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 – Algeria

**May, 2016**

Knowledge Partner

FROST & SULLIVAN

## Table of Contents



## Table of Contents

# Table of Contents

# Executive Summary

## Key Insights

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

| Vehicle Parc | Perception of Indian Auto Components | Auto Components Market |
|---|---|---|
| • The PV and CV parc is largely dominated by French brands, but Hyundai and other Chinese brands account for around 20% of the PV market, and 60% of the CV market<br>• Chinese 2 wheelers account for 95% of the 2 wheeler imports to Algeria<br>• Sonalika tractors is the leading tractor brand in Algeria | • Indian auto components are perceived to be of superior quality as compared to Chinese components<br>• The availability and familiarity of Indian auto components relative to that of Chinese auto components is very low | • Imports from Europe account for 63% of the total auto components import<br>• The gray market accounts for 55% of the total IAM<br>• Organized Independent garages service around 85% of the vehicle parc, and constitute a significant target opportunity for Indian manufacturers |

Source: Frost & Sullivan

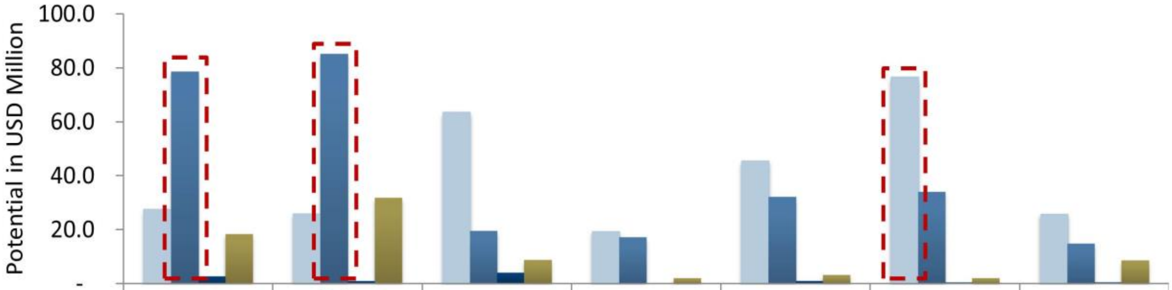
## Unique Trends in the Algerian Automotive Market

| | |
|---|---|
| **Popularity of Chinese Vehicles** | • Algeria is one China's biggest vehicle export markets<br>• Chinese vehicle manufacturers are planning local assembly plants in Algeria<br>• Chinese 2 wheelers account for 95% of the 2 wheeler imports to Algeria |
| **Openness to Use Salvage Parts** | • High customer willingness to use genuine components salvaged from scrapped cars<br>• These parts are cheap, and often genuine OE parts, and hence attractive to price conscious customers |
| **Local Vehicle Assembly** | • Domestic vehicle assembly in Algeria is on rise across the PV, CV and agricultural tractors segments |
| **Vehicle Service Channels** | • OEM Authorized Service Facilities are estimated to service just around 12% of the total vehicle parc in Algeria |

Source: Frost & Sullivan

# Auto Component Market Size

## The total auto component aftermarket potential in Algeria is estimated at US$ 648 million




| | Engine Components | Drive, Transmission & Steeering | Suspension & Braking | Cooling Systems | Electricals | Consumables and Misc | Rubber Components |
|---|---|---|---|---|---|---|---|
| PV | 27.6 | 25.8 | 63.3 | 19.3 | 45.4 | 76.3 | 25.7 |
| CV | 78.5 | 85.2 | 19.4 | 17.1 | 32.1 | 33.9 | 14.8 |
| 2W | 2.6 | 0.9 | 4.0 | 0.0 | 1.0 | 0.4 | 0.5 |
| Tractor | 18.3 | 31.7 | 8.7 | 2.0 | 3.2 | 2.0 | 8.5 |

- The CV sector is witnessing strong growth on the back of investments in industry and infrastructure, consequently presenting significant opportunities in the CV auto components aftermarket
- Traffic conditions in Algeria are generally chaotic and congested with narrow roads and very little driving discipline; all factors contributing to the potential for transmission and braking components

Source: Frost & Sullivan

# Similarities Between the Algerian Vehicle Parc and Indian Models

## Despite the moderate model similarity in tractors segment, the segment is not an attractive opportunity owing to strong demand for cheap and counterfeit parts

Nil Low Medium High

| | Possible Similarity Between Algerian Vehicle Parc and Indian Models | |
|---|---|---|
| | Possible Similarity in the Segment | Key Vehicle Models |
| Passenger Vehicles | | Renault Logan, Clio<br>Peugeot 208, 301<br>Hyundai Accent, i10, ATOS Prime |
| Commercial Vehicles | | Renault Kangoo, Lander<br>Hyundai HD series |
| 2 Wheelers | | Zongshen ZS150-6S, ZS150-6B<br>Sym 125-3, 150-7 |
| Tractors | | Sonalika DI-75RX, DI-60RX, DI-90RX<br>Massey Ferguson MF275, MF290, MF375 |

Source: Frost & Sullivan

## Sample Covered for Field Work in Algeria

### Frost & Sullivan has interacted with 30 respondents in Algeria

| Respondent Category | Quantity |
|---|---|
| Importer/Distributor | 7 |
| Retailers | 20 |
| Garage | 4 |

Source: Frost & Sullivan

## Perception of Indian Auto Components

### Indian auto components are perceived to be of superior quality as compared Chinese components

| | |
|---|---|
| Impact of Chinese Competition | • Chinese components are cheap and widely available in the market<br>• Chinese components are available in varying grades of quality and prices |
| Market Perception of Indian Auto Components | • Indian auto components are considered to be of superior quality as compared to Chinese components |
| Willingness of Local Businesses to Sell Indian Auto Components | • Local traders are willing to do business with Indian manufacturers<br>• Quality must be better than Chinese substitutes in the market<br>• Pricing needs to be competitive as compared to Chinese components i.e., can be slightly higher than a Chinese substitute |

Source: Frost & Sullivan

# Algerian Perspective of Indian Auto Components - SWOT Analysis

## Opportunity for Indian Players to position between Chinese and European parts

**Strengths**

- Reliability and quality of Indian auto components is considered far better than that of Chinese components


**Weaknesses**

- No local representation
- Weak connect with the market as compared to suppliers from other countries
- Relatively low awareness and familiarity with Indian brands
- Limited product range for the market

**Opportunities**

- General openness in the market to trade in Indian auto components
- Significant presence of Indian branded tractors

**Threats**

- Inability to be as price competitive as competing Chinese options

Source: Frost & Sullivan

# Critical Success Factors

## Developing parts for the local vehicle parc, ensuring product availability, and improving the connect with the market are critical for the success of Indian components in the market

- Product range needs to be extended to meet the needs of local vehicle parc
- Enhancement of product development capability
- Product availability in the market must be at par with or comparable with that of Chinese components

- 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


- A local representative in the market can help engage with the traders and garages
- A local representative can provide real time feedback on market developments and aid in product development

- Price must be competitive with the mid-level Chinese products
- Indian parts are known to be reliable and generally of better quality than Chinese parts, so current quality standards must be maintained

Source: Frost & Sullivan

# Economic and Political Risks

## Policy formulation is aimed at increasing local manufacturing and in the long term protecting local businesses by restricting imports

**Economic Risks**

- The country's high dependency on hydrocarbons revenues; 30% of GDP and 97% of export earnings; makes it greatly vulnerable in the current environment of falling energy prices
- **Years of corruption has lead to sustained distrust in the local private sector**
- Unemployment currently stands at 10% and is on the rise, with at least 25% of the country's 16-24 age group currently unemployed

**Political Risks**

- Algeria is politically stable, with the re-election of the current President in 2014
- The country is not expected to be fall victim to Arab-spring related unrest, however, the southern and eastern border districts are known to be susceptible to terror threats
- Policy formulation is aimed at diversifying the economy, reducing the dependence on the hydrocarbons sector, increasing local manufacturing, and in the long term, protecting local manufacturing
- **Government's insistence on 51% of Algerian ownership in projects with foreign participants is not seen as a very attractive proposition for small and medium multinational businesses**
- **While policy formulation is currently in progress, it is expected that import of auto components might face restrictions by way of import licenses being issued only to companies that have interests in some form of related local manufacturing or assembly, however there is no definite timeline to when these policies will come into effect**

Source: Frost & Sullivan

# Recommendations

## Product development for the local vehicle parc is a prerequisite to address the demand in Algeria

| Suggested Road Map to enter Algeria for ACMA Members | |
|---|---|
| **Segment** | • **The tractor segment which has a component potential of USD 74.4 million** presents an immediate opportunity to ACMA members owing to<br>– Presence of Indian models<br>• The immediate potential in the PV, CV and 2 wheelers segments is low owing to the limited presence of Indian models in the parc<br>• The long term opportunity in the market is high provided the Indian suppliers strengthen their Product Development Capability |
| **Product Development** | • For segments other than the tractor segment, Indian suppliers have to develop products to address the vehicle parc<br>• **Product durability is key** – Indian suppliers have to be able to develop products based on pull from the market, test these products in Algerian road conditions to ensure component durability<br>• Indian suppliers must set up new dedicated project teams with the sole responsibility of identifying and generating new references<br>• **Key component categories to focus on** will be consumables, air, fuel and oil filters, clutches, braking components |

Source: Frost & Sullivan

# Recommendations

## Maintaining current Indian product quality standards at competitive pricing as compared to Chinese substitutes will be critical to capturing a share in the market

| Suggested Road Map to enter Algeria for ACMA Members | |
|---|---|
| **Quality** | • **The general perception among Algerian stakeholders is that Indian products are better than Chinese alternates** –reinforce this perception by ensuring maintenance of current product quality standards |
| **Price** | • **Products to be priced competitively as compared to Chinese parts; and can be priced between Chinese and European components** |
| **Promotion** | • Local representation in the market with local language skills is critical<br>• Create a strong connect with local stakeholders including the trade, and, garages and mechanics, through participation and organizing local road shows and product seminars<br>• Giveaways will help promote products and enhance brand recall |
| **Channel** | • Low MOQs will be an attractive business proposition for local traders to start selling Indian components<br>• Supplying the market through traders in Turkey and Dubai at least in the short term, will help push low MOQs to the market<br>• In the long term, ensuring comparable or better product availability than Chinese alternates is critical; appoint as many stockists as possible |

Source: Frost & Sullivan

# What Should ACMA Members Do?

**Key challenges**

- Current weak connect with the market
- Indian parts are currently sparcely available
- Competitors offer friendly business terms

**Approach**

**Establish Local Liaison**

- Represent and promote Indian suppliers at regional industry events
- Provide local traders with a point of contact for grievance resolution

**Create a Wide Stockist Network**

- Target over 50% of the local vehicle parc by establishing stockist and dealer representation across Algeirs, Blida, Oran, Constantine, Tizi Ouzou, Bejaia, Annaba, Boumerdes

**Attractive Business Proposition**

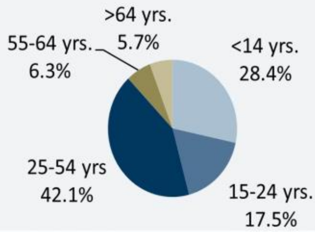
- 30-90 day credit period will offer significant comfort to local traders
- Good sales incentives for local traders and garages and mechanics will encourage them to push product in the market

Source: Frost & Sullivan

# Algeria – Economic Profile

# Algeria Country Profile

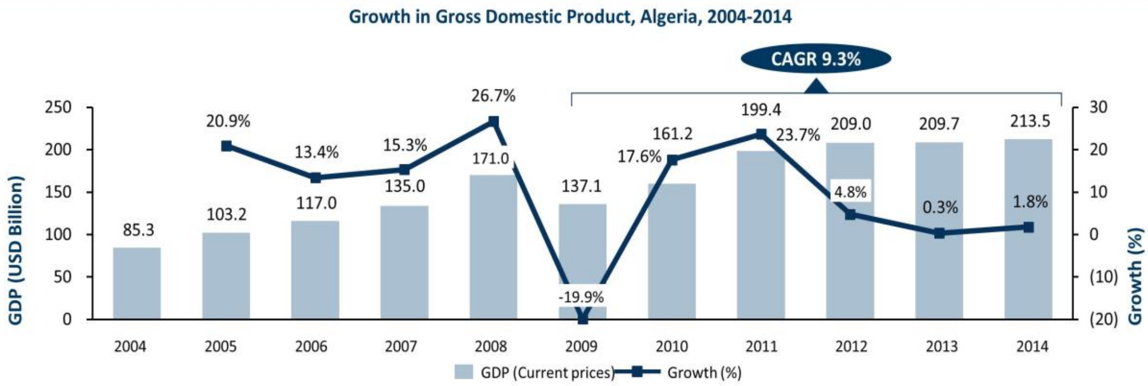
## Of the population, 46% below 25 years a key driver for automobile demand


| | |
|---|---|
| **Area** | 23,81,741 sq. km |
| **Population** | Total: 39.5 million (2015) |
| **Male Female Population** |   |
| **Population by Age Group** |   |
| **Key Cities** | Algiers, Oran, Constantine, Sétif, Annaba |
| **Legal Driving Age** | 18 |
| **Vehicle Driving Mode** | Right |

Source: World Bank, IMF, Frost & Sullivan

# Algeria – Gross Domestic Product

## The oil and gas sector is the backbone of the economy, contributing around 25% of the country's GDP; The Algerian GDP reached $214 Billion growing at 9.3% CAGR over the last 5 years




One of the biggest economies in North Africa and has high sales figures in both passenger and commercial vehicle segments

French brands are popular in Algeria: 53% of the passenger vehicles and 56% of the commercial vehicles are of French vehicle manufacturers such as Renault, PSA, and BERLIET

Algeria is predominantly a gasoline oriented market; 22.2% of passenger vehicles currently within Algeria are less than 5 years old

Strong presence of western OEMs. Stringent regulation on spare parts and after-sales service are also in place. Used cars only less than 3 years old can be imported

**Implications:**

- Vehicle Parc dominated by European Vehicles, Indian components need to develop product range to capture opportunity
- Highly controlled market, less number of used vehicles imported and stringent regulations pose high entry barriers for Indian companies
- However, as a fast developing market, Indian companies can address the market provided they develop the product range and quality aspects to meet regulations

Note: GDP at constant prices

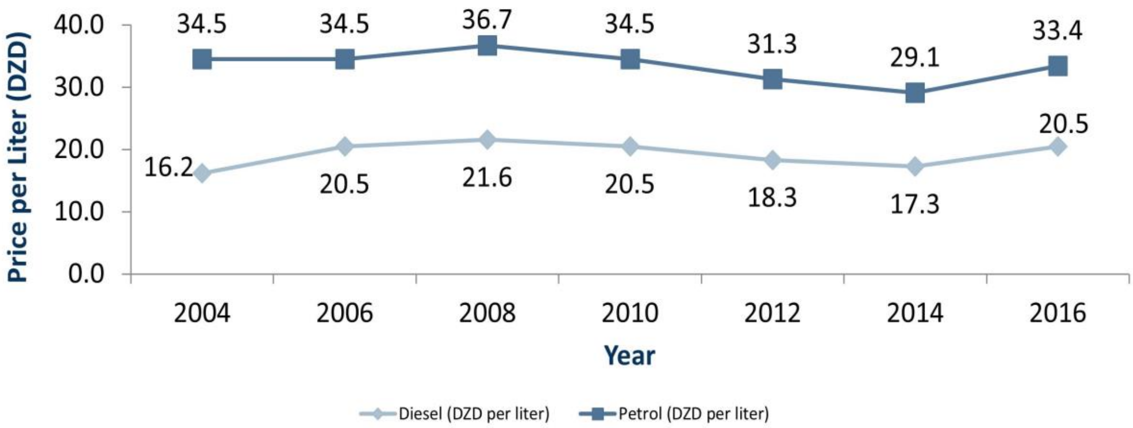
*f = forecast

Source: World Bank, Index Mundi

# Algeria – Fuel Price Fluctuation

## Prices of oil products and natural gas in Algeria are some of the cheapest in the world

**Fuel Price Fluctuation, Algeria, 2004-2014**




- The Algerian economy is heavily dependent on hydrocarbons sector
- The exports of this sector accounted for over 95% of the country's export revenue in 2015
- The export revenues of the sector in 2015 were down 41% as compared to 2014
- The collapse of global oil prices has forced the Algerian government to take remedial measures to protect the economy, such as, raising prices of the subsidized fuels, freezing project development and seeking international investment to fund critical projects

Conversion Rate: 1 USD = DZD 107.89

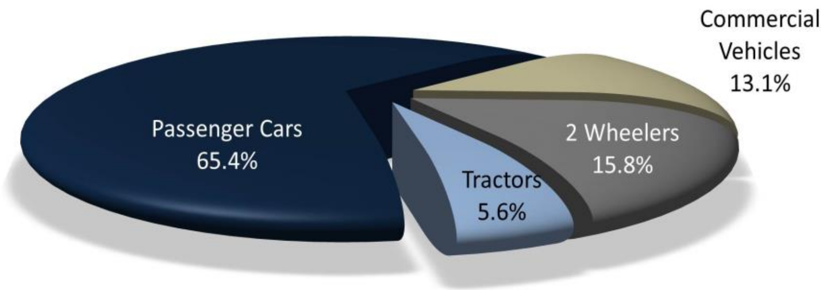
Source: knoema Frost & Sullivan

# Automotive Industry in Algeria

# Automotive Industry Overview

## Growing the local automotive industry is a key focus area of the local government

**Automotive Industry Sales, Share by Vehicle Category, 2015**




- Algeria along with it's neighboring North African markets became focus markets for some European manufacturers, in order to offset stagnant growth conditions in the EU
- French manufacturers lead Renault, Renault's subsidiary Dacia and Peugeot are market leaders, followed by Hyundai and Toyota
- Renault and Mercedes have established plants in Algeria in 2014, while Volkswagen is also already in discussions with the Algerian government to establish a local plant
- Mercedes Benz transferred it's investments from Egypt to Algeria owing to better facilities and benefits offered by the Algerian government
- Renault's primary objective for the plant in Algeria is to address the entirety of the local demand

Total Vehicle Sales 2015: 552,700

Source: Frost & Sullivan

# Drivers and Restraints in Algeria Automotive Sales

## A shift in consumer spending on real estate will negatively impress upon vehicle sales

| Market Drivers |
|---|
| During the Government's 2010-2014 development programme, increased construction led to a high demand for CVs and OHVs |
| In the "Project of Finance 2015" –law, the Government imposed a 17% VAT tax on sales of second hand cars in order to control the grey market |
| The Government, through the exemption of taxes, encourages foreign manufacturers to set up plants in the country. |
| The agreement between Algeria and the EU on progressive reduction in import duties will increase imports and sales of vehicles |

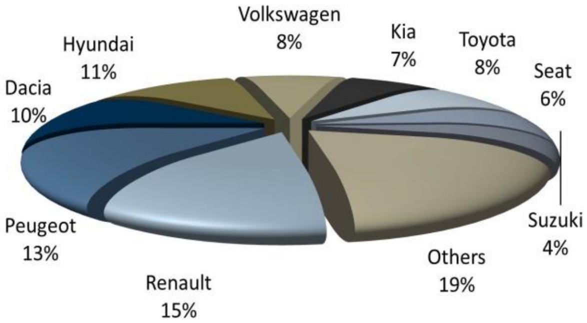
| Market Restraints |
|---|
| Household expenses turned from cars to houses as a result of the AADI (National Agency of improvement and development of housing, 2014) |
| The bureaucracy involved in conducting business is extremely slow, complex and protocol oriented. Customs delay the process further. |
| Imports of vehicles less than 3 years old (as legalised by the Government in 2007) reduce the market shares of locally established OEMs |
| Dealers can no longer demand advance payments of more than 10% of the vehicle price, reducing the cash flow for dealers and negatively impacting sales |
| Government prioritises the local market over imports by reducing duty on semi-completed products |

Source: Frost & Sullivan

# Passenger Vehicle Market in Algeria

# Passenger Vehicle Segment Overview

## Renault and Dacia are market leaders in the passenger cars segment; Algeria is one of the fastest growing global markets for Chinese cars




Nil · Low · Medium · High

| Make | Top Models* | Possible Similarity with Indian Models |
|---|---|---|
| Renault/ Dacia | Logan, Clio | Low |
| Peugeot | 208, 301 | Nil |
| Hyundai | Accent, i10, ATOS Prime | Medium |

*Others includes JAC, FAW, Nissan, Citroen, Ford, TATA etc.*

**Models account for 50% of the market*

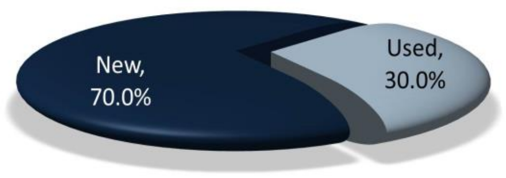
- Algeria is primarily a small car and hatchback market
- The mass segment (low cost segment) is dominated by Renault, its subsidiary Dacia and Chinese brands FAW and JAC; the mid segment is accounted for by SEAT, Hyundai and Toyota and the high end or premium segment mainly comprises Audi, Mercedes and BMW
- In the ten year period from 2004-2014, 344,000 cars were exported to Algeria from India; 61% of this export is accounted for by Hyundai and 34% by Maruti Suzuki
- TATA motors entered the Algerian market in 2014 with the TATA Indica, Indica Vista and Manza
- The leading models exported include the Hyundai Accent, Hyundai ATOS Prime (Hyundai Santro Xing), Hyundai i10 and Maruti Alto 800

Total Passenger Vehicle Parc 2015: 4,291,079

Source: Frost & Sullivan

# Passenger Vehicle Segment Overview (continued)

## Increasing regulation on the import of used vehicles since 2012 is boosting the demand for new vehicles in Algeria




Nil · Low · Medium · High

| Make | Top Models | Possible Similarity with Indian Models |
|---|---|---|
| Renault | Logan, Clio IV | Nil |
| Dacia | Sandero, Duster | Low |
| Hyundai | Accent | Low |
| Peugeot | 208, 301, 308 | Nil |
| Toyota | Hilux | Nil |

- The current regulation on the import of used vehicles is that the vehicle must be less than 3 years old
- The Algerian government has regularly increased import restrictions since 2012, primarily to create demand for locally manufactured vehicles
- The market being a left hand drive market, China and South Korea were the most significantly impacted exporters to Algeria
- Current vehicle import regulations restrict an importer to import only the brands that he is licensed to import
- Given the friendly business environment created by the Algerian government, many passenger car manufacturers are looking to establish plants in Algeria

Total Passenger Vehicle Sales 2015: 361,700

Source: Frost & Sullivan

# Passenger Vehicle Manufacturing in Algeria

**Renault was the first local vehicle assembly entrant in Algeria commencing production in 2014**

| OEMS with Plans to Manufacture Passenger Vehicles in Algeria |
|---|
| Volkswagen |
| FAW |
| Mercedes |
| Peugeot |
| JAC |
| Toyota |

- Engine Spec: 1.2L 16V and 1.6L MPI
- Assembly of SKD kits imported from Renault's plant in Romania
- Current localization is restricted to
  - Plastic injection parts by Joktal
  - Seats by Martal

***Future production models at Renault Algerie include the Kwid, Sandero Steway***

Source: Frost & Sullivan

# Passenger Vehicle Usage Conditions

**Road quality is generally average to poor; harsh braking is a common practice**

## Annual Usage Patterns

- The average annual distance covered by passenger cars ranges from 12,000-15,000 kms in urban Algeria
- For taxis, the average annual distance covered is in the range of 35,000-40,000 kms
- Average daily personal commute distances are in the range of 35-50 kms

## Driving Conditions

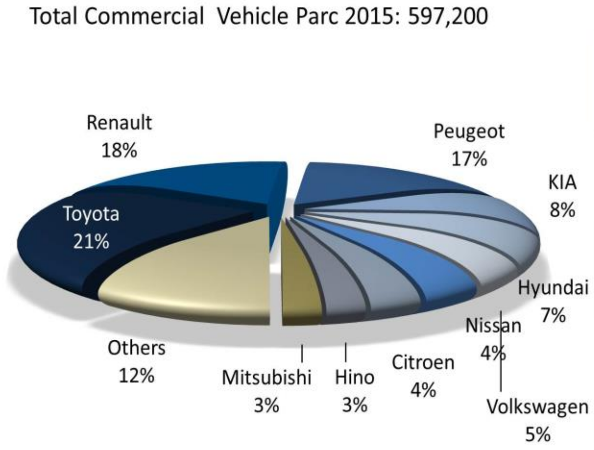
- Traffic congestion is high in urban and sub-urban locations
- Traffic code violation is common with drivers not respecting speed limits
- Overall driving conditions warrant for harsh usage of the clutch and brakes
- Road quality ranges from average to poor within city limits, but is poor is rural areas

Source: Frost & Sullivan

# Commercial Vehicle Market in Algeria

# Commercial Segment Overview

## The commercial vehicle segment is expected to grow at a CAGR of 10.4% by 2014-2019 as a result of investments in infrastructure




Nil · Low · Medium · High

| Make | Top Models | Possible Similarity with Indian Models |
|---|---|---|
| Renault | Kangoo, Lander | Nil |
| Hyundai | HD Series | Nil |
| Toyota | Hilux | Nil |
| Peugeot | Partner, Boxer | Nil |

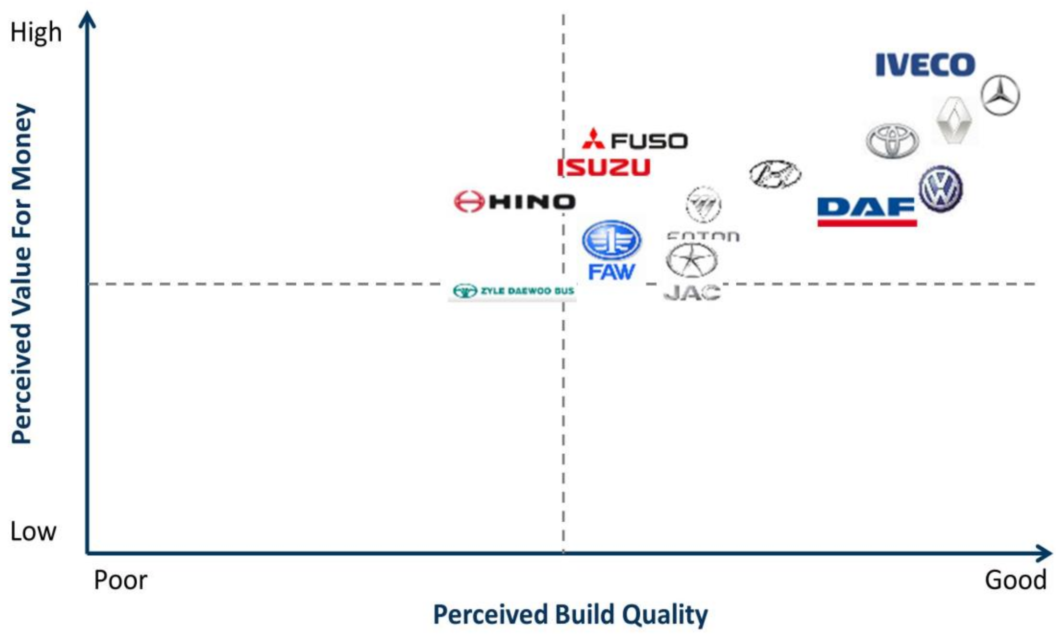
- The commercial vehicle segment in Algeria is undergoing a shift from a dominance of LCVs (panel vans and LD trucks) to medium and heavy commercial vehicles
- Annual sales in the MD and HD segments account for roughly 17% of the total annual CV sales
- Toyota is the leader in the LD segment, Hyundai leads in the MD segment while Renault is the leader in the HD segment
- Chinese brands like Foton, FAW and JAC are growing rapidly in the LD segment

Others includes, but is not limited to Ford, Iveco, Fuso, MAN, JAC, Daewoo, Volvo, DAF, Scania

Source: Frost & Sullivan

# Commercial Vehicle Segment Overview (continued)

## European products are perceived to offer the best value for money; Renault's popularity in the market is aided by it's manufacturing presence in the country




Source: Frost & Sullivan

## Commercial Vehicle Segment Overview (continued)

### For long, Algeria has been a van and light commercial vehicle market


- Algeria is one of the key global markets for Chinese commercial vehicles
- The LCV market comprises panel van products which is a result of European automotive influence on the market, and increasingly by pick-up truck products
- While brands like Renault/Dacia have products in panel vans and MD and HD segments, Asian brands such as Hyundai, Foton, Isuzu and Mitsubishi Fuso are common in the LD pick-up truck segment
- Around 2000 trucks were exported from India in the 10 year period from 2004-14; Mahindra accounting for around 60% of these exports and TATA motors accounting 40%
- The key models exported from India are Scorpio, Genio and Bolero, and the TATA Xenon and LPT 613 models
- The limited presence of common CV platforms and vehicles between the Algerian and Indian markets makes it's an unattractive opportunity for Indian auto component manufacturers, particularly in the near term

Source: Frost & Sullivan

## Commercial Vehicle Segment Overview (continued)

### Investment in infrastructure is driving the growth for HD trucks


- Commercial vehicle manufacturers see Algeria as the  next ideal manufacturing location in North Africa owing to
  - Its proximity to both some continental European markets and other North African markets
  - The business friendly norms by the government for the establishment of local automotive manufacturing units Truck manufacturers such are Renault, Iveco and Volvo are planning assembly units in Algeria owing to the growing demand for HD trucks
  - **And the ban on imports of used trucks in the market**
  - **A new plant to locally assemble DAF and Isuzu products is expected to commence production by September 2016**
- The HD truck market is dominated by brands such as Renault, Iveco and Volvo

Source: Frost & Sullivan

# Commercial Vehicle Usage Conditions

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

### Annual Usage Patterns

- The average annual distance covered is in the range of 40,000 kilometers for light commercial vehicles, and , but can be as high as 90,000-95,000 kilometers for heavy duty vehicles
- Vehicles over 10 years old which represent around 30% of the current CV parc run an average of 45,000 kilometers a year

### Driving Conditions

- Light commercial vehicles are normally run in congested traffic conditions within city limits, forcing harsh braking, acceleration and clutch abuse
- Road conditions are average to poor, and deteriorate in the suburbs and outskirts of the city
- Overloading is common in the use of commercial vehicles, particularly in the case of heavy duty trucks as a result of general anarchic behaviour and lack of policing
- Heavy duty vehicles being used widely in industrial and infrastructure sectors are also subject to below average road conditions taking a toll a on the suspension of the vehicles

Source: Frost & Sullivan

# 2 Wheeler Market in Algeria

# 2 Wheelers Segment Overview

## Chinese 2 wheelers account for about 95% of market in Algeria

Total 2 Wheeler Parc 2015: 17,950

Nil | Low | Medium | High

| Make | Top Models | Possible Similarity with Indian Models |
|---|---|---|
| Zongshen | ZS150-6S, ZS150-6B | Low |
| Sym | 125-3, 150-7 | Low |
| CF Moto | 150NK | Low |
| TGB | Bellavita 125 | Low |

- Algeria is a 100% import market for 2 wheelers; however the government is soliciting OEMs to consider assembling in Algeria
- Algeria has witnessed a severe downturn over the last 3 years, with imports standing at 62,400 in 2015, a 36% decline in 2014; the imports in 2014 were down 15% over the previous year
- Chinese 2 wheelers account for 95% of the imports, with the remaining 5% split between Canada, Germany, India, Spain, Italy, France, Taiwan, Tajikistan, Japan, Thailand, Vietnam and the US
- Indian 2 wheeler imports are estimated to account for around 0.5% of the total 2 wheeler imports
- The dominant segment in this 2 wheeler market, accounting for 95% of the market, is the 50-249cc segment where the main engine capacities are 110, 125 and 150cc
- The remaining 5% is mainly accounted for by sub-50cc scooters

Source: Frost & Sullivan

# 2 Wheeler Usage Conditions

## Rash usage and average roads are common usage conditions for 2 wheelers

### Annual Usage Patterns

- 2 wheelers are used for personal transportation and are more common in the smaller cities of the country
- Annual average running of 2 wheelers is estimated at 11,000-13,000 kilometers

### Driving Conditions

- Typical road conditions that 2 wheelers are used on are average to poor
- Harsh acceleration and braking is common among 2 wheeler users owing to congested traffic conditions and generally poor driving habits

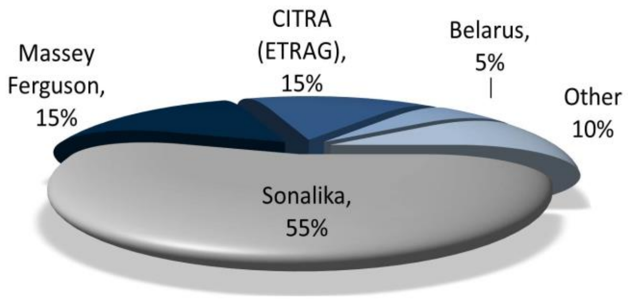
Source: Frost & Sullivan

# Tractor Market in Algeria

## Tractor Segment Overview

### Massey Ferguson was the first tractor brand to be locally manufactured in Algeria

Total Tractor Parc 2015: 180,000




Nil · Low · Medium · High

| Make | Top Models* | Possible Similarity with Indian Models |
|---|---|---|
| Sonalika | DI-75RX, DI-60RX, DI-90RX | High |
| Massey Ferguson | MF275, MF290, MF375 | Medium |
| CITRA | C6807 | Nil |

*Others includes, but is not limited to CAMCO, New Holland, SAME, Yanmar, SAME, Chery, Kubota*

**Models account for 70% of the market*

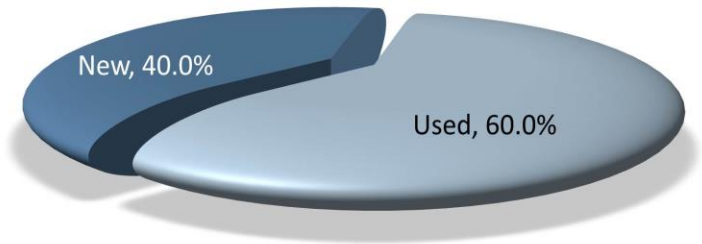
- 55% of tractor imports to Algeria is from Europe; the import dependence for farm tractors is gradually decreasing in Algeria owing to the growth in domestic manufacturing of tractors
- AGCO, manufacturing the Massey Ferguson brand of tractors was the first to establish a tractor manufacturing plant
- Indian tractor manufacturer Sonalika has a local assembly facility; while Mahindra in present in the market through a local dealer partner
- In the period from 2004-2014, 15,000 tractors were exported from India; 84% of these being Sonalika products, 7% from New Holland and the remaining from SAME

Source: Frost & Sullivan

## Tractor Segment Overview (continued)

### 70% of the tractors sold in Algeria are used

Total Tractor Sales 2015: 8,470




- While the market for new tractors is growing in Algeria, the demand for used tractors remains significant
- Farm mechanization in private farms is still relatively weak in Algeria; out of the 800,000 private farms in the country, over 50% are smaller than 5 hectares, and only around 2% are medium to large size farms using modern farming and mechanization
- Most of the used tractors are imported from Europe
- Tractor OEMs opine that the incompatibility of tractor implements with imported used tractors will gradually influence farmers to consider purchasing new tractors

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**

## Annual Usage Patterns

- Annual use of tractors is around 800-900 hrs; during the seasons tractors run for 6-8 hrs a day
- Tractor overloading is common resulting in failure of transmission, braking & front end failures
- Tractor operators are not well trained and often misuse the machinery by way of excessive use of the clutch, use of improper implements, incorrect mounting of implements

## Operating Conditions

- Tractor are primarily used for tillage, seeding, fertilizing and picking
- Non-agricultural applications of tractors is common and growing on the back of investments in infrastructure
- Operating conditions of non-agricultural application of tractors in terms of road quality and loading are average to poor

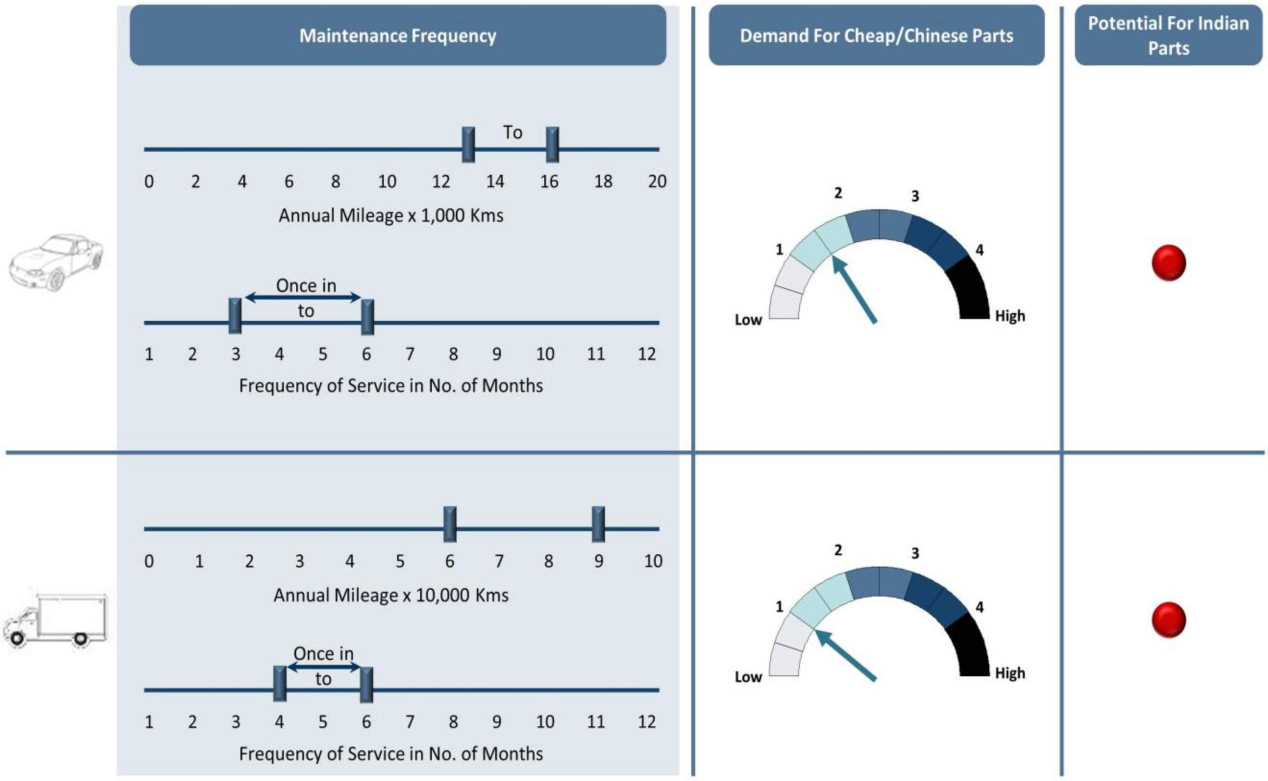
Source: Frost & Sullivan

# Maintenance and Parts Replacement Practices

# Maintenance and Parts Replacement Practices

## The current potential for Indian parts in Algeria comes from the presence of similar Suzuki and Hyundai passenger car models

Low Medium High

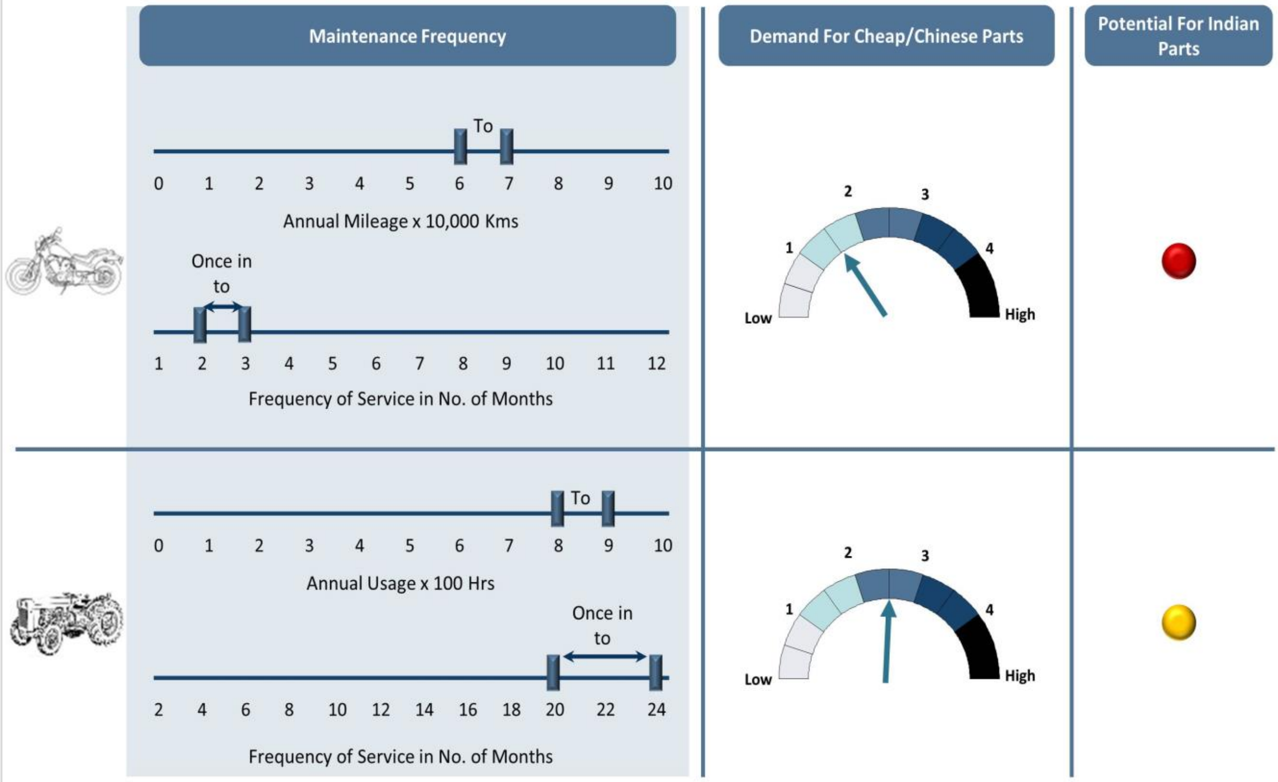



Source: Frost & Sullivan

# Maintenance and Parts Replacement Practices (continued)

## The possible interchangeability of components between Chinese and Indian motorcycles presents an opportunity for Indian component manufacturers

Low Medium High




Source: Frost & Sullivan

## Passenger Vehicles

**Counterfeit parts are very common for passenger vehicles, particularly for brands like Peugeot, Citroen and Toyota**

**Maintenance Frequency and Parts Replacement**

- Private passenger cars are serviced as often as once in 3-6 months
- Owing to the usage conditions of taxis, they rarely undergo scheduled comprehensive maintenance; it is common for these vehicles to undergo small repairs every 3-4 months
- **The most consumed passenger car parts are clutches, suspension and braking components, and, fuel, oil and air filters**

**Choice of Brand for Auto Components**

- Owing to the price conscious nature of the typical consumer, the general inclination is toward cheaper parts, which is where Chinese auto components and counterfeit parts have the advantage
- **In the passenger car segment, for the first 2 years of vehicle ownership, private car owners stick to the use of genuine OE and IAM components**
- Chinese components are preferred for older private cars and taxis where the maintenance or repair costs are significantly high

Source: Frost & Sullivan

## Commercial Vehicles

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

**Maintenance Frequency and Parts Replacement**

- **Commercial vehicles owners largely do not pay due attention to vehicle maintenance; the average service interval for commercial vehicles is once in 6-9 months**
- Owing to the usage conditions of light commercial vehicles, the most commonly replaced components are the braking components, clutches and filters
- For heavy duty trucks, rampant overloading, dusty road conditions result in demand for suspension components and filters

**Choice of Brand for Auto Components**

- Genuine parts have the strongest demand from the heavy duty trucks segment; this is mostly for engine, transmission and suspension components
- **The demand for cheap components and Chinese substitutes comes from the light duty segment, where the presence of Asian brands such as Hyundai, Hino, Fuso and Chinese brands JAC and FAW is on the rise**

Source: Frost & Sullivan

# 2 Wheelers

**The dominance of Chinese 2 wheelers and the interchangeability of parts between Indian and Chinese 2 wheelers presents a significant opportunity**

| | |
|---|---|
| **Maintenance Frequency and Parts Replacement** | • 2 wheelers in Algeria are primarily used for personal commute<br>• Vehicle owners normally abide by prescribed maintenance schedules at least during the first 2 years of ownership<br>• **Two wheelers, on average are normally serviced once in 6 to 7 months with parts replacement normally starting from the second or third year** |
| **Choice of Brand for Auto Components** | • Given the dominance of Chinese 2 wheelers in the market, Chinese auto components have the highest demand<br>• **However, if reliable substitutes that are priced competitively are available in the market, local customers can be convinced to choose parts from different manufacturers** |

Source: Frost & Sullivan

# Tractors

**Affordability of tractor owners is driving the demand cheap Chinese components**

| | |
|---|---|
| **Maintenance Frequency and Parts Replacement** | • 2 year/2,000 hour (whatever occurs first) is common warranty & free service period<br>• **Large scale farmers are known to ensure that parts are replaced as advised by service technicians, however, lower affordability forces smaller famers to postpone maintenance and parts replacement** |
| **Choice of Brand for Auto Components** | • The local assembly of brands like Massey Ferguson aids the availability of genuine OE and branded aftermarket parts for this segment<br>• Despite this, affordability of tractor owners pushes them to consider the cheapest components available in the market |

Source: Frost & Sullivan

# Vehicle Servicing Infrastructure

# Vehicle Servicing Infrastructure

## Organized independent garages form a majority of the vehicle service infrastructure in Algeria

%

| OEM Authorized Service Centers | Organized Independent Garages | Small Mechanics |
|---|---|---|
| 12% | 85% | 3% |


Note: Estimated share of Vehicles Services at these facilities

Source: Frost & Sullivan

# OEM Authorized Service Centers

## Preferred service channel for as long as vehicles are in warranty

### Vehicles Serviced

- **Preferred service channel across all vehicle segments within the warranty period**
- Most customers retained post the warranty period are owners of high value vehicles because parts availability and familiarity with the products will be low in other service channels

### Parts Supply and Use

- **Exclusively OEM genuine parts**
- Parts are imported through established OEM channels
- **Hold high levels of inventory** and some times sell to the local trade

### Customer Service

- High customer satisfaction through structured customer service practices
- **Customer retention is higher for new vehicle owners as compared to that for used vehicle owners**

### Service Cost

- **Parts and labour charges are highest among all the service channels**

Source: Frost & Sullivan

# Organized Independent Garages

## The significant presence of this service channel in Algeria makes it a key channel for the ACMA members to target

**Vehicles Serviced**

- **Multi brand service outlets**, sometime contracted service providers for large fleets
- **Separate facilities for passenger and commercial vehicles**
- **Fully equipped to undertake mechanical and body repairs, including painting**

**Parts Supply and Use**

- **Mix of OEM genuine parts, aftermarket branded, and high quality Chinese parts**
- Parts a sourced from local importers, or in some case directly imported
- **Some garages hold inventory of consumables for common vehicle brands like Renault, Dacia, Peugeot and Hyundai**

**Customer Service**

- Large organized facilities have **customer service teams to follow-up on customers for service feedback and ensure customer retention**

**Service Cost**

- **Overall service costs are lower than those at OEM authorized by 20-30%**

Source: Frost & Sullivan

# Small Mechanics

## Small mechanics, though being a small service channel; if incentivized attractively, can help push parts and improve brand awareness in the market

**Vehicles Serviced**

- **Typically known to service the mass market low end vehicles**
- **Services offered are very basic**
- **Capable of minor repairs on all brands of vehicles**

**Parts Supply and Use**

- **Parts are always procured as needed from local retailers**
- Parts consumed at these service points are mostly cheap consumables
- **These Mechanics are key influencers in the brand of parts used**
- **The chosen brand of parts is normally a reliable brand that offers the mechanic the best incentive**

**Customer Service**

- Not a high priority
- **Less likely to have repeat customers as compared to other service channels**

**Service Cost**

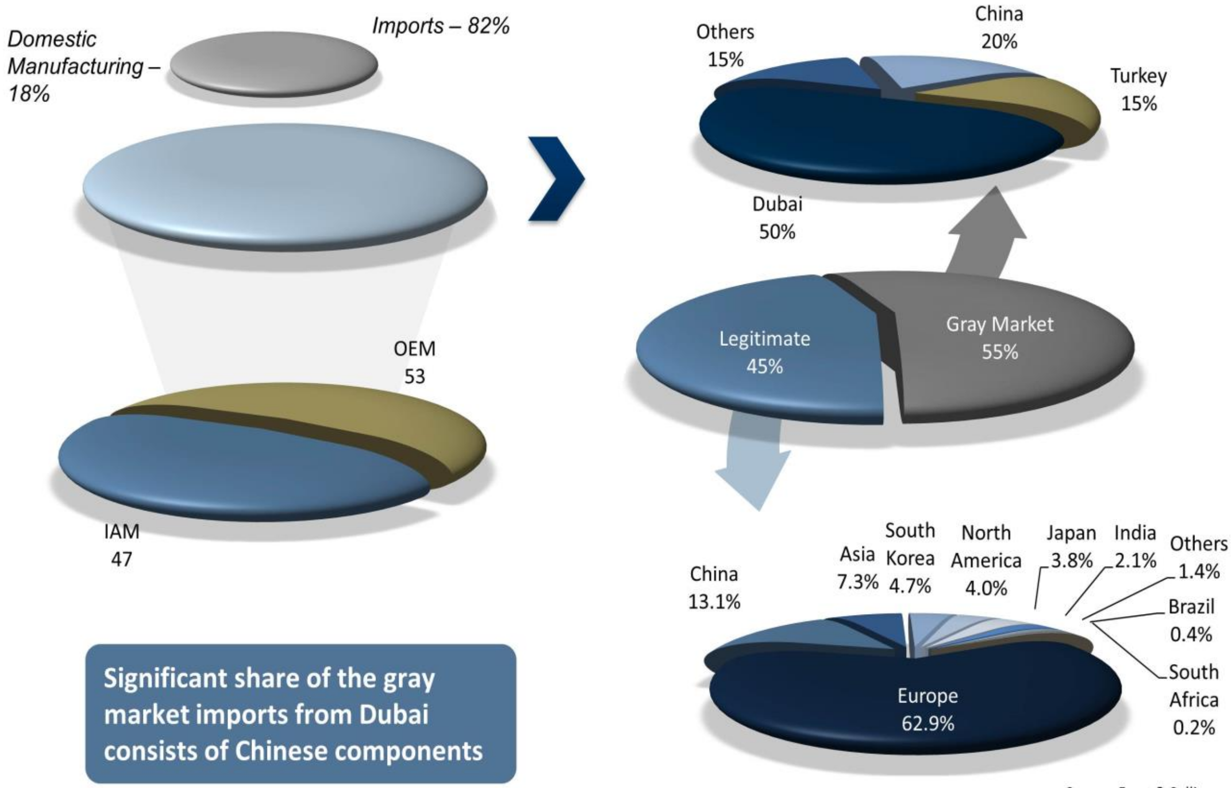
- **Service costs with these mechanics is at least 40% lower than OEM authorized service channels**

Source: Frost & Sullivan

# Auto Components Market

## Auto Component Market Summary

### European auto components account for 63% of the auto components imports to Algeria




Significant share of the gray market imports from Dubai consists of Chinese components

Source: Frost & Sullivan

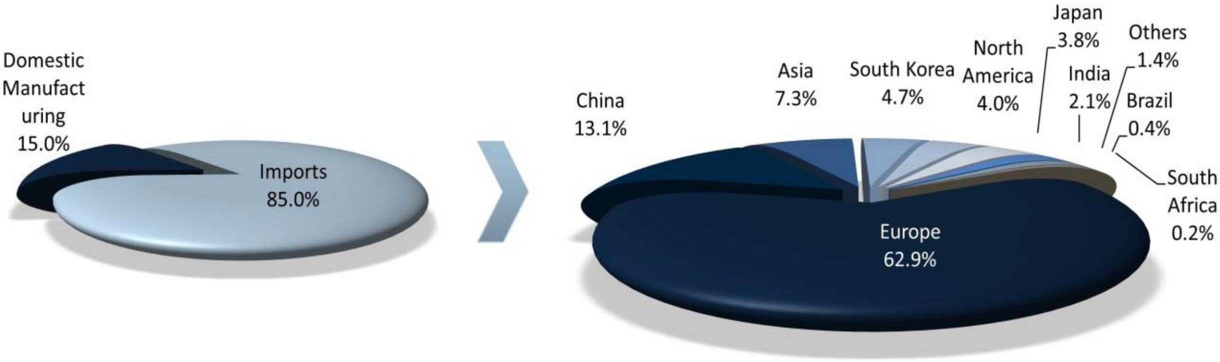
## Main Auto Components Brands in the Algeria Market

KONI, Valeo, NSK, SACHS, SKF, TAIHO, BOSCH, LUK, MAHLE, Bendix, KONI, ACDelco, BANCO, MONROE

Source: Frost & Sullivan

## Auto Components Imports

### India accounts for 2.1% of auto component imports in Algeria as compared to 13.1% from China




- The presence of European vehicle brands such as Renault, Peugeot, Volkswagen and Citroen drive the demand for European auto components
- Another factor associated with the high share of European imports is the fact that while domestic assembly of Renault has commenced, the level of localization is still around 12%; consequently relying on imports of kits from its plants in continental Europe
- 38% of the imports from Europe are France, 18% from Germany, 15% from Italy and around 9% from Spain

Source: Frost & Sullivan

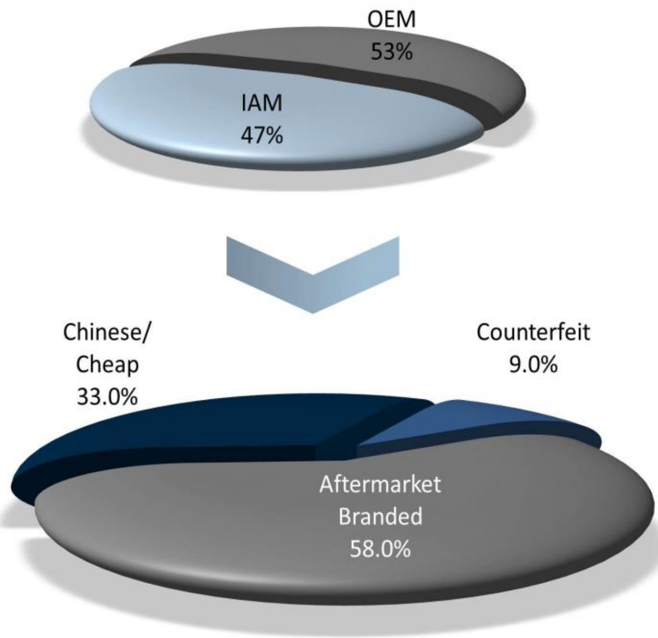
Others includes imports from other African countries, other Latin American Countries

## Auto Components Market Overview

### Chinese components account for the highest share of auto components in the 2 wheeler segment, and the lowest share in the commercial vehicles segment

**Key OEM Genuine Parts Sold in Algeria**

**Share of OEM Vs Independent Aftermarket**



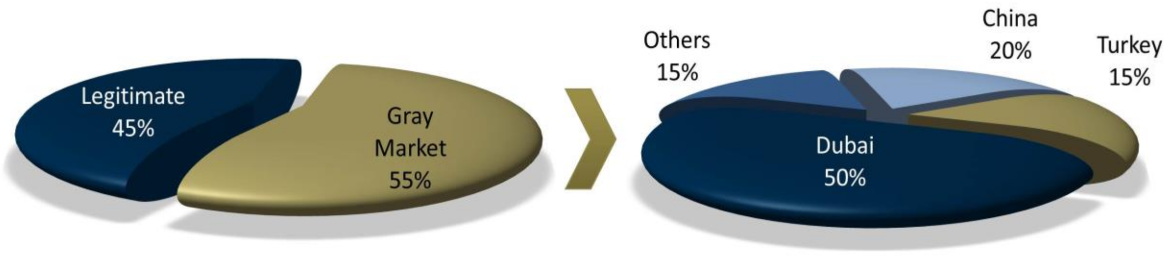

- Counterfeit parts are estimated to account for 9% of the total IAM
- These components often come along with Chinese components without any branding
- Chinese manufacturers have a spectrum of product options ranging from basic to high quality offered at a range of prices
- The demand for cheap and counterfeit parts exists mostly for mass market passenger cars, light duty commercial vehicles and tractors

Source: Frost & Sullivan

## Share of the Gray Market

### The gray market in Algeria is estimated at 55% of the total auto components aftermarket

| Share of Auto Components Gray Market, Algeria | Share of Gray Market Parts by Export Origin |
|---|---|




- Gray market parts come in largely from Turkey, Dubai and China
- Distributors opine that upto 70% of the parts imported from Dubai are gray market components
- The price conscious mentality of the Algerian consumers drives the demand for gray market parts
- Retailers easily make upto 50% margin on gray market parts

Source: Frost & Sullivan

## Counterfeit Parts

### With the growing presence of domestic automotive manufacturing, the market for counterfeit parts is key concern area for the government and other industry stakeholders

***The customs authorities release lists of various counterfeit products that are discovered in the market, including counterfeit auto components***

**Brands Whose Counterfeits Have Been Discovered in the Market**

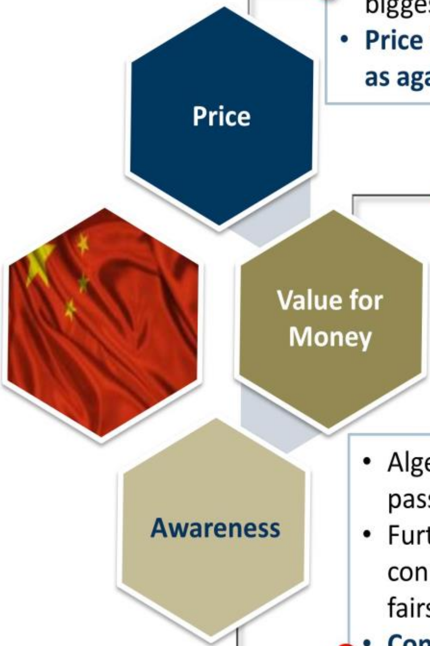
Valeo, KIA, LUK, Bendix, KONI, BOSCH, MONROE, ACDelco

- Weak legislation, policing and corruption have over the years allowed the growth of the market for counterfeit parts
- With the government soliciting investments to boost the local automotive industry, it is also taking concrete measures to create awareness of, and to curb the enter of, and sale of counterfeit parts in the market
- ***These measures have resulted in a sizable decrease in the presence of counterfeit parts since 1999, however, these parts still find their way into the market***

Source: Frost & Sullivan

## Chinese Auto Components in Algeria

### The advantage of Chinese auto components is price, and the availability of varying qualities at varying prices




**Price**
- In a price conscious market like Algeria, Chinese components have the biggest advantage
- **Price is a very significant factor behind the demand for Chinese products as against OE genuine or other branded aftermarket substitutes**

**Value for Money**
- **Customers feel that 'one gets what one pays for'**
- Chinese components are offered in varying quality grades and at varying prices, i.e. one can buy a cheap low quality Chinese component or an expensive high quality Chinese component
- Retailers opine that some Chinese manufacturers sell the exact same product, in different packaging at different prices; one packed in premium packaging and the other in basic packaging

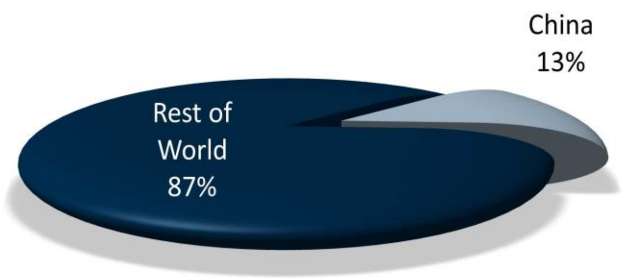
**Awareness**
- Algeria is one of the biggest export markets for Chinese vehicles, both passenger cars and commercial vehicles
- Furthermore, Chinese manufacturers actively work at maintaining a connect with the auto component aftermarket, through regional trade fairs
- **Consequently, awareness, familiarity and acceptance of Chinese products is high**

Source: Frost & Sullivan

## Impact of Chinese Auto Components

### The key advantage of Chinese manufacturers is the availability of parts of varying quality at varying prices

**Share of Chinese Components in Total Imports**



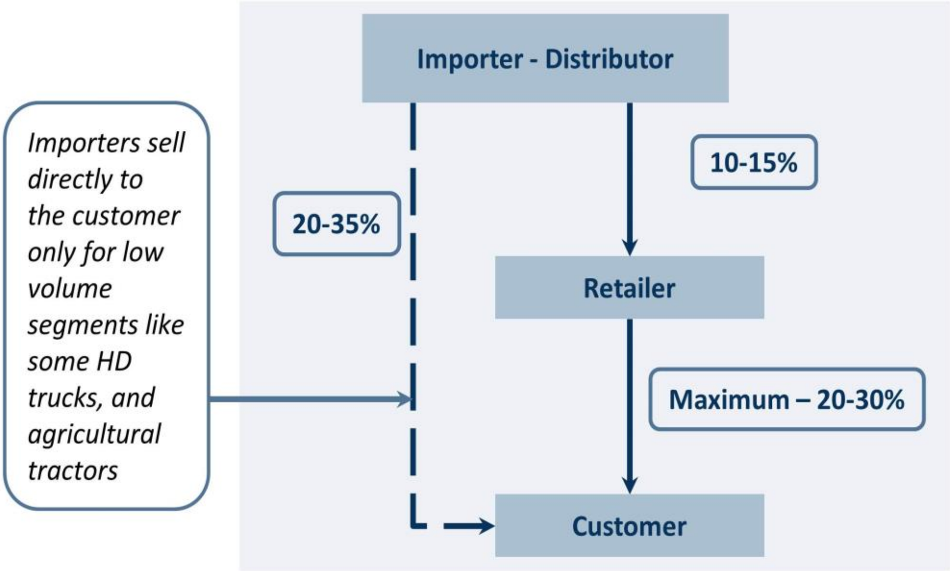

- Chinese manufacturers are known actively participate in local events to establish a connect with local traders
- Out of 245 international participants are the recent "Equip Auto Algeria 2016" event, China was represented by 133 companies, as compared to 13 companies representing India

- Chinese components are perceived to be ***Value for Money, i.e. low price for low quality, high price for OEM quality***
- ***The estimated share of Algeria's direct imports of auto components from China is around 13%***
- ***A significant share of the auto component imports from the middle east are also Chinese products***
- Chinese parts are common in less preferred for critical components such as engine and transmission components

Source: Frost & Sullivan

# Auto Components Distribution and Margin Structures

## Traders opine that total margins on gray market and counterfeit products can be as high as 50%; premium and rare parts can fetch upto 100% margins




- Importer-distributors in Algeria sell to both the trade and to the end customer
- The margins retained by the importer-distributor range from 10-15%
- Typical margins for a retailer are in the range of 20-30%, however, for rare and premium parts, or parts that are in low supply, the margins can be as high as 100%

Source: Frost & Sullivan

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

## Duty Structure for Import of Auto Components

| Duties and Taxes Payable on Import of a Auto Components | | | |
|---|---|---|---|
| **HS Code** | **Description** | **Customs Duty** | **VAT** |
| 8409.91.00 | Suitable for use solely or principally with spark-ignition internal combustion piston engines | 5% | 17% |
| 8483.10.00 | Transmission shafts (including cam shafts and crank shafts) and cranks | 15% | 17% |
| 8483.20.00 | Bearing housings, incorporating ball or roller bearings | 15% | 17% |
| 8483.30.00 | Bearing housings, not incorporating ball or roller bearings; plain shaft bearings | 15% | 17% |
| 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 | 15% | 17% |
| 8483.50.00 | Flywheels and pulleys, including pulley blocks | 15% | 17% |
| 8483.60.00 | Clutches and shaft couplings (including universal joints) | 15% | 17% |
| 8483.90.00 | Toothed wheels, chain sprockets and other transmission elements presented separately; parts | 15% | 17% |

Source: Bureau International Des Tarifs Douaniers, Frost & Sullivan

## Duty Structure for Import of Auto Components (continued)

| Duties and Taxes Payable on Import of a Auto Components | | | |
|---|---|---|---|
| **HS Code** | **Description** | **Customs Duty** | **VAT** |
| 8708.10.00 | Bumpers and parts thereof | 15% | 17% |
| **Other parts and accessories of bodies (including cabs)** | | | |
| 8708.21.00 | Safety seat belts | 15% | 17% |
| 8708.29.00 | Other | 15% | 17% |
| **Brakes and servo-brakes and parts thereof** | | | |
| 8708.40.11 | Gear boxes – CKD | 5% | 17% |
| 8708.40.19 | Gear boxes – Others | 15% | 17% |
| 8708.50.00 | Drive-axles with differential, whether or not provided with other transmission components | 15% | 17% |
| 8708.70.00 | Road wheels and parts and accessories thereof | 15% | 17% |
| 8708.80.00 | Suspension shock-absorbers | 15% | 17% |
| **Other Parts and Accessories** | | | |
| 8708.91.00 | Radiators | 15% | 17% |
| 8708.92.00 | Silencers and exhaust pipes | 15% | 17% |
| 8708.93.00 | Clutches and parts thereof | 15% | 17% |

Source: Bureau International Des Tarifs Douaniers, Frost & Sullivan

## Duty Structure for Import of Auto Components (continued)

| Duties and Taxes Payable on Import of a Auto Components | | | |
|---|---|---|---|
| **HS Code** | **Description** | **Customs Duty** | **VAT** |
| 8708.94.00 | Steering wheels, steering columns and steering boxes | 15% | 17% |
| 8708.99.00 | Other | 15% | 17% |
| 8714.11.00 | Saddles | 30% | 17% |
| 8714.19.00 | Other | 30% | 17% |
| 8714.20.00 | Of carriages for disabled persons | Free | 10% |
| **Other** | | | |
| 8714.91.00 | Frames and forks, and parts thereof | 30% | 17% |
| 8714.92.00 | Wheel rims and spokes | 30% | 17% |
| 8714.93.00 | Hubs, other than coaster braking hubs and hub brakes, and freewheel sprocket-wheels | 30% | 17% |
| 8714.94.00 | Brakes, including coaster braking hubs and hub brakes, and parts thereof | 30% | 17% |

Source: Bureau International Des Tarifs Douaniers, Frost & Sullivan

## Duty Structure for Import of Auto Components (continued)

| Duties and Taxes Payable on Import of a Auto Components | | | |
|---|---|---|---|
| **HS Code** | **Description** | **Customs Duty** | **VAT** |
| 8714.95.00 | Saddles | 30% | 17% |
| 8714.96.00 | Pedals and crank-gear, and parts thereof | 30% | 17% |
| 8714.99.00 | Other | 30% | 17% |

***Impact on Indian Auto Component Manufacturers***

- ***India has no current preferential or free trade agreements with Algeria***
- Consequently, all vehicle and auto component exports to Algeria from India are taxed as per the tariff
- Import duty applicable on components is 15% or 30% depending on component HS Code

Source: Bureau International Des Tarifs Douaniers, Frost & Sullivan

# Market Insights Importers/ Distributors, Retailer and Mechanics

## Sample Covered for Field Work in Algeria

### Frost & Sullivan has interacted with 30 respondents in Algeria

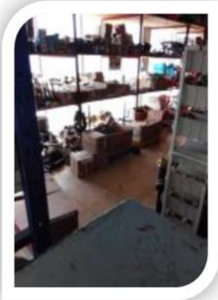
| Respondent Category | Quantity |
|---|---|
| Importer/Distributor | 7 |
| Retailers | 20 |
| Garage | 4 |

Source: Frost & Sullivan

# Importers-Distributors

## Importer-Distributor - Overview

### Importers and distributors sell to trade and directly to customers in Algeria




- This is largely attributed to the price difference between genuine parts and cheap substitutes from China and counterfeits available in the market; a price difference which can be as high as 95-100%
- Algerian vehicle owners being predisposed to buying the cheapest of the products available in the market have given Chinese manufacturers an edge in the market
- This is evident from the growth of Chinese vehicles in the market, the demand for Chinese auto components in the market, and also the intent of Chinese manufacturers to setup assembly facilities in Algeria
- Importers opine that most of the European imports that they trade in are from France, accounting for upto 70% of their business, while the rest is split between Germany, Turkey and Spain

Source: Frost & Sullivan

## Importer-Distributor - Overview

### Importers and distributors sell to trade and directly to customers in Algeria



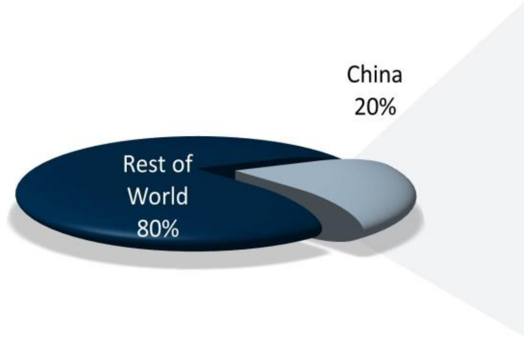
- Importer-distributors estimate the Chinese share of the total independent aftermarket in Algeria to be around 20-25%, including gray market and counterfeit parts
- Inventory holding in the market varies from 3 months to as much as a year
- Lead time from order placement to receipt of stock ranges from 5-10 business days for imports from Europe and the middle east
- A widely reported challenge by importers corruption and bribery, particularly for customs clearance

Source: Frost & Sullivan

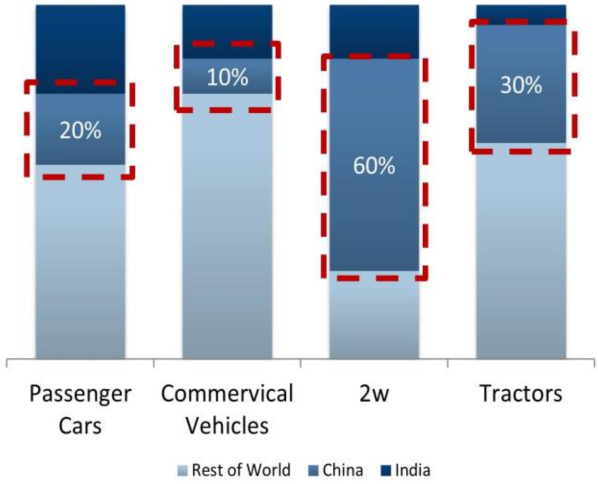
# Importer-Distributors' Sourcing from China

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

**Share of Importer-Distributor Sourcing from China**




**Share of Chinese Components Imports by Vehicle Segment**



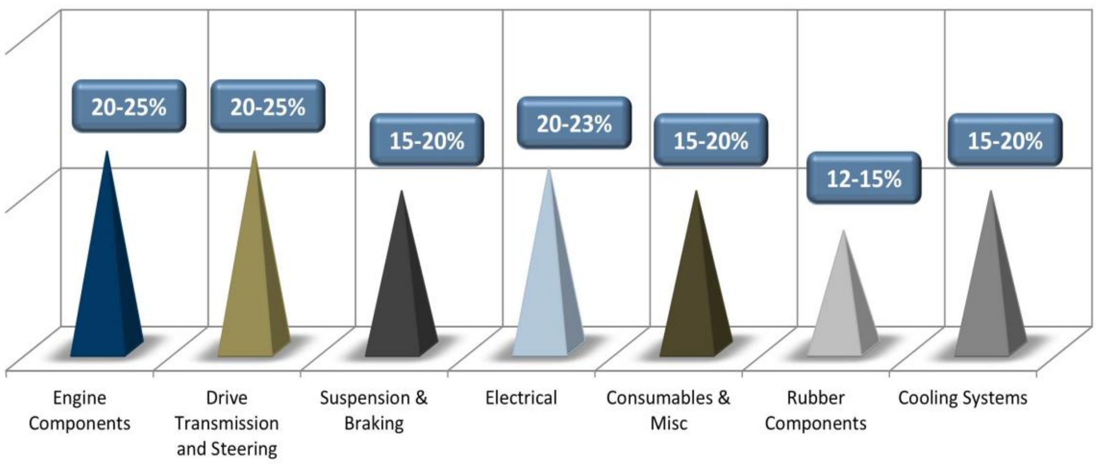

- While traders estimate that 20% of their passenger car components are imported from China, they indicate that a sizeable share of components imported from Germany are also manufactured in China
- Despite the small share of Chinese tractors in the Algerian market, traders opine that at least 30% of tractor components are imports from China, an indication of the product range of Chinese component manufacturers

Source: Frost & Sullivan

# Importer-Distributor Margins

## Importer-distributor margins on sale to customers averages between 20 and 25%

**Importer-Distributor Margins on Auto Components**




- The absence of price regulation (MRP) allows traders to vary prices based on current market conditions, and availability of parts, allowing for healthy margins
- Distributors claim an average margin of around 20-25% on sale to customers, however on some components can be as high as 35%
- On sales to the trade, distributor margins average at 10-15%
- Despite Chinese components being the cheaper options in the market, they offer the highest margins

Source: Frost & Sullivan

# Willingness to Selling Indian Brands

## Importer-distributors in Algeria express interest in selling Indian auto components but highlight the pricing is key to being able to sell Indian products in 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 | Medium/Average |
| Perception of Quality of Indian Brands | High/Good |
| Willingness to Trade with Indian Suppliers | Medium/Average |

- Awareness of Indian auto component brands is average, the brands most recalled are Alaska for belts and Banco for radiators
- Those that are aware of Indian auto components also advocate the better quality of Indian products as compared to most Chinese substitutes
- While the trade are generally interested in selling Indian auto components, the general opinion is that pricing and warranty are key determinants to the success of Indian components in the market
- ***Indian auto components must ideally be positioned between European and Chinese components in terms of price and quality***

Source: Frost & Sullivan

# Distributor Profiles - I

F.S.I.A

## Fourniture Service Industriel Automobile puts strong focus on trucks and agricultural tractors parts

| | | | |
|---|---|---|---|
| **Company Name** | Fourniture Service Industriel Automobile | **Contact Person** | Moudjeb Mouhamed |
| **No. of Year in the Business** | 10 | **Designation** | Managing Director |
| **Contact Number** | 00213 555 12 0000 | **Email Address** | Fsia.moudjeb@gmail.com |

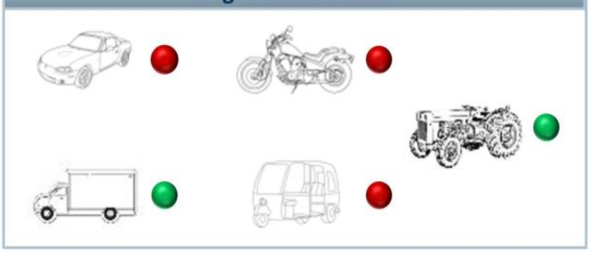
**Head Office: Cite Soummame Bab Exxouar Alger**

**No of branches: 1**

**Business Assets**

Storage Space: 3,300 sq. ft.

**Segments Covered**



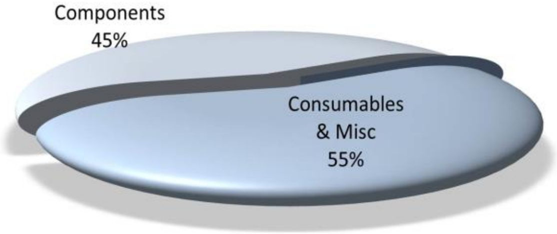
- Bearings
- Belts
- Oil rings
- Rubber components

Source: Frost & Sullivan

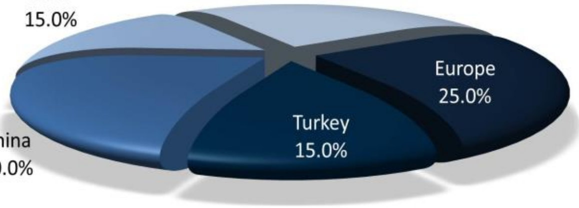
## Distributor Profiles – I (continued)

### Turkish, European and Chinese parts are sourced directly, Indian mostly delivered through the UAE

**Share of Different Component Categories Sold by the Distributor**




**Share of Imports by Country of Origin**




**Top Models Catered To**

| Make | Models |
|---|---|
| Renault Trucks | Various |
| Daewoo | Various |
| MAN | Various |
| Volvo | Various |

**Chinese Brands in the Distributor's Business**

| | |
|---|---|
| Distributor for Chinese Brands | Yes |
| Share of Chinese Brands in Total Business | ~20% |

Source: Frost & Sullivan

## Distributor Profiles – I (continued)

### Support distribution of Indian components provided there is a specific program for mechanics in place

**Interest in Dealing Indian Parts**

The distributor is interested to understand the capabilities of Indian Component Manufacturers in terms of product portfolio and product development capability

**Categories of Interest**

- Bearings
- Oil rings
- Consumables

**Top Indian Auto Component Brands Recalled by the Distributor**

**Alaska**

*"We are receiving a lot of interest about Alaska belt brand, it is one of the fastest moving SKUs with us"*

*- Sales manager, FSIA*

**Distributor Expectations from Indian Suppliers**

- **Price –** Positioned between Chinese and European spares
- **Quality –** Maintain current standards
- **Product Range –** Key standards and sizes
- **Marketing –** Cooperation with mechanics, 5-10 day installation warranty
- **Terms of Trade –** Industry standard

Source: Frost & Sullivan

# Distributor Profiles – I (continued)

## Sample photos


Source: Frost & Sullivan

# Distributor Profiles - II

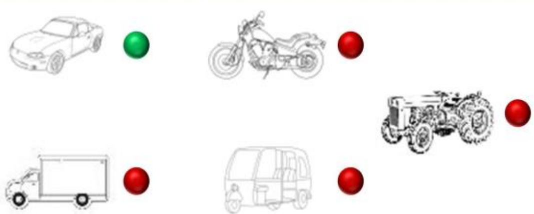
## CQHY focuses on light vehicles, catering to multiple brands

| | | | |
|---|---|---|---|
| **Company Name** | CQHY | **Contact Person** | Sales manager |
| **No. of Year in the Business** | >10 | **Designation** | Sales manager |
| **Contact Number** | 00213 771 55 47 47 | **Email Address** | Espace_asia_parts@yahoo.fr |

| Head Office: Cite Douzi, Bab Exxouar Alger | No of branches: 1 | Business Assets |
|---|---|---|

Storage Space: 15,000 sq. ft.

**Segments Covered**



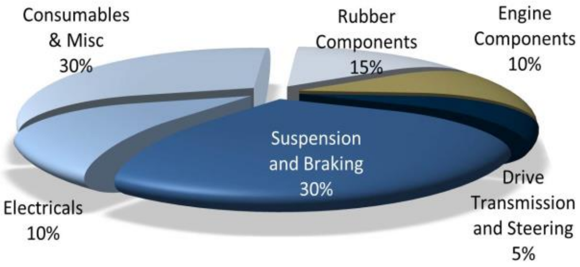
- Brakes pads
- Axles
- Engine components
- Rubber components
- Plastic parts

Source: Frost & Sullivan

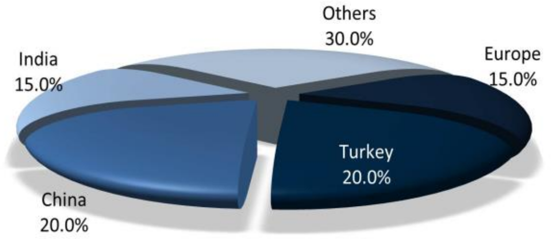
## Distributor Profiles – II (continued)

### Strong focus on Chinese parts for Chinese brands

**Share of Different Component Categories Sold by the Distributor**




**Share of Imports by Country of Origin**




**Top Models Catered To**

| Make | Models |
|---|---|
| **Hyundai** | Atos, Accent |
| **Toyota** | Corolla |
| **Chevrolet** | Aveo |
| **Maruti** | Swift |

**Chinese Brands in the Distributor's Business**

| | |
|---|---|
| Distributor for Chinese Brands | Yes |
| Share of Chinese Brands in Total Business | ~20% |

Source: Frost & Sullivan

## Distributor Profiles – II (continued)

### Pricing is the key USP

**Interest in Dealing Indian Parts**

The distributor is interested to understand the capabilities of Indian Component Manufacturers in terms of product portfolio and product development capability

**Categories of Interest**

- Brake pads
- Suspension parts
- Consumables

**Top Indian Auto Component Brands Recalled by the Distributor**

n/a

*"At least 80 percent of Indian brands supplied to Algeria have to be very price competitive"*

*- Sales manager, CQHY*

**Distributor Expectations from Indian Suppliers**

- **Price –** Positioned between Chinese and European spares
- **Quality –** Maintain current standards
- **Product Range –** Broad range / focus on multiple e brands is key
- **Marketing –** Limited
- **Terms of Trade –** Industry standard

Source: Frost & Sullivan

## Distributor Profiles – II (continued)

### Sample photos



Source: Frost & Sullivan

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Pièces détachées Auto WAHID

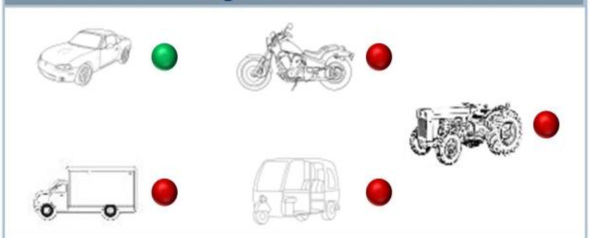
## Distributor Profiles - III

### PDA Wahid focuses on parts for French brands, PSA & Peugeot

| | | | |
|---|---|---|---|
| **Company Name** | PDA Wahid | **Contact Person** | Sales manager |
| **No. of Year in the Business** | <10 | **Designation** | Sales manager |
| **Contact Number** | 00213 21 24 0325 | **Email Address** | wahidladjmi@yahoo.fr |

| Head Office: Cite Douzi, Bab Exxouar Alger | No of branches: 1 | Business Assets |
|---|---|---|
| | | Storage Space: 1,000 sq. ft. |

**Segments Covered**



- Brakes pads
- Engine components
- Rubber components
- Suspension parts

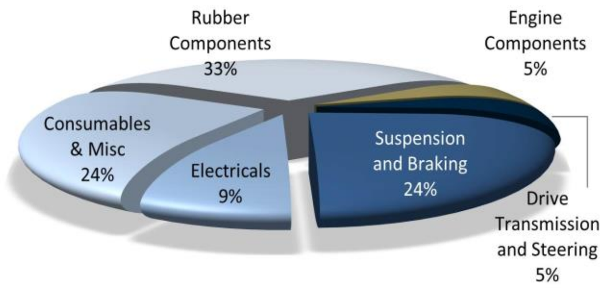
Source: Frost & Sullivan

Pièces détachées Auto WAHID

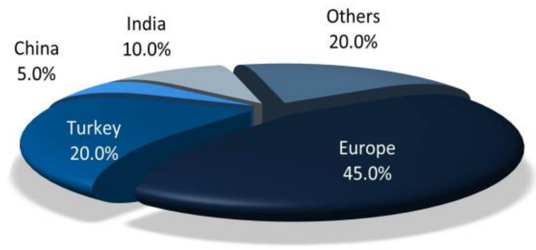
# Distributor Profiles – III (continued)

## Parts sourced from the distributor in the same area

### Share of Different Component Categories Sold by the Distributor




### Share of Imports by Country of Origin




### Top Models Catered To

| Make | Models |
|---|---|
| Renault | Symbol, Clio |
| Citroen | C4 |
| Peugeot | 207/208/301 |

### Chinese Brands in the Distributor's Business

| | |
|---|---|
| Distributor for Chinese Brands | Yes |
| Share of Chinese Brands in Total Business | ~5% |

Source: Frost & Sullivan

Pièces détachées Auto WAHID

# Distributor Profiles – III (continued)

## Price remains highly important but Indian brands gain good image

### Interest in Dealing Indian Parts

The distributor is interested to understand the capabilities of Indian Component Manufacturers in terms of product portfolio and product development capability

**Categories of Interest**

- Radiators/cooling systems
- Rubber parts (oil rings, belts)
- Consumables

### Top Indian Auto Component Brands Recalled by the Distributor

**Banco**

*"Radiators and cooling systems are a good area for Indian supplier, same as rubber products"*

*- Sales manager, PDA Wahid*

### Distributor Expectations from Indian Suppliers

- **Price –** Above Chinese brands, below European
- **Quality –** Above Chinese
- **Product Range –** Key models/OEMs
- **Marketing –** Industry standard
- **Terms of Trade –** Industry standard

Source: Frost & Sullivan

# Retailers

# Retailer - Overview

## Customer's openness to using salvaged genuine parts from scrapped vehicles rather than even cheap Chinese imports is a restraint on retail businesses

| Auto Component Retailers in Algeria | |
|---|---|
| Average Stock Held | 3 weeks to 3 months |
| Retailer Margins | 25-50% |
| Credit Facility to Mechanics | Yes, for familiar mechanics – upto 15 days |

- Retailers opine that most of the demand for auto components comes from brands like Peugeot, Volkswagen, Toyota and Citroen
- Over the past three years, retailers have observed reasonable increases in demand for part of Chinese brands such as FAW and JAC
- Customers using vehicles from Renault, Dacia, Hyundai and Suzuki mostly utilize repair services from authorized and organized independent service channels, i.e., channels where parts are stocked and either directly imported or sourced from local distributors

Source: Frost & Sullivan

# Retailer – Overview (continued)

## Retailer make the best of the absence of a Maximum Retail Price pushing margins as high as 100%

- Retailers opine that there is a sizable parc of very old vehicles in the market for which parts a rare and difficult to find; in the absence of regulations on Maximum Retail Price, these parts are sold at very high premiums
- Chinese auto components have been the fastest moving over the last 2-3 years, for the reasons that include
  - Parts are cheap, and hence are have better demand
  - Parts not durable, and hence require more frequent replacement
  - The share of Chinese vehicles in the local vehicle parc has grown significantly
- One of the restraints on retail businesses in Algeria is the customer's openness to using salvaged genuine parts from scrapped vehicles rather than cheap Chinese imports; local small mechanics reap great benefits of this buying pattern of customers
- **Retailers opine that developing relationships with, and incentivizing the organized independent garages and small roadside mechanics are key to generating demanding in the market**
- **Incentives for these channels can be discounts, and, freebies such as branded overalls, t-shirts, caps, posters etc.**

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<br>Piston Rings<br>Cylinder Liners | Cylinder Head Gaskets<br>Engine Valves<br>Cylinder heads |
| Drive Transmission & Steering | Clutch Assembly<br>Clutch Plate<br>Axels<br>Control Arms | |
| Suspension & Braking | Brake Pads<br>Brake Shoe | |
| Electricals | Starter<br>Alternator | |
| Consumables & Misc | Air Filter<br>Fuel Filter<br>Oil Filter<br>Wheel Bearing<br>Wiper Blades | |
| Rubber Components | Hoses<br>Oil Seals<br>Strut Mountings | |
| Cooling Systems | Water Pump<br>Radiators | |

Source: Frost & Sullivan

# Chinese vs. Indian Parts – Retailer Perspective

## The preference for cheap components in the market is the key driver for market for Chinese auto components

**Indian Components**

- **Awareness of Indian auto component brands is low**
- Retailers are confident in them being of superior quality as compared to Chinese substitutes
- Prices are known to be higher than the common Chinese substitutes

**Chinese Components**

- **Chinese auto components enjoy a natural high demand from the market owing to their cheap prices**
- Awareness of Chinese vehicles and auto components is the result of their heritage in the market
- Chinese manufacturers make themselves known through local and regional events
- Margins on Chinese components are low, but the high volumes are good for business

Source: Frost & Sullivan

# Garages & Mechanics

# Chinese vs. Indian Parts – Garages and Mechanics Perspective

## Mechanics are strong influencers/decision makers for the brand of auto components used by their customers

### Indian Components

- **Mechanics are aware of Indian vehicle OEMs TATA and Mahindra, however, awareness of Indian auto component brands is very weak**
- They are confident that Indian parts are far superior in quality to Chinese products
- Indian parts are more expensive than some Chinese substitutes, but still affordably priced

### Chinese Components

- **Mechanics are sometimes cautious when forced to use cheap Chinese components for replacement**
- Mechanics are sometimes comfortable recommending the use of genuine parts salvaged from scrapped vehicles instead of cheap Chinese alternates
- **Mechanics say that most Chinese parts are imported from Dubai; Chinese imports from Dubai look very similar to, and can be mistaken to be parts from other countries**

Source: Frost & Sullivan

# Thank You

# Automotive Component Manufacturers Association of India

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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