

Stable policy, FTAs, infra key for auto parts exports growth

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AMID sluggish global market conditions, Indian auto parts industry could scale newer heights in exports. The sector also looks to sustain strong growth trajectory.

“To sustain the growth momentum it is essential that there be a long-term stability in export incentives. Further, the government should consider FTAs with countries such as Brazil and South Africa. This will help create new market opportunities,” Vinnie Mehta, executive director, ACMA (Automotive Component Manufacturers’ Association) told *Financial Chronicle*.

However, despite growing competition, Indian auto industry has been able to increase their exports due to strong global quality practices and manufacturing expertise. Auto parts exports have recorded a CAGR of 16 per cent during 2007-12 and are expected to maintain a CAGR of 17 per cent during 2012-21.

“Frugal engineering and manufacturing excellence are the key strengths of Indi-



Good performance

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■ Europe accounts for 36% of auto components exports from India followed by Asia at 28%

an auto parts industry. The industry has adapted very well to various process requirements be they Japanese, German, Korean or American and this is vindicated by the fact that about 80 per cent of our current exports are to OEMs or tier 1 firms, while the rest 20 per cent goes to after market demand,” added Mehta.

Vijay Kakade, director automotive & transportation practice, Frost & Sullivan pointed out that Indian manufacturers would need to move up the value chain through various measures such as becoming a complete solution provider from

design to delivery rather than a component supplier, acquiring cost competitive and logistics management approach skills, strong thrust on collaborative approach with leading institutes and design centres in India and abroad for building own capabilities in the future, among others. Reduction in cost of components to an extent of 20 to 25 percent was possible due to India’s process engineering skills and its application to re-designing the manufacturing processes, he added.

L Ganesh, chairman of Rane group said, the hard and soft infrastructure in

the country has completely fallen off the path. “The power scenario is pathetic. The supply and demand mismatch of skills both for shop-floor operators and engineers and managers has caused unrealistic increase in salary costs. This is not at all matched by increase in productivity especially in the white-collar category. Our competitiveness is getting eroded fast,” he added.

Echoing some of his views, Mehta said availability of skilled manpower is increasingly getting acute and as the OEMs become multi-locational, managerial depth gets stretched.

Auto parts exports stood at \$6.9 billion in 2011-12, posting a rise of 32 per cent over 2010-11. Europe accounted for 36 per cent of auto components exports from India followed by Asia at 28 per cent and North America at 23 per cent. Exports to North America is reported to be better, supported by weaker Indian currency, while prevailing lacklustre economic conditions in the European has hit parts exports from India.

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