



The Dilemma facing Component Manufacturers: - Grow exponentially OR get relegated

After almost 3 to 4 years of flat or single-digit growth, sales in the beginning of the financial year 2016 look promising for equipment manufacturing industries - automobile, consumer durable and more so, for the medical equipment manufacturing industry. Sales of passenger vehicles have registered a double-digit growth in April, and quite a few equipment manufacturing companies have witnessed strong year-on-year growth. The top five automobile players in the country posted a 16% growth which is the highest in six months. The growth is credited to the emerging middle class purchasing power, new brands entering the Indian market and a myriad of product ranges for every consumer demographic.

This growth is expected to accelerate component companies' revenue growth significantly - outpacing the OEMs. According to the Automotive Component Manufacturers Association of India (ACMA), the Indian auto components industry is expected to register a turnover of \$100 billion by 2020 backed by strong exports ranging between \$80- \$100 billion by 2026, from the current \$11.2 billion.

On the flip-side, as competition keeps increasing the pressure on OEM margins, this pressure tends to get passed on to their suppliers as well. All OEMs have plans to consolidate the number of their vendors in order to enable economies of scale on a global basis. This presents an opportunity for component manufacturers to grow exponentially - far higher than the market rate, albeit at lower margins. However, those vendors who do not keep pace are likely to be relegated to the next tier as OEM customers keep consolidating the number of their vendors.

Affordable Business Solutions shares the top requirements component manufacturers need to invest in to capitalize on this opportunity:

- 1. Expand your capacity:** Develop a manufacturing strategy that can easily shift capacities across models; when adding capacity, think modular.
- 2. Quality check:** vehicle manufacturers are looking for original product quality, which would reduce the time-consuming and costly quality checks and rework processes. Automotive component suppliers will be assessed continuously and most thoroughly for the quality of their work.

3. New product development: New product development as a capability is increasingly becoming a key differentiator as companies look at rolling out new models customized for India.

4. LEAN / Continuous Improvement: Start by simplifying your manufacturing tasks, increasing spatial and workflow organization, take steps to reduce errors, and listen to employees on the manufacturing floor. Your company will begin to see reduced waste, improved employee morale, improved efficiency, and a greater ability to manufacture products with a predictable timetable.

5. Systems, processes and IT: Effective business systems and processes - enabled by a reliable I.T. platform - provide a number of benefits to the business, its customers and it's employees.

[Affordable Business Solutions](#) has enabled component manufacturers to address these business challenges for over 12 years. Our strong understanding of the component manufacturing business has been embedded in ABS Baadal - an Industry Vertical Solutions for Component Manufacturers that includes a suite of pre-configured ERP/ CRM/ Business Analytics solutions offered on the Cloud Computing model for Component Manufacturers including Fabrication, Precision Machining, Foundry, Forging, Plastics, and Rubber. ABS also offers business consulting to enable you to embrace LEAN/ Global Manufacturing Excellence practices.

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If you would like to explore how you could leverage ABS Baadal and our business consulting services, please connect with us at absbaadal@abs.in

