



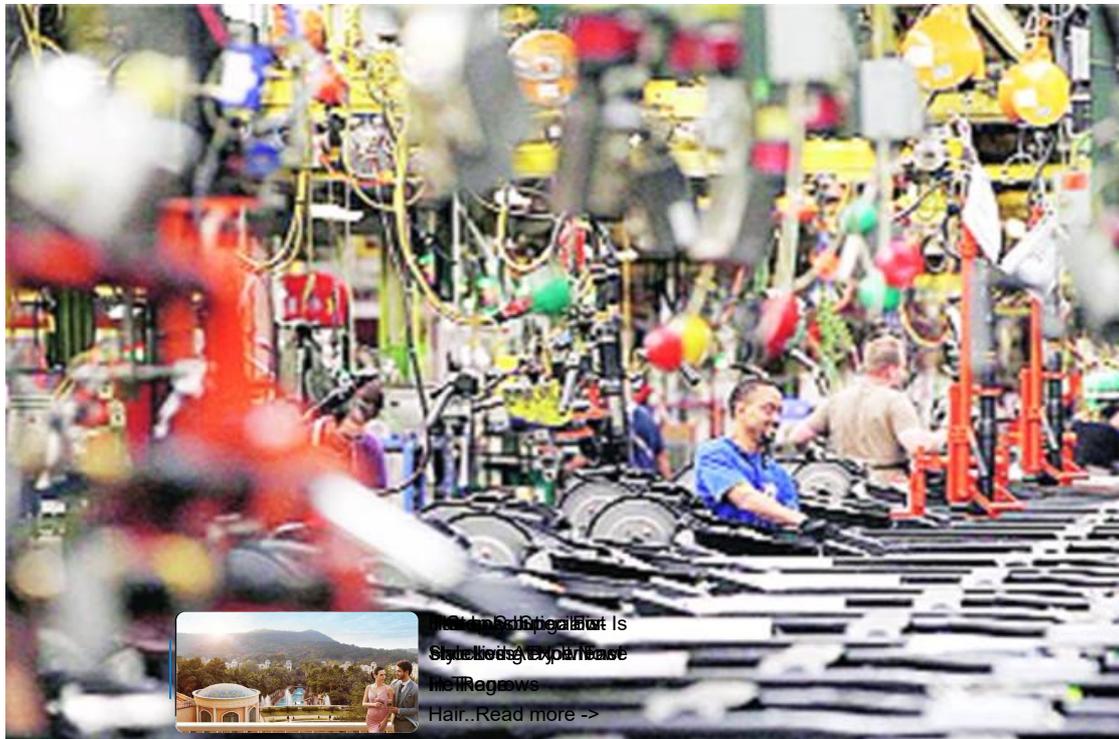
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# Auto component firms' revenues also slide as vehicle sales slow down

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Owing to decline in demand by car manufacturers.



Since August, passenger vehicle demand began declining due to higher interest rates, insurance premiums and lack of optimum credit in the system.

**By Pritish Raj**

As vehicle sales continue to remain in the slow lane, several auto component companies are witnessing a sluggish demand from the manufacturers, which is dragging down their revenues and profitability. The advance order inflow by auto companies have fallen significantly since October compared to the previous months, impacted by moderation in vehicle demand across categories in the domestic as well as overseas markets, say industry sources.

"Orders from manufacturers such as Hero MotoCorp and TVS Motor Company have gone down by around 20% since November last year and as such our operating revenue has also seen a significant decline," Amit

Kothari, joint MD, Kay Jay Forgings, which supplies forging parts and precision sheet metal components, told FE.

Nishant Arya, executive director, JBM Group, said the demand from manufacturers in the second half of FY19 is subdued and on a year-on-year basis the order inflow is flat. "We have seen a hit of 5-8% during the October-January period," he said.

### Read | [Car sales in FY19 slowest in four years](#)

Since August, passenger vehicle and two-wheeler demand began dwindling hit by higher cost of ownership due to rising interest rates, insurance premiums and lack of optimum credit in the system. Commercial vehicle volumes fell due to increase in axle load limit, post which fleet operators postponed their purchases leading to weakness in industry production.



For most of the component makers, India revenues either declined or stayed virtually flat as demand from vehicle makers remained subdued. Besides, requirement in aftermarket also fell during the festive season.

Vineet Sahni CEO & senior ED, Lumax Industries, said demand from manufacturers during and after festive season was not as much as it was anticipated. "This was also because demand during the first two quarters were very high and therefore expectations were different for the remaining quarters," he said.

Among the listed entities — who supply to several carmakers including [Maruti Suzuki](#), [Tata Motors](#), [Mahindra & Mahindra](#) — profit of [Motherson Sumi Systems](#), [Minda Industries](#), [Amara Raja Batteries](#) and [Wabco India](#), among others, fell during Q3FY19. Motherson reported a 1.19% year-on-year (y-o-y) decline in consolidated net profit, which was 14% below analysts estimates. Revenues at Motherson also declined 4% y-o-y in the October-December quarter.

Post Q3 results, GN Gauba CFO, Motherson Sumi told FE there had been slowdown in demand during the last quarter as the festive season demand remained subdued. "When demand in auto industry slows, we also witness the pressure and the same happened in the last quarter, primarily because the festive demand was weak," he had said.

While [Minda Industries](#) profit declined 7.17% y-o-y in Q3FY19, [Wabco India's](#) profit fell 6.28% y-o-y during the quarter.

Amara Raja's profit fell 2.64% y-o-y. Analysts attributed the reason for poor performance in Q3 to muted demand in the domestic market and changing vehicle testing norms in other countries which will continue to put pressure in the medium-term.

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