

Companies

THURSDAY, SEPTEMBER 15, 2022

COMPONENT MAKERS CLOCKED RECORD REVENUES LAST YEAR

Auto parts industry to see EV transition pains

Robust sales growth in electric 2-wheeler and 3-wheeler by 2030; ICE to maintain hold in PV and CV segments

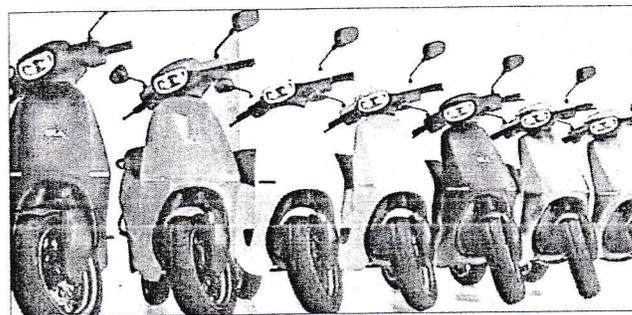
SWARAJ BAGGONKAR
New Delhi, September 14

DESPITE THE DISRUPTION caused by the Covid-19 pandemic, the auto component industry clocked its highest-ever turnover last year.

A major portion of the growth came from the exports market due to the adoption of 'China plus One' strategy by vehicle makers in North America and Europe, which, in turn, benefitted India's automotive industry. But besides growth, the highlight of the theme at the 62nd Annual Session of ACMA was the need for accelerating the adoption of electric vehicles (EV).

With EVs requiring less number of auto parts in the absence of engine and transmission compared to an internal combustion engine (ICE) vehicle, there is a question mark on the future of many parts manufacturers who are dependent on the ICE vehicle demand.

According to early estimates prepared by McKinsey, the transition to EVs could impact up to 50% of ICE bill of material components, which could disrupt the portfolio of incumbents in traditional ICE component categories. Sales of new electric two-wheelers and electric three-wheelers could grow to 50% and 70%, respectively, by 2030. However, ICE will continue to dominate the Indian passenger vehicle



THE ROAD AHEAD

- Sales of electric two-wheelers and electric three-wheelers could grow to 50% and 70%, respectively, by 2030
- While E-2W sales are already more than that of fossil fuel-powered peers, E-3W have long waiting periods
- Electric PVs are generating interest from new players while electrification of CVs has started in the smaller weight category

and heavy commercial vehicle landscape, with slower electrification.

While electric three-wheelers sales are already more than that of their fossil fuel-powered peers, electric two-wheelers are facing long waiting periods even as petrol variants are available at a discount. Electric PVs are generating interest from new players while electrification of CVs has started in the smaller weight category.

As per estimates prepared by the Automotive Component Manufacturers Association (ACMA), revenues of the auto parts industry increased 23% to ₹4.23 trillion in FY22 compared to FY21. Exports made up little over a third of the turnover at ₹1.42 trillion, growing by 44%.

Sunjay Kapur, president, ACMA,

said, "While FY22 was the best ever year for the auto component industry, sales of commercial vehicles and passenger vehicles have reached pre-pandemic levels already. We hope that with the festive season approaching the two-wheeler segment should also be able to post positive growth. We should be able to see a healthy and a profitable year ahead for the industry."

For the automotive industry, FY22 was impacted by a severe shortage of semiconductors which led to a crunch in supplies of vehicles to the retail market. Vehicle production across the industry has improved over the last few months and the passenger vehicle category is sitting on pending bookings of more than 750,000 units.