

The Main Drivers of Fastener Market in India

by Shervin Shahidi Hamedani

The fastener market in Asia is anticipated to reach USD 44.12 billion by 2020 supported by growth in automotive demand and increase in disposable income of consumers. Although China is the market leader, India is anticipated to experience the fastest growth over the next couple of years. Economic growth and rapid industrialization in India are expected to drive investments for the fastener market. The major drivers for the fastener market growth in India are growing automotive market, increasing infrastructure and construction as well as developing heavy engineering industry. In addition, expanding railway and transmission lines and India's healthy economic outlook stimulate fastener market demand. In contrast, there are major challenges such as rise in raw material prices and counterfeit products which definitely have their impact on any industrial segments in general and fasteners in specific. In this article we briefly describe the major drivers of Indian fastener market.

Growing Automotive Market

The automotive industry in India is ranked as one of the largest industries in the world. More than 30 percent of small cars sold globally are manufactured in India. This industry impacts significantly on country's GDP with about 7 percent of India's GDP. The market leader of this industry is Two Wheelers segment,

motorcycles and scooters, with about 80 percent of market share, since the market is dominated by the middle class and young population.

Domestic sales of passenger cars grew by 10 percent, during the first quarter of 2016 over the same period in 2015. Accordingly, the export of commercial vehicles has accounted for the significant growth in the first quarter of 2016 over the same quarter in 2015 with about 18 percent. As a result of number of initiatives by Indian government in this market, India is projected to be a leader in the automotive market (for both two and four wheeler) in the world by 2020. For instance, the Government of India permits 100 percent FDI under the automatic route to encourage foreign investment in the automobile sector. The promotion of eco-friendly cars in the country is another initiative by Indian government to expand the production and consumption

of CNG based vehicle, hybrid vehicle, and electric vehicle.

The automotive industry in India has the capacity to make up to US\$ 300 billion in annual revenue by 2026. It is projected to generate about 65 million additional jobs by contributing over 12 per cent to India's GDP.

Increasing Infrastructure and Construction

Infrastructure sector as one of the key drivers for the Indian economy is significantly responsible for boosting India's overall development with the strong focus from Government for initiating policies in order to create the world class infrastructure in the country.

This sector which consists of power, bridges, dams, roads and urban infrastructure development needs about US\$ 500 billion to be spent over the next five years. The half of this amount could be potentially invested in power sector by itself because of the vast opportunities in power generation, distribution, transmission and equipment in the next five years.

The Indian construction equipment industry is revitalizing after a gap in the last few years. The market size is expected to grow from US\$2.8 billion to US\$ 5 billion in 2020. The construction development sector has received about US\$25 billion from the Foreign Direct Investment (FDI) between 2000 and 2015. Many foreign investors and international companies are interested in collaborating with India on infrastructure in general and high speed trains, renewable energy and developing smart cities in



specific. In the future, Indian port sector is anticipated to register great progress. The port traffic is predicted to reach the amount of 943.06 MT by 2017 for the major ports and 815.20 MT for its minor ports.

According to industry estimates, another important market for fasteners, the aviation market in India, is projected to become the third biggest across the globe by 2020. The aviation industry is forecast to take care of 336 million domestic and 85 million international passengers with estimated investment of US\$ 120 billion. This industry contributing about 1.5 percent of the country's GDP, has been influential in the whole economic development of India. By studying the massive gap between potential and current air travel penetration in India, the visions and opportunities of growth of Indian aviation market are vast.

Developing Heavy Engineering Industry

The Indian Engineering sector has perceived an outstanding development over the last few years originated from increased investments in infrastructure and industrial market. This sector, being notably related with the manufacturing and infrastructure sectors, is strategically important to India's economy.

India on its mission to turn into a global superpower has made substantial paces on the way to the growth of its engineering sector. The capital goods & engineering turnover in this country is projected to reach US\$ 125.4 billion by 2017. India exports transport equipment, capital goods, other machinery/equipment and light engineering products such as castings, forgings and fasteners to various countries of the world. The value of engineering exports in FY2014-15 registered at about US\$ 71 billion with a growth of 14.6 per cent over the previous fiscal year.

The demand in main markets such as the US and the UAE is still growing which is great news for Indian exporters. Apart from the traditional markets for Indian exporters, markets in Eastern and Central European countries such as Poland also hold enormous potential.

The engineering sector in India attracts enormous attention from foreign investors as they can enjoy various advantages in terms of manufacturing costs, technology and innovation. To do so, this sector is a growing market. With development in associated sectors such as automotive, industrial goods and infrastructure, attached with a well-developed technical human resources pool, engineering exports are expected to continue its growth.

In Summary

Asian market for industrial fasteners was highly fragmented due to the presence of numerous companies, but product innovation and formation of strategic alliances with application users are expected to be critical success factors for the market. The fastener market in India experiences the international collaborations and growing preference for innovative products as its key trends in this market. New product revolution and innovative processing techniques are likely to open new opportunities for this market in India. ■