

The Indian Automotive Industry & Business Opportunities for Global Fastener Suppliers

The Indian automotive industry is the 6th largest in the world and the automotive industry accounts for 7.1 percent of the country's Gross Domestic Product (GDP). The Two Wheelers segment with 81 percent market share is the leader of the Indian automobile market owing to a growing middle class and a young population. Moreover, the growing interest of the companies in exploring the rural markets further aided the growth of the sector. The overall Passenger Vehicle (PV) segment has 13 percent market share¹.

India is also a prominent auto exporter and has strong export growth expectations for the near future.

In March-April 2016, its overall automobile exports grew by 1.91 percent. PV, Commercial Vehicles (CV), and Two Wheelers (2W) registered a growth of 5.24 percent, 16.97 percent, and 0.97 percent respectively in March-April 2016 over March-April 2015. In addition, several initiatives by the Government of India and the major automobile players in the Indian market are expected to make India a leader in the 2W and Four Wheeler (4W) market in the world by 2020.

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The following table has shown that the production in India only dropped in 2000, 2013 and 2014.²

Year	Cars	Commercial Cars	Total	% of Change	Year	Cars	Commercial Cars	Total	% of Change
2016	3,677,605	811,360	4,488,965	7.90%	2006	1,473,000	546,808	2,019,808	24.2%
2015	3,378,063	747,681	4,125,744	7.30%	2005	1,264,111	374,563	1,638,674	8.40%
2014	3,162,372	682,485	3,844,857	-1.40%	2004	1,178,354	332,803	1,511,157	30.10%
2013	3,155,694	742,731	3,898,425	-6.60%	2003	907,968	253,555	1,161,523	29.80%
2012	3,296,240	878,473	4,174,713	6.30%	2002	703,948	190,848	894,796	9.80%
2011	3,040,144	887,267	3,927,411	10.40%	2001	654,557	160,054	814,611	1.70%
2010	2,831,542	725,531	3,557,073	34.70%	2000	517,957	283,403	801,360	-2.10%
2009	2,175,220	466,330	2,641,550	13.30%	1999	533,149	285,044	818,193	
2008	1,846,051	486,277	2,332,328	3.50%					
2007	1,713,479	540,250	2,253,729	11.60%					

2017 Market Size

The sales of PVs, CVs and 2Ws grew by 9.17 percent, 3.03 percent and 8.29 percent respectively, during the period of January-April 2017. The right table shows that the statistics of Indian automotive industry statistics in May 2017.

Segment	Domestic Sales - May 2017	Exports - May 2017
Passenger Vehicles (Cars, UVs, Vans)	251,642 (+ 8.63%)	64,707 (+ 25.59%)
Commercial Vehicles (M&HCV, LCV)	53,457 (- 6.36%)	6,635 (- 27.49%)
Three-Wheelers	36,066 (- 22.40%)	27,150 (+ 27.31%)
Two-Wheelers (Scooters, Motorcycles)	1,694,325 (+ 11.89%)	230,444 (+ 4.90%)
TOTAL	2,035,490 (+10.05%)	329,068 (+8.89%)

- [1. http://www.prnewswire.com/news-releases/industrial-fasteners-market-growth-projected-at-4-cagr-to-2020-597390031.html](http://www.prnewswire.com/news-releases/industrial-fasteners-market-growth-projected-at-4-cagr-to-2020-597390031.html)
- [2. http://www.oica.net/category/production-statistics/](http://www.oica.net/category/production-statistics/)
- [3. http://auto.economictimes.indiatimes.com/news/industry/auto-industry-grows-by-10-in-may-2017/59065621](http://auto.economictimes.indiatimes.com/news/industry/auto-industry-grows-by-10-in-may-2017/59065621)
- [4. https://www.ibef.org/industry/india-automobiles.aspx](https://www.ibef.org/industry/india-automobiles.aspx)
- [5. http://www.mackbrooks.com/news/press-release/fastener-fair-india-2017-new-delhi-sales-begin-strongly/](http://www.mackbrooks.com/news/press-release/fastener-fair-india-2017-new-delhi-sales-begin-strongly/)

In May 2017, overall automobile domestic sales and exports increased 10 and 9 percent respectively, while Commercial Vehicles sales and exports registered a decrease of 6.4 and 27.5 percent respectively³.

Investments⁴

In order to keep up with the growing demand, several auto makers have started investing heavily in various segments of the industry during the last few months. The industry has attracted Foreign Direct Investment (FDI) worth US\$ 15.79 billion during the period from April 2000 to September 2016, according to data released by Department of Industrial Policy and Promotion (DIPP).

Many multinational companies have already established themselves within the region, encouraged by the positive business sentiment, resulting from increased political confidence. The Delhi region acts as a hub for the automobile industry. Some of the major investments and developments in the automobile sector in India are as follows:

- Electric car maker Tesla Inc. is likely to introduce its products in India sometime in 2017.
- South Korea's Kia Motors Corp is close to finalizing a site for its first factory in India, slated to attract US\$ 1 billion (Rs 6,700 crore) of investment. It is deciding between Andhra Pradesh and Maharashtra. The target for operationalizing the factory is the end of 2018 or early 2019.
- Several automobile manufacturers, from global majors such as Audi to Indian companies such as Maruti Suzuki and Mahindra & Mahindra, are exploring the possibilities of introducing driverless self-driven cars for India.
- BMW plans to manufacture a local version of below-500 CC motorcycle, the G310R, in TVS Motor's Hosur plant in Tamil Nadu, for Indian market.
- Hero MotoCorp Ltd seeks to enhance its participation in the Indian electric vehicle (EV) space by pursuing its internal EV Programme in addition to investing Rs 205 crore (US\$ 30.75 million) to acquire around 26-30 percent stakes in Bengaluru-based technology start-up Ather Energy Pvt Ltd.
- JustRide, a self-drive car rental firm, has raised US\$ 3 million in a bridge round of funding led by a group of global investors and a trio of Y Combinator partners, which will be utilized to amplify JustRide's car sharing platform JustConnect and Yabber, an internet of things (IoT) device for cars that is based on the company's smart vehicle technology (SVT).
- Ford Motor Co. plans to invest Rs 1,300 crore (US\$ 195 million) to build a global technology and business center in Chennai, which will be designed as a hub for product development, mobility solutions and business services for India and other markets.
- Cummins has plans to make India an export hub for the world, by investing in top components and technologies in India.
- Suzuki Motor Corporation, the Japan-based automobile manufacturer, plans to invest Rs 2,600 crore (US\$ 390 million) for setting up its second assembly plant in India and an engine and transmission unit in Mehsana, Gujarat.
- Mr Masayoshi Son, Chief Executive Officer, SoftBank Group, has stated that Ola Cabs may introduce a fleet of one million electric cars in partnership with an electric vehicle maker and the Government of India, which could help reduce pollution and thereby transform the electric mobility sector in the country.
- China's biggest automobile manufacturer, SAIC Motor, plans to invest US\$ 1 billion in India by 2018, and is exploring possibilities to set up a manufacturing unit in one of the three states – Maharashtra, Andhra Pradesh and Tamil Nadu.
- Suzuki Motorcycle India Pvt Ltd has started exports of made-in-India flagship bike Gixxer to its home country of Japan, which will be in addition to current exports to countries in Latin America and surrounding countries.
- General Motors plans to invest US\$ 1 billion in India by 2020, mainly to increase the capacity at the Talegaon plant in Maharashtra from 130,000 units a year to 220,000 by 2025.
- FIAT Chrysler Automobiles has recently invested US\$ 280 million in its Ranjangaon plant to locally manufacture Jeep Compass, its new compact SUV which has been launched in India in August 2017.

In a simple word, Indian automotive market is a large and interesting market for fastener producers and exporters.

Indian Fastener Industry: New Delhi is a Globally Recognized Trading Hub

India is one of the fastest growing countries in the world and the New Delhi status as a trading hub has seen the fastener market here flourish. New Delhi, along with the surrounding region, the NCR (National Capital Region), contributes 7.5% to India's fast-growing GDP. India has experienced nearly a decade of strong economic growth, stimulated by structural reforms. The country's GDP is forecast to grow by 7.5% in 2016-2017.

Indian fastener industry is composed of two segments – high tensile and mild steel fasteners. The market size of the fastener industry in India is around US\$ 450 million. High tensile fasteners, produced by the organized sector, account for 70 percent of the market. The mild steel fasteners, mainly produced by the unorganized sector contribute to the remaining 30 percent of the market. Fasteners are used in almost all engineering and chemical industries. The automobile industry accounts for 75 percent of the total demand of this industry followed by consumer durables and railways.

Last Word:

With the automotive industry witnessing a significant growth rate along with increasing global demand, the future of the Indian fastener industry is very promising. ■