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Interview: India’s ACMA on need for ‘Right to Repair’ and state of unorganized aftermarket

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Nishant Parekh
S&P Global
Supply Chain and Technology, Automotive

Vinnie Mehta, the Director General of ACMA tells us that increasing value-add content in vehicles will drive demand for aftermarket parts and accessories in India, and that the independent aftermarket holds potential for growth.

Source: ACMA

India's automotive aftermarket has seen moderate growth in the last four years, with turnover increasing from $10.1 billion in fiscal year 2018–19 to $10.6 billion in fiscal year 2022–23, according to data from the Automotive Component Manufacturers Association of India (ACMA), the apex body of the Indian auto component industry. While the last few years have been marked by slow growth, the association sees aftermarket business picking up over the next five years on the back of growing vehicle demand, shift to larger vehicles and increasing formalization of the repair and maintenance market. It estimates turnover to grow to an estimated $14 billion by 2028.

The country's independent aftermarket has untapped potential that could be released if regulatory interventions like 'Right to Repair' are carried out, says Vinnie Mehta, director general of the ACMA, in an interview with S&P Global Mobility at the recently held Automechanika New Delhi 2024. He said that globally, the size of the aftermarket is as large as the original equipment manufacturer supply; however, in India, it is under 15% of the overall auto components market. In March 2023, the ACMA announced that it had joined other global associations to support the movement.

In our 'Right to Repair' report, published last year, we observed that there needs to be stronger canvassing by aftermarket associations, in addition to the ACMA, to jointly push the agenda to the government and lobby for it to become regulation. We suggested that the government could introduce legislation in terms of an annual vehicle inspection to improve road safety. This would force owners to maintain their vehicles up to specification every renewal cycle, thereby driving constant traffic and revenue to the aftermarket.

We talk to Mehta on demand drivers for the ACMA's projected upward trajectory for the aftermarket's turnover, tackling the challenge of counterfeit spares and more.

The following is an excerpt of the interview, which has been edited for length and clarity.

S&P Global Mobility: A recent ACMA joint study has revealed that India's aftermarket sector is expected to grow by close to 1.4 times by 2028. Can you elaborate on some important demand drivers that are seen propelling this growth?

Vinnie Mehta: From an automotive component industry perspective and from the perspective of the vehicle industry, we're seeing that the value-add content in vehicles is growing. Consumers are moving toward larger vehicles, and this is witnessed across segments such as two-wheelers, passenger vehicles as well as commercial vehicles. The electronic content in vehicles is also rising. That apart, regulatory requirements toward safety and emissions are also driving up this value-add content. For instance, the focus on improving safety is driving demand for advanced driver assistance systems (ADAS) in vehicles. There is also a steady increase in the vehicle parc. All these factors are a positive for the aftermarket.

Additionally, Indian customers are increasingly focusing on vehicle interior and comfort, which also drives up the vehicle quality. The government has enhanced focus on this with its mandate on AC cabins for trucks and the prime minister's recent announcement to build modern buildings with facilities for rest for truck drivers on all national highways. The focus on better quality of life will reflect in the aftermarket as well as the accessories segment, driving up their value.

Are there any challenges limiting the growth of the country's aftermarket segment?

The aftermarket in India has remained small, and it requires a regulatory intervention. We don't have 'Right to Repair' in the country yet. A legislation such as 'Right to Repair' will unleash the aftermarket in India and help it evolve into an organized sector. Today, India's aftermarket turnover is $10 billion, whereas the automotive component industry turnover is nearly $70 billion, so just about one-seventh. Globally the size of the aftermarket is as large as the OEM supply. Therefore, we still need to open up the market through a regulatory intervention.

We have joined the 'Right to Repair' consortium by signing the right to repair position statement. There is a subtle push that's happening, but more work needs to be done.

At present, the aftermarket is broadly divided into three buckets. One is the OEM channels, the second is the independent aftermarket and the third one is the unorganized sector. Without any legal framework, the independent aftermarket is getting squeezed because the OEM channels have enough resources to create a brand, whereas the unorganized aftermarket or the smaller brands can compromise on aspects such as quality due to lack of benchmarks in terms of performance or even the standard of the product. So, the independent aftermarket is getting really squeezed and is under pressure. Therefore, if we allow the independent aftermarket to flourish, I think we can double the market because globally, the supply to the OEMs is as large as the aftermarket.

How significant is the challenge of counterfeits in the Indian aftermarket?

In ACMA's 2012 report on aftermarket, approximately 30% of aftermarket components were identified as fake or spurious. By 2016, this figure had drastically reduced to about 5%. Interestingly, the spurious parts market was largely replaced by the unorganized sector, which includes both small local retailers and lesser-known micro brands endorsed by local garage technicians. Consumers, often prioritizing cost over quality, tend to overlook the importance of certifications like the ISI mark or verify their authenticity. Over a period of time, the spurious market shrank, paving the way for the unorganized sector to dominate. It's worth noting that this differs from the independent aftermarket, which adheres to regulatory standards and emphasizes branding. While Chinese imports have declined, a small portion of spurious parts still enters the market from outside India, albeit to a lesser extent than before.

Several aftermarket suppliers at Automechanika New Delhi 2024 have voiced their concerns regarding OEMs [original equipment manufacturers] entering the spare parts business. How can they tackle this challenge?

The aftermarket opportunity in India is big; however, the market is going to get competitive. It's for aftermarket players to decide their play and stand up to the competition. The dynamics of suppliers supplying to the OEMs and to the aftermarket are different. The former involves bigger order size and it's an assured business, but the margins are thinner. The latter is a relatively tougher and riskier, but the margins are better. One needs to make a choice based on their strength and the opportunity.

(As told to **Nishant Parekh**, Senior Research Analyst, Automotive Supply Chain, Technology and Aftermarket
nishant.parekh@spglobal.com and **Viroop Narla**, Senior Research Analyst, Automotive Supply Chain, Technology and Aftermarket viroop.narla@spglobal.com)

CONTACTS

The Americas
+1 877 863 1306

Europe, Middle East & Africa
+44 20 7176 1234

Asia-Pacific
+852 2533 3565

www.spglobal.com/mobility