



Indian Auto Component Industry: A Decade of Growth and Way Forward

Velury Vijay Bhasker

CIRD, Bangalore, Karnataka, INDIA

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Abstract

The growth of Indian Auto Component Industry in the little over first decade of the 21st Century is phenomenal. The Industry transformed gradually in stages from serving just Indian market – majority to replacement market - to global OEMs and replacement market. The Auto Component Manufacturers Association (ACMA) has significance for global recognition and has an impact on GDP. It has a supporting role in the growth of Indian Automobile Sector and in future as per Automotive Plan 2006-16, Vision 2020:21 and Automotive Sector five year plan (2012 – 17) as projected by Department of Heavy Industry, Ministry of Heavy Industries and Public Enterprises. The growth of this sub sector has a bearing on the developments and growth of Indian Automobile Industry rather it is dependent on Automobile Industry growth – Locally and worldwide – expanding and aftermarket. This research paper highlights the growth of Indian Auto Component Industry relating with Investments and Foreign Direct Investment (FDI) in Equity inflows, drawing comparison with the developments and growth of Indian Automobile Industry, more specifically to Two Wheelers, Passenger Cars and Commercial Vehicle – Domestic Sales and Export earnings.

Keywords: OEMs, ACMA, CARG, industry investments, Foreign Direct Investment (FDI), GDP, ACT (division of ACMA), auto components – production, export and imports.

Introduction

The Indian automobile industry is capital and technology intensive with a high level of economy of scale and diverse linkages with down – stream industries leading to making a strategic industry to the Industrial Economy as a whole. The auto – component sector is highly diverse and vibrant, one of the key downstream linkages to the Indian Automobile Industry and ending FY 12 the production turnover being Rs.2063 billions by manufacturing all the key components required for Vehicle building. In 1980s it has followed a planned growth process and has given a major fillip to the development of Indian Auto – Component sector. The initial part of development of Indian Auto Component Industry is primarily due to the implementation of Phased Manufacturing Programme (PMP) as per the GOI policy enabling the auto component industry to induct new technologies, new products with a higher level of quality in their operations enabling them to be swift and effectively localize the component base; led to developing and creating highly capable, competent and quality conscious components. Phased Manufacturing Programme (PMP) for new projects in New Industrial Policy 1991 and for existing projects in 1994 has been abolished. This followed by Auto Policy 2002 enactment with a Vision: To establish a globally competitive automotive industry in India and to double its contribution to the economy by 2010. Accordingly automobile manufacturers (OEMs) and Auto component manufacturers have made a significant contribution to the Indian Economy as per the policy objectives. It has reflected in the growth of Indian Auto Component Industry from FY 02 to FY 12 in terms of earnings (domestic and export) and encouraging capital investments.

Indian Auto – Component Industry covers a wide spectrum of industries, that is, rubber, iron and alloy steel, plastic, oils and grease, fabrication tools, safety gadgets, air conditioning, radiators, mould making, battery industry, electrical fittings, interior furnishings, music system, sheet metal fabrication, lamps and bulbs, spring manufacturers – it covers basic industry and white goods. This sector has a bearing on Power consumption and skilled labour availability and has a considerable contribution in GDP (Manufacturing) – for FY 12 GDP at factor cost is 2.1%

Automotive Component Manufacturers Association (ACMA) of India

As a precursor, on 13th day of October 1959¹ it was registered under the section 21 of Companies Act 1956 and it has been established under the name the all india automobile and ancillary industries association – AIA and AIA; based on the necessary approvals a fresh Certificate has been issued (bearing no. 11476) in consequence to the change of name to automotive component manufacturers association of india (ACMA) by letter no. RD:78.218/82 dated 19.11.1982 which was issued in pursuant to Section 23(1) of the Companies Act 1956.

The Automotive Component Manufacturers Association of India (ACMA) is the apex body representing the interest of the Indian Auto Component Industry, more aptly it is the nodal agency for the Indian Auto Component Industry. ACMA is an ISO 9001:2008 certified Association.

Their main objective being active involvement in trade promotion, technology up-gradation, quality enhancement and collection and dissemination of information has made it a vital channel and instrumental for this industry's development. It has affiliation and membership with other bodies such as, SIAM, ATMA, FICCI, CII, ASSOCHAM, NATRIP, ASDC etc. ACMA's charter is to develop a globally competitive Indian auto component Industry and strengthen its role in national economic development and also promote business through international alliances.

ACMA is represented on a number of panels, committees and councils of the Government of India through which helping in the formulation of various policies pertaining to Indian Automobile Industry as a whole. SIAM and ACMA both were involved in preparation of Automotive Mission Plan 2006 – 16, in association with Ministry of Heavy Industries and Public Enterprises; A mission for development of Indian Automotive Industry

The Auto- Component Industry relates to supplies to OEMs and after-market services comprising of Tier 1, Tier 2, and Tier 3. Tier 1 auto-component manufacturers are the members of the Automobile Component Manufacturers Association – ACMA. The Indian Auto Component industry is classified as organised and unorganised players. The organised sector caters essentially to OEMs and to some extent in after-market dealing in the manufacture of high value-added precision engineering components. The unorganised players are mainly catering to replacement market or aftermarket dealing in lower value-added components. This industry classification (more technically) in a three tier structure is as follows: Tier 1 are involved in Integrated systems and key enablers to OEMs, and manufacture multiple auto components, Tier 2 supply auto components to Tier 1 suppliers and finally Tier 3 use traditional method of manufacturing (negligible IT systems) involved in raw material and single component manufacturers to Tier 2. In some cases, OEMs themselves are in Tier1 group because of criticality of the component (where there is zero tolerance), established with the brand equity and capital investments being more.

In the Financial Year ending 2012, ACMA represents about 651² companies distributed across India zone wise in the organised sector as indicated in Exhibit 1 and there are over 10,000 in unorganised sector. The ACMA membership increased from 543 in FY 07. The contribution of increase in number is dominating in North and West zone – factors being skilled labour, Power and closer to automobile assemblers. ACMA members being small in number comparatively but they produce and supply about 77% of the Industry³ (in FY 10) requirement in value terms which forms a majority and vital of the total auto component output in the organized sector.

One of the developments of ACMA is the formation of ACT⁴ (ACMA Centre for Technology for Manufacturing Excellence) in 2001 as a division of ACMA to improve labour productivity,

Quality and Cluster Programmes for Operational Excellence. In extension to this, ACT Advance Culture with a New Approach was launched in 2007. This is to attain among the members of ACMA with ideology of i. Learning together ii. Sharing together and iii. Achieving together. The objectives of formation is to deliver knowledge and training to group members on process and product technology, implementation of best practices in manufacturing, productivity and quality enhancement.

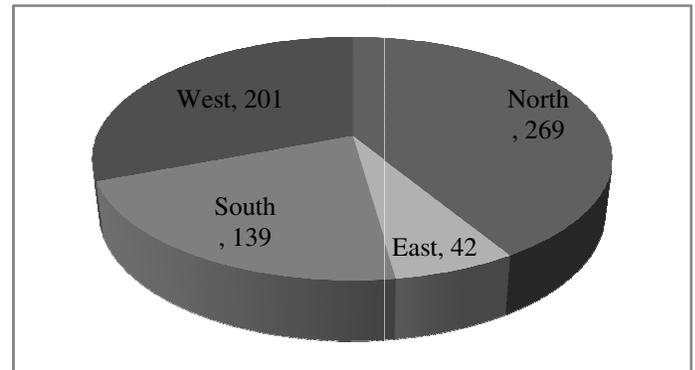


Figure-1
Distribution of Indian Auto Components Manufacturers across India

Also, ACT (a division of ACMA) formation is a cluster approach for operational excellence, where in, a group of companies join to learn, understand, practice and achieve together with the expert guidance of mentors and counsellors by a well documented practices and systems for sustenance. It is structured to impart knowledge to establish India as a reliable country for manufacturing quality auto components in a most cost competitive manner by focusing on waste reduction and value addition. The cluster programme direction is in leveraging the available resources in a most efficient manner.

ACT Vision is i. Designing and administering cluster programmes for ACMA members by using highly qualified counsellors ii. Building and enhancing competencies of ACMA members for continuous improvement iii. Institutionalize manufacturing practices and systems for achieving lasting results and iv. Offering new programmes regularly as and when required.

Auto Component Manufacturers -- Growth

Product quality, cost and timely delivery are the key factors in the growth of this industry. The achievements with respect to various certifications obtained are worth to begin-with as indicated in table 1. A majority of them obtained is ISO 9001 certification which deals in Process oriented and System development leading to achieving the end result as per the set objectives. Apart from Auto Policy 2002, the other favourable measures in aiding growth is i. Increasing demand for Vehicles ii. Setting up of a technology modernisation fund focusing on small and medium enterprises by AMP 2006-16 and iii. The

Table 1
Auto Component manufacturers - Quality Certifications and Recognitions⁷

Category	ISO 9001	TS 16949	QS 9000	ISO 14001	OHSAS 18001	JIPM	Deming Award	TPM Award	Japan Quality Medal	Shingo Silver Medallion
Number of Firms	562	445	33	208	99	3	12	15	1	1

Table 2
Indian Auto Component Industry Investments⁹ – FY 02 to FY 12

Financial Year Ending	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Investments (Rupees in Crore)	10700	12500	14500	16800	19500	24000	7560	460	8024	9120 -10260	7760 – 9215
Percentage Change (%)		16.8	16	15.9	16.1	23.1	(-ve) 68.5	(-ve) 93.9	1644.3		

Source⁹ - ACMA Annual Reports of FY 2007 to 2012 and self constructed

Department of Heavy Industries and Public Enterprises (DHI and PE) creating a fund of USD 200 million fund to modernize the auto components industry by providing an interest subsidy on loans and investment in new plans and equipment and provided export benefits to intermediate suppliers of auto components against the Duty Free Replenishment Certificate (DFRC) ⁵. The distinct and great achievement is relating with Deming awarded by Japan and India is the first country to obtain this award for outside Japan established organizations in this sector followed by largest in number. As per SWOT⁶ analysis, the Strength lies in a) Globally cost competitive being low manufacturing cost b) Adheres to strict quality controls c) Access to latest technology d) Ability to cater to low volume, whereas, the Threat is a) Essentially cheap imports from other low cost countries such as China, Thailand, Taiwan etc., b) Continued pressure on prices from OEMs c) Lack of design capabilities with the domestic auto component manufacturers is leading major OEMs in importing the requirements for their new launches and variants.

Investments

The Cumulative Foreign Direct Investment (FDI) in normal equity inflows⁸ in exclusively Auto ancillaries/parts from January 2000 to December 2010 is rupees 2857 crores (635 USD millions) and during the same period exclusive investments in passenger car segment is rupees 13,516 crores (3,008 USD millions) – key domain of growth in automobile and auto component industry in India post 1994 liberalization and Auto Policy 2002.

Analysis: The surge in Investments in Indian Auto Component Industry is remarkable, majority are in Tier 1 and few in Tier 2 sector and most of them are members of ACMA. The Table 2 highlights the actual Investments in Auto Component Industry to match with the demand of automobile manufacturers (OEMs). There is a gradual increase in investments in Auto component Sector till FY 07 as the installed capacity increased

at OEMs and there is a definite demand of vehicles as increasing in purchasing power (growing income) and easy Finance availability; Auto – Finance (Market Enablers) various schemes launched by private and nationalised banks. The significant factor to be noted is the capital investment taking place every year from FY02 in this sub sector of automobile industry. There is a decrease in actual amount of investments in FY 08 and FY 09 because of recession in USA and Europe. Thereafter, the investments have phenomenally increased to match the growth in India and demand abroad as ‘Made in India’ brand – Quality and Cost Conscious.

Production

There is a remarkable growth in production turnover of all supplies by auto component manufacturers in this research study period. The size of the auto components industry has grown principally due to two reasons i. the automobile manufacturers have grown and ii. the replacement market also increased in tune with that. The major part of Tier 1 produce is for the demand of OEMs and only a small portion for replacement market. In value terms it is Rs. 216.02 billion in FY 02 and Rs.2063 billion in FY 12 leading to CAGR of 25.3%. During the same period the total Automobile Vehicle production (in number) grew from 5,316,302 in FY 02 to 20,366,432 in FY 12 with a CAGR of 14.4%; more specifically the production of 564, 052 units (in Passenger Car and MPV segment) in the FY 02 to 2750880 ending FY 12, with a CAGR of 17.2% which is the prime reason for the growth of auto component industry.

The Indian Auto Component Industry manufactures a wide range of products and Exhibit 2 displays the share under each of these categories. It covers i.. Body and Structural parts ii. Engine and Exhaust iii. Electronics and Electrical iv. Interior v. Suspension and Braking vi. Drive Transmission and steering parts. This constitutes about 77% of the total production requirements. In Table 3 indicated the estimation for these product range in volume terms (%) for 2015 and 2020.

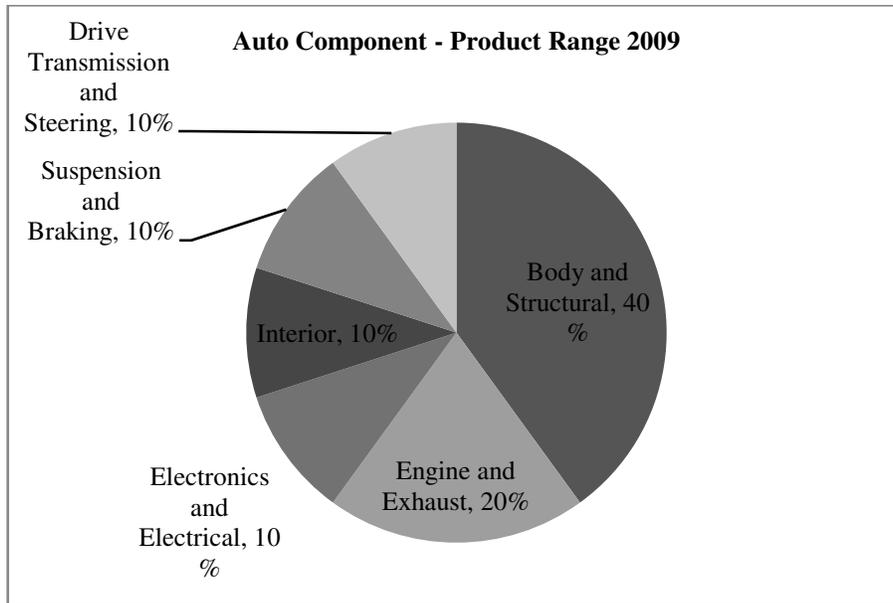


Figure-2
 Auto Component Manufacturers - Product Range and Production volumes in % terms¹⁰

Table 3
 Auto Component - Product Range in % terms - Actual and Estimated¹⁰

Financial Year Ending	Body and Structural	Engine and Exhaust	Electronics and Electrical	Interior	Suspension and Braking	Drive Transmission and Steering
2009	40%	20%	10%	10%	10%	10%
2015 (E)	35%	17%	13%	9%	13%	13%
2020 (E)	31%	18%	16%	8%	11%	16%

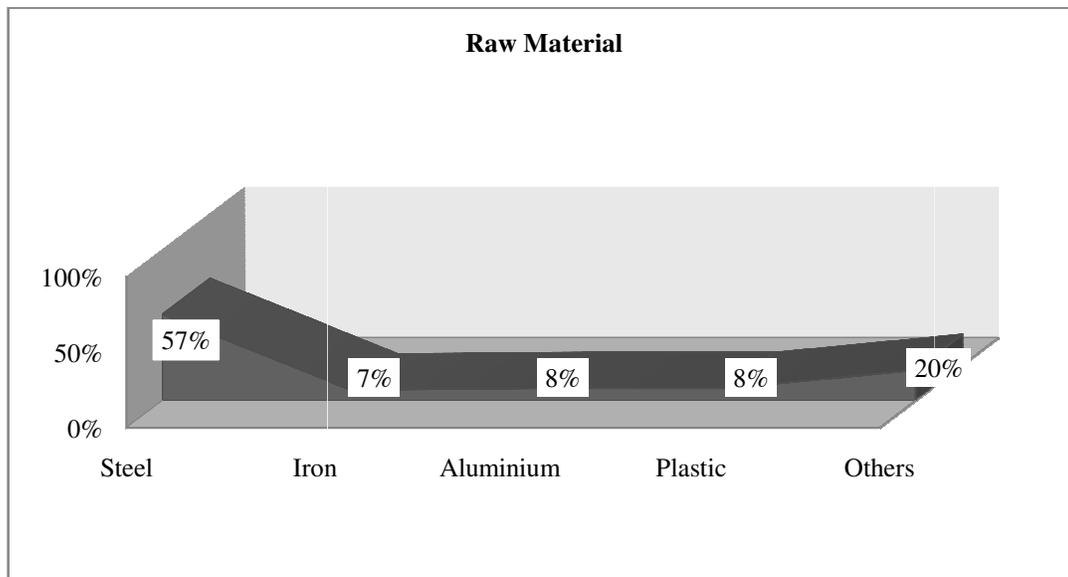


Figure-3
 Raw Material Constituent¹¹ of a normal small car by weight (%)

The weight of a normal car is generally governed by Safety norms and Fuel efficiency besides being cost competitive. As per the study carried out, exhibit 3 displays that Aluminium and Plastic each account for about 8% - increasing over the last decade - of the total weight of a normal small car. The majority of the weight of a car is on account of Structural and Suspension system components (57% of which is a constituent of steel). In India, last few years the cylinder heads of most of the passenger cars are made out of aluminium but in commercial Vehicles they continue to be in Ferrous Cast.

Analysis: In 2000 ACMA, jointly with SIAM and ATMA (Association of Technical Market Analyst) commissioned a study by NCAER (National Council for Applied Economic Research) to work out the projected growth rates in Auto Component Industry over the next two 5 year periods from 2002 to 2012. The exhibit 4 is the 10 year estimation (10th and 11th Five year plan) of production turnover from the FY 02 to FY 07

and FY 07 to FY12 and comparing with actual production turnover for the same period; signify the benefits obtained after the implementation of AUTO Policy 2002. In FY 2012 of the total industry production size of Rs. 2063 billion 70% was contributed by domestic OEMs, 14% by replacement market and the balance 16% by exports. The Table 4 depicts the changes in percentage terms Year- on-Year basis on actual production turnovers. The maximum increase is in FY 08, that is, 65% as compared to increase in FY 07 which is 20.79%. In value terms in FY 06, 07, 08 it was Rs.534, Rs. 645 and Rs.1067 billions respectively. The least growth being (-ve) 0.66% in the year FY 09 due to recession in USA and European market affecting across the industry in export and import. In terms of actual value the maximum increase is in the year FY 11 comparing with FY 10, which is 464 billion rupees and least being in the negative of 7 billion rupees in the FY 09. Generally, in all these years the growth is in double digit.

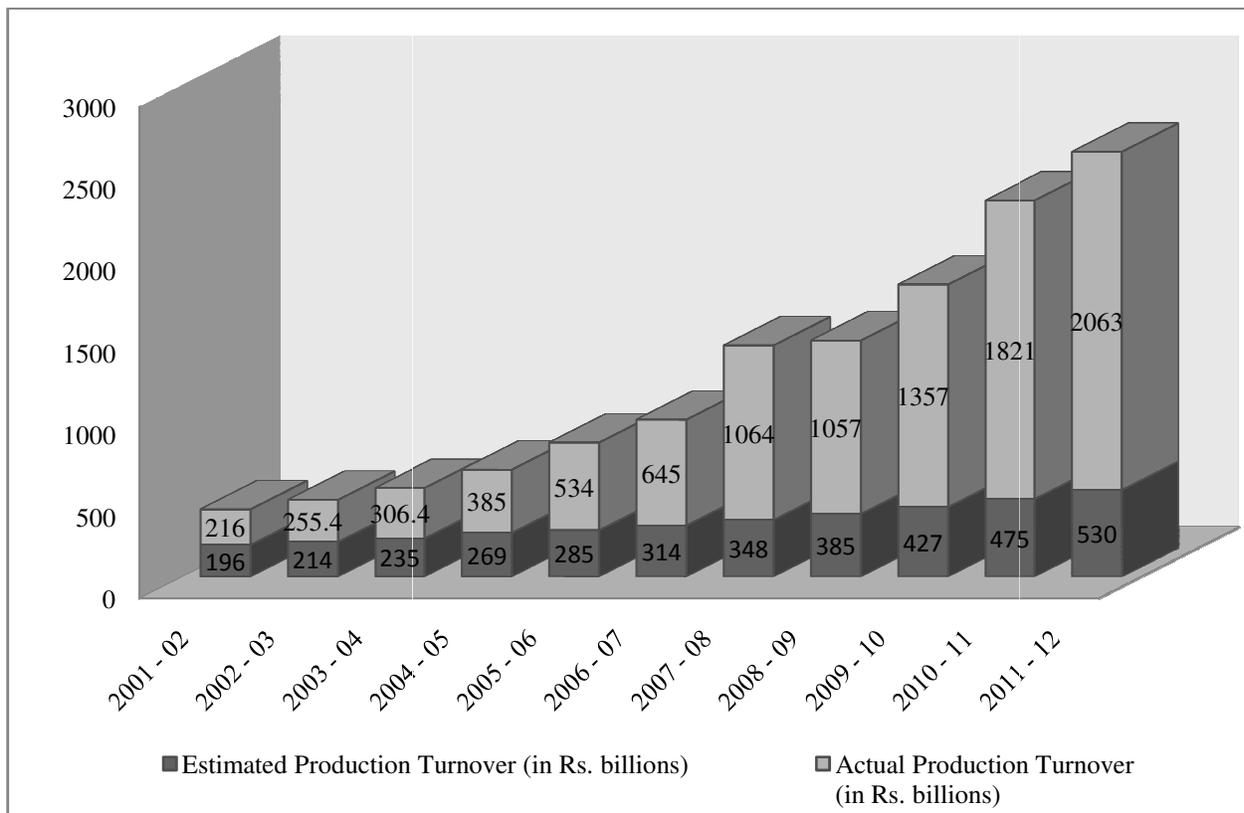


Figure-4
Indian Auto Component Industry – Estimated and Actual Production¹² Turnover from FY 02 to FY 12

Table 4
Auto Component Industry - Actual Production Turnover – changes Year on Year

Financial Year Ending	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Percentage Change (%)		18.2	20	25.6	38.7	20.8	65	- 0.7	28.4	34.2	13.3

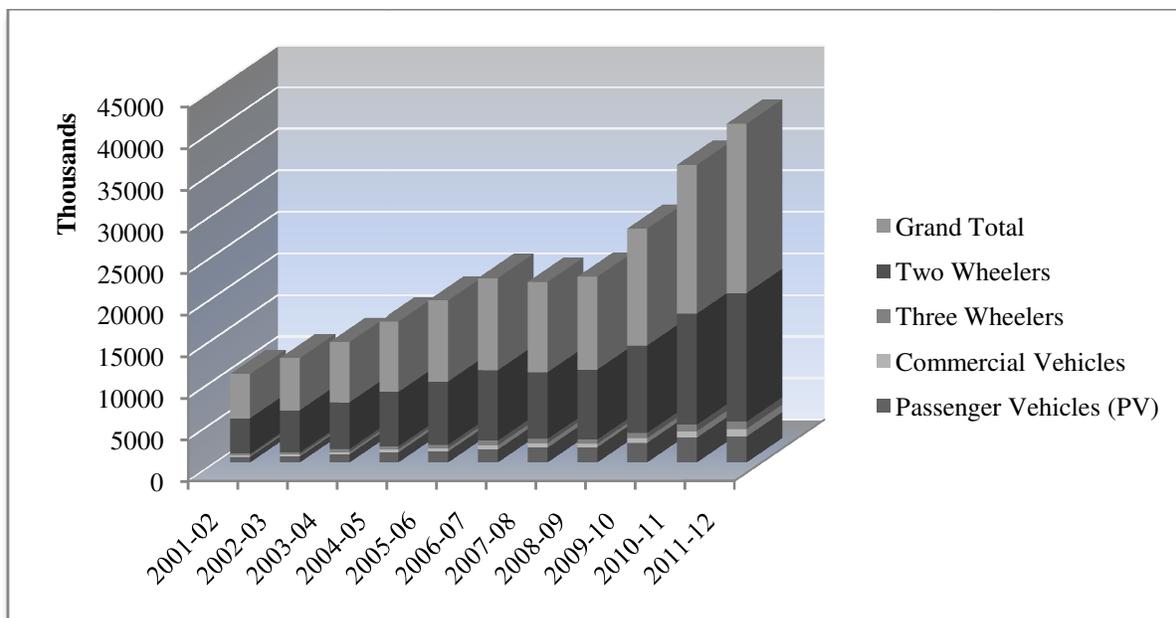


Figure-5
Automobile Production (OEMs) in all segments¹³ –FY 02 to FY 12

The Exhibit 5 is depicting the actual Automobile Vehicle Production at OEMs from FY 02 to FY 12 comparing along with Exhibit 4 indicating the production trend (in value terms) at Auto Component Industry and this proves a point that both are related and are in the same growth trajectory. This proves a point that auto-component industry is closely linked to the growth of automobile industry as a substantial quantity produced by auto component industry is supplied to OEMs. To further validate this in actual data as indicated in table 5, the sale of the Auto Components in FY 11 is 72% to OEMs, 17% for after-market and balance 11% for exports. The break-up of OEMs (72%) off-take for automobile segment is 53% for Cars and UVs, 20% for 2 and 3 Wheelers and the remaining 27% for CVs and Tractors.

Table 5
Auto Component Industry¹⁴ - End user Break-up segment wise for FY 11

		OEMs Off-take	
OEMs	72%	Cars and UV	53%
After -market	17%	2 and 3 Wheelers	20%
Exports	11%	CVs and Tractors	27%

Exports and Imports

Exports: The Indian Auto Component Industry is one of the few sectors in the economy that has a distinct global advantage

in terms of Cost and Quality. Indian auto-components industry is being considered for outsourcing by developed countries (USA and Europe) owing to its low cost of production and quality sustenance produce. In the FY 98 the Auto Components export from India was meagre rupees 1303.5 Crores (USD 330 millions EXIM Bank¹⁵ – Rs.39.5 rate Conversion ending March 1998) compared to exports of Rs. 33,485 (E) Crores in FY 12, leading to a Compounded Average Growth Rate (CAGR) of 26%. One of the key factors being the increasing cost of automobile manufacturing in the Foreign Countries (mostly in West) coupled with the benefits of sourcing from India at a low price – savings to OEMs is about ~ 25%. The majority (75% – 80%) of export during FY 06 to FY 11 is catering to Asia, Europe and North American markets; a vast range of automotive chassis and components. This reflects one of the stated AUTO Policy 2002 Objectives - *Promote a globally competitive automotive industry and emerge as a global source for auto components.*

The maximum increase in export in real value terms is in the FY 12 (E) by Rs. 9,773 crores as compared with the previous year FY 11 – actual figures in FY 11 being Rs. 23, 712 Crores and in FY 12 (E) is Rs. 33,485 Crores. Before the enactment of Auto Policy 2002, the projected¹² estimate (in the year 2000) of export for the year 2001 – 02 is Rs. 2000 crores and for 2011 – 12 is Rs. 10,010 crores. But the actual being Rs. 2802 Crores for 2001 – 02 and Rs. 33,485 crores for 2011 – 12 (E) with a CAGR of 28% surpassing beyond estimation.

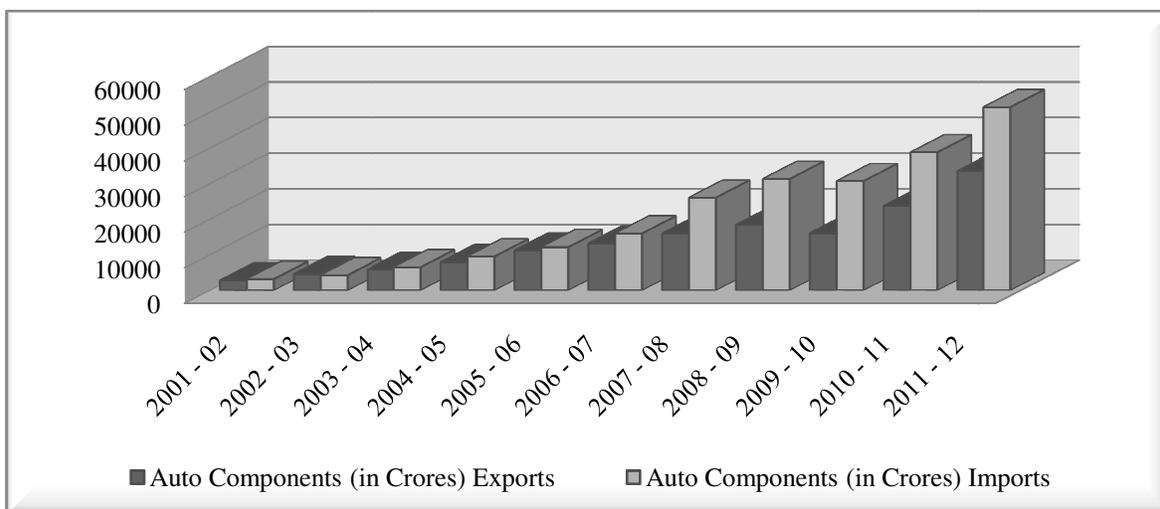


Figure-6
Auto Components Export and Import – Rupees in Crores

Table-6
Auto Components – Composition of Exports in (%) of Export values

Financial Year Ending	1990s	2006	2007	2008	2009	2010	2011	2012
OEMs / Tier 1(%)	35%	75%	75%	80%	80%	80%	80%	NA
After-market (%)	65%	25%	25%	20%	20%	20%	20%	NA

Table-7
Basic Customs Duty¹⁶ - CKD and Auto Components*

Financial Year Ending	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Customs Duty										
MUV	35%	30%	25%	20%	15%	12.5%	10%	10%	10%	10%
Passenger Cars	35%	30%	25%	20%	15%	12.5%	10%	10%	10%	10%
2 Wheelers	35%	30%	25%	20%	15%	12.5%	10%	10%	10%	10%
3 Wheelers	35%	30%	25%	20%	15%	12.5%	10%	10%	10%	10%

*indicated maximum Customs Duty

As depicted in the table 6, in 1990’s the export was mostly catering to after market, but for the last 12 years the scenario drastically reversed. In 2011 it was 80% of export in value terms is for automobile manufacturers (mostly USA, Europe and Asia) and balance 20% is for Tier 1 suppliers which establishes a fact that produce of India is of Quality and Cost effective.

Imports – In all the years of this research paper duration the imports content part of auto – components is gradually increasing and in value terms more than exports but for the year 2002 – 03. The major reason being reduction in stages the Customs Duty from FY 02 to FY 09 displayed in Table 7. The Custom Duty is same across all the areas in each Financial Year. In value terms import of auto components, it is Rs. 3164 crores in the year 2001 – 02 and Rs. 51441 (E) in the year 2011 – 12 with a CAGR of ~ 31.2%. Also, Year on Year basis percentage increase is in double digit but for FY 10 reason being recession in Europe and USA markets.

Table 8
Basic Customs Duty - CKD and Auto Components* - Customs Duty Redefined¹⁷

Financial Year Ending	2012	2013
Customs Duty Redefined		
MUV	30 / 10#	30 / 10#
Passenger Cars	30 / 10#	30 / 10#
2 Wheelers	30 / 10#	30 / 10#
3 Wheelers	30 / 10#	30 / 10#

CKD containing engine or gearbox or transmission mechanism in pre-assembled form but not mounted on a chassis or a body assembly / CKD containing engine, gearbox and transmission mechanism not in a pre-assembled condition

Table 9
Auto Component – Imports⁹ (Rs. Crores)

Financial Year Ending	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Imports (Rupees in Crore)	3164	4256	6499	9504	12115	15974	26040	31280	30680	38760	51441 (E)
Percentage Change (%)		34.5	52.7	46.2	27.5	31.9	63	20.1	(-ve) 1.9	26.3	32.7

Table 10
Auto Component Industry Performance – Estimation for 2012 – 2017 and Vision 2021

Financial Year Ending	2013	2014	2015	2016	2017	CAGR (%)	Vision 20:21
Production Turnover (USD in billions)	49.7	53.9	59.8	66.3	73.6	11%	115
Exports (USD in billions)	7.3	8.7	10.3	12.3	14.6	19%	30
Imports (USD in billions)	NA	NA	NA	17.5	NA		35

Table 11
Phasing of requirement with interest Subvention – Rs. Crore

Financial Year	2012 - 13	2013 - 14	2014 - 15	2015 - 16	2016 - 17
Soft Loan from Financial Institutions	1,000	1,250	1,500	1,750	2,000
Cost of 4% subvention per year – Rupees Crore	40	50	60	70	80

The maximum increase is in FY 12 by Rs. 12,681 crores and next is in FY 08 by Rs.10,066 crores. The main reason for increase in imports being less in customs duty and the same percentage across completely knocked down (CKD) condition or as an individual component. In the Union Budget 2011 – 12, it has been redefined (details in Table 8) the meaning of completely knocked down (CKD) condition leading to attracting 30% (in assembled form) as against the earlier duty of 10% to indigenise and encourage local manufacturing. Redefined as 10% for not in pre- assembled condition, 30% for pre-assembled condition but not mounted on a body assembly or chassis – to keep a check on Foreign Exchange outflow and increase the local produce content in a phased manner. In the financial year 2012 – 13, further more changes introduced by a gazette notification dated 12th March 2012 for the used vehicle / New CBU with a different customs duty structure on landed values.

Future – Plans and Prospects – The Way forward

The future plans for Indian Auto Component sub sector is very bright. The estimated¹⁸ production turnover and exports presented in table 10 from the FY 13 to FY 17 with a CAGR of 11% and 19% respectively.

The Vision 2021¹⁹ is having encouraging growth prospects with a estimated turnover of 113 USD billions comparing with over 40.6 USD billions in FY 12 with a CAGR of 12% , like-wise on Export calculated CAGR arrives at ~16.6%.

There has to be proportionate capital investment for the estimation to attain apart from improving market demand – domestic and export –with reducing import content to propagate the importance to indigenise leading to being self reliant, fewer

outflows of Foreign Exchange and employment generation in this Auto Component Industry.

Essentially Capital investment became a necessity to make domestic industry more competitive with regards to high technology component development. To assist domestic auto component manufacturers to access finance at reduced rate of interest in modernization or up-gradation or technology acquisition leading to become more competitive, a new scheme titled “Technology Up-gradation and Development Scheme (TUDS) is proposed by the working group on Automotive Industry for the 12th Five Year Plan (2012-17) under Ministry of Heavy Industries and Public Enterprises. This envisages the creation of ‘Auto Component Technology Development Fund (ATDF)’ and would be facilitated to finance 50% of the project cost by way of soft loan with an interest subvention of 4% to be in this corpus fund. The estimated investment required by the auto component manufacturers in the five year period 2012 - 17 is Rs.15,000 crore; of which Rs.7,500 crore will be contributed by the auto component industry and the other part Rs.7,500 crore (Distribution indicated in table 11) will be financed through soft loans from Financial Institutions with 4% subvention proposed to be borne by the Government of India.

The Government of India has initiated a National Automotive Testing Research and Development Infrastructure Project (NATRIP) for automotive testing and homologation by allocating Rs.4.88 billions in the Union Budget 2012-13.

To promote technology innovation in this sector, in the Union Budget for the Financial Year 2012-13 an increase in the weighted tax deduction is extended with respect to in-house R and D expenses from 150% to 200% in the five year period till 2017.

Conclusion

Indian Economy is vibrant. The growth phase of Indian Auto Component Industry is commendable in this duration from 2002 to 2012. The various GOI policies were favourable and encouraging, in fact, it acted as a catalyst to improve in exports and to expand the installed capacity. Also, Quality Certifications have significantly contributed to the growth of the industry, companies from abroad preferred Indian companies. Also, the Indian auto component industry possesses competitive advantage due to its quality produce, timely delivery, dependable and low cost capabilities. In future, this may get neutralized because of increase in input cost. The industry is already facing a major threat with respect to imports, which is presently at 30% of the total industry requirements. The creation of Auto Component Technology Development Fund (ATDF) to contribute (pending approval) in further development and to achieve targets as per AMP 2016 and Automotive 12th Five year plan is significant contribution from GOI point of view.

The level of indigenisation²⁰ is being increased in phased manner to keep cost low without compromising on quality aspect by Global OEMs present in India. In a way, to increase the local sourcing is becoming a necessity for global OEMs because of depreciating rupee value leading to inflating import bill (on auto components). In the FY 12, for Indian OEMs indigenisation is ~ 90% and foreign OEMs it is around 65 to 70%. By the changes in the Customs Duty structure by GOI in The Union Budget (FY 12 and 13) for CKD in pre-assembled form and not in pre-assembled (resulting increase in cost by importing), the foreign OEMs may resort to manufacture locally by investing in Technology up-gradation leading to increase locally produced auto components in the final assembly.

There are certain major factors to be viewed by the industry players to reach targets as per AMP 2016, 12th Five year plan and Vision 2021. They are primarily keeping a check on the raw material cost which accounts ~55% of the total cost of produce, followed-by labour cost about 12%, availability of skilled labour (Training and Development) requirement and reviewing the labour laws by State and Central governments – to balance on either side.

Quote²¹ – “Key to selecting suppliers is technology at the right price more than anything else. We go for suppliers who have proven technology and are willing to give us at the right price” – Indian OEM

“We look for global alliance primarily for high-technology products. We need technology to bridge the global gap” – Indian OEM

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