



Auto Components Clusters of MSME's in India

Auto component Industry is one of the fastest growing during the past two decades among the Clusters of MSME segment in India. These MSME's are key contributors to the total production of auto components, and also have a significant share in the exports made by the Auto Components industry.

There are a total of 10 Auto – Component Clusters in India spread all across the country with highest concentration of 5 each in Maharashtra & Gujarat, followed by 4 in Punjab, 3 in Haryana, 2 in Karnataka, and 1 each in Andhra Pradesh, Delhi, Jharakhand, Madhya Pradesh, & Tamilnadu.

This Industry being dependent on parent foreign MNC's, are highly fragmented, and mostly in the un-organised sector. They operate in a tier framework, and most of the companies in the MSME segment are in the Tier II or below out of which few of the suppliers of Original Equipment Manufacturers (OEM's) are Medium scale enterprises.

Though Auto Sector is riding a boom phase, driven by demand from global auto manufacturers their MSME counterparts in this industry are undergoing a major restructuring and many existing companies are expected to move up in the value chain to a higher tier. Nevertheless, sustenance and survival still remains an issue of concern for these companies, as they will have to absorb global best practices to keep growing in the ever increasing competitive business environment and a rapidly changing technological backdrop.

Cost competitiveness, price fluctuations in inputs, customer orientation, lead time, logistic issues are some of the key factors, the auto component industry in MSME segment will have to imbibe in order to survive in the new global set-up. At the same time, these companies face the limitations of being MSME, like their

- Low capital base,
- Limited generation of surplus funds for re-investment due to tight working capital cycle,
- Lack of awareness of business opportunities going past,
- Inadequate exposure to international environment,
- Limited geographical diversity of markets,
- Rapid Obsolescence of Design & Technology, and
- Poor infrastructure facilities.

Despite these limitations, the Indian MSMEs have managed to significantly contribute towards development of India's industrial base. The key risks that the auto component MSMEs faces include:

- Fluctuations in the cost of production; especially raw materials like steel, aluminium, polymers etc.
- Poor negotiation powers due to fragmented nature of industry; which in turn limits their pricing power,
- Dependence on traders and agents to access overseas markets which threatens their competitiveness
- Product substitutes due to fast-changing technology.

Addressing these challenges and risks has been crucial to promoting MSMEs in the auto component industry. The government has initiated cluster-based development – geographical concentration of enterprises having similar lines of business – which gives rise to external economies and favors emergence of specialized technical, administrative and financial services. This form of networking of small firms is a means of achieving economies of scale. Extending this initiatives further, the government is encouraging banks to adopt a Cluster-Based Lending approach to ease availability of funds to MSMEs.

The Ministry of MSME is implementing Micro Small Enterprises - Cluster Development (MSE-CD) scheme under which capacity building, technology, and marketing support are provided to the Auto Clusters in physical presence areas, and ensure their readiness to absorb the changes at the locations of their operational control.

Under the Cluster Development initiatives of the Ministry of MSME, Govt of India, effort is being made that the auto components industries, which are located physically in 10 different states, will be further streamlined and boosted into playing their role effectively. This can be achieved with their getting registered on the www.msmevirtualclusters.in, where they will have the added advantage of 24x7 networked access to major automobile and allied manufacturing industries within India and also globally with the world's Auto-majors component manufacturers and other allied industries. NIESBUD has been actively propagating the cause of Clusters becoming efficient centres of Make in India not a dream but becoming a reality.