Other Automobile Ancillaries

Industry Code (as per CMIE Prowess): 0101014502059000'

June 2022

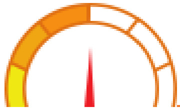
Overall Industry Risk Score: 13/20 | Marginally Favourable

Sample Size: 124 Companies

Median Rating Value of sample size: A-

Individual Parameters Contributing to the Score

Demand & Supply Balance

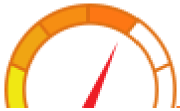


12/20

DS Equilibrium

The lower automobile sales volumes during FY21 impacted auto ancillary segment. The auto OEMs faced intermittent demand side challenges as well supply side constraints like slowdown in the supply of imported components and semiconductors. While there was a degrowth across all segments (OEM, replacement and exports), the maximum decline was felt in OEM segment in FY21. As per ACMA, the auto ancillary industry registered a revenue growth of 64.7% from Rs.1.19 trillion for H1FY21 to Rs.1.96 trillion for H1FY22. As per SIAM, the production of vehicles (across various categories) marginally increased by 1.2% from 22.6 million during FY21 to 22.9 million during FY22. The export number of vehicles (across various categories) increased by 35.8% from 4.1 million for FY21 to 5.6 million for FY22. The performance of the industry during FY23 will depend on the revival of volumes in the domestic economy and also increased demand from overseas markets.

Extent of Competition



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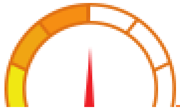
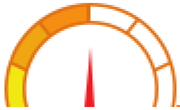
Low competition/ Entry Barriers

The organised segment mostly caters to the large OEMs and overseas markets. The unorganised segment primarily caters to the after sales markets. The relationships in the organised segment between auto ancillaries and their OEM clients are generally stable. As regards overseas trade, India has a presence in both import as well as export of auto components. The import dependence on China for certain components is expected to continue till domestic alternatives are developed which may not be immediate. The gradual shift towards electric vehicles will require additional investment on the part of the existing players to stay competitive while opening an opportunity especially in overseas markets.

Regulatory Risk  12/20

Predictable Regulatory environment

100% FDI has been allowed in auto ancillary sector. The PLI Scheme of Government will act as additional incentive for domestic manufacture. Overall a supportive regulatory environment.

Input Related Risk  12/20

Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

Increase in commodity prices like steel and aluminium have an impact on the input costs. High import dependency for certain components renders the industry susceptible to currency fluctuations and erratic supply movements. Availiability of semiconductors has affected the industry volumes. Development of adequate number of EV charging stations will be crucial for supporting the growth in EV volumes.