



# Accelerating Growth: India's Automotive Component Industry Outlook

👤 BW Online Bureau 📅 Mar 20, 2024



Over the years, the Indian auto component industry has experienced considerable growth and now holds a significant position in the global auto component market. India's auto components industry's market share has expanded notably, led by increasing domestic demand for automobiles and exports globally.

According to an IBEF report, India is emerging as a global hub for auto component sourcing, with the industry exporting over 25 per cent of its production annually. Additionally, it is a significant contributor to the GDP and directly employs over 1.5 million people. Manufacturers of auto components can leverage this favourable perception of the Indian automotive industry to grow their market share both domestically and globally. Those who have narrowly focused on one segment may explore multiple segments, including two-wheelers, passenger cars, or commercial vehicles, by extending their skills. As per the Automobile Component Manufacturers Association (ACMA) forecast, automobile component exports from India are expected to reach US\$ 30 billion by 2026.

However, the industry's journey has not been without its share of hurdles. Global supply chain disruptions, fuelled by geopolitical tensions and the covid-19 pandemic, have led to raw material shortages, logistical issues, and factory shutdowns, disrupting production and increasing costs. It had been challenging to recover from the pandemic. The robustness of the sector and government initiatives like "Make in India" and "Production Linked Incentives" have accelerated the industry's and the market's overall revival. Component manufacturers are increasingly investing in domestic production capabilities, aiming to create a more self-reliant ecosystem. According to Research and Markets, the Indian auto component sector is expected to see a CAGR of 15 per cent from 2021 to 2026, driven by vehicle production, technological advancements, and government support.

The Indian auto component industry has demonstrated remarkable flexibility, smoothly adapting to major changes like the shift towards electric vehicles, the introduction of stricter emission regulations, and the emergence of

hydrogen fuel cells and hydrogen-powered Internal Combustion Engine (ICE) technologies. In the heavy-duty truck segment, there's a significant move towards hydrogen-powered vehicles to reduce CO<sub>2</sub> emissions and achieve carbon neutrality. To stay at the forefront, the industry is zeroing in on research and development and innovation, particularly in hydrogen fuel cells and hydrogen-fueled ICE technologies. By creating specialised solutions that address impurities and enhance system performance, auto component companies are ensuring they stay ahead of the curve.

The Indian automobile sector has witnessed a remarkable surge in investments, attracting significant attention from both domestic and foreign manufacturers. Reports indicate that the sector received an impressive \$35.40 billion in FDI inflow from April 2000 to September 2023, accounting for approximately 5.41 per cent of India's total FDI inflows during this period. This investment boost is, in part, due to the government's proactive PLI scheme, which has invigorated local manufacturing and sourcing. Moreover, in an era where global players are keen on diversifying their supply chains to mitigate the risks of over-reliance on any single nation, India stands out as an attractive manufacturing hub. Our strategic geographic location offers close proximity to key automotive markets such as the ASEAN region, Europe, Japan, and Korea. Additionally, India's large, trainable workforce and lower labour costs relative to other manufacturing nations in Asia position us favourably in the global manufacturing landscape. The combined work of everyone in the industry and government is key to making India a trusted partner in the global supply chain, helping us move towards our goal of "Vikasit Bharat".

By embracing diversification, localisation, and technological advancements, the Indian auto component sector is set to weather the storms and emerge as a formidable and globally competitive force in the automotive landscape.

**Data References have been taken from: -**

- ➔ Auto Components Industry Report Dec, 2023
- ➔ <https://www.ibef.org/industry/autocomponents-india>

*The author is the Managing Director of Fleetguard Filters*

Share [f](#) [t](#) [in](#) [w](#)

---

## Also Read



INDUSTRY NEWS Jun 24, 2024  
**ASDC & Bosch Partners To Upskill Youth As 2W & 4W Service Technician**  
🕒 2 mins read



INDUSTRY NEWS Jun 20, 2024  
**Zoomcar To Provide Self-drive Car Rentals To Air India Express Guests**  
🕒 2 mins read



INDUSTRY NEWS Jun 18, 2024  
**Cars24 Launches Multi-brand Car Repair & Maintenance Service**  
🕒 2 mins read



INDUSTRY NEWS Jun 18, 2024  
**EMotorad Launches Limited Edition E-bike With Prabhas' Movie Kalki**  
🕒 2 mins read

---