Indian Automotive Components Industry

An analysis of the market, major players, foreign investment and growth prospects

SAMPLE PAGES FROM FULL REPORT

India Analysis

ABOUT THE AUTHOR

India Analysis provides research, analysis and advisory services on Indian business. For more details please visit the website IndiaAnalysis.com. India Analysis is a part of Heernet Ventures Limited.
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IMPORTANT INFORMATION

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Long term growth prospects are excellent – fuelled by both domestic demand and exports

The Indian automotive components market has experienced 5 years of rapid growth, driven by strong growth in consumer demand for vehicles, export growth and an increasingly supportive regulatory environment.

The industry is still relatively fragmented with hundreds of small component manufacturers – but the largest players now have the scale and capability to compete in international markets and meet the growing domestic demand. Through collaborating with technically sophisticated overseas manufacturers, they have developed the design and manufacturing expertise to become OEM and Tier 1 suppliers.

Foreign investment rules allow overseas players to establish 100% owned subsidiaries; this has helped to integrate the India into the world market and also forced domestic players to enhance the quality of their products.

The industry does face a number of challenges including poor power and transport infrastructure, counterfeit components, currency risk and increasing competition from other emerging countries (including China, Vietnam and Malaysia).

Figure 1) India's share of global market

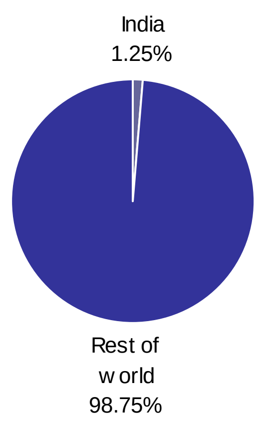
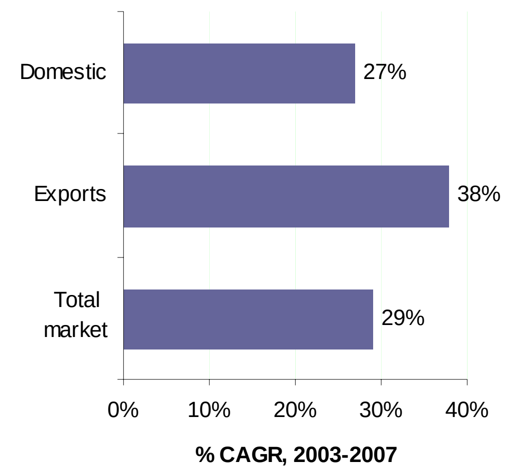


Figure 2) Indian auto comp. market growth



India Analysis

Domestic demand will be strong as the Indian vehicles market undergoes a significant transition from 2 wheelers to cars

Domestic demand presents a strong 'long term' growth driver for the automotive components industry - both in terms of India's current, modest level of car ownership and also the commercial vehicles market. As middle class Indians purchase most sophisticated cars, they are also less likely to buy replacement components from the 'unorganised sector'. Lower income groups are now able to afford 2 wheelers and cars such as the Rs 1 lac (US$2,000) Tata Nano car.

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Figure 3) Car penetration in BRIC countries (2007)

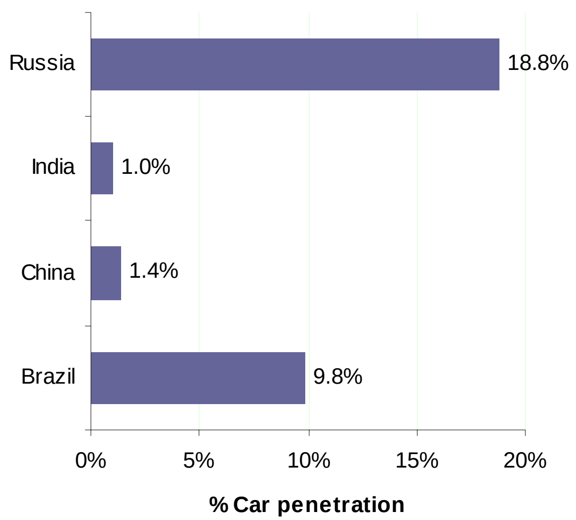
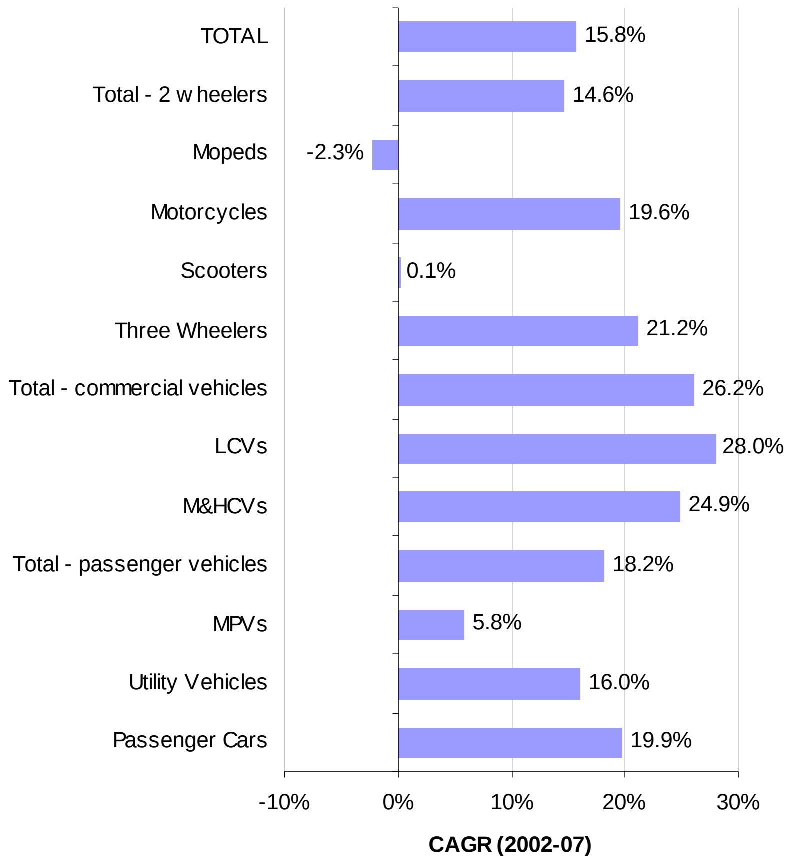
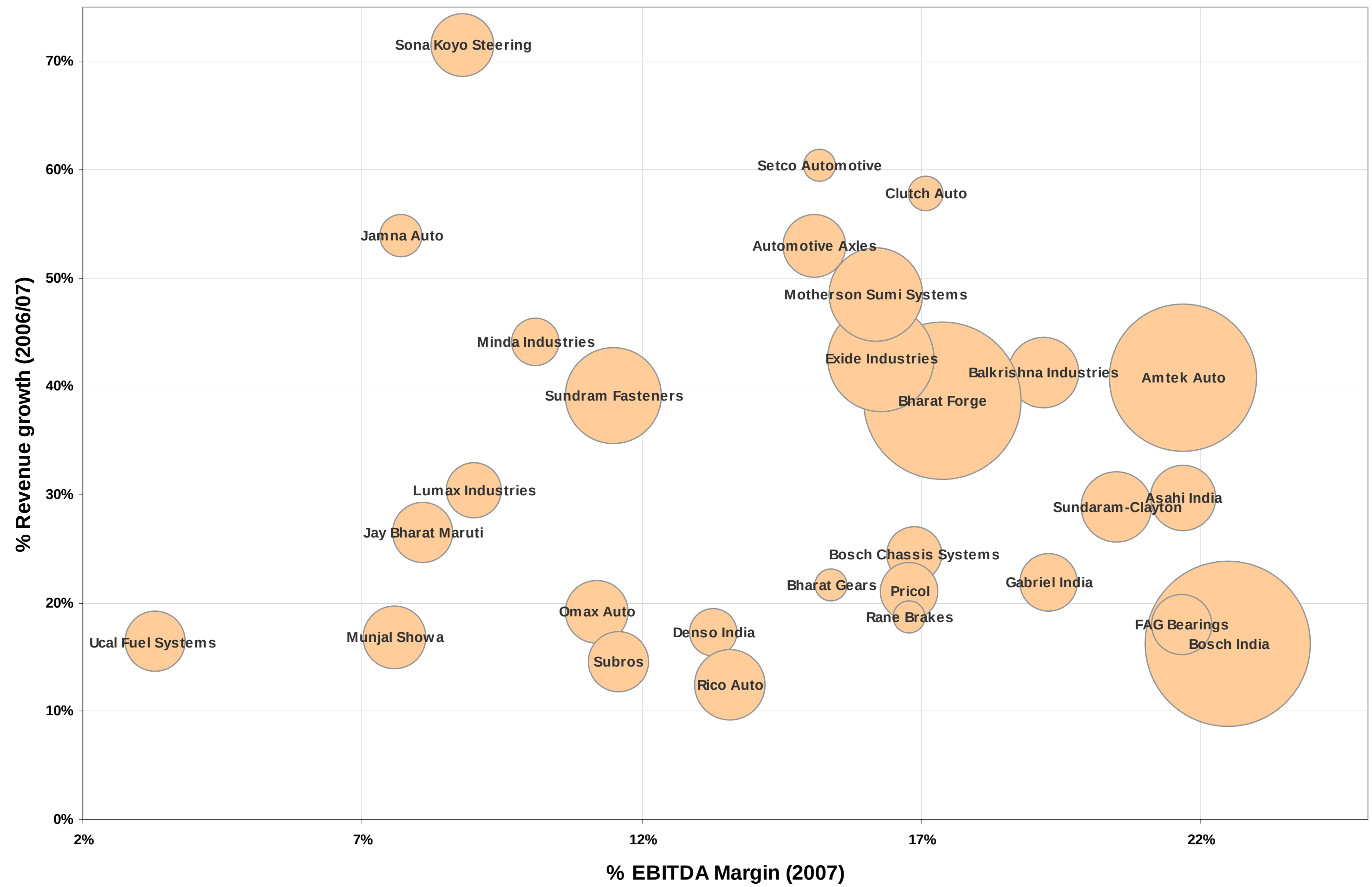


Figure 4) % growth in Indian automotive production



As expected, the largest players have more pricing power and scale – so generate better margins than their smaller peers

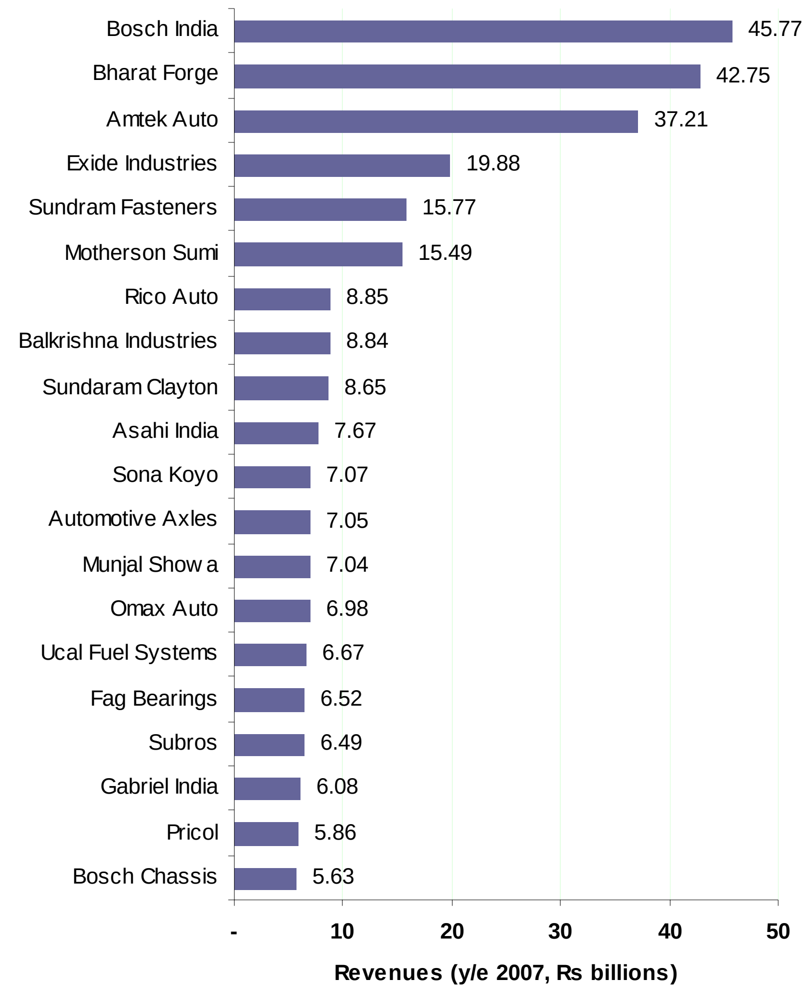
Figure 7) Analysis of growth and profitability



Market structure – major players

- There are approximately 500 component manufacturers in India, with the 20 largest accounting for approximately a fifth of market by sales (2007)
- The largest player in the Indian market is a subsidiary of the German engineering group, Bosch. Bosch India (formerly known as MICO) is primarily engaged in manufacturing diesel fuel injection systems (has 80% share of this market)
- Other leading players include:
  - **Bharat Forge** Manufacturing of forgings and machine components.
  - **Sundram Fasteners** Manufacturing of high tensile fasteners.
  - **Amtek Auto** Manufacturing of components such as connecting rods and crank shafts.
  - **Motherson Sumi** Manufacturing of wiring harness, high tensile cords, wire plastics and rubber components.

Figure 12) Top 20 players by revenues (2007)



Market structure - geographic concentration of automotive industry

- The Indian automotive industry has developed in a number of key geographic clusters.
- This has been driven by a combination of government policy and availability of qualified labour

Figure 14) Geographic concentration of automotive industry

Northern

Key states

Haryana, Delhi, Uttaranchal, Rajasthan, Uttar Pradesh, Punjab, Himachal Pradesh

Major players

Daewoo, Eicher, Hero Honda, Honda, LML, Maruti, Swaraj Mazda

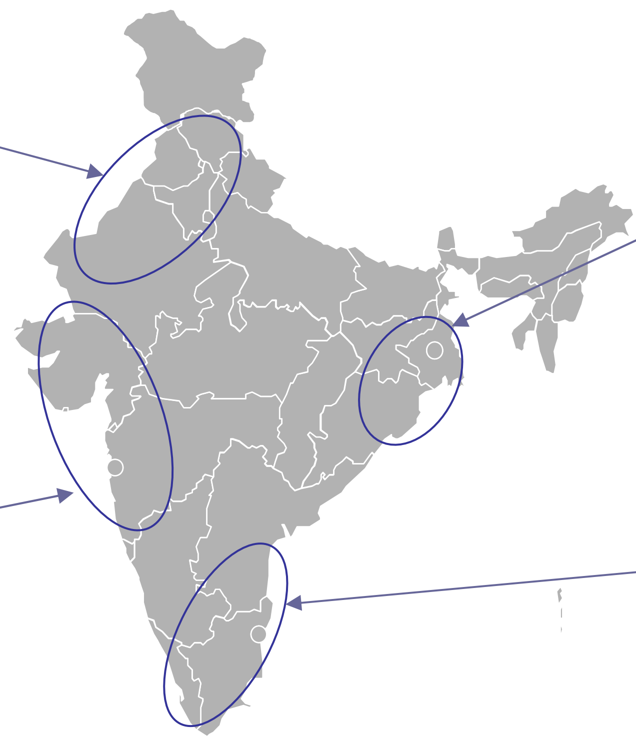
Western

Key states

Gujarat, Maharashtra, Goa

Major players

Bajaj Auto, Bajaj Tempo, Eicher, Daimler Chrysler, Fiat, GM, Mahindra, Skoda, Tata



Eastern

Key states

West Bengal, Bihar, Assam, Orissa, Manipur, Tripura, Jharkhand, Sikkim, Mizoram

Major players

Hindustan Motors, Telco

Southern

Key states

Tamil Nadu, Andhra Pradesh, Karnataka, Kerala

Major players

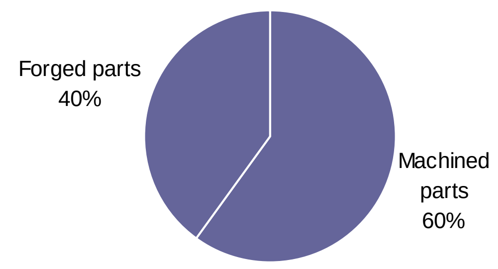
Ashok Leyland, Ford, Hyundai, Mitsubishi, Royal Enfield, Toyota, Volvo

Amtek Auto - Analysis

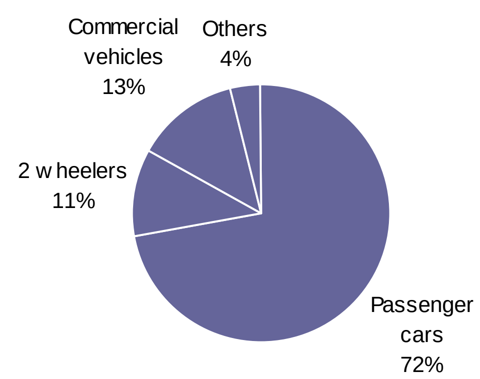
Key subsidiaries

Name	Activities
Ahmednagar Forgings	▪ 51% stake ▪ Manufacturers forged products (rods, gear blanks, hubs) ▪ 3 locations with 140,000 MT p.a. capacity
Benda Amtek	▪ 97% stake ▪ Manufactures fly wheel ring gears (3 million unit capacity)
Amtek Siccardi	▪ 100% subsidiary ▪ Manufactures crankshafts for commercial vehicles including tractors (capacity of 300,000 units p.a.)
Smith Jones	▪ 100% subsidiary ▪ US-based Manufacturer of fly wheel ring gears
GWK Amtek	▪ 100% subsidiary ▪ Manufactures engine components and drive trains ▪ Supplies Ford and GM
Zelter GmBH	▪ 70% stake ▪ Manufactures exhaust and engine components. A leading manufacturer of turbochargers (Top3 worldwide)

Revenue segmentation – by product type (2007)



Revenue segmentation – by customer type (2007)



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