

INDIAN AUTO COMPONENT INDUSTRY

**Multiple favourable factors point to
healthy medium-term replacement
demand**

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Highlights

Aftermarket demand to remain healthy in the next 12-18 months

Replacement segment to be a bright spot in the Indian auto component story



Aftermarket constituted about 18% of the overall demand in FY2022 and remains a vital cog in the Indian auto component industry. ICRA expects healthy growth of 8-10% in replacement demand in FY2023 and 6-8% in FY2024, supported by underlying demand drivers, despite YoY softening of commodity prices.



Replacement demand is expected to be supported by confluence of factors, namely –

- Healthy demand for public and private transport, with increase in mobility, supported partly by gradual reopening of offices and educational institutions.
- Healthy economic activity and consequent improvement in freight movement
- Adequate liquidity in the aftermarket
- Likely postponement of new vehicle purchases due to increase inflationary pressure and elongated waiting periods, especially in the PV segment
- Increase in vehicle parc and ageing of vehicles on road - as per ICRA estimates, the average age of M&HCVs increased to almost 10 years in FY2022, the highest in the past two decades; similar trends are visible in PVs and 2Ws as well
- Healthy demand for used cars, aided by growth of organised players, elongated wait periods for new cars and improving financing penetration; increase in used cars, would in turn, result in higher replacement sales of auto components



This apart, reduced imports and growth in proportion of branded parts; deeper penetration in rural/semi-urban regions; and better awareness among consumers about vehicle safety and importance of periodic maintenance are likely to facilitate growth in replacement demand over the medium term.



However, EV adoption, implementation of scrappage policy, component lifetime elongation and possible increased use of public transport vis-à-vis private vehicles, could be demand dampeners.

1 Trends and Outlook



2 Key Challenges



3 ICRA's Channel Check on Aftermarket Trends



4 Global Landscape



5 Key Takeaways





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