

Auto parts revenue may rise 16% in FY19: ICRA

Higher vehicle sales to boost growth

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Ratings agency ICRA has revised upwards the revenue growth outlook for the auto components industry in India to about 16% during FY2019 despite the recent slowdown in vehicle sales.

"ICRA has revised the revenue growth outlook from 12-13% to 15-16% for FY19, supported by healthy volume growth in two-wheelers, commercial vehicles and tractor segment as well as 4%-5% impact of commodity prices on realisation," said Subrata Ray, senior group vice-president, ICRA.

While the revenue growth rate was expected to slow down from the over 20% seen during first half of FY2019, overall growth rate

was still expected to remain in double digits, he said.

Rupee fall impact

"However, sharp depreciation in the rupee will weigh on imports which, along with commodity prices, will pressure margins. The operating margin of auto ancillaries are estimated to be 13.5%-14.5% in the medium-term, despite some pressure in the current fiscal (FY2019)," Mr. Ray said.

ICRA expects automobile volume to grow by 8-9% during FY2019 against 14.8% in FY2018 and 5.4% in FY2017.

On export sales, ICRA said that trade disputes, punitive tariffs, higher fuel prices and rising interest costs were expected to play spoilsport in light vehicle sales in the U.S. in the next 12-18 months.