

CRISIL SME TRACKER

Uptick in production volume to benefit auto component SMEs

The revenue of domestic auto component manufacturers is projected to increase 8-10 per cent on-year in FY25, driven by demand from original equipment manufacturers (OEMs) and the replacement market.

Small and medium enterprises (SMEs), which account for 75-80 per cent of the industry volume and 25-30 per cent of revenue, will also see growth, albeit lower than the overall industry at 5-7 per cent, on account of the shift towards higher value and mission-critical components that are dominated by the bigger players. The pace of growth this financial year is in line with FY24, spurred by healthy demand from

OEMs and the replacement and export markets.

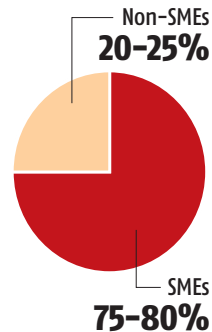
Among the segment drivers, the replacement market is expected to clock 6-8 per cent on-year growth, following 7 per cent rise last financial year, supported by increase in penetration of cab aggregator services in the stock of passenger vehicles in the medium term —these use more components because of higher running vs personal vehicles.

Also, margins of SME auto component manufacturers are expected to widen 30-40 basis points (bps) in FY25 due to improvement in operating leverage and correction in input costs as the overall auto component market is

expected to grow 9-11 per cent while the raw material index is expected to remain flat on-year. In FY24, margins had expanded 20-30 bps due to improved demand from all segments and recovery in utilisation levels of automotive component players.

Cluster-wise performance in the industry, though, is likely to vary depending on segmental expertise and exposure to the export markets. In terms of volume and revenue, Pune, the National Capital Region, and Chennai are the largest auto component manufacturing clusters because of better quality of products and larger presence of OEMs in and around the clusters.

SHARE OF SMEs IN AUTO COMPONENT INDUSTRY



Note: SME split by number of companies
Source: Research – CRISIL Market Intelligence and Analytics