

# INDIAN AUTO COMPONENT INDUSTRY

Multiple favourable factors point to healthy medium-term replacement demand

**JANUARY 2023** 



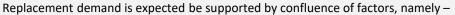
### **Highlights**

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.



- · 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.



#### **AGENDA**















	Shamsher Dewan	K Srikumar	Vinutaa S	Rakesh Thakur
	Senior Vice President and Group Head	Vice President and Co-Group Head	Vice President and Sector Head	Research Associate
<u> </u>	shamsherd@icraindia.com	ksrikumar@icraindia.com	vinutaa.s@icraindia.com	rakesh.thakur@icraindia.com
C	0124 – 4545 328	044 – 4596 4318	044 – 4596 4305	0124 – 4545 343

















## **ICRA Business Development/Media Contact Details**

	L. Shivakumar	Jayanta Chatterjee	Naznin Prodhani
	Executive Vice-President	Executive Vice-President	Head Media & Communications
<u>@</u>	shivakumar@icraindia.com	jayantac@icraindia.com	communications@icraindia.com
C	022- 6114 3406	080 – 4332 6401	0124 – 4545 860



















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