

'India will be the world's fastest growing auto market, even faster than China.'

by Shobha Mathur Jul 17, 2014



Soon after he detailed the Indian component industry's 2013-14 performance, ACMA president Harish Lakshman spoke to Shobha Mathur about new growth opportunities for Indian suppliers.

Isn't the projected 4-6 percent growth of the Indian auto component sector for 2014-15 a tad conservative considering that you are talking of a push in market sentiment with the new stable government?

Yes, definitely we have taken a conservative view because there are still some uncertainties in the economy. There are a lot of problems as the finance minister himself has said and we don't know to what extent the revival will take place and that is the reason why we have given a conservative forecast. All infrastructure projects have to pick up again as well as the mining, oil and gas, power, coal and road building sectors. So we have to wait and see how some of these projects start moving. Once this happens, commercial vehicle sales will pick up as the CV sector is also a big driver for this 4-6 percent growth.

So when do you think industry will find its feet and rebound to its former status?

I am very confident that 2015-16 will definitely be a good year and we will see a double-digit growth across most segments.

The prime minister, on a recent visit to Brazil, has firmed up talks for forming the BRICS Bank. Do you think that the industry can attack growth aggressively in these markets?

Yes, definitely because, as I said, exports are a very important part of the auto component industry and will become even more important as we go forward. India is producing high- quality parts that are very competitive. So you will see both growth and a sales increase of Indian components to countries like Brazil, South Africa and, to a lesser extent, Russia and China. My understanding is that this BRICS Bank will be similar to the IMF and World Bank, specifically controlled and managed by the BRICS countries.

What would you cite as the current challenges and trends in India and globally?

From the India perspective, I think we are all waiting for the economy to pick up, the GDP to go up, interest rates to soften, and inflation to come a little more under control. Personally, I am extremely optimistic from a five-to-10-year perspective as India will be the fastest growing automotive market, even faster than China. Therefore, we are very optimistic but the question is how soon will the revival happen. That will depend on the fundamentals of the economy. Internationally, while the growth rates are much slower at a global level, India's ability to get more business from Europe and the US is increasing because of our competitiveness and quality. So hopefully you will see the business growing.

But the ACMA presentation still shows that export markets are still skewed in favour of Europe and USA. The charts are not showing a dramatic shift towards the BRIC markets?

Europe and the US are both 16 million units markets each, while Brazil is growing from 2 million to 4 million units. So from the numbers side, you will still see Europe and USA as much bigger markets but the rate at which growth will be registered in Brazil and South Africa will be much higher.

Which are the potential high growth components going forward?

It is difficult to generalise but engine parts will definitely see a lot of growth; others will be specific commodity and component based.

In terms of lightweighting components, how far do you think the momentum has really caught up in the past few years?

Lightweighting has become the biggest buzzword in our industry from a cost standpoint and from an environment standpoint, it is a global phenomenon as well. Every vehicle manufacturer is looking at it significantly, so it is a trend that will continue and even more intense work will start in the car in the coming years. This is an area where universities, research institutes and some companies can help and there are many Indian companies that are engaging with some of these institutes.

You have been ACMA president for the past year. What would you term as the highlights or achievements of your tenure?

It has been a very challenging year for us as we had to keep the ACMA membership excited about the future of the industry, especially the MSMEs while giving them hope about the industry-take for instance, the Eastern region – Jamshedpur. Suppliers there are highly dependent on the CV market and have experienced serious problems.

So keeping the morale and momentum going for the industry has been a very big challenge but despite that the biggest success has been the Auto Expo 2014. Even though the market was down, we pulled off a fantastic Auto Expo. We had the highest footfalls and when I say highest, one has to look at it differently

because in the earlier Expos, SIAM and ACMA were combined participants and the footfalls were more because the general public also used to come.

What has happened this year is the quality of footfalls has been excellent. If the footfalls were 10 in a suppliers stall, then 8 out of 10 were serious business footfalls whereas earlier it used to be two out of 10. The general feedback from the membership is that it has been a fantastic Auto Expo, so that has been a major highlight.

We have also had many successful overseas missions – we went to Indonesia, China, Vietnam and, more recently, to the UK. These are all global markets and a lot of good things have come out of it in terms of business opportunities and technology partnerships.

Can you elaborate on the business opportunities that are in store in the UK?

You know the trade imbalance with China is very high because we import more than we export, so one of our objectives is to increase our exports from India to China. We undertook a mission to China to identify selling opportunities for selling and now we are engaged in a study with the Indian government. The Commerce Ministry is also funding the study partly along with ACMA to identify components where India is more competitive than China and where China wants to buy from outside. The study is almost complete. So we will arrange some buyer-seller meets around the year-end in India and China. All this is an outcome of our visit.

We have also visited the UK and last week we were at the University of Warwick. They have very good manufacturing capabilities and are doing a lot of futuristic work and we are evaluating how a tie-up can be evolved between the University and Indian companies to improve R&D. We also visited JCB and Jaguar Land Rover and are exploring how we can increase our exports to JLR.

Also read: 2013-14 Performance review of the Indian Auto Component Industry <http://bit.ly/1qh9Zkq>

- See more at: <http://www.autocarpro.in/interview/-india-world-fastest-growing-auto-market-faster-china-6026#sthash.MqShCd73.dpuf>