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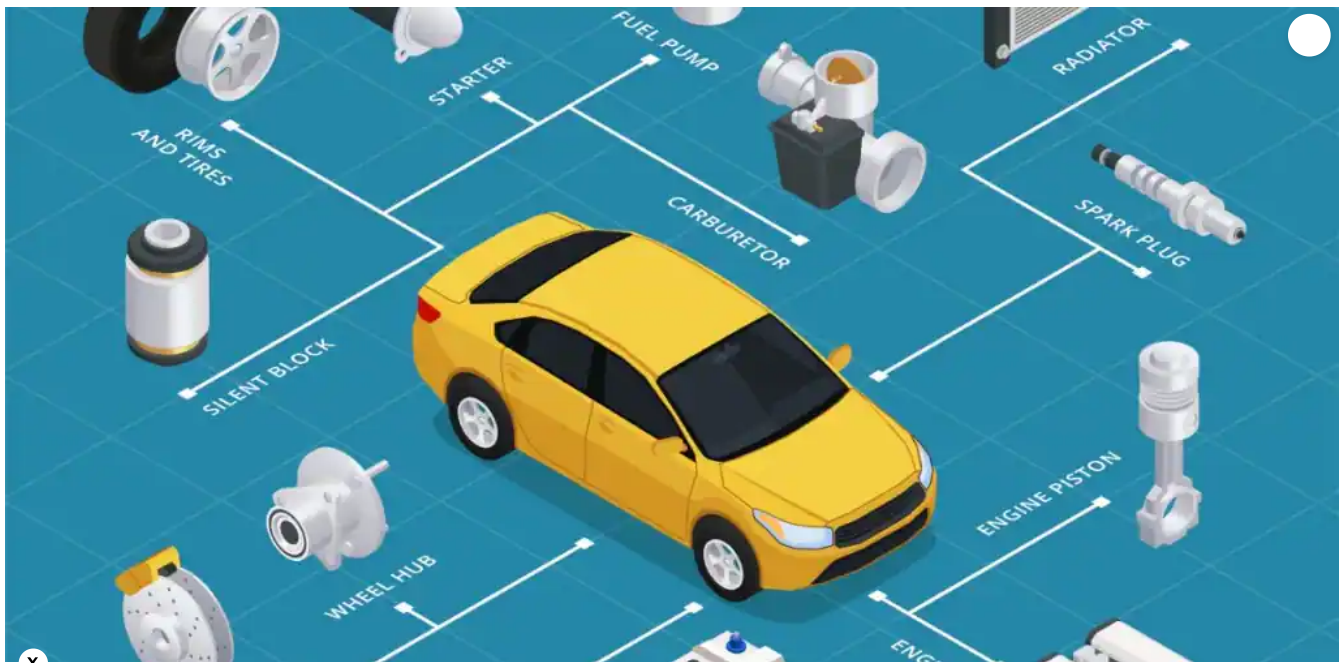
The steady growth of the Indian auto component industry and its adaptation to rapid changes in the automotive sector

As a responsible industry, in order to lessen its impact on the environment and secure long-term success, the Indian auto component sector is placing an increasing emphasis on sustainability.

Written by [Guest](#)

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By Niranjan Kirloskar

The [auto components market](#) in [India](#) is one of the most dynamic sectors in the nation currently. According to the Indian Brand Equity Foundation (IBEF), the Indian auto component [industry](#) is set to become the third largest globally by as early as 2025. The Auto Component Manufacturers Association of India (ACMA) recently shared that in



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This industry has shown resilience and a will to succeed despite economic hardships, supply chain disruption, technological upheavals, and even major global impacts like COVID-19 and conflicts between countries. Not just supply shortages from China, but also powerful incentives offered by the Indian government to encourage domestic manufacturing have been the industry's driving forces. Along with that, India's automotive industry saw an exceptional growth of 21 million units in FY23 (according to numbers shared by the Society of Indian Automotive Manufacturers – SIAM), creating a robust demand for auto components.

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As per IBEF, the auto component sector in India is a significant engine of macroeconomic expansion and job creation. The sector includes participants of various sizes, from massive enterprises to small businesses, dispersed among clusters around the nation. The auto components sector employed over 1.5 million people directly and contributed 2.3% to India's overall GDP. The workforce contributes significantly to innovation and the ability to meet stringent global quality standards and is instrumental in establishing India as a global manufacturing hub for auto components. However, a structural challenge that the industry faces is in terms of workforce disruption due to the overwhelming shift to electric mobility from internal combustion engines. Depending on the level of local manufacturing, a scenario with 30% electric cars by 2030 may support around 20-25% fewer jobs than ICE.

The shift of the nation's mobility sector has been greatly aided by the auto component industry. The industry wants to lead the world and transition to sustainability through tech-driven innovation. The industry is embracing advanced technologies such as robotics, automation, Industry 4.0 technologies, 3D printing, lightweight materials, and electric vehicle components to enhance manufacturing processes, improve productivity, and meet global quality standards. Companies are venturing into the production of advanced electronic components and sensors, which are integral to the development modules for On-Board Diagnostic Device (OBD).

As a responsible industry, in order to lessen its impact on the environment and secure long-term success, the Indian auto component sector is placing an increasing emphasis on sustainability. Through programs like recycling, circularity, and waste reduction, the sector is advancing sustainable mobility. In response to rising environmental concerns, Indian manufacturers are actively investing in R&D to produce environmentally friendly components.



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Industry is a leader in exports and registered exports worth US\$ 19 billion in FY22 (as per IBCF), showcasing the credibility of indigenous products in foreign markets. India's ability to conduct cost-effective manufacturing is a major factor in the growth of exports. The cheap labour costs, effective production methods, and economies of scale all contribute to the industry's cost advantage. It has been a significant driver in the industry's emergence as a global auto component hub, fostering partnerships with some of the world's leading automotive companies.

Strategic investments are crucial to sustaining competitiveness and advancing transformation. These investments cover infrastructure improvement, worker skill development, and research and development. The Indian government has launched Production Linked Incentive (PLI) schemes on automobile and auto components, which are expected to bring a capex of INR 74,850 crore (US\$ 9.58 billion) in the next five years. Along with that, major auto component manufacturers have recently ventured into joint ventures and acquisitions, which is encouraging for the sector.

Although the sector has grown significantly, there are still obstacles to overcome. Other than the labour disruption mentioned earlier, other challenges include fierce competition, the requirement to be ready for ever-changing technology, and adherence to exacting international standards. Continuous innovation, financial commitment, and a passion for excellence are necessary to meet these difficulties. Along with this, there is a critical need for cooperation amongst OEMs, suppliers, dealers, and all other participants to build on one another's inherent advantages and create a stronger industry.

The future of the Indian auto component industry is bright, further strengthening its contribution to India's [economy](#) and the global automotive landscape. This growth will be driven by increased vehicle production, expansion into international markets, and the adoption of cutting-edge technologies. Our industry is poised for a promising future. The industry will also be heavily influenced by its capacity to innovate and adapt as the sector further develops. The resilient and tenacious nature of its workforce and enterprises is demonstrated by the consistent expansion and flexibility of the Indian auto component sector.

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