Auto component firms go digital amid world crises

Sector is worth $80 billion and targets a $200 billion opportunity by 2030: BCG-ACMA report

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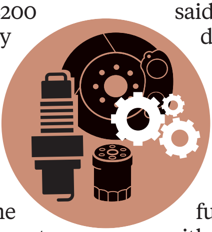
Mumbai, 11 February

India's auto components industry is at an inflexion point that has smart factories shifting from "nice to have" to becoming critical to business as global supply chains realign amid geopolitical uncertainty and trade agreements, said a report on Wednesday.

The sector is worth $80 billion and targets a $200 billion opportunity by 2030, split evenly between domestic demand and exports, according to a joint report by Boston Consulting Group (BCG) and the Automotive Component Manufacturers Association of India (ACMA). Exports account for around 30 per cent of production but the industry has only about 2 per cent of global auto component trade, compared with China's 12–13 per cent share.



"This is a capital-intensive industry, and investing in sync with demand is something it has always lived by," said Vikram Janakiraman, managing director and senior partner at BCG. "What has changed is that the envelope of what can be delivered from the same asset base is much higher through smart automation and smart factories."

Multiple forces are changing the auto components industry. Global vehicle production is expected to rise to 50-55 million units by 2030, increasing product variants and changeovers. Internal combustion engine (ICE) and electric vehicle (EV) programmes are running in parallel, creating a dual investment squeeze for suppliers.

"India's powertrain roadmap is still evolving. ICE will continue to be the mainstay even as EV volumes scale up," said Vinnie Mehta, director general, ACMA. "Given our high cost of capital, we have no choice but to sweat existing ICE assets harder to fund EV investments without overextending balance sheets."

Industry earnings before interest, taxes, depreciation and amortisation margins average 11–12 per cent and are lower for smaller firms, while volatile commodity prices and currency depreciation continue to weigh on costs. In this backdrop, efficiency gains are becoming non-negotiable.

The report highlighted that global benchmarks show 10-20 per cent productivity gains, 5-10 per cent cost improvement, 20-30 per cent quality improvement and 20-40 per cent faster time-to-market from smart factory adoption. Indian case studies show similar benefits, particularly from uncovering "true baselines" in operations.