

Auto parts sector to grow 5-8% in FY24 on increased domestic demand: ICRA

Our Bureau
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Driven by increased domestic demand, the automobile component industry's revenue is seen growing 5-8 per cent in FY24, according to a report.

The industry is expected to touch a revenue of over ₹2.5-lakh crore on increased premiumisation of vehicles, focus on localisation and improved export and regulatory norms.

Auto component suppliers are likely to report

growth over medium-to-long term.

INDUSTRY REVENUES

In the first nine months of FY23, the sector's revenue has risen by over a fourth from year ago.

The industry is also expected to incur a capex of over ₹20,000 crore in FY24, with incremental investments towards new product additions, product development for committed platforms, development of advanced technology and EV components.

"Domestic OEM demand constitutes almost 50 per cent of sales for the Indian auto component industry. This is likely to remain healthy in FY24, with high single-digit growth expected across segments except for tractors," ICRA said in the report.

The replacement demand is seen stable in FY24, growing at 6-8 per cent,

supported by the increase in mobility, economic activity and healthy freight movement.

"Discouragingly, the export orders have slowed down in the last few months and are likely to remain weak in H1 FY24, impacted by economic gloom, geopolitical tensions and supply-chain issues. However, ancillaries will benefit from supplies to new platforms due to vendor diversification initiatives by global OEMs," said Vinutaa S, Vice-President and Sector Head - Corporate Ratings, at ICRA.

"The expected demand uptick and technological changes would result in a capex upcycle in FY24. The recently announced PLI scheme will also contribute to accelerating capex over the medium term besides investments by new entrants in the EV segment," she added.

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