

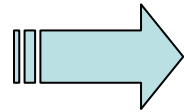


# **INDIAN AUTO COMPONENT INDUSTRY AN OVERVIEW**

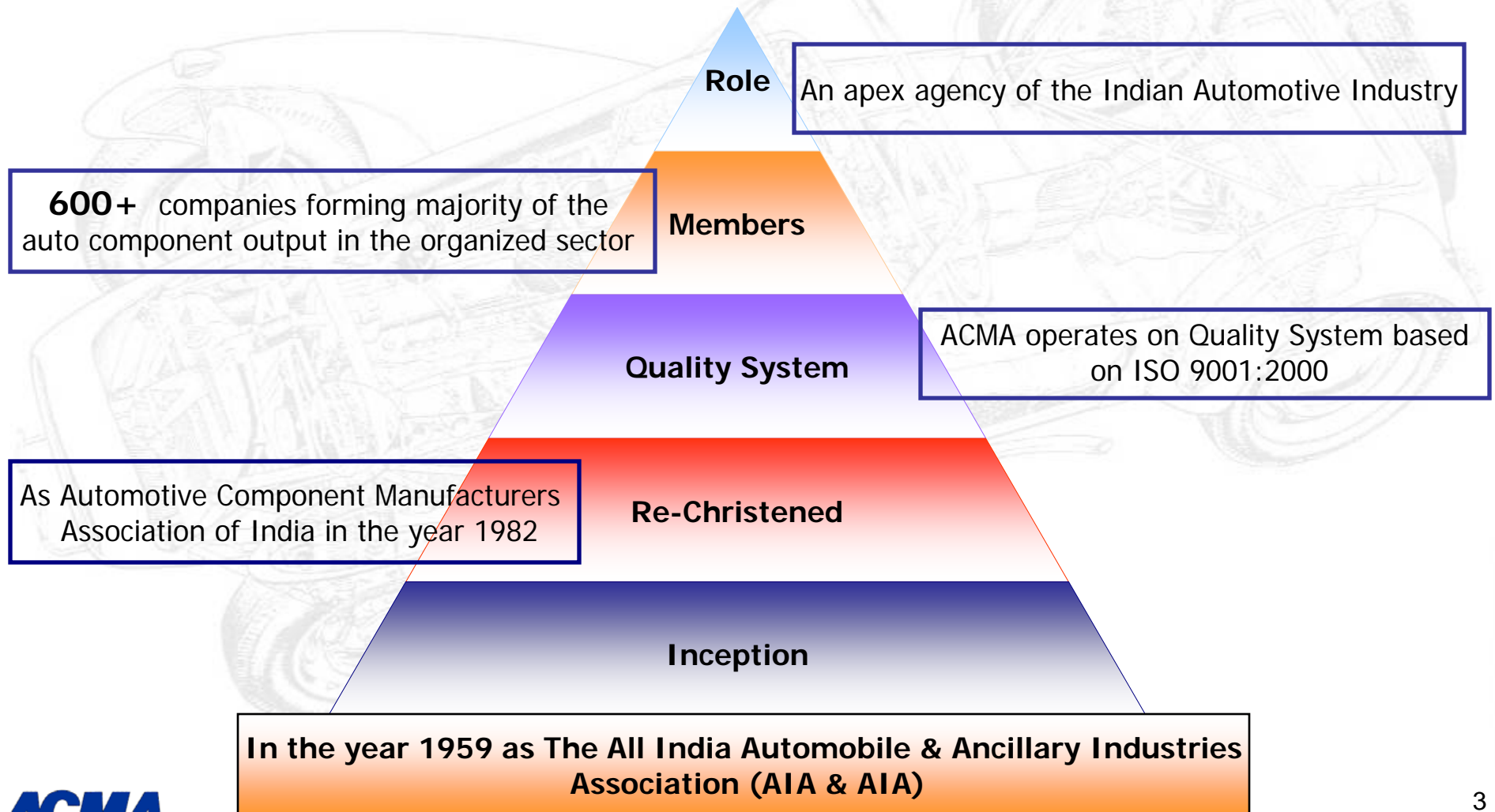
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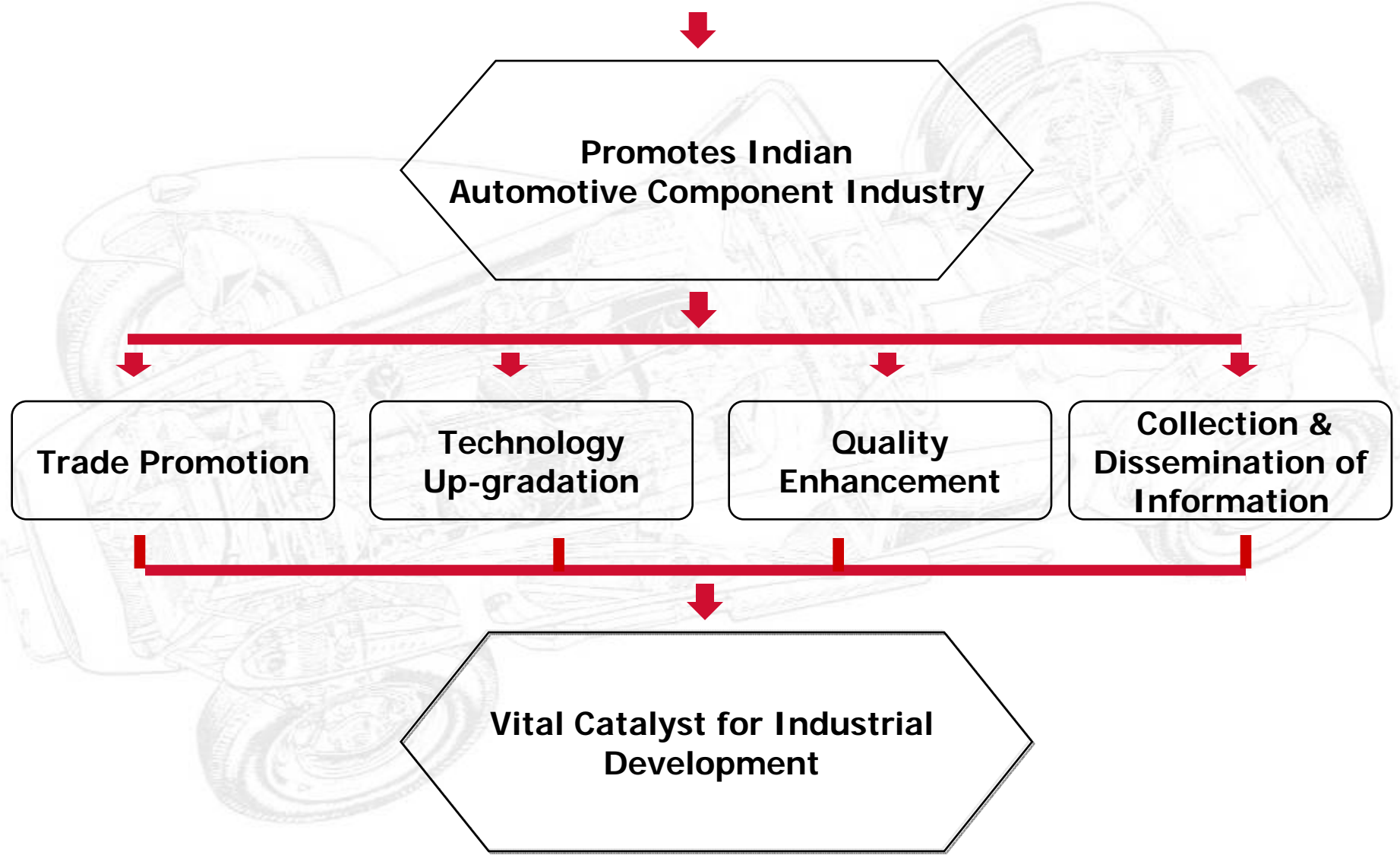
# Introduction



## *Automotive Component Manufacturers Association of India*



# ACMA and Its Services



# International Business Development



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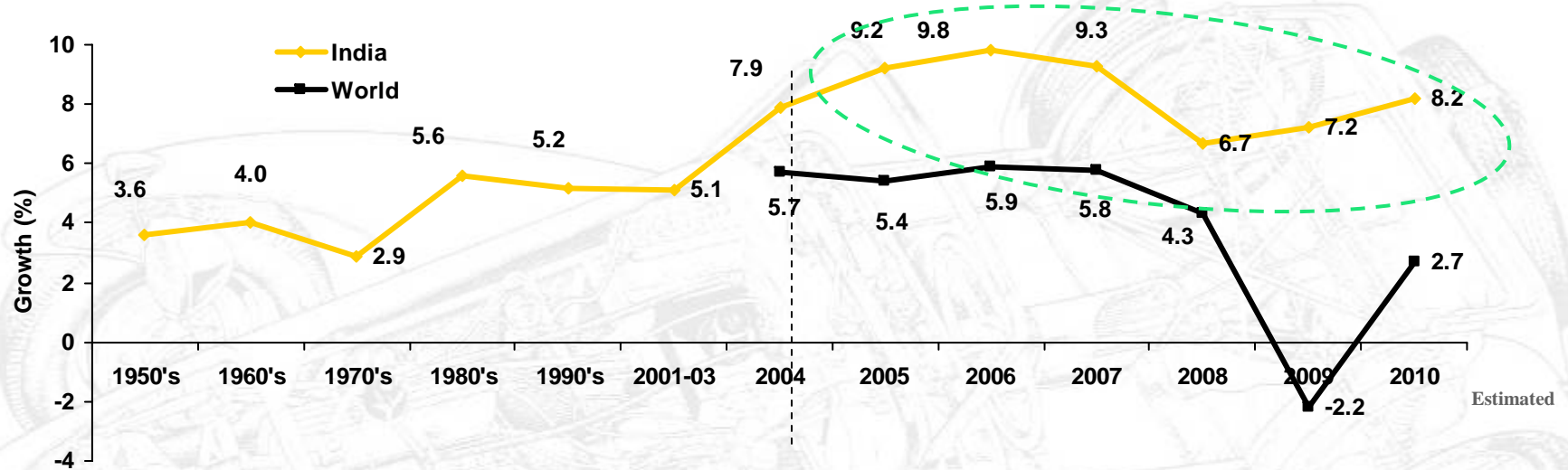
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# The Indian economy poised for Growth...

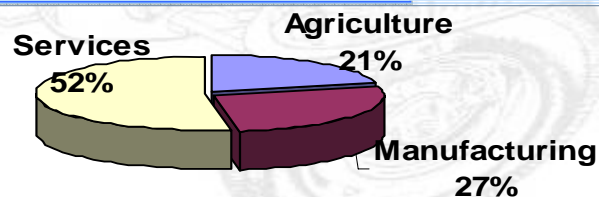
Real GDP growth rate: India vs. World



Slow growing closed economy

Fast growing open economy

## Composition of GDP

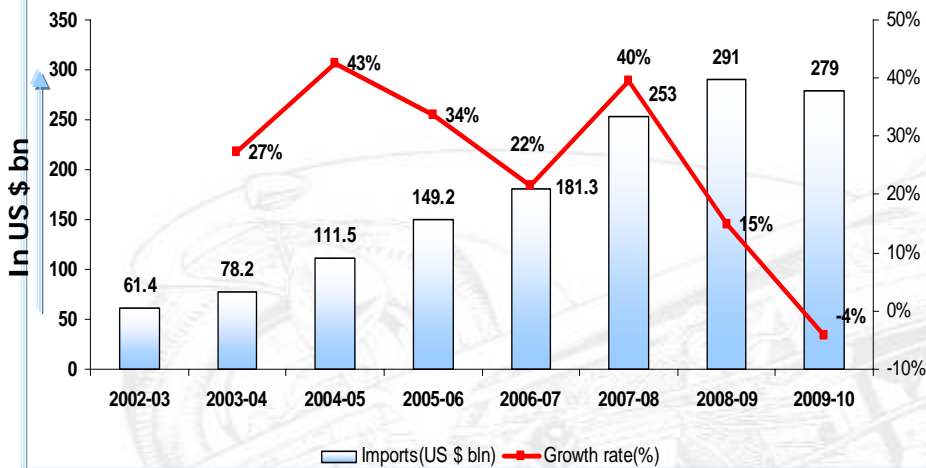


## Transformation

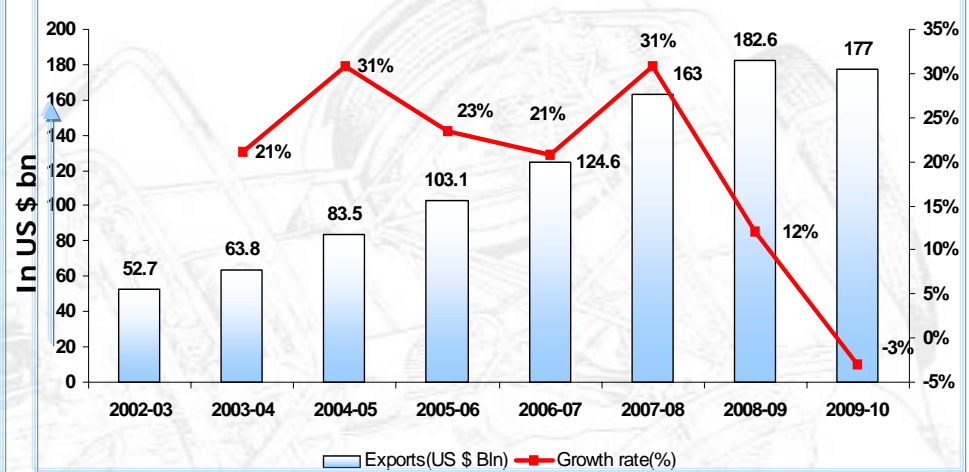
- Average Real GDP growth in last 5 year was 8.5%
- GDP Per Capita is US \$ 1018
- Projected GDP growth in 2010-11 is 8.2%

# Growing trade, Investments & Forex reserves...

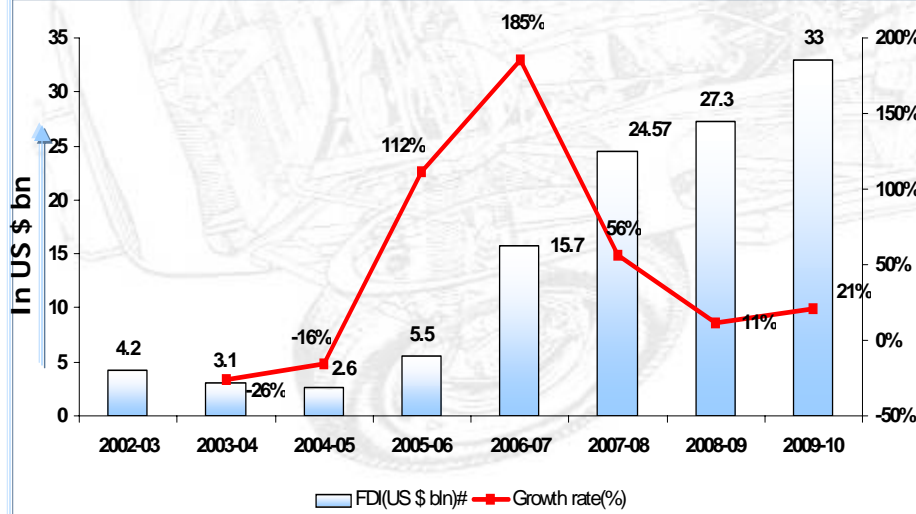
### Imports (In US \$ bln)



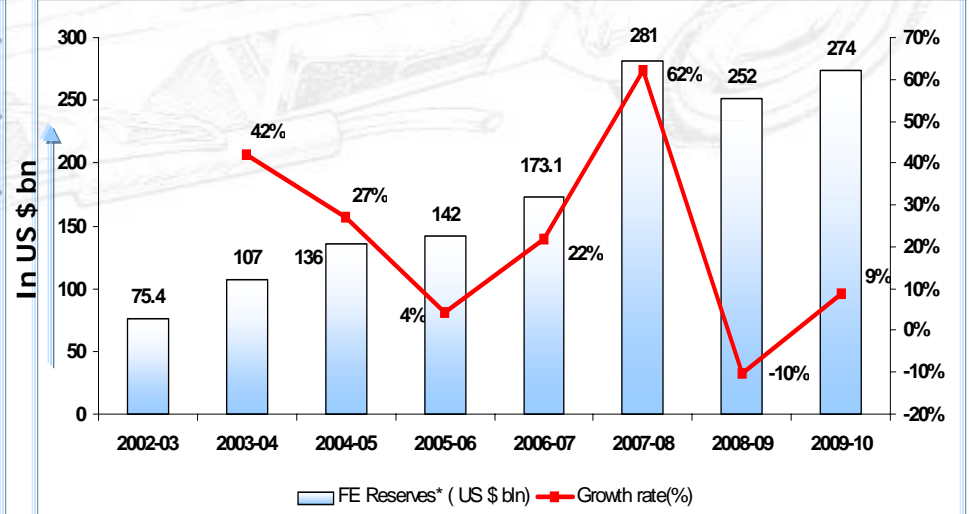
### Exports (In US \$ bln)



### FDI (In US \$ bln)



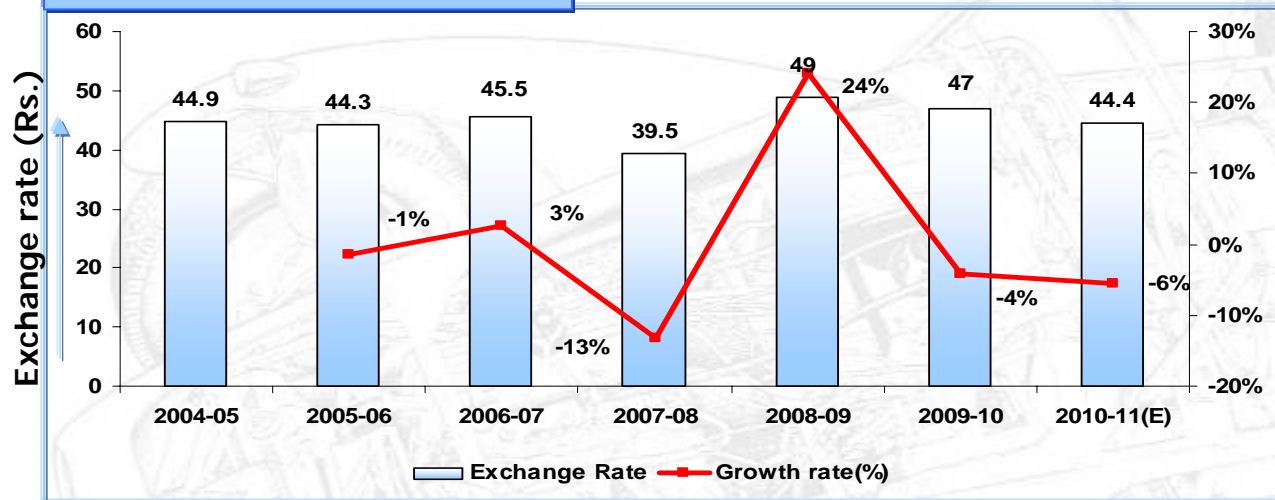
### FE Reserve (In US \$ bln)



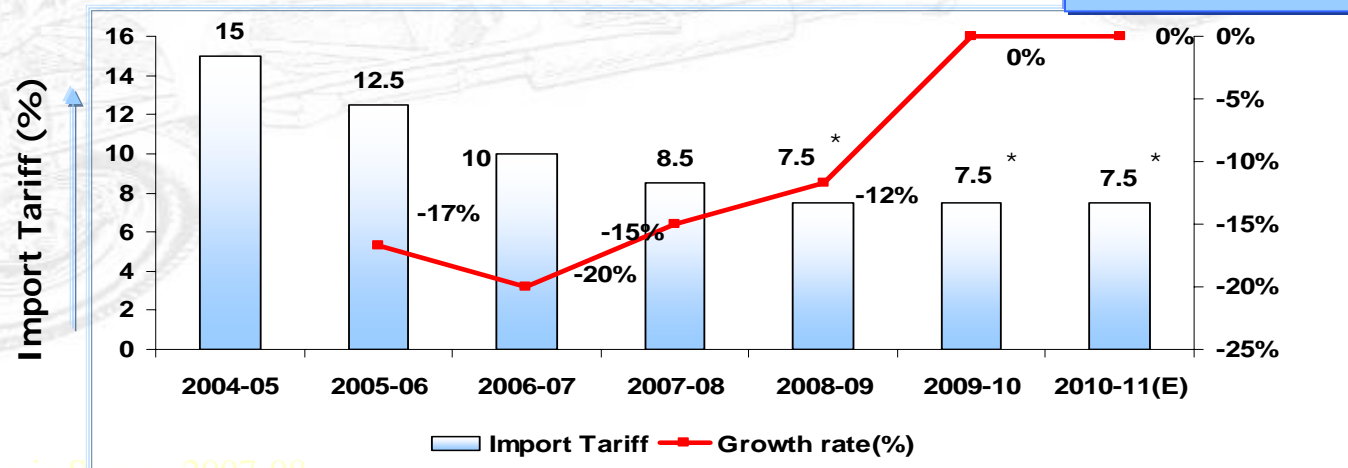
# Exchange Rate & Import Tariff

Exchange Rate is Market Driven & Continued Import Tariff Reduction

Exchange rate (Rs. Vs. USD)



Import Tariff



\* Peak rate 10%

\* As on April 20, 2010

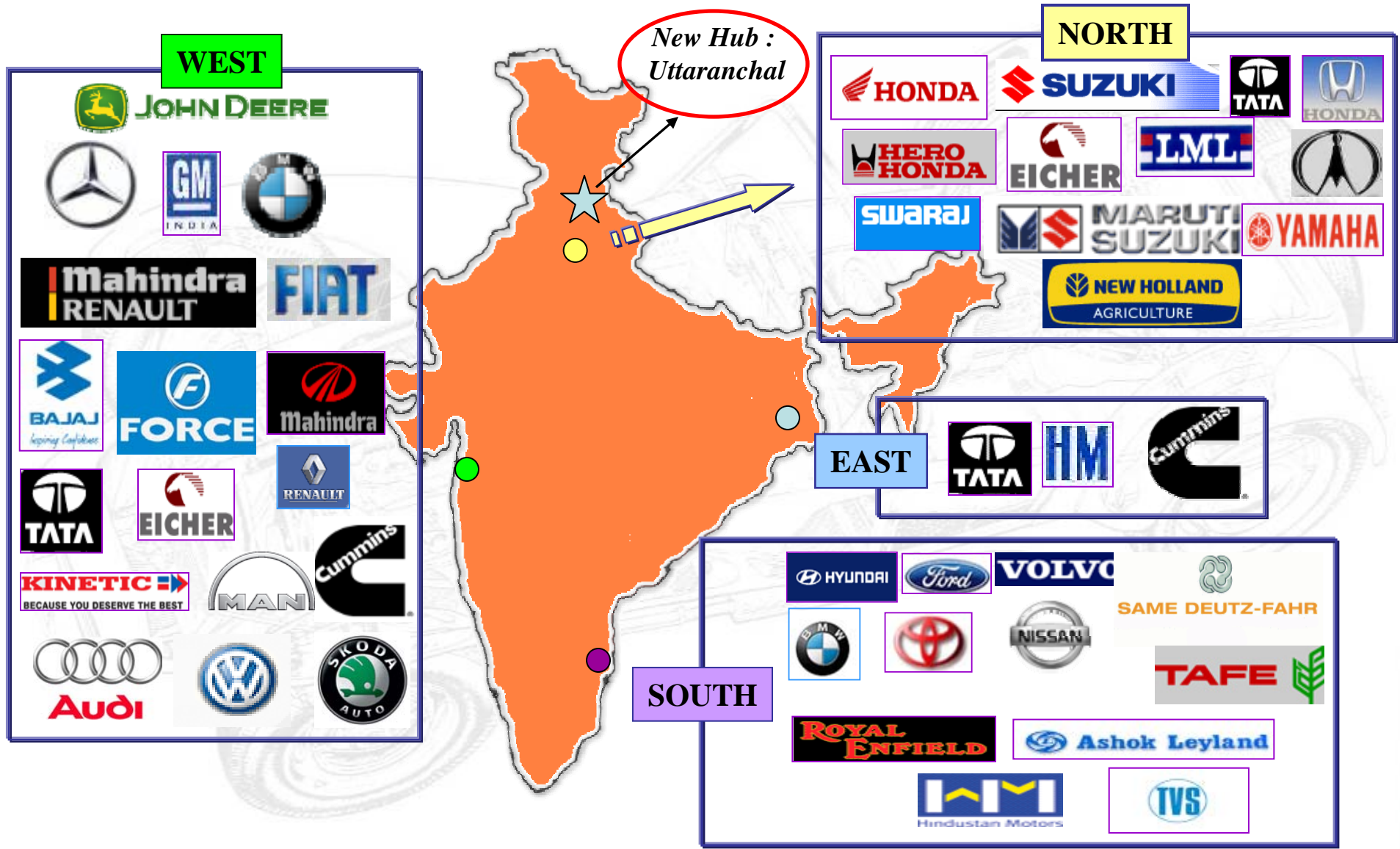
# Demand Drivers and their Impact...

Short Term	Long Term
Infrastructure development (\$500 billion in the next 5-6 years)	According to McKinsey, the middle class will grow from 50 million to 550 million by 2025
Low penetration rate of Cars (8/1000)	Continuously Improving Quality resulting in Export of Automobiles and Auto components
Easy access to capital although interest rate is high	Low cost of Skilled Manpower & Rapidly growing Design Capability

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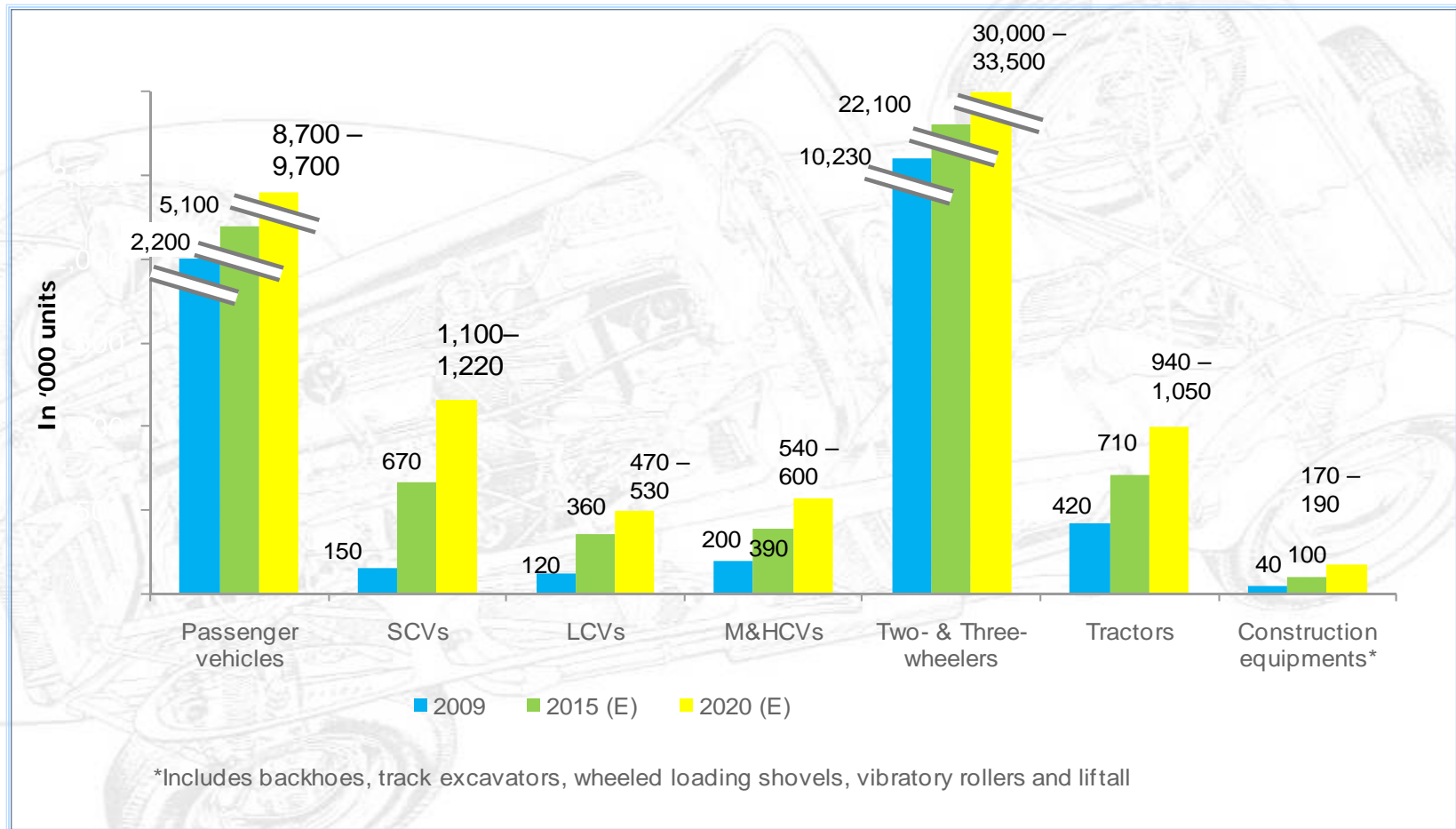
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# Auto Investments & Their Spread



Large number of Indian & Global OEMs across the country

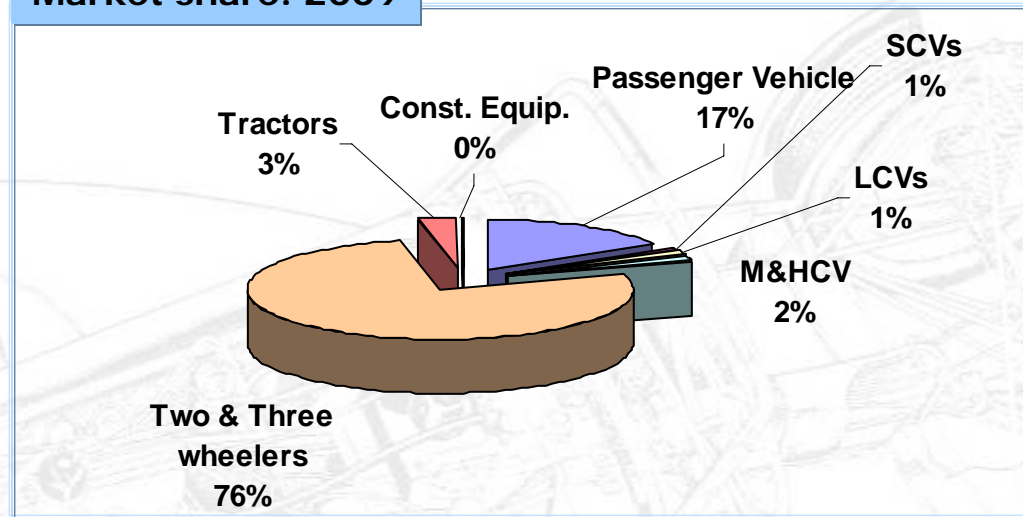
# Vehicle production in India



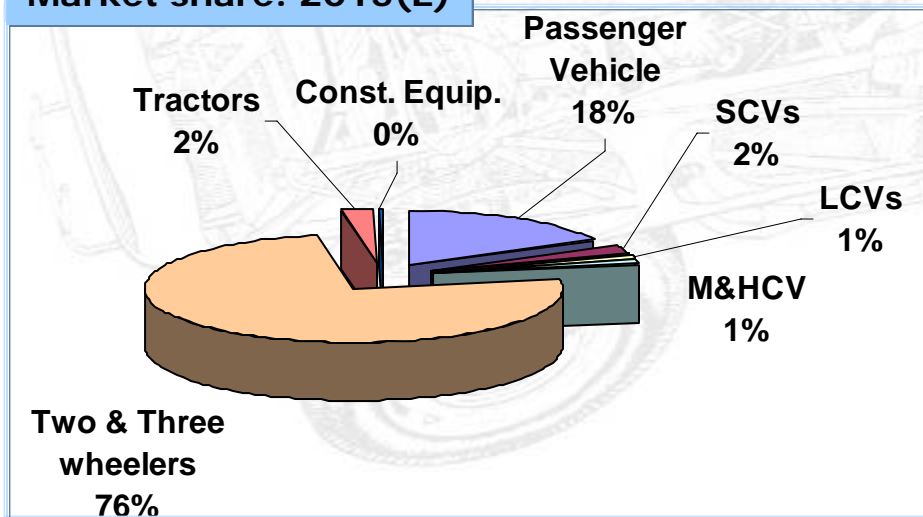
Source: SIAM – EY study

# Vehicle production in India – Segment wise market share

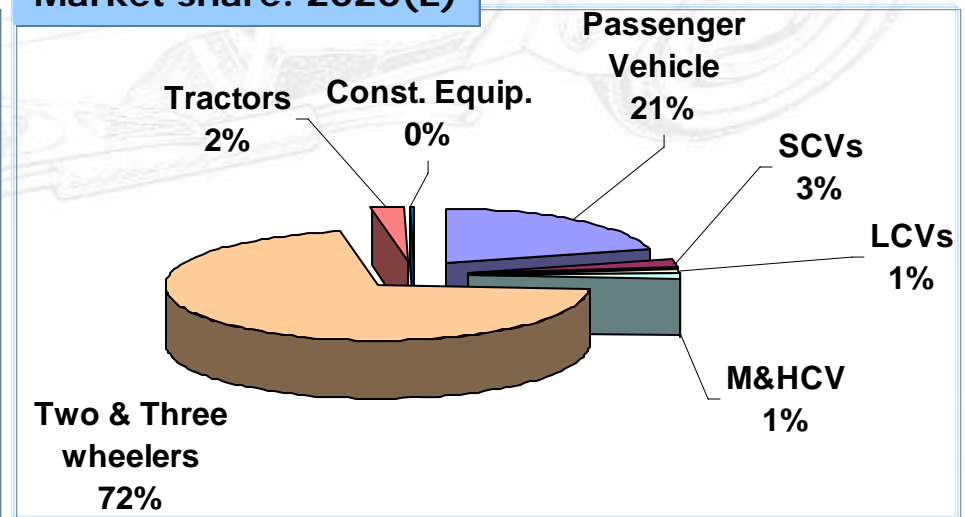
Market share: 2009



Market share: 2015(E)



Market share: 2020(E)



# “INDIA” – A Global hub for Compact Cars

## New Plant Addition in the Last 1 Year

### Maruti

- Capacity 250K
- Investment US \$ 380 mln

### Hyundai

- Capacity Increased to 600K cars
- Investment US \$ 1 billion

### Tata Motors

- Capacity 500K
- Investment US \$ 240 mln

### Toyota

- Capacity 200K
- Investment US \$ 310 mln

### Ford

- Capacity 200K
- Investment US\$ 500 mln

### General Motors

- Capacity 140K
- Investment \$650 mln

### Nissan-Renault

- Capacity 400K
- Investment USD 1 billion

### VW

- Capacity 110K
- Investment US \$ 750 mln

### Honda

- Capacity 60K
- Investment \$ 250 mln

# Indian Automobile Industry-High Growth in all Segments

**April-July 2010**

(Unit in Nos.)

Category Segm/Subsgmt	Production			Exports			Sales (Domestic+Exports)		
	April-July			April-July			April-July		
	2009-10	2010-11	% Gr.	2009-10	2010-11	% Gr.	2009-10	2010-11	% Gr.
<b>Passenger Vehicles ( PVs )</b>	<b>682,287</b>	<b>898,429</b>	<b>32%</b>	<b>131,308</b>	<b>143,136</b>	<b>9%</b>	<b>696,890</b>	<b>899,795</b>	<b>29%</b>
M&HCVs	57,324	105,446	84%	5,329	7,492	41%	60,318	103,276	71%
LCVs	88,484	118,484	34%	4,858	12,404	155%	84,316	117,976	40%
<b>Commercial Vehicles (CVs)</b>	<b>145,808</b>	<b>223,930</b>	<b>54%</b>	<b>10,187</b>	<b>19,896</b>	<b>95%</b>	<b>144,634</b>	<b>221,252</b>	<b>53%</b>
Three Wheelers	162,721	234,581	44%	37,044	89,637	142%	164,517	240,163	46%
Two wheelers	3,209,740	4,213,454	31%	327,381	528,794	62%	3,182,891	4,192,634	32%
<b>Grand Total</b>	<b>4,200,556</b>	<b>5,570,394</b>	<b>33%</b>	<b>505,920</b>	<b>781,463</b>	<b>54%</b>	<b>4,188,932</b>	<b>5,553,844</b>	<b>33%</b>

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# Indian Auto Component Industry Focus: Global Best Practices

## Significant number of companies with Quality certifications & recognition:

- ISO 9000 : 552
- TS 16949 : 438
- QS 9000 : 33
- ISO 14001 : 204
- OHSAS 18001: 95
- JIPM: 3
- Deming Award : 11
- TPM Award : 15
- Japan Quality Medal : 1
- Shingo Silver Medallion : 1

## Industry fast embracing modern shop-floor practices:

- 5-S; 7-W
- Kaizen
- TQM
- TPM
- 6 Sigma
- Lean Manufacturing

ACMA membership  
(More than 600 members)



# Auto Component Industry - Statistics

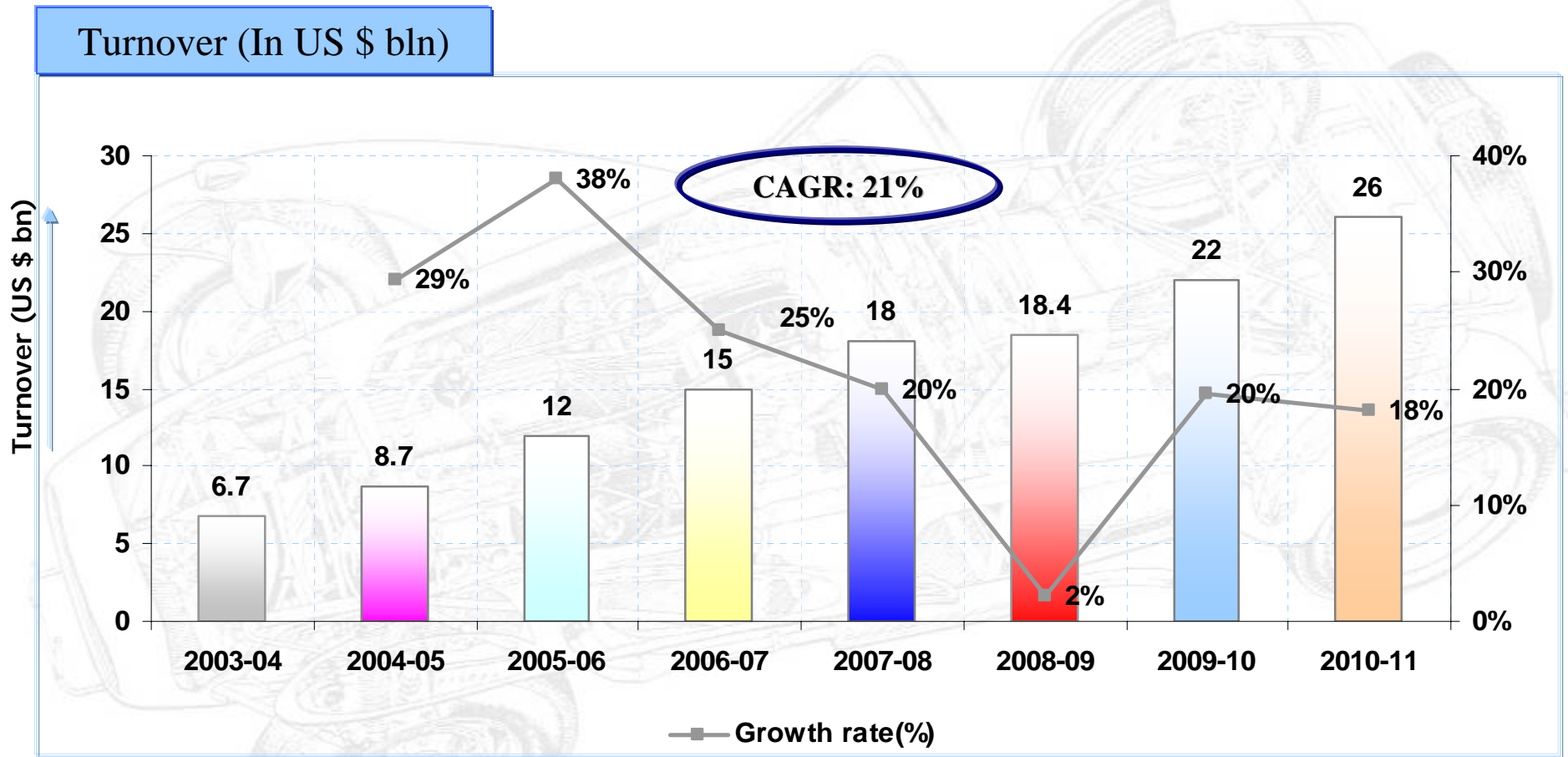
(Value in US \$ Billion)

E -> Estimated

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11(E)
<b>Turnover</b>	<b>8.70</b>	<b>12.00</b>	<b>15.00</b>	<b>18.00</b>	<b>18.40</b>	<b>22.00</b>	<b>26.00</b>
<b>Growth rate(%)</b>	<b>29%</b>	<b>38%</b>	<b>25%</b>	<b>20%</b>	<b>2%</b>	<b>20%</b>	<b>18%</b>
<b>Export</b>	<b>1.69</b>	<b>2.47</b>	<b>2.67</b>	<b>3.52</b>	<b>3.80</b>	<b>3.80</b>	<b>5.00</b>
<b>Growth rate(%)</b>	<b>34%</b>	<b>46%</b>	<b>8%</b>	<b>32%</b>	<b>8%</b>	<b>-</b>	<b>32%</b>
<b>Imports</b>	<b>1.90</b>	<b>2.48</b>	<b>3.60</b>	<b>5.22</b>	<b>6.80</b>	<b>8.16</b>	<b>-</b>
<b>Growth rate(%)</b>	<b>33%</b>	<b>30%</b>	<b>45%</b>	<b>45%</b>	<b>30%</b>	<b>20%</b>	<b>-</b>
<b>Investment</b>	<b>3.75</b>	<b>4.40</b>	<b>5.40</b>	<b>7.20</b>	<b>7.30</b>	<b>9.00</b>	<b>12.00</b>
<b>Growth rate</b>	<b>21%</b>	<b>17%</b>	<b>23%</b>	<b>33%</b>	<b>1%</b>	<b>23%</b>	<b>33%</b>
<b>Imports as % of Turnover</b>	<b>22</b>	<b>21</b>	<b>24</b>	<b>29</b>	<b>37</b>	<b>37</b>	<b>-</b>
<b>Exports as % of Turnover</b>	<b>20</b>	<b>21</b>	<b>18</b>	<b>20</b>	<b>21</b>	<b>13</b>	<b>18</b>

(Turnover includes supplies to OEMs, aftermarket sales and exports but sans imports. It does not take into account production for captive consumption by OEMs, components manufactured by non ACMA members whose majority supplies are non-automotive and the unorganized sector )

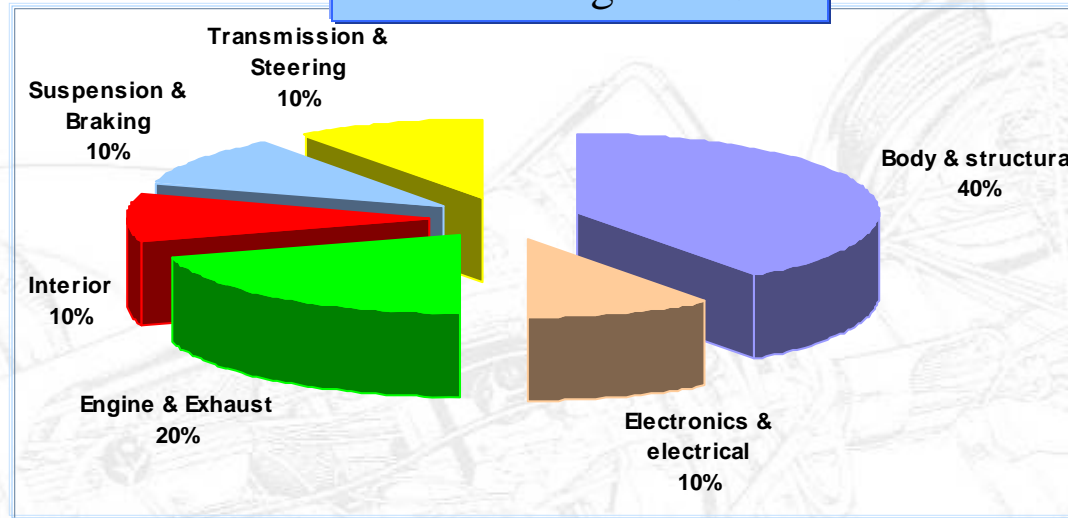
# Auto Component Industry: Size



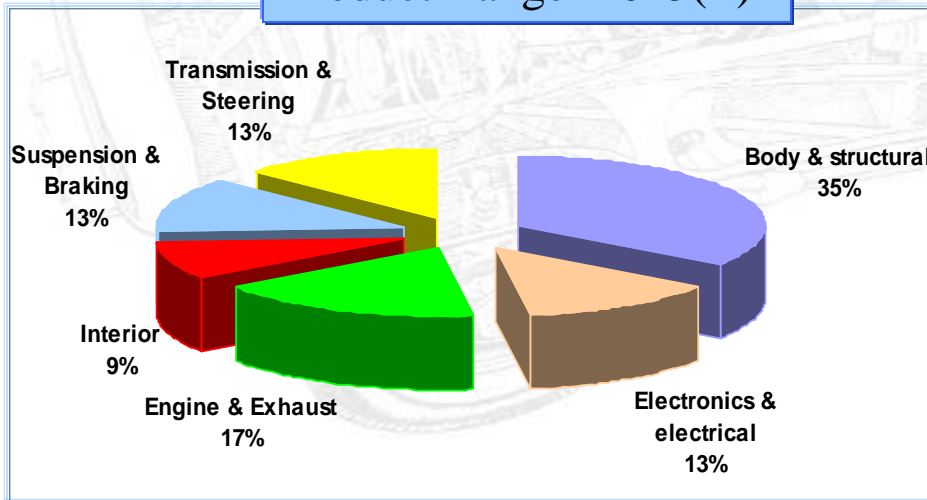
Source: ACMA - EY Vision 2020

# Auto Component Industry: Product Range

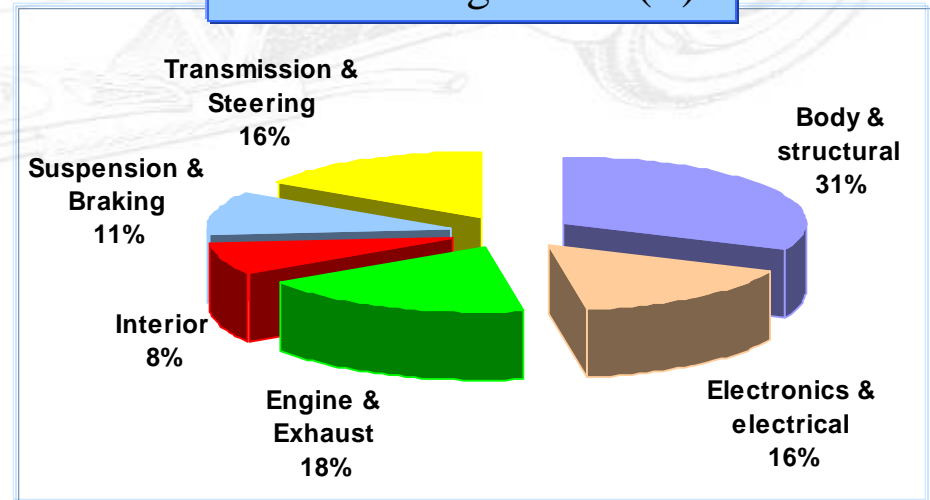
Product Range- 2009



Product Range- 2015(E)

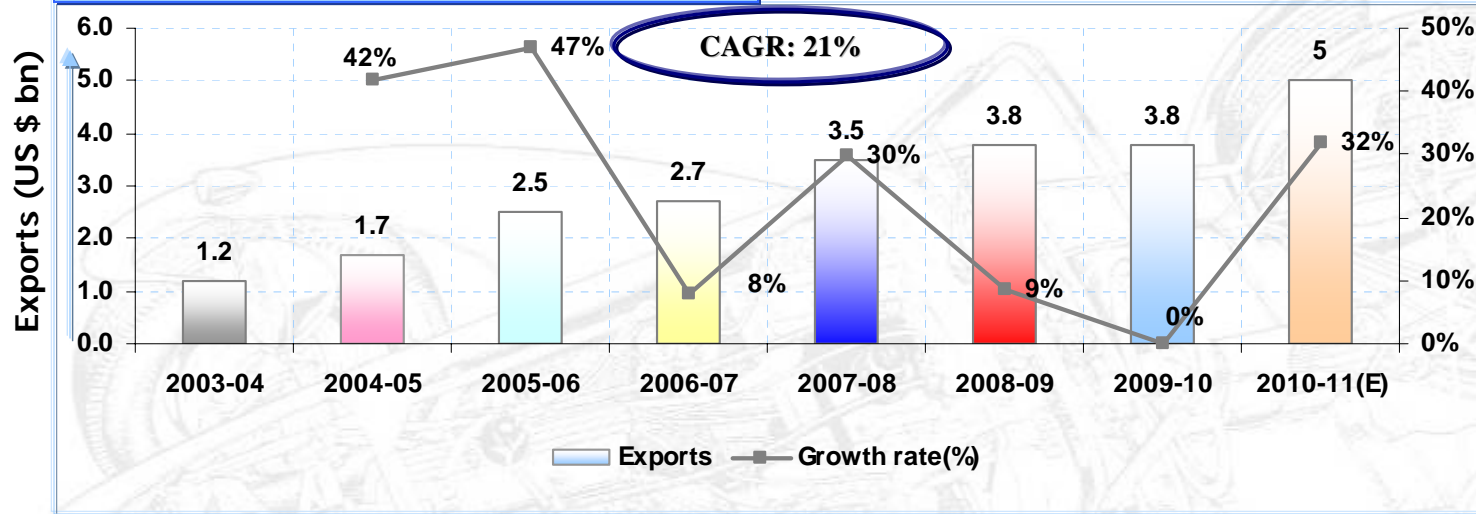


Product Range- 2020(E)



# Auto Component Industry – Exports & Exports Markets

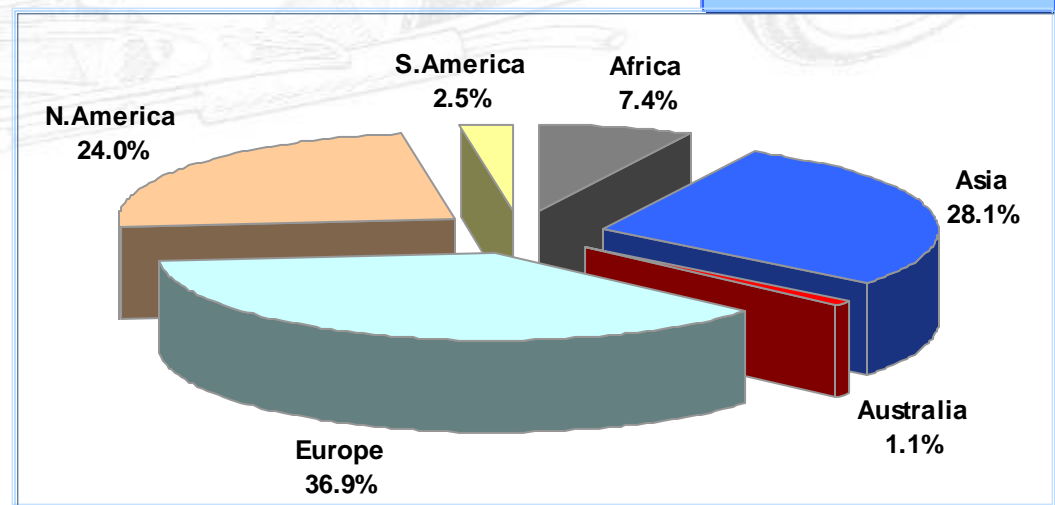
Exports market size (In US \$ bln)



## Profile of Exports

- OEM/Trier-1: 80%
- Aftermarket: 20%

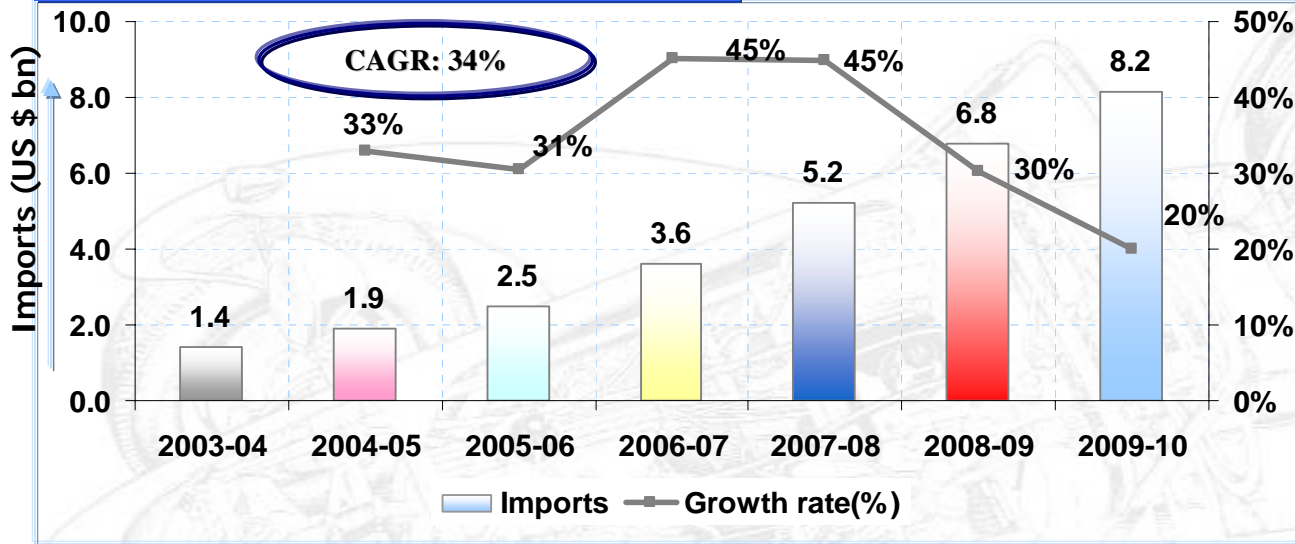
## Exports market



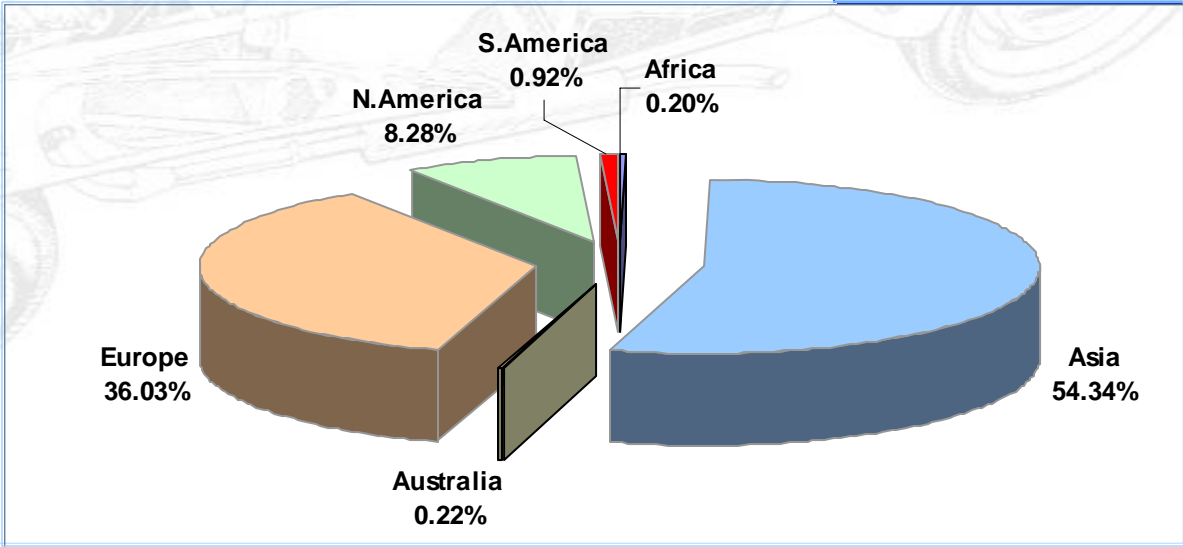
Source: ACMA - EY Vision 2020

# Auto Component Industry – Imports & Imports Markets

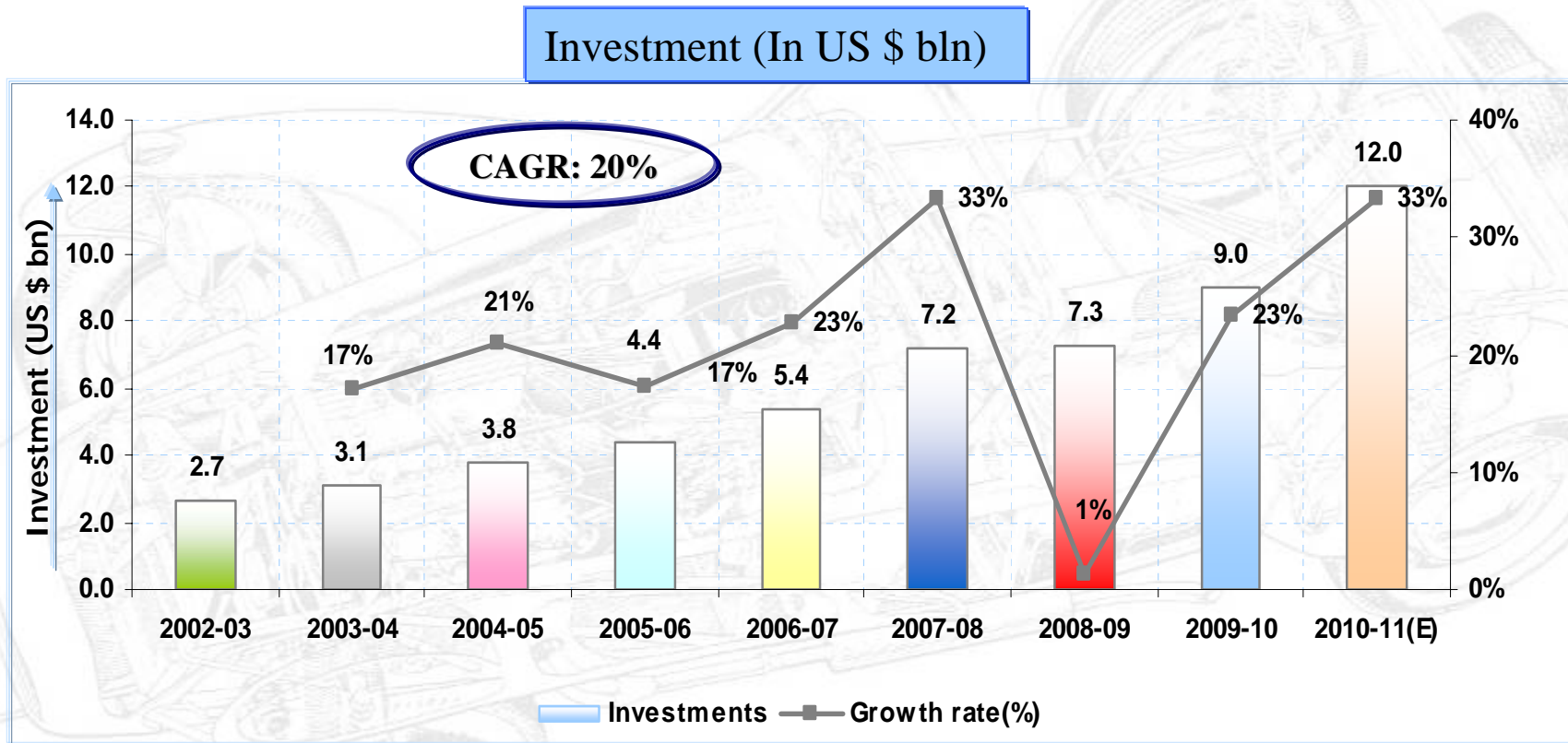
Imports market size (In US \$ bln)



Imports market



# Auto Component Industry Investments



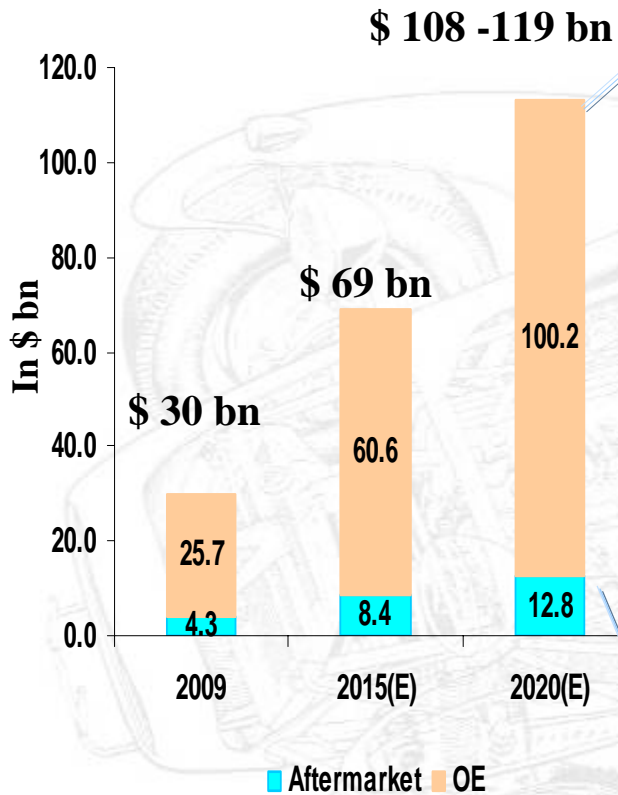
# Increased Component Outsourcing from India



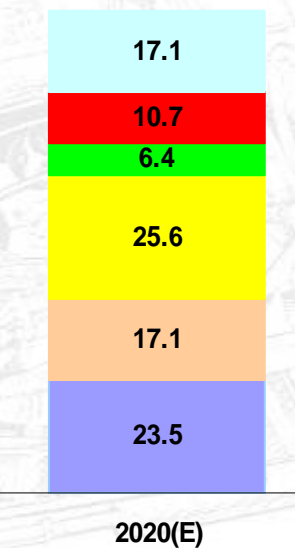
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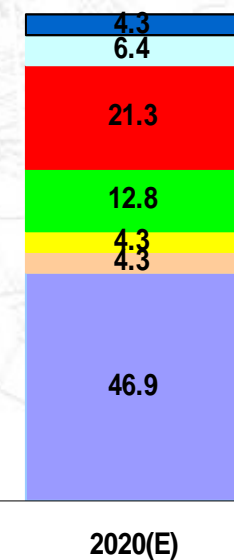
# Vision 2020: Domestic Auto Component demand



Component wise



Category wise

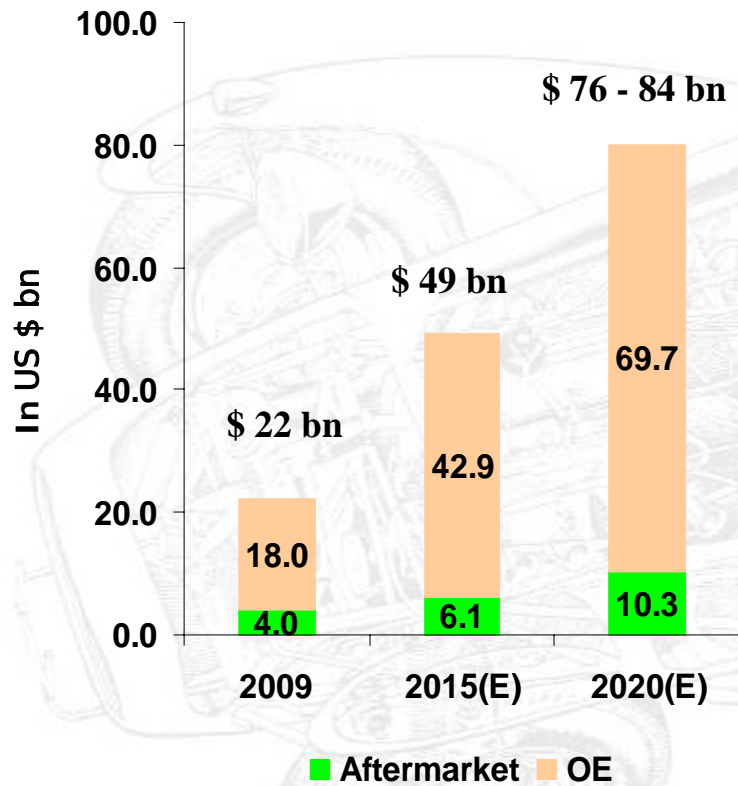


- Transmission & Steering
- Suspension & Braking
- Interior
- Engine & Exhaust
- Electronics & electrical
- Body & structural

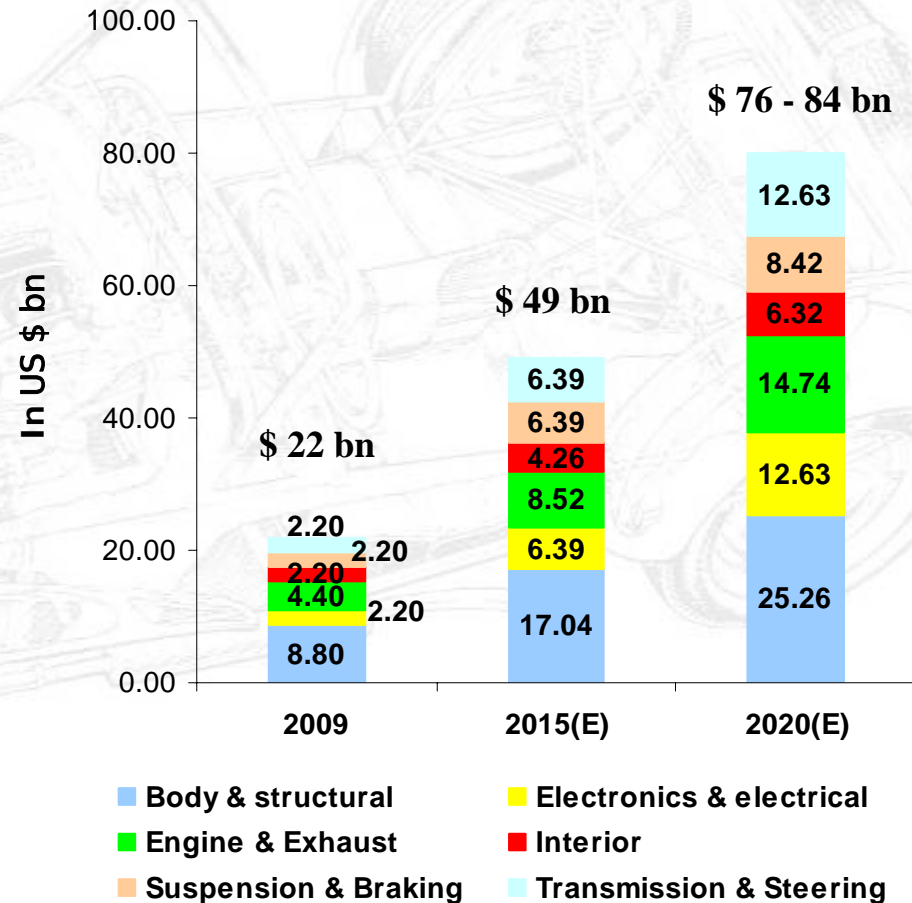
- Construction Equipments
- Farm Equipments
- 2 & 3 Wheelers
- HCV
- LCV
- SCV
- Passengers cars

# Vision 2020: Domestic market potential for Indian Component Manufacturer

## OE vs. Aftermarket

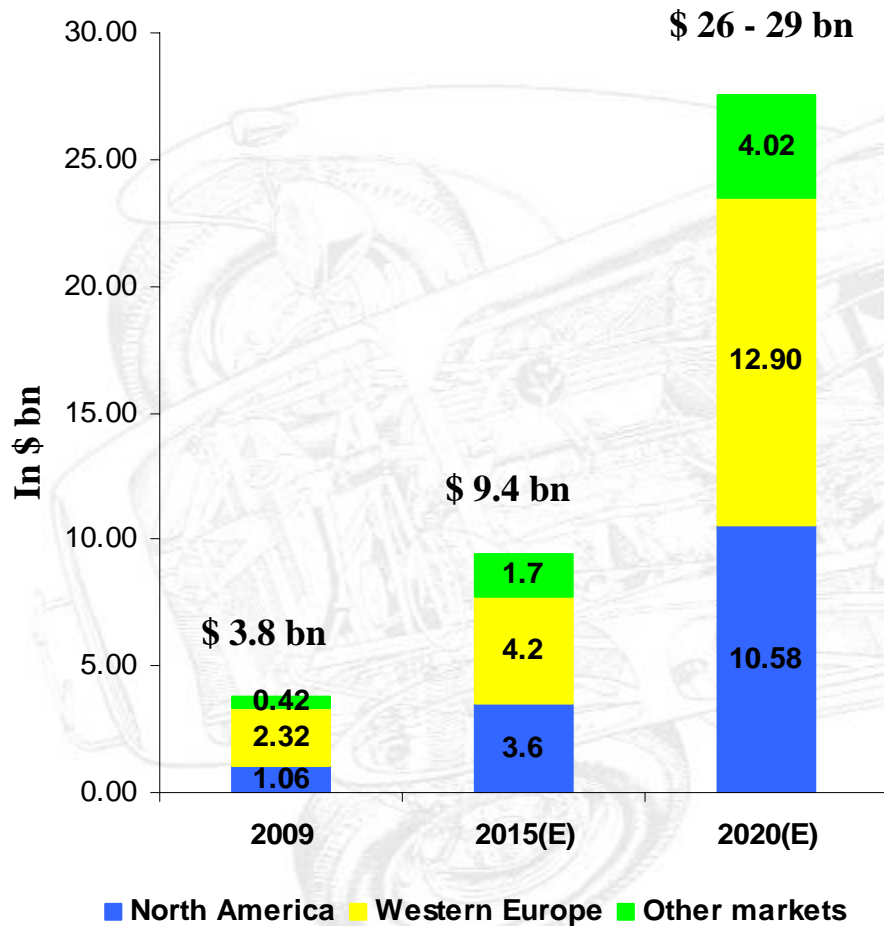


## Component category wise

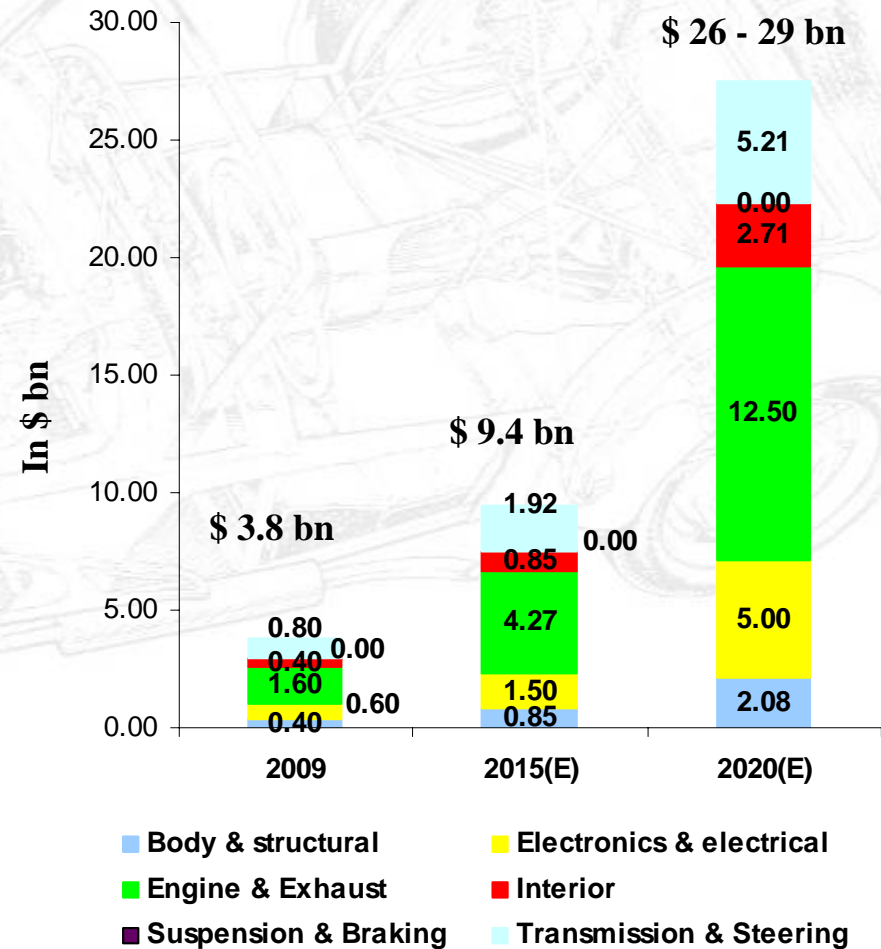


# Vision 2020: India's Exports Potential

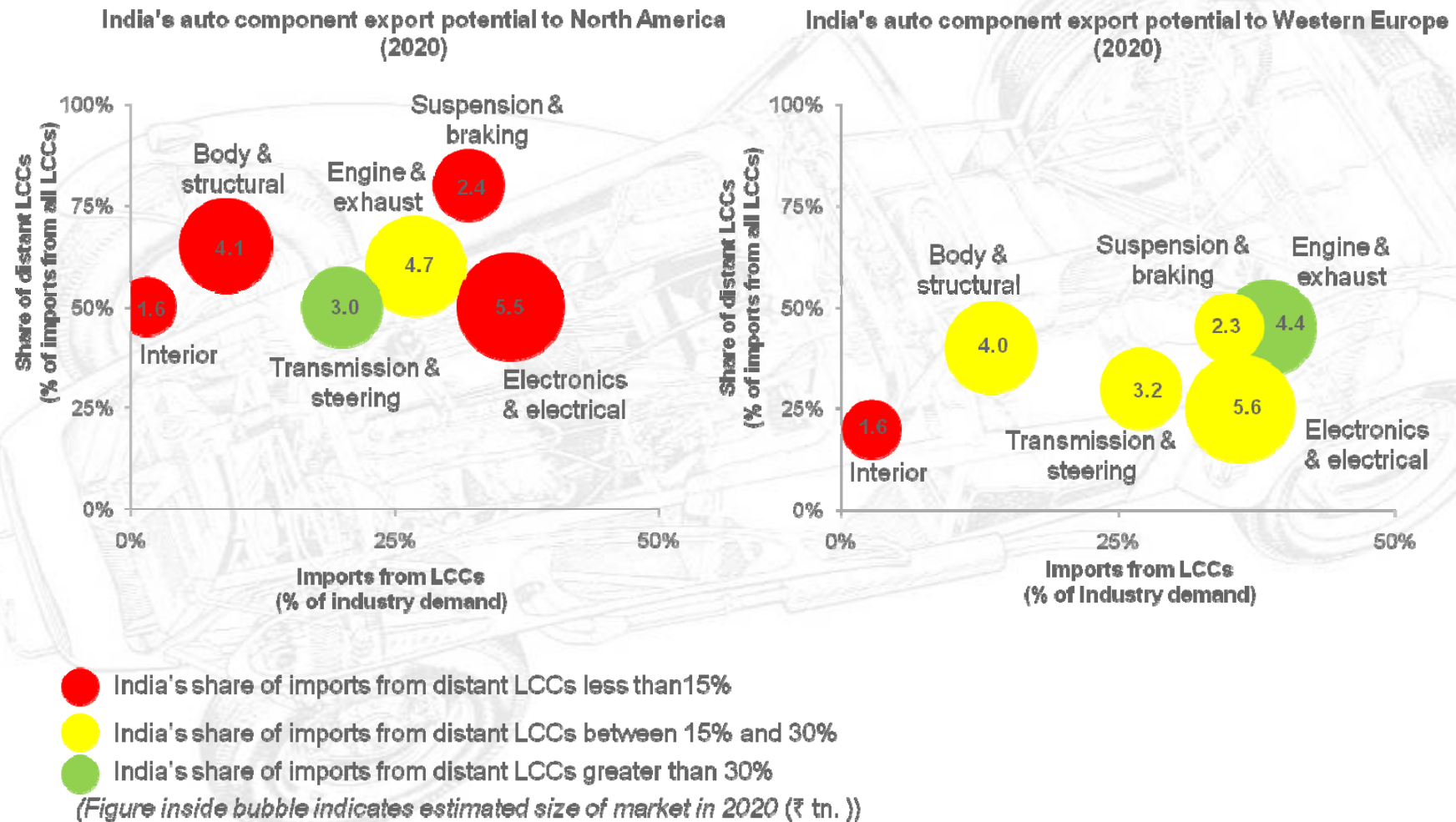
## Geography wise



## Component wise

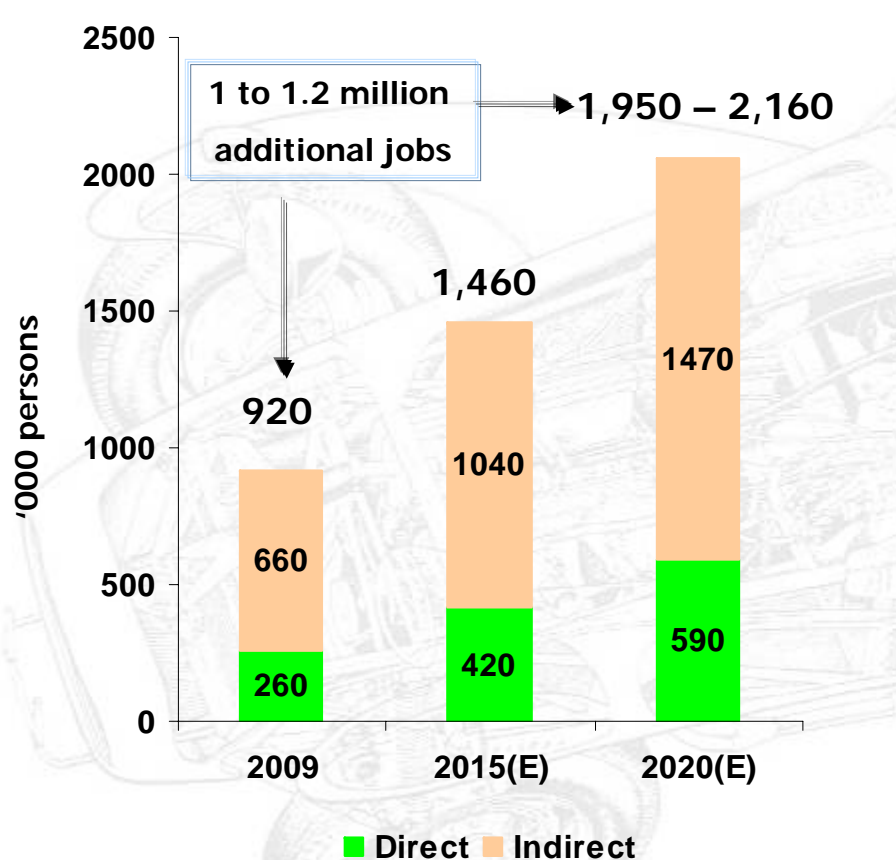


# India's Auto Component Exports potential to North America and Western Europe in 2020

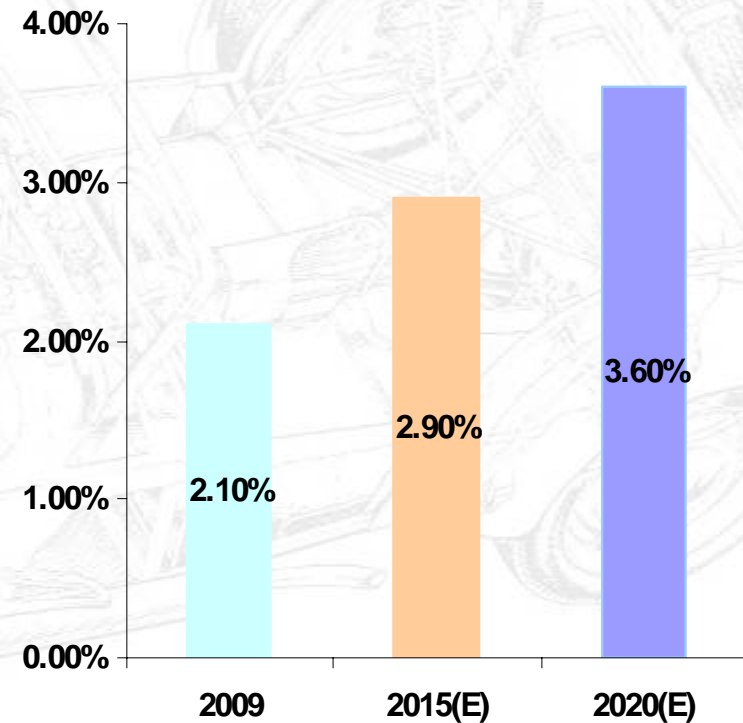


# Auto Component Industry's contribution to employment generation and to India's GDP

Employment in Auto-Component industry



Auto-Component industry contribution to GDP



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# Indian Component Industry Development Capability



During the development process, Tata Motors asked suppliers to think out of the box and innovate products and process design.

This approach has resulted in 37 patents being filed to cover innovations in the car and has given Indian Engineers a canvas to showcase their skills and capabilities.



"Hyundai i20, Made in India with European Design feel"

Hyundai exported 286K cars last year with a focus on Europe

*Indigenization levels for high volume cars are at 80-90%*

# Some Design & Research Centers in India



# Challenges India is Committed to Address

- 1 Infrastructure Deficit
- 2 Talent Crunch
- 3 Scaling-Up the industry
- 4 Access to World-class Technology and Quality Practices
- 5 Remaining cost competitive
- 6 Access to and availability of cost-effective capital
- 7 Trade Policy

# Capabilities of successful niche Component Manufacturers

Core Capabilities	<b>Design, engineering &amp; validation</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Strong R&amp;D focus on specific pdts./technology</li> <li><input type="checkbox"/> Customized solution</li> <li><input type="checkbox"/> Innovation management</li> </ul>	<b>Manufacturing</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Domestic manufacturing footprints</li> <li><input type="checkbox"/> Operating smaller plants efficiently</li> </ul>	<b>Sales &amp; marketing</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Customer acquisition</li> <li><input type="checkbox"/> Customer loyalty management</li> </ul>
	<b>Information technology, Capital management, Risk management</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> IT systems focused mainly at product design and development</li> <li><input type="checkbox"/> Raising risk capital</li> <li><input type="checkbox"/> Cash flow management Managing risk of launching innovative products</li> </ul>		
	<b>People and organization</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Innovative recruitment techniques to attract talent</li> <li><input type="checkbox"/> Talent retention</li> </ul>		
Enabling Capabilities			

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# Areas of Cooperation

- **Manufacturing**
- **Technology**
- **Research & Development**
- **Quality**
- **Environment**

# Areas of Cooperation

1. Global SMEs can invest in green-field manufacturing in India to meet growing domestic demand for auto-components.
2. Opportunities for Partnerships with Indian SMEs at Tier 2/3 level – the Next Wave - covering the entire automotive supply chain to address not only product technology, but also “Process Technology”.
3. Opportunity for supply base discovery.
4. Opportunity for Strategic Alliance to cover Global customers
5. Joint R&D with Indian companies for new product development and designing is also an attractive proposition.

# The Addressable Opportunity...

- Establish Partners/JV in India for
  - Engine & Exhaust parts
  - Auto Electronics & Electrical
  - Transmission & Steering
  - Informatics & Telematics
  - New Material
  - Simulation Technology
- Collaboration for Manufacturing Excellence and Process Design
- Production Sharing in India & Europe for a Holistic Service Capability
- Partnering for Global Requirements
- Merger & Acquisition

# Conclusion

- Vibrant Indian Economy
- Automotive Industry showing double digit growth in all segments
- India becoming Global and Regional hub or lead country for vehicle programmes
- Vision 2020
- Growing engineering and IT capability for manufacturing
- Auto Component Industry :Culturally compatible-Quality, Experience and Values
- Opportunity to partner in product & process innovation

***India : A Gateway to Growth***



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