

# Auto component industry to see 15-17 pc revenue growth in FY22: Report

Posted at: Jan 20 2022 1:07PM

Mumbai, Jan 20 (UNI) Owing to recovery in automobile sales, especially after having remained subdued in the last couple of years, auto component industry is expected to witness a 15-17 per cent revenue growth this fiscal year, a recent report said.

**According to a report by Brickwork Ratings, while the revenues will improve, the profitability of auto component players is expected to decline during the year, on account of high raw material prices.**

“BWR expects the auto component industry to witness a 15-17 per cent revenue growth revival in FY2022 and 10-12 per cent in FY2023 owing to a recovery in automobile sales, after having remained subdued in the last couple of years,” it said.

The agency noted that pent-up demand and a preference for personal mobility due to safety concerns led to the recovery in automobile sales post relaxations in the lockdown. Additionally, a pick-up in economic activity augurs well for commercial vehicle sales.

In addition, the scrappage policy and strict inspection of pollution under control (PUC) certificates would boost the aftermarket of the auto component industry.

“The industry may again see double-digit growth in FY2023, given that the impact of the omicron variant is limited for the short term and that there is no further risk of new variants,” it said.

The agency noted that the profitability of auto component players to decline on account of high raw material prices. “Additionally, the shortage of components such as semiconductors has created supply-chain issues and further driven up prices.

Auto component suppliers generally pass on price hikes to OEMs; however, in the current scenario, it will take some time, and auto component players will have to take a hit on their profitability to safeguard volume growth,” it said.

According to the company, the domestic auto components’ revenues is expected to increase by 16-18 per cent in FY2022 and 11-13 per cent in FY2023, backed by pent-up demand from the automobile industry and a low base.

“Decline in the sales of automobiles in the past couple of years due to the economic slowdown in FY2019, price hike and anticipation of BSVI in FY2020, and outbreak of Covid- 19 in FY2021, among other reasons, had a severe impact on the auto components industry.

However, in H1FY2022, automobile sales recovered strongly on account of pent-up demand and a preference for personal mobility. This led to an increase in demand for auto components during H1FY22,” it said.

BWR, however, noted that there has been a setback on the supply side, with the shortage of semiconductor chips hampering the production schedule of OEMs, thereby restricting recovery in the overall automotive value chain. Moreover, renewed concerns around the pandemic will further act as a speed-breaker for recovery in the industry.

The agency also expects the exports of auto components to improve. “Export for the auto components industry in FY2021 saw four per cent y-o-y de growth.

Europe, the largest export destination for the Indian auto components industry and accounting for 32 per cent, witnessed a 4 per cent fall y-o-y in FY21. Similarly, North America and Asia, accounting for 30 per cent and 26 per cent, saw a 7 per cent and 8 per cent dip y-o-y, respectively,” it said.

In the long term, we can expect growth to increase as with the new investment under the production linked incentives (PLI) scheme, the supply chain of the Indian automotive industry would improve, it said.

“This would allow the industry to explore new markets by taking advantage of the prevailing anti-China sentiments and given the fact that India is the second largest steel producer globally.

However, the growth projections will hold true only if there is a limited and short-term impact of omicron and no major disruptions happen worldwide on account of pandemic,” the agency noted.