



Indian Foundry Industry : An Overview

The Indian Foundry industry produces around seven million MT of castings and according to estimates employs around 500,000 persons directly and another 1.5 millions indirectly. The growth of foundry industry is very important for inclusive growth, other engineering sectors and to the overall Indian economy.

Significance of Foundry Industry

The Indian Foundry Industry is major feeder to several sectors including Automobiles & Auto Components, Railways, Power Sector, Tractor Industry, Earth Moving Machinery, Pumps, Compressors, Pipes Valves & Pipe Fittings, Electrical / Textile / Cement / Agro Machinery, Machine Tools & Engineering Industries, Sanitary Castings, Engineering Exports etc.

Of the total output of the foundry industry, approx 32 percent goes to auto industry and the remaining goes to other downstream engineering sector.

The Automotive Mission Plan (AMP) 2006-2016 envisages fourfold growth by 2016. This means the industry is expected to grow from \$34

billion to \$122-160 billion employing about 25 millions by 2016. AMP 2006-16 will drive demand of castings from foundry industry.

The corresponding growth in foundry sector is vital to sustain growth in auto and other engineering sectors. The sectorwise consumption of castings is depicted in the table given below.

Indian Automobile Industry Overview

The Indian Automobile industry is the seventh largest in the world with an annual production of over 2.6 million units in 2009. In 2009, India emerged as Asia's fourth largest exporter of automobiles, behind Japan, South Korea and Thailand. By 2050, the country is expected to top the world in car volumes with approximately 611 million vehicles on the nation's roads.

India has emerged as one of the world's largest manufacturers of small cars. According to New York Times, India's strong engineering base and expertise in the manufacturing of low-cost, fuel-efficient cars has resulted in the expansion of manufacturing facilities of several automobile companies like Hyundai



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The foundry industry, which is regarded as the world's second oldest industry, forms the basic underpinning of an industrial society. Its products are used to make 90 percent of all manufactured goods. India's economic turnaround has boosted the growth of the foundry industry. Companies that remain in business are busier than they have been in previous years, besides a lot additional work is coming from new customers of foundries that have entered the Indian market.

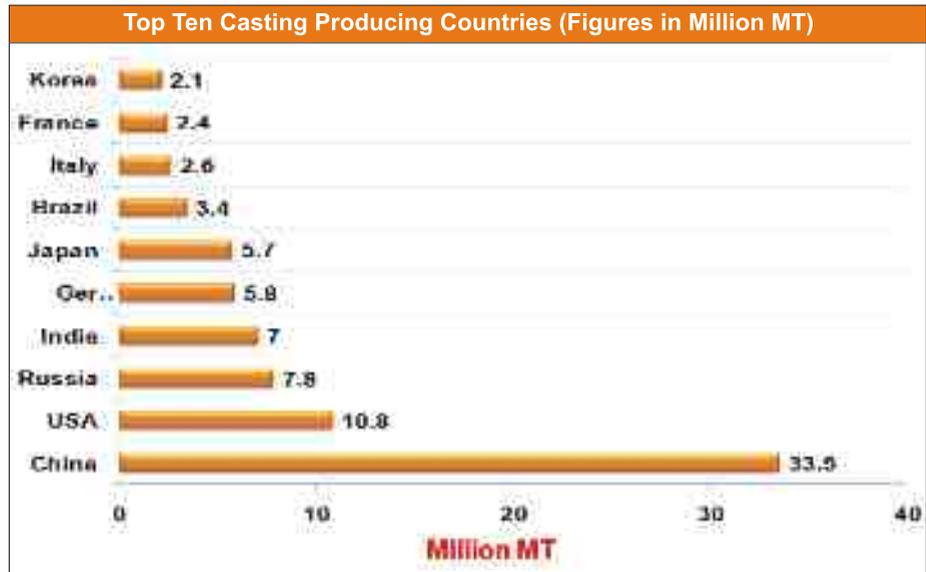
Motors, Nissan, Toyota, Volkswagen and Suzuki.

World Automobile Giants in India

In 2008, Hyundai Motors alone exported 240,000 cars made in India. Nissan Motors plans to export 250,000 vehicles manufactured in its India plant by 2011. Fiat also announced that it would source more than US\$1 billion worth auto components from India. Similarly, General Motors announced its plans to export about 50,000 cars manufactured in India by 2011.

In September 2009, Ford Motors announced its plans to setup a plant in India with an annual capacity of 250,000 cars for US\$500 million. The cars will be manufactured both for the Indian market and for export. The company said that the plant was a part of its plan to make India the hub for its global production business. According to Bloomberg L.P, in 2009 India has surpassed China as Asia's fourth largest exporter of cars.

Maruti Suzuki ranks first among the largest automobile manufacturers in India by sales. It is followed by Hyundai, Tata Motors, Mahindra, GM Chevrolet, Honda, Toyota, Ford, Fiat, Škoda etc. The leading domestic commercial vehicle manufacturers in India include Ashok Leyland, Force, Mahindra, Navistar, Premier, and Tata



among others. The leading foreign brands in India include Volvo, Audi, BMW, Mercedes-Benz etc. In India, electric car is manufactured by Ajanta Group, Mahindra, Hero Electric, REVA, Tata International, Tata etc.

Automobile & Auto Component Industry Turnover

The Automotive Component Industry's output amounted US\$ 19 billion for the financial year 2008-09 with a growth rate of 6.1 percent against financial year 2007-08.

India as a Hub of Cast Components

Now the fourth largest producer of metal castings worldwide, India has increased its casting production by more than 100 percent since 2002. Expansion stems from India's large and rapidly growing economy, which has the potential to raise its income per capita to 35 times current levels over the next 40 years.

According to Goldman Sachs, in 2059, India is expected to have one of the three largest economies (by GDP) in the world, along with China (first) and the US (second). The automotive sector accounts for 4.2

percent of India's GDP, since 2002, production volume has a 16 percent compound and annual growth rate (CAGR). Some economists believe India has the potential to own up to 7 percent of the world's auto components market.

However, India does face certain hurdles. Besides the problem of lack of sufficient infrastructure, consumable costs are higher in India than in developed countries.

Future

Due to the growing expectations of OEMs regarding the quality and quantity of castings, India is expected to produce larger casting facilities over the next few years. The size and scope of large plants are required to address investment requirements, power shortages and a talent crunch. This means that manufacturers with latest technology of equipments and raw materials will have a bright opportunity in India.

Innovative Suggestions

Foreign manufacturers and suppliers should help Indian foundries to introduce new markets (where European foundries have stopped catering). Differed payment terms of some European countries can be a major attraction for Indian foundries going for expansion.

(The author is Past President of The Institute of Indian Foundrymen. The article is extracted from a presentation made at International Foundry Forum, Barcelona, September 2010).

