Automotive component sector to clock 7-9% revenue growth in FY26: Crisil

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The domestic automotive component sector is expected to clock 7-9 per cent revenue growth this fiscal, driven by sustained demand momentum from two-wheelers and passenger vehicles segments especially utility vehicles, which account for nearly half of the overall revenue, Crisil said.

It also said that while a moderate uptick in commercial vehicles and tractors sales (around 17 per cent share) will provide an additional tailwind, the aftermarket segment (15 per cent share in revenue) is seen ticking along steadily at 5-7 per cent.

However, weak demand for new vehicles in the US and Europe, presents headwinds. "Demand from automotive OEMs, contributing two-thirds of total revenue, is expected to grow 8-9 per cent this fiscal, with value outpacing volume on rising safety, emission and electronic content, especially in PVs and 2Ws," said Poonam Upadhyay, Director, Crisil Ratings.

The aftermarket segment will log a steady 6-7 per cent growth, she said, adding export growth, will moderate to 7-8 per cent amid weak demand for internal combustion engine vehicles and a deceleration in electric vehicle adoption across the US and Europe.

US CONTRIBUTION

The US, while contributing around 5 per cent to total revenue, commands a dominant 28 per cent share of export earnings and is the fastest-growing auto component market, said Crisil. The 25 per cent tariff planned by the US can hurt companies heavily reliant on this geography, as per the ratings agency. As per Crisil, operating margins are seen stable at 12-12.5 per cent, driven by growing share of high-margin components such as ADAS (advanced driver assistance system) modules, infotainment systems and advanced braking. A decline in input cost – particularly of steel (45-50 per cent share in input costs), aluminium (15-20 per cent), and plastics (10-12 per cent) – used for structural rigidity, reducing vehicle weight and for interiors will support profitability.