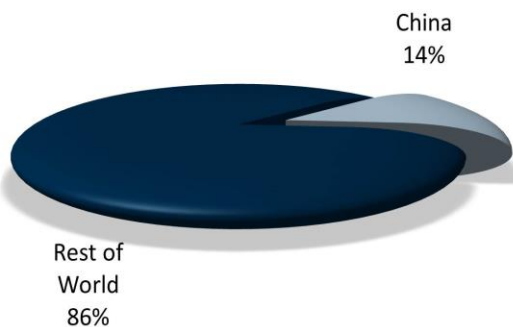
- **Normally a container from China takes from 21 to 30 days to arrive to Mexico**
- This is an advantage compared to India that takes about 2 months to arrive

Source: Frost & Sullivan

Impact of Chinese Auto Components

The key advantage of Chinese manufacturers lies in affordable price and their extensive product availability catering to a range of vehicle models

Share of Chinese Components in Total Imports



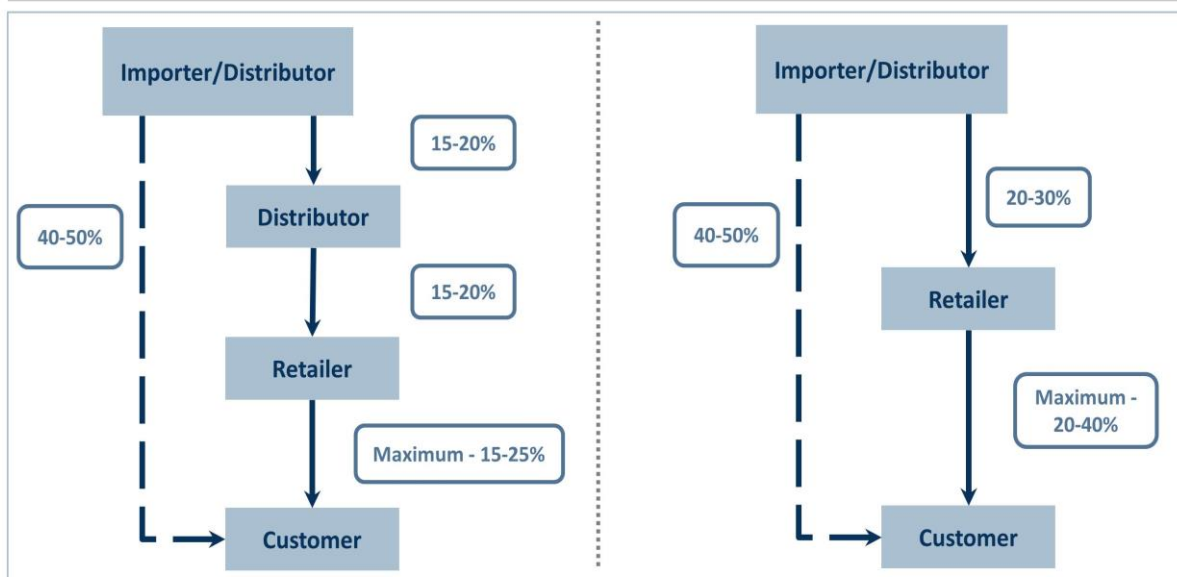
- Chinese components are perceived to be **Value for Money, i.e. low price for low quality, high price for OEM quality**
- Manufacturers have short lead times for product development
- Chinese manufacturers have covered a wide range of vehicle models across segments
- Chinese parts are less preferred for critical components such as transmission components

- China and Mexico do not currently share any free trade agreements
- **The estimated share of import of auto components from China is around 13.9%**
- **Maintenance parts like air and oil filters, brake pads, and wipers are among the top Chinese products in the aftermarket**
- There is an increasing perception by retailers that Chinese parts are increasing quality.
- Chinese parts are between 30-40 cheaper than other IAM brands

Source: Frost & Sullivan

Auto Components Distribution and Margin Structures

In some components total margins can reach over 100%



- Most importers in Mexico sell to the trade and also to direct customers
- In the independent aftermarket, very rarely are parts replaced under warranty
- Importers get a 1-2% warranty discount from their suppliers to cover the costs of potential replacement of a few products in the local market

Source: Frost & Sullivan

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



Duty Structure for Import of Motor Vehicles

Mexico has Free Trade Agreements with 45 countries which are exempted of import duties

Duties and Taxes Payable on Import of a Motor Vehicles

Details	Description
Import Duty on new PV @ 20.00%	Import duty payable to SAT
Import Duty on used Vehicles @ 50.00%	Import duty payable to SAT
Import Duty on 3W @ 15.00%	Import duty payable to SAT
VAT for all types of vehicles@ 16.00%	VAT payable to SAT
Customs Value	The Customs declared value for this vehicle

Auto parts that are imported for locally assembly of motor vehicles are exempt from the import duty

SAT – Sistema de Administración Tributaria - Mexico Tax Authority

Source: SIAVI – Sistema de Información Arancelaria Via Internet, Frost & Sullivan

Duty Structure for Import of Auto Components

All components are subject to 16% Value Added Tax

Duties and Taxes Payable on Import of a Auto Components

HS Code	Description	Unit of Quantity	Rates
8409.91.00	Suitable for use solely or principally with spark-ignition internal combustion piston engines	kg	0%
8483.10.00	Transmission shafts (including cam shafts and crank shafts) and cranks	kg	0%
8483.20.00	Bearing housings, incorporating ball or roller bearings	kg	0%
8483.30.00	Bearing housings, not incorporating ball or roller bearings; plain shaft bearings	kg	0%
8483.40.00	Gears and gearing, other than toothed wheels, chain sprockets and other transmission elements presented separately; ball or roller screws; gear boxes and other speed changers, including torque converters	kg	0%
8483.50.00	Flywheels and pulleys, including pulley blocks	kg	0%
8483.60.00	Clutches and shaft couplings (including universal joints)	kg	0%
8483.90.00	Toothed wheels, chain sprockets and other transmission elements presented separately; parts	kg	0%

Source: SIAVI – Sistema de Información Arancelaria Via Internet, Frost & Sullivan

Duty Structure for Import of Auto Components (continued)

All components are subject to 16% Value Added Tax

Duties and Taxes Payable on Import of a Auto Components			
HS Code	Description	Unit of Quantity	Rates
8708.10.00	Bumpers and parts thereof	Unit	0%
Other parts and accessories of bodies (including cabs)			
8708.21.00	Safety seat belts	Unit	0%
8708.29.00	Other	Unit	0%
Brakes and servo-brakes and parts thereof			
8708.31.00	Mounted brake linings	Unit	0%
8708.39.00	Others	Unit	0%
8708.40.00	Gear boxes	Unit	0%
8708.50.00	Drive-axles with differential, whether or not provided with other transmission components	Unit	0%
8708.60.00	Non-driving axles and parts thereof	Unit	0%
8708.70.00	Road wheels and parts and accessories thereof	Unit	0%
8708.80.00	Suspension shock-absorbers	Unit	0%

Source: SIAVI – Sistema de Información Arancelaria Via Internet, Frost & Sullivan

Duty Structure for Import of Auto Components (continued)

All components are subject to 16% Value Added Tax

Duties and Taxes Payable on Import of a Auto Components			
HS Code	Description	Unit of Quantity	Rates
Other Parts and Accessories			
8708.91.00	Radiators	Unit	0%
8708.92.00	Silencers and exhaust pipes	Unit	0%
8708.93.00	Clutches and parts thereof	Unit	0%
8708.94.00	Steering wheels, steering columns and steering boxes	Unit	0%
8708.99.00	Other	Unit	0%
8714.11.00	Saddles	Unit	0%
8714.19.00	Other	Unit	0%
8714.20.00	Of carriages for disabled persons	Unit	0%
Other			
8714.91.00	Frames and forks, and parts thereof	Unit	0%
8714.92.00	Wheel rims and spokes	Unit	0%
8714.93.00	Hubs, other than coaster braking hubs and hub brakes, and freewheel sprocket-wheels	Unit	0%
8714.94.00	Brakes, including coaster braking hubs and hub brakes, and parts thereof	Unit	0%

Source: SIAVI – Sistema de Información Arancelaria Via Internet, Frost & Sullivan

Duty Structure for Import of Auto Components (continued)

All components are subject to 16% Value Added Tax

Duties and Taxes Payable on Import of a Auto Components			
HS Code	Description	Unit of Quantity	Rates
8714.95.00	Saddles	Unit	0%
8714.96.00	Pedals and crank-gear, and parts thereof	Unit	0%
8714.99.00	Other	Unit	0%

Impact on Indian Auto Component Manufacturers

- **India has no current preferential or free trade agreements with Mexico**
- However, there is in place a Sectorial Promotion Agreement (PROSEC) for the Automotive industry that states that all auto components are exempted of import duties from January 1st, 2010 regardless country of origin
- There is no date set for this PROSEC to end its validity as of March 2016

Source: SIAVI – Sistema de Información Arancelaria Via Internet, Frost & Sullivan

Market Insights Importers/ Distributors, Retailer and Mechanics



Sample Covered for Field Work in Mexico

Frost & Sullivan has interacted with 29 respondents in Mexico

Respondent Category	Quantity
Importer/Distributor	9
Retailers	10
Garage	8
OE Supplier	2

Source: Frost & Sullivan

Importers-Distributors



Importer-Distributor - Overview

Importers and distributors sell to trade and directly to customers in Mexico



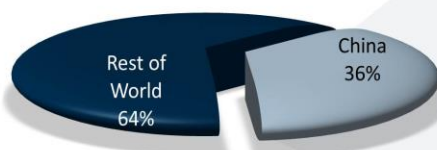
- Both importers and distributors deal directly with auto component manufacturers in countries like the United States, China, India and Germany. And also with local offices of largest IAM manufacturers like Bosch, MANN Filter, Hella, etc
- Average inventory levels reports by distributors are around 3 months, however, some distributors report holding stock for about 6 months to 8 months
- Credit periods with suppliers range from 30 to 90 days
- For manufacturing of new products, importers who deal directly with manufacturers in China may pay in advance. Those that have credit pay when the components reach the Mexican port, or if the credit is given by any China's government bank they pay when receive the parts.
- Challenges reported by importers include long lead time, delays in customs clearance and arrival of wrong products and/or damaged products

Source: Frost & Sullivan

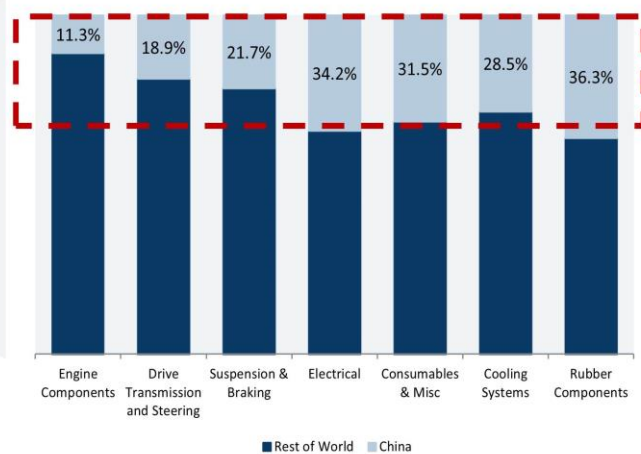
Importer-Distributors' Sourcing from China

Low quality perception of Chinese components is changing over time as there are some product lines with higher quality than in the past

Share of Importer-Distributor Sourcing from China



Share of Chinese Imports by Component Category



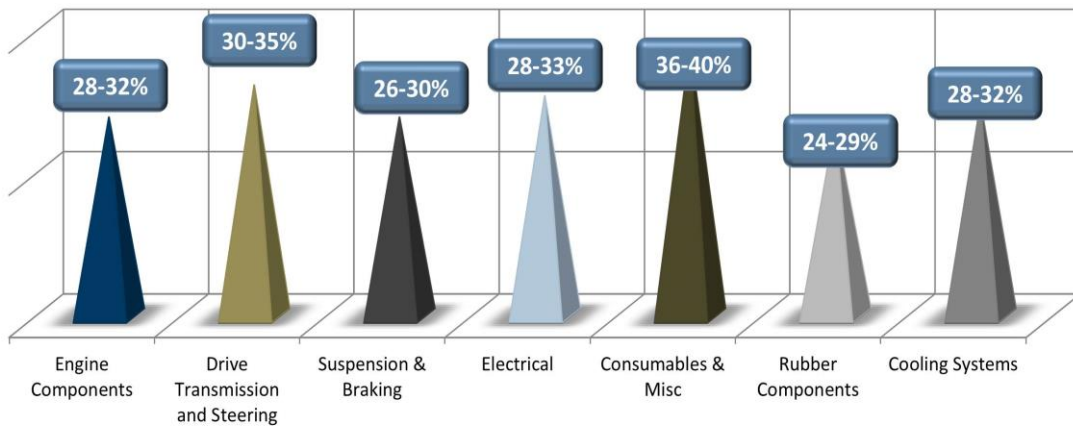
- Main advantages for Indian manufacturers can be found in more sophisticated parts like engine, suspension and braking components that require higher quality.
- Chinese imports are very strong in consumables and miscellaneous, and also in electrical parts like alternators, engine starters, wipers, tires

Source: Frost & Sullivan

Importer-Distributor Margins

Importer-distributor margins can be as high as 100% on some Chinese parts

Importer-Distributor Margins on Auto Components



- Importers have strong negotiation power by zone. There are only a few that are large and important in all the Mexican territory.
- Distributors claim an average margin of around 30-35% on sale to end-users, and around 20-25% on sale to smaller distributors and retailers
- Chinese components have the highest margins as they are the cheaper options in the market. In some Chinese parts, importers may have a 100% margin.

Source: Frost & Sullivan

Willingness to Selling Indian Brands

Indian brands are considered to be higher quality than Chinese options, and expected to be well received by the market

● 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	● High/Good
Perception of Product Development Capability of Indian Manufacturers	● Low/Poor
Willingness to Trade with Indian Suppliers	● High/Good

- Only a few importer/distributors report past experiences in dealing with Indian suppliers
- Some mentioned good quality and nice packaging especially those dealing with 2W and 3W components
- Indian components are considered to be of good quality and can compete with mid grade Chinese products
- Distributors are open to know better about Indian suppliers capabilities, and willing to doing business with Indian manufacturers if they offer competitive advantages versus Chinese or other countries suppliers

Source: Frost & Sullivan

Distributor Profiles - I



Witte Autopartes is a wholesaler distributor that sell to retailers in some regions of the country like West and North

Company Name	Witte Autopartes	Contact Person	Rodolfo Witte
No. of Year in the Business	25	Designation	General Director
Contact Number	+52 33 3650 2850	Email Address	rwitte@witte.com.mx

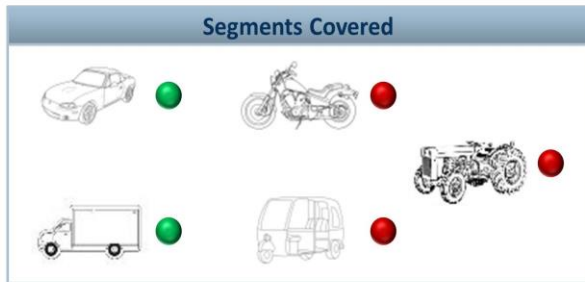
Head Office: Guadalajara, Jalisco

No of branches: 3

Business Assets



Storage Space:



- Engine Components
- Lubricants
- Cooling Systems
- Brake Components
- Suspension
- Wiper Blades
- Filtration (Air, Oil and Fuel)

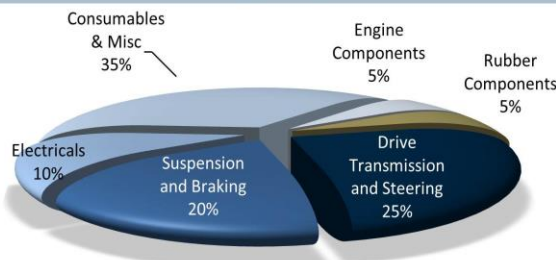
Source: Frost & Sullivan

Distributor Profiles – I (continued)

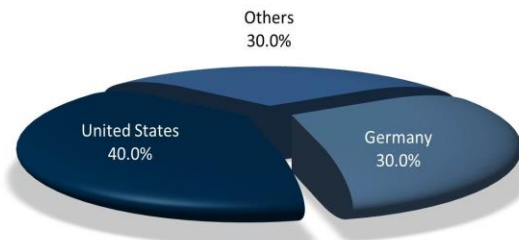


Witte Autopartes deals with OEM genuine parts and branded aftermarket parts, distributing auto components in Mexico and the United States

Share of Different Component Categories Sold by the Distributor



Share of Imports by Country of Origin



Top Models Catered To

Make	Models
Nissan	Tsuru, Altima, Platina, Sentra
General Motors	Aveo, Chevy
VW	Golf, Polo, Jetta, Pointer
Ford	Fiesta, Focus, F350

Chinese Brands in the Distributor's Business

Distributor for Chinese Brands	No
Share of Chinese Brands in Total Business	0%

Source: Frost & Sullivan

Distributor Profiles – I (continued)



Interested in understanding the product development capabilities and product range of interested suppliers from Indian suppliers

Interest in Dealing Indian Parts



The distributor is interested to understand capabilities of Indian component manufacturers in terms of product portfolio and product development capability

Categories of Interest

- Drive, Transmission and Steering
- Suspension & Braking
- Consumables

Top Indian Auto Component Brands Recalled by the Distributor

None

“Currently we don’t carry any Indian parts, but if they offer good price and quality we might be interested”

- Owner, Witte Autopartes

Distributor Expectations from Indian Suppliers



- **Price** – Slightly higher than Chinese components, but cheaper than Japanese or American components
- **Quality** – Higher quality than Chinese parts
- **Product Range** – Product portfolio that suits complexity of Mexican market
- **Marketing** – Important to be present in sector events
- **Terms of Trade** – Match existing terms

Source: Frost & Sullivan

Distributor Profiles - II



Global auto parts deals in OEM genuine passenger and commercial vehicle parts, and branded aftermarket parts

Company Name	Grupo Casanova	Contact Person	Ricardo Casanova
No. of Year in the Business	36 years in Texas, 29 years in Mexico	Designation	Operations Director
Contact Number	+52 956 727 1044	Email Address	rickylockup@gmail.com

Head Office: Monterrey, Nuevo Leon

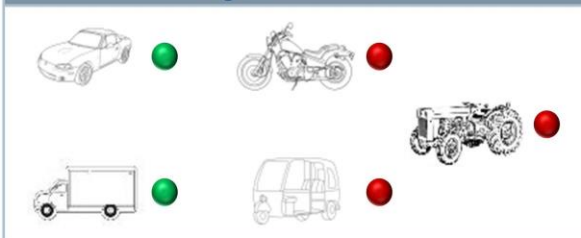
No of branches: 3

Business Assets



Storage Space:

Segments Covered



- Transmission Parts
- Power Steering
- Bearings
- Piston Rings
- Pistons
- Filters

Source: Frost & Sullivan

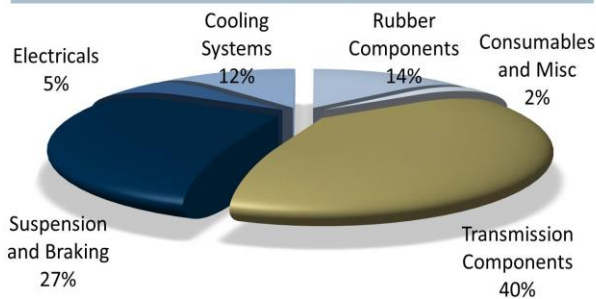
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Distributor Profiles – II (continued)

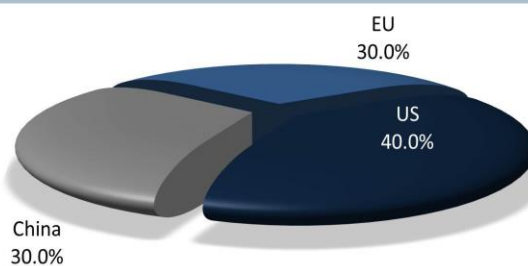


Chinese components account for around 30% of the distributors business; the highest share being from transmission and power steering components

Share of Different Component Categories Sold by the Distributor



Share of Imports by Country of Origin



Top Models Catered To

Make	Models
Chevrolet	Aveo, Cruze
Chrysler	Journey, Avenger
Ford	Fiesta, Fusion, Escape, EcoSport
Audi	A1, A4, A6

Chinese Brands in the Distributor's Business

Distributor for Chinese Brands	Yes
Share of Chinese Brands in Total Business	30%

Source: Frost & Sullivan

Distributor Profiles – II (continued)



There is no big presence of Indian components in our market

Interest in Dealing Indian Parts



- Indian auto components are perceived as better than Chinese auto components
- They can be easily sold if prices are competitive, and quality is better than that of Chinese parts as they also sell in the US market

Top Indian Auto Component Brands Recalled by the Distributor

None

This distributor currently does not sell Indian Auto Components

Distributor Expectations from Indian Suppliers



- **Price** – Willing to pay a premium if quality is good
- **Quality** – Must be better than mid grade Chinese products
- **Product Range** – Product variety is key
- **Marketing** – Local representation is more important than marketing
- **Terms of Trade** – Negotiable
- **Lead Time** – Less than 30 days

Source: Frost & Sullivan

Distributor Profiles – Corporativo Vazlo

Grupo Vazlo is a leading importer of rubber parts like engine and transmission mounts

Company Name	Abdulghani Ibrahim	Contact Person	Eduardo Leal
No. of Year in the Business	31	Designation	Manager
Contact Number	+52 493 933 1660	Email Address	pevisa@vazlo.com

Head Office: Fresnillo, Zacatecas

No of branches: 1

Business Assets



Storage Space:

Segments Covered

- Engine Mounts
- Transmission Mounts
- Strut Mounts
- Clutch Parts
- Bearings

Source: Frost & Sullivan

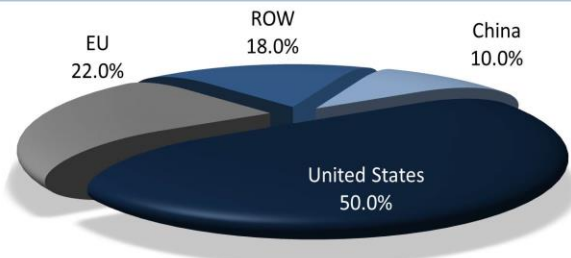
Distributor Profiles – III (continued)

Vazlo represents brands like Rodatech, Eagle BHP, Pevisa, Shark, TrackOne and Partech

Share of Different Component Categories Sold by the Distributor



Share of Imports by Country of Origin



Top Models Catered To

Make	Models
Nissan	Altima, Tiida, XTrail
BMW	Series 1, 3, 5, Z3, Z4
Jeep	Compass, Patriot, Grand Cherokee
Toyota	Camry, Corolla, Tacoma

Chinese Brands in the Distributor's Business

Distributor for Chinese Brands	Yes
Share of Chinese Brands in Total Business	10%

Source: Frost & Sullivan

Distributor Profiles – III (continued)

They feel pretty well covered with current suppliers, but if Indian manufacturers offer matching quality they can be considered for an owned brand in the future

Interest in Dealing Indian Parts



- In the future they might look for having an owned brand
- Looking for OEM quality, not aftermarket quality

Top Indian Auto Component Brands Recalled by the Distributor

None

This distributor currently does not sell auto components sourced from India



Distributor Expectations from Indian Suppliers

- **Price** – Willing to pay a premium for great quality
- **Quality** – OEM quality is a must
- **Product Range** – Must be able to cover all vehicle needs as they specialize in product (not in vehicle brands)
- **Terms of Trade** – Credit is desirable
- **Lead Time** – Around 30 days is acceptable

Source: Frost & Sullivan

Retailers



Distributor Profiles - III

Abdulghani Ibrahim is a leading distributor for commercial vehicle parts in Mombasa

Company Name	Abdulghani Ibrahim	Contact Person	Odran Kera
No. of Year in the Business	31	Designation	Sales Supervisor
Contact Number	00254 412316820 / 2224144	Email Address	info@abdulghaniibrahim.com

Head Office: Next To Royal Court Hotel, Opposite Fairdeal Hardware, Mombasa CBD, Haile Selassie Rd, Mombasa, Kenya

No of branches: 1



Segments Covered

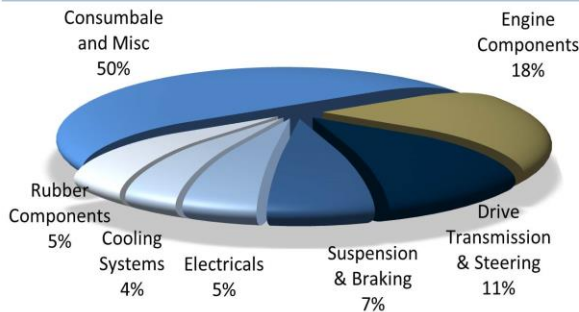
- Wiper Blades
- Filtration (Air, Oil and Fuel)
- Brake pads
- Brake shoes
- Shock absorbers
- Clutch plate
- Clutch assembly

Source: Frost & Sullivan

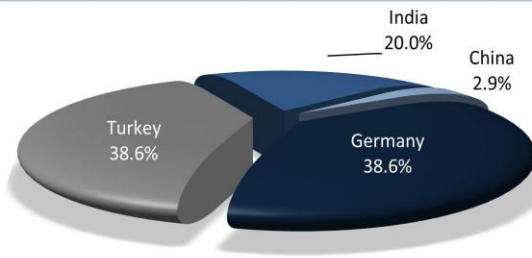
Distributor Profiles – III (continued)

Abdulghani Imbrahim deals mostly in aftermarket branded parts

Share of Different Component Categories Sold by the Distributor



Share of Imports by Country of Origin



Top Models Catered To

Make	Models
Mercedes Benz	Actros Range, Axor
Renault	Altima, Wingroad, X-Trail, Caravan, Vanette
Beiben	2538
FAW	CA1044 Tiger V

Chinese Brands in the Distributor's Business

Distributor for Chinese Brands	Yes
Share of Chinese Brands in Total Business	3%

Source: Frost & Sullivan

Fast Moving Auto Components - Retailer Perspective

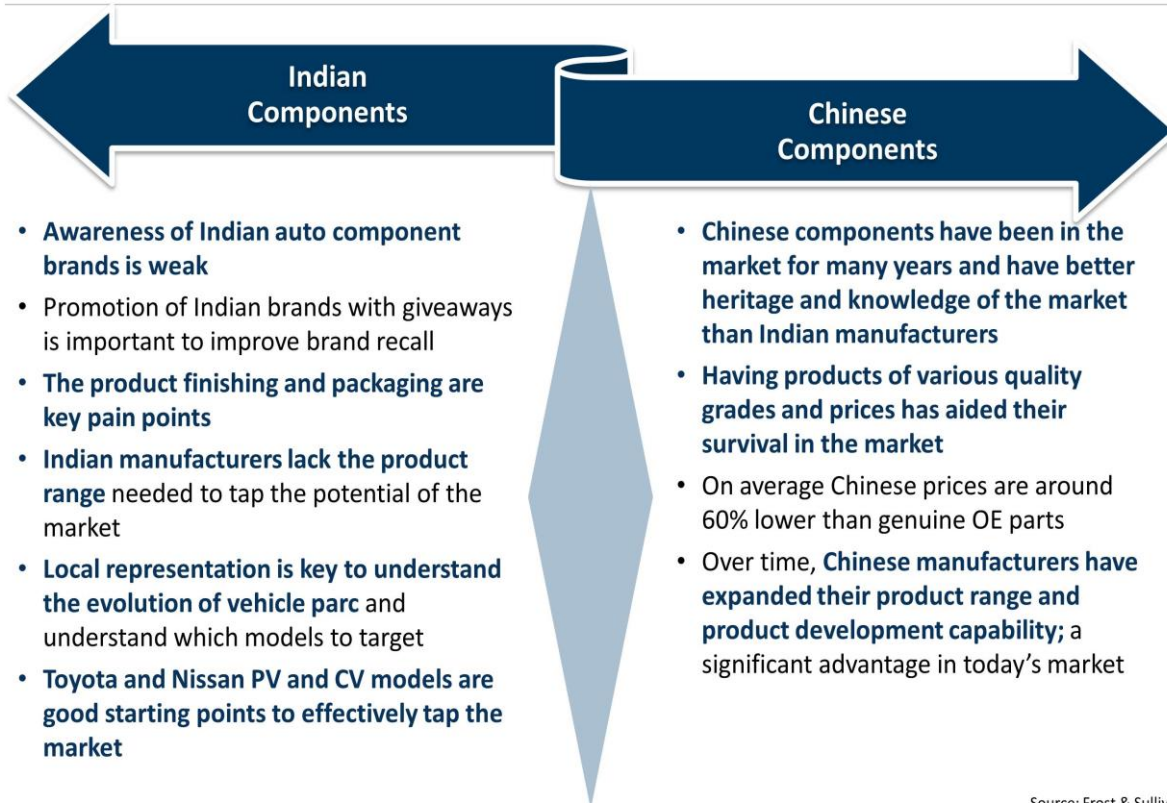
Dusty conditions in the suburbs and rural areas, and contaminated fuel contribute to the demand for consumables; light assemblies are often replaced because of fading or damage in accidents

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



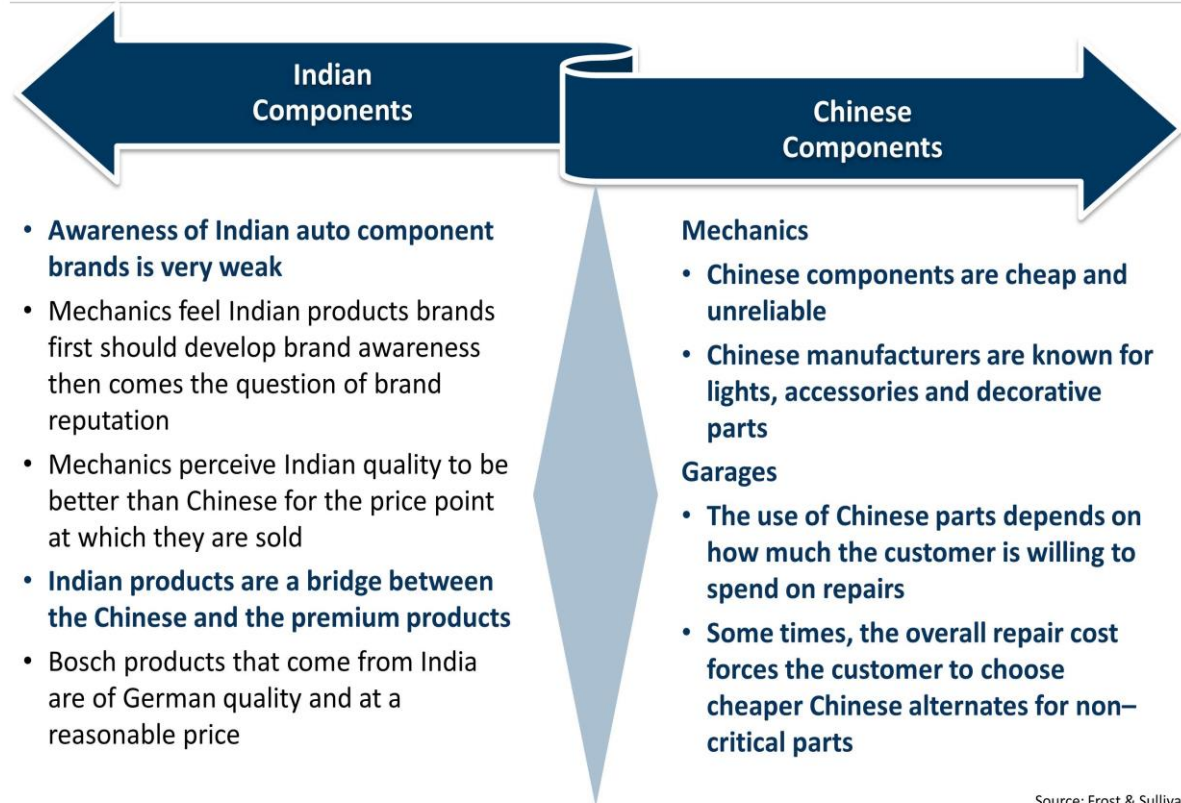
Source: Frost & Sullivan

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



Source: Frost & Sullivan

Kenya Motor Repairers Association

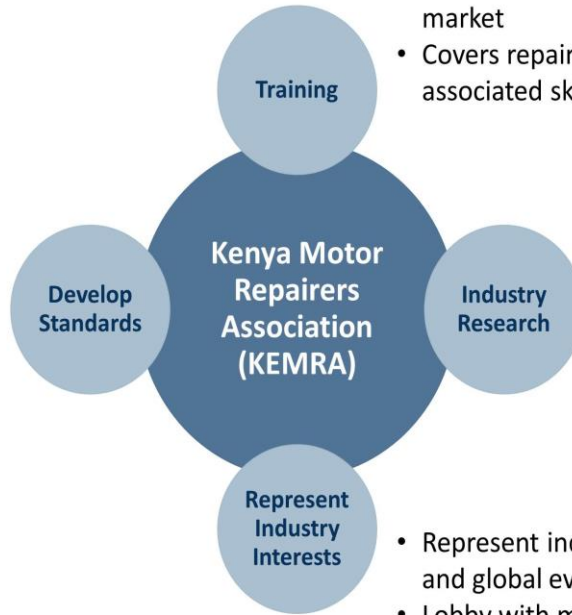


Kenya Motor Repairers Association (KEMRA)

Mission: Expertise, Advice, Information and Business Support



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



- Training to meet evolving needs of the market
- Covers repair skills and other associated skillsets

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

- Represent industry interests at local and global events
- Lobby with ministries, Kenya Bureau of Standards and Motor Assessors Association of Kenya (MAAK)

Source: KEMRA, Frost & Sullivan

“Genuine Spares Give Confidence and Save Money” - KEMRA



“It pays to avoid the temptation of having a short term saving by paying lower prices for replacement and used parts. Why not avoid spending even more money in the long run?”

...General Manager, DT Dobie

“KEMRA top mandates include establishing standards for training and for business in the automotive industry in Kenya. Ensuring the availability of good auto components is a big part of that. KEMRA will be happy to assist in any way that we can in bringing Indian parts manufacturers to trade more actively in the market”

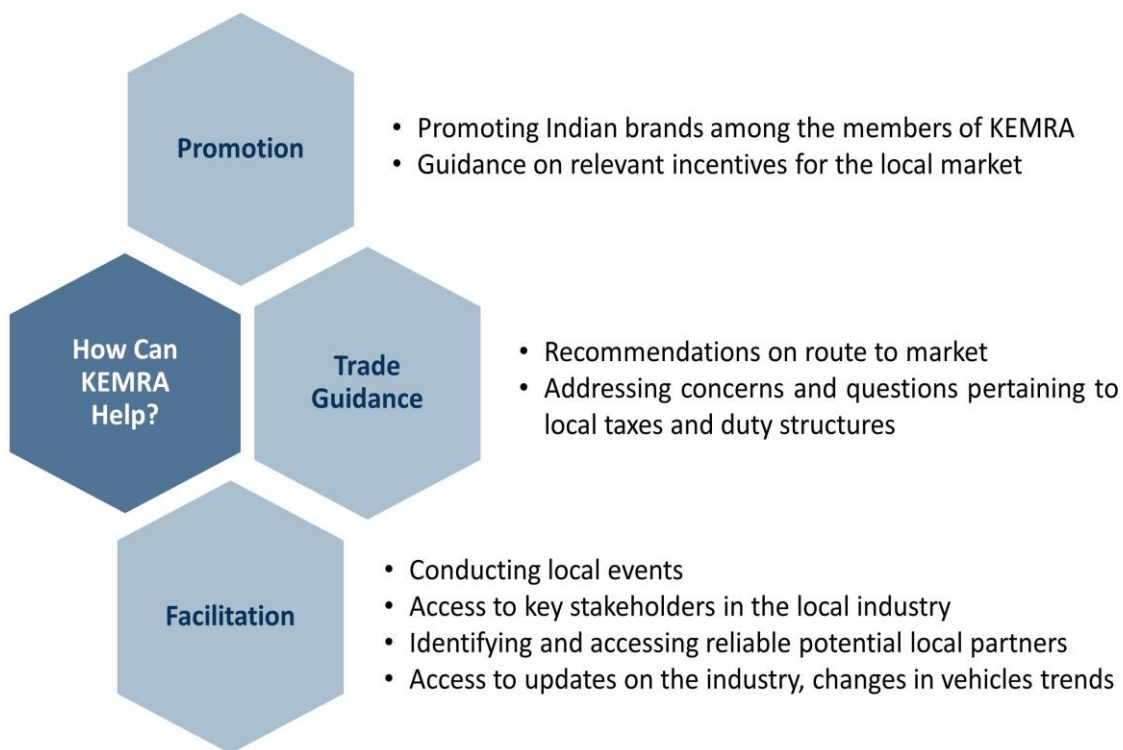
...CEO, KEMRA

“Between 2009 and 2012, Chinese parts flooded this market. They were cheap, and overall supply of parts to the market was not very good. So people bought them, but there were so many product failures that people became aware of what cheap auto component is. This is the space that Indian manufacturers can compete in.”

...CEO, KEMRA

Source: Frost & Sullivan

Will Extend Support To Indian Auto Component Mfrs Interested in an Organized Entry to Kenya



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

HEAD OFFICE

6th Floor, The Capital Court, Olof Palme Marg, Munirka

New Delhi - 110 067, India

Tel: +91-11-2616 0315 Fax: +91-11-2616 0317

E-mail: acma@acma.in Website: www.acma.in

