

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

26-Feb-2024 05:58 GMT

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

Copyright © 2024 S&P Global Inc. All rights reserved.

These materials, including any software, data, processing technology, index data, ratings, credit-related analysis, research, model, software or other application or output described herein, or any part thereof (collectively the “Property”) constitute the proprietary and confidential information of S&P Global Inc its affiliates (each and together “S&P Global”) and/or its third party provider licensors. S&P Global on behalf of itself and its third-party licensors reserves all rights in and to the Property. These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable.

Any copying, reproduction, reverse-engineering, modification, distribution, transmission or disclosure of the Property, in any form or by any means, is strictly prohibited without the prior written consent of S&P Global. The Property shall not be used for any unauthorized or unlawful purposes. S&P Global’s opinions, statements, estimates, projections, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security, and there is no obligation on S&P Global to update the foregoing or any other element of the Property. S&P Global may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. The Property and its composition and content are subject to change without notice.

THE PROPERTY IS PROVIDED ON AN “AS IS” BASIS. NEITHER S&P GLOBAL NOR ANY THIRD PARTY PROVIDERS (TOGETHER, “S&P GLOBAL PARTIES”) MAKE ANY WARRANTY, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE PROPERTY’S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE PROPERTY WILL OPERATE IN ANY SOFTWARE OR HARDWARE CONFIGURATION, NOR ANY WARRANTIES, EXPRESS OR IMPLIED, AS TO ITS ACCURACY, AVAILABILITY, COMPLETENESS OR TIMELINESS, OR TO THE RESULTS TO BE OBTAINED FROM THE USE OF THE PROPERTY. S&P GLOBAL PARTIES SHALL NOT IN ANY WAY BE LIABLE TO ANY RECIPIENT FOR ANY INACCURACIES, ERRORS OR OMISSIONS REGARDLESS OF THE CAUSE. Without limiting the foregoing, S&P Global Parties shall have no liability whatsoever to any recipient, whether in contract, in tort (including negligence), under warranty, under statute or otherwise, in respect of any loss or damage suffered by any recipient as a result of or in connection with the Property, or any course of action determined, by it or any third party, whether or not based on or relating to the Property. In no event shall S&P Global be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including without limitation lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Property even if advised of the possibility of such damages. The Property should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions.

The S&P Global logo is a registered trademark of S&P Global, and the trademarks of S&P Global used within this document or materials are protected by international laws. Any other names may be trademarks of their respective owners.

The inclusion of a link to an external website by S&P Global should not be understood to be an endorsement of that website or the website’s owners (or their products/services). S&P Global is not responsible for either the content or output of external websites. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process. S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global Ratings’ public ratings and analyses are made available on its sites, www.spglobal.com/ratings (free of charge) and www.capitaliq.com (subscription), and may be distributed through other means, including via S&P Global publications and third party redistributors.