

Auto component makers hit roadblock amid slowdown

Small companies postpone projects that would have led to greater efficiency

VIMUKT DAVE
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The Rajkot-based auto component industry, which was doing well last year, has hit multiple road blocks — rupee depreciation, high interest rates and high petrol prices.

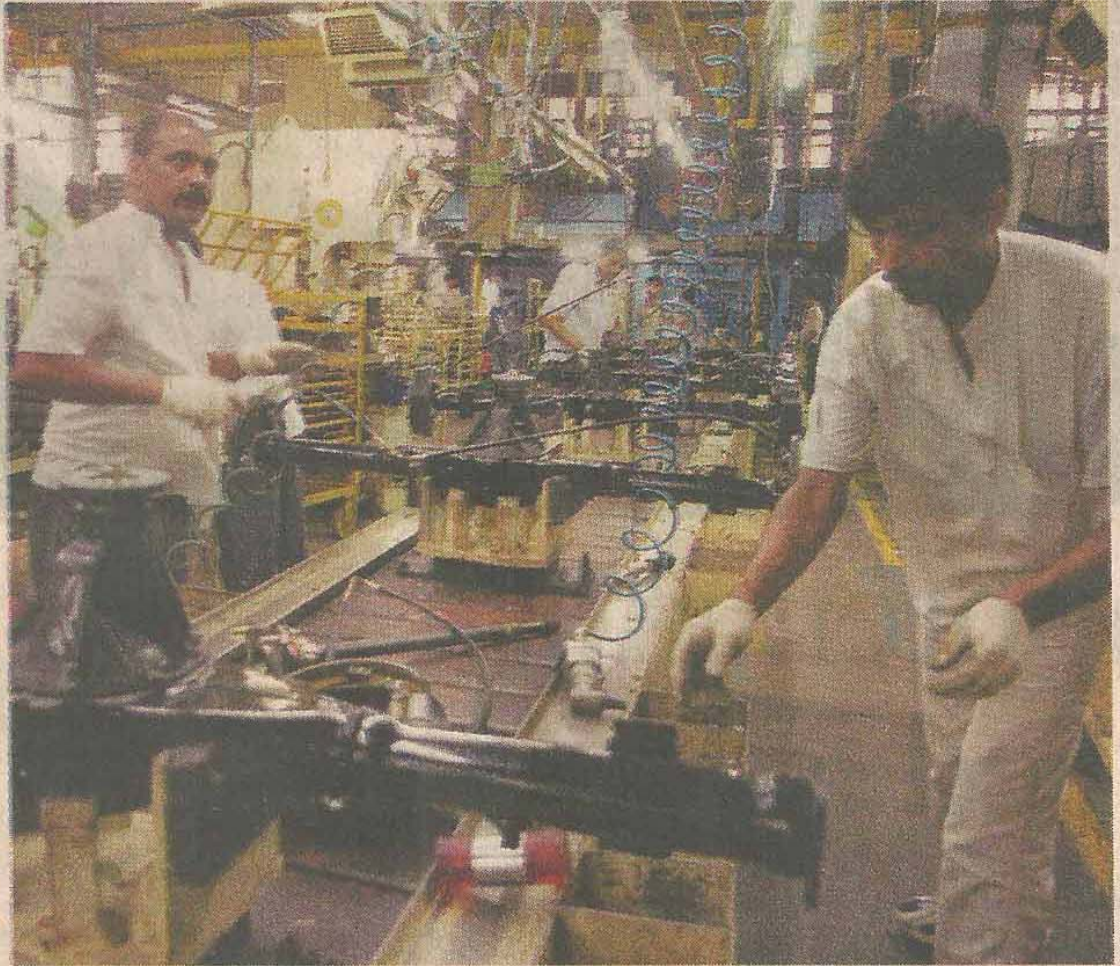
Many of the companies have decided to postpone their expansion projects. These include mainly the small players, who were otherwise planning to automate their processes for greater efficiency.

“Due to the weak rupee, the import cost of steel — a key raw material for auto components — has increased by 15 per cent. As a result, the production cost has increased by 20-22 per cent in the past few months. Rising fuel and gas prices are also affecting production costs,” said Jayant Jamuar, technical director of Kadvani Forge Ltd.

Based on the good times witnessed last year, auto component makers in Rajkot had drawn up plans to invest around ₹200-250 crore on capacity expansion and automation. However, the slowdown in the industry has played spoilsport and most of them have postponed their projects by at least six months.

There are 500 auto parts makers at Rajkot. Of these, some 50 are suppliers to original equipment manufacturers (OEMs) while the rest are small players that supply to the retail market.

Echoing Jamuar, Dhansukh Vora, president of the Greater Rajkot Chamber of Commerce and Industries (GRCCI) noted that the



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decline of the rupee against the US dollar made import of raw material costly, thereby increasing the production cost of auto components at a time of a slowdown in the economy.

Economic problems in Europe have also affected the auto components industry. “The weak European market has created negative sentiments in India. It directly affects Rajkot’s auto components industry,” said Suresh Santoki, managing director, Amul Industries Ltd.

Auto parts makers are now looking to come out of this sit-

uation by increasing product prices. “We have no choice but to increase prices. The prices of auto components will increase by seven to 12 per cent in the coming days,” said Santoki.

Industry players said that the lifting of existing orders by buyers has fallen by 20-25 per cent.

Most players have pinned their hopes on the monsoon, which may bring some relief to the industry. “We are now waiting for the rains. If the monsoon is good, it will bring some relief for us,” said Himanshu Nandasana, man-

aging director of Bhavani Industries Ltd.

The Rajkot-based auto components industry earns the bulk of its revenues from the domestic market, and just 10-12 per cent from exports. However, in the current global conditions, exports may drop to seven per cent of total turnover.

The industry in Rajkot produces more than 300 types of parts for the automobile industry and employs about 10,000 people. The turnover of the industry is an estimated ₹800-₹1,000 crore a year.