



IN THE FAST LANE

HAVING EXPERIENCED SUCCESS LOCALLY, INDIA'S AUTOMOTIVE & ANCILLARY AUTO COMPONENTS INDUSTRY IS NOW CHASING ATTRACTIVE EXPORT MARKETS TO FURTHER ITS GROWTH.

BY MITALEE KURDEKAR

THE AUTOMOTIVE INDUSTRY IN INDIA IS presently in an enviable position. Having witnessed steady growth in the country, the industry is set for a continued upbeat performance in the coming years. Not only are Indian companies influencing this growth, but many global players who are represented in the country through subsidiaries or joint ventures, are in fact rejoicing based on their success in the domestic market, more so because this is helping them to stem falling fortunes in their home market or other major markets.

For instance, Hyundai's Indian arm's performance is said to have helped the Korean company offset falling numbers elsewhere. Honda, on the other hand, has turned out best revenue contribution from Indian operations. Also, Maruti Suzuki has been playing a key role in the fortunes of Suzuki Motor Company, where the Indian business accounted for more than half of the Japanese parent company's vehicle sales in 2017. These companies, in addition to some European ones, have established manufacturing units in India, and have demonstrated that by tending to Indian tastes and going in for local manufacturing, these operations can be a well-paying proposition.

While this is a fairy tale for the Indian automotive in-

dustry, the credit for this performance must go to all stakeholders. On their part, OEMs and component makers have certainly pursued the right strategies with regard to new investments for local manufacturing, technology upgrades and market expansion. Over the past few years, the Indian Government too has undertaken a slew of initiatives like Make in India, Skill India, rationalisation of the tax structure etc., which have only paved the way for these manufacturers to go in for all round growth. They are answering the Government's clarion call with the right and, more importantly, timely response. An example is the eagerness with which many manufacturers are pursuing the Government's target for electric mobility by 2030 with the development of plans for electric vehicle technologies.

CURRENT STATE OF AFFAIRS

In fact, most automotive and auto component manufacturers are not content with the current situation; they are looking to the future with a renewed vision. While passenger car sales in the current Indian market are subdued, the export potential for the same is on the upswing due to demand from neighbouring countries. But the most heartening factor for the domestic market is the rising demand for commercial vehicles.

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2. Given the growth prospects, manufacturers are willing to invest in automation.

OEMs AND COMPONENT MAKERS HAVE CERTAINLY PURSUED THE RIGHT STRATEGIES WITH REGARD TO NEW INVESTMENTS.

Providing hard facts, **Aditya Shrivastava, senior VP, manufacturing, VE Commercial Vehicles**, explains, "India is the fourth largest auto market in the world, and with a growth of more than 9% between January-November 2017, India's domestic market is expanding at a pace faster than China, the US and Japan. The trend is expected to continue even in 2018, supported by positive policy reforms like GST and vehicles scrapping policy. India is also the fifth largest commercial vehicle (CV) manufacturer in the world. The CV industry is on a roll with an excellent growth trajectory since September 2017, and is expected to touch its peak in 2018."

RT Wasan, head, sales and marketing, commercial vehicle business unit, Tata Motors, says, "The increased demand for vehicles across segments and production ramp-up of the new range of BS-IV vehicles has given a strong boost to the overall sales growth. We estimate the growth to continue unhindered in the coming year. We are positive about the government outlay on infrastructure and road development projects, which would lead to a very good growth and sustained pipeline for the tipper segment."

Of course, the auto components and ancillary industry's support in all this has been noteworthy, in turn helping OEMs to pursue their business targets as also undertake technological enhancements. In fact, the credit rating agency ICRA has recently upgraded the Indian auto component industry's growth to 13-15% in FY18, a raise from the earlier prediction of 9-11%.

Speaking about such opportunities, **Suresh KV, country head, ZF India**, points out, "The auto components industry has huge potential to grow in the Indian market. Initiatives like Automotive Mission Plan 2016-26 (AMP 2026) and R&D Infrastructure Project (NATRIIP) have created a conducive business environment for auto component makers. Make in India has encouraged component makers to expand their manufacturing base in India for production of localised components. Recently, the government also announced the launch of Make in India 2.0, which will further pave the way for the growth of the auto



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3. With growing competition among players, product differentiation is becoming increasingly vital.

components sector by facilitating the incorporation of high-tech solutions."

Nishit Behera, executive director – business development & strategy, RSB Transmissions (I), agrees with this assessment. He proclaims, "The auto component industry is expected to have robust growth. Anticipated jump in exports, as per industry analysts, is expected to be as much as 26% of India's GDP by fiscal 2020-21. Auto component exports will be the third largest in the world by 2025, as per the latest statistics." RSB has already installed the latest state-of-the-art technology and robotics across their plants at Jamshedpur, Pune, Pantnagar and Lucknow, in anticipation of any surge in demand.

Satish Joshi, director, Micro Supreme Auto Industries (I), claims, "There are tremendous growth prospects for the auto components industry. We are increasing our resources viz. manpower and state-of-the-art machinery to cater to the growing demand. As a long-term plan, we have already purchased more land and built a new plant."

DRIVEN BY TECHNOLOGY

Although most industry players are enjoying the fruits of their labour in terms of good growth prospects, the competition could get tough with any external influences like trade barriers or costs escalations. Every-

one is aware of this and hence the industry is keen to consider technology interventions at every stage of manufacture, and also for other processes like logistics etc. In this context, component suppliers play a pivotal role in supporting automotive OEMs. After all, product differentiation is key for everyone operating in this space.

"In line with VECV's vision of driving modernisation in India and the developing world, VECV has been on the forefront for developing new products under its Pro series with advanced technology and frugal engineering," supplies Shrivastava. He elaborates that VECV's contribution through advanced telematics in

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the form of Eicher Live has helped its customers with tracking their fleet. In addition, VECV has also introduced zero emission smart electric buses.

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Speaking of differentiation, Suresh feels, "Product differentiation and constant innovation is imperative for auto component players to fight off intense competition in the market." ZF is developing mechatronics solutions, which can help in the development of safer driving interfaces, without affecting the core dynamics of a product. ZF India will also offer advanced driver safety systems and solutions to its customers in the country. "ZF has also developed a Driver Distraction Assist and Wrong-way Inhibit systems, designed to prevent accidents that happen due to lapses in attention and due to vehicles driving in the wrong direction," he says.

RSB Transmissions too has developed many unique applications within their offerings. They also have a subsidiary – I-Design Engineering Solutions – providing integrated engineering solutions right from designing through prototyping and testing. Behera suggests, "Our focus area is cost effective, durable, rugged and technologically advanced engineering solutions, keeping pace with the changing day-to-day automotive scenario."

Regarding similar initiatives in other processes, quality-related initiatives come into focus. Joshi explains, "At Micro Supreme, we have started a ZED (Zero Defect Zero Effect) certification scheme. We are pursuing a zero-defect policy seriously. Because of zero rejection, our export orders are increasing. We are also looking for automated & reliable inspection systems."

Even though the proposed transition to BS-VI standards means that there lies a huge task ahead, Wasan is positive about the change. He says, "Whether the technology is available in any other market or not, we (in India) have to generate solutions and expertise that are relevant and specific to the market/ region and then facilitate an eco-system to successfully implement the same. At Tata Motors, transition from BS-IV to BS-VI was a difficult decision as the development of the BS-VI technology was the single largest investment the company has made in a particular technology."

POLICY PURSUITS

All those that we spoke to about the support the industry receives, were emphatically positive about the Government's business facilitation initiatives. Even as some industry players experienced initial pains during

their operations with respect to demonetisation and the introduction of GST, they also felt that, after that momentary hiccup, these changes were ultimately beneficial for the industry's growth.

Speaking about GST implementation, Shrivastava professes, "The government policies such BS-IV norms, GST and even demonetisation have augured well for the industry. The immediate impact of GST was positive for our customers, as it was seen to bring a reduction in taxes on an average basis, and we passed the expected benefits in the form of price reduction to our customers. GST has also simplified logistics and transportation and brought in the much-needed efficiencies in distribution and enhanced overall productivity of the economy. The new tax regime is pro-consolidation on a distribution basis and the hub-and-spoke model will become more and more relevant."

Wasan recalls, "GST implementation had its share of challenges as the economy, and the CV industry, went through the initial phase of adoption with various uncertainties. However, since those early days of GST implementation, we have seen the economy has picked up strongly. Transporters are also beginning to see the benefit of ITC (Input Tax Credit) on all purchases as they are adopting RCM (Reverse Charge Mechanism) and therefore are able to bring down the overall costs."

From a component manufacturer's point of view, Behera of RSB highlights, "Implementation of GST through a hassle-free e-commerce platform has been beneficial due to the subsuming of different taxes levied erstwhile as the taxes are charged by the consumption state rather than the origin state, which has given a boost to the auto component industry."

In fact, most industry insiders are on board with the way policy has shaped up, and the way it is helping shape up the automotive industry. With things in control on the home front, there is certainly nothing standing in the way of automotive OEMs and auto component makers making their mark in international markets. For now, they are well and truly in the driver's seat. ■



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4. ZF believes in constantly innovating with its products, such as the EPB (Electric Park Brake) technology.