

Procurement redefined

The Scenario

Automobile Industry has shown a exponential growth over the past two decades.

Market Demand is expected to grow at an increased rate for next two decades or so.

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Result

Opportunities

Exponential rise in the volume / market demand of any manufacturing enterprise.

Threats

Opportunities have posed equal rather greater number of threats to the business.

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What are these threats????

- Threat to loose business to competitor.
- Exponential increase in volumes.
- Ultimate Quality.
- Lowest cost.

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Solution:

Outsourcing / Subcontracting!!!!!!

What is Outsourcing / Subcontracting

Delegation of operations from internal production to an external entity specializing in the management of that operation.

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Why Subcontract?????

A typical car consists of a number of assemblies, sub assemblies, child parts and specialized parts.

Constraints to in-house production:

- Low volumes.
- Highly specialized products.
- High cost of Production.
- Core competence.

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Why India

- Low cost Manufacturing
- Politically and Economically stable market.
- Exponentially growing automotive industry.
- Manufacturing and imports free from Licensing and approvals.
- 100% foreign investment allowed in Automobile sector.
- No Local content regulation in Automobile industry.
- Foreign Exchange convertible on capital account.

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Statistics on Indian Automobile Market

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Statistics on Vehicle Manufacturing

Category	Total	Indian OEM	% Indian OEM
4 Wheelers	1,720,897	719,098	41%
2 Wheelers	7,600,801	3,739,886	49%

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Vehicle Production vs. export trend over 5 years

	2001-02	2002-03	2003-04	2004-05	2005-06
Production	5,316,302	6,279,967	7,243,564	8,467,853	9,735,216
Domestic	5,225,788	5,941,535	6,810,537	7,897,629	8,910,224
Exports	184,680	307,308	479,919	629,544	806,494

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Automobile Industry installed capacity (in million)

Category	2003 - 04	2004 - 05	% increase
4 wheelers	1.51	1.72	14%
2 wheelers	7.83	9.13	16%

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Category wise share of Indian Automotive manufacturing sector

Engine parts	31%
Transmission & Steering	19%
Body & Chassis	12%
Suspension & Braking	12%
Equipment	10%
Electrical	9%
Others	7%

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Management System Compliance of Indian Automobile component Manufacturing companies

ISO 9000	456
TS 16949	384
ISO 14001	129
OHSAS 18001	32
Deming Prize	9
JIPM Award	4

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OEM's: India as a preferred sourcing base

Toyota	Toyota making India as their hub for transmissions
Hyundai	Hyundai to make India an Export Base for Small Cars
Fiat	Fiat plans to source US \$ 200M
Volvo	Volvo already started sourcing truck parts from India
Ford	Ford sourcing engines, and plans for sourcing \$500M worth of auto components from India.
Renault	DC exported Euro 70M to its subsidiaries in Germany, USA & Mexico.
China	Two Chinese truck OEMs sourcing transmissions from India
Honda	Honda Motorcycles & Scooters plan to make India a hub for two wheelers export.

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Future: OEM Business in India

Group	Sourcing Plans	Power Train	Chassis	Exterior	Electrical	Interior
G M	Current: \$6M Planned: \$50M (2010)	Crankshaft, forgings, radiator caps, Gear boxes	Leaf springs		Wiring harness, cables	
FORD	Current: \$150M Planned: \$ 400 - \$700M (2009)	Steering columns, alloy wheels, crankshafts, exhaust parts, complete engines for IKON radiators	Springs, castings forgings, leaf springs.	Body panel (IKON)	Horns, dashboard, assembly, starters and alternators	Door trims.
Toyota	Invested: \$197M in a plant to supply transmission system to global operations	Transmission system, gear boxes, axles, propeller shafts	Aluminium pressure die casting products			

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Future: Tier 1 Business in India

Delphi	Steering systems, wiring harness & Drive shafts, Catalytic Converters, Canisters and a large Technology Centre
Bosch	Air Conditioning systems, Engine cooling Systems, Exterior & interior systems (including instruments panel)
Denso	Auto electrical components, alternator starter, wiper motor, engine cooling fan, washer pump, ventilator, fuel pumps, injectors, engine ECUs, speed control valves, radiators, air-conditioners, HVAC units and heaters
Lear	Electronic & auto electrical components
Johnson Controls	Seating systems & batteries
Aisin Seiki	Door latch, window regulators, door hinge, sheet locking components
Faurecia	Automotive Seating & Interior components
TRW	Engine Valves & Steering systems, Braking systems & auto electrical components
Valeo	Rear Combination Lamps
Siemens VDO	Automotive Dashboard instruments & accessories

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Future: Tier 1 Business in India (cont..)

Dana	Clutch, Piston Rings, Axle Housings
ZF	Integral Hydraulic power steering gears & mechanical steering gears, Steering Columns & shafts
Thyssen Krupp	Automotive products
Arvin Meritor	Light Vehicle Systems & Commercial Vehicle Systems Groups
Yazaki	Wiring harness
Continental	Tyres
GKN	Driveshaft assemblies, CV Joints, sintered bearings/parts, sintered automotive components, Filters and metal powders

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- Indian economy has been growing @ 7% per annum for the last few years.
- Indian Engineering industry employees 4 million people and contribute over 12 billion to Indian economy.
- 36% of the Indian automotive component exports are to European OEM's and Tier one suppliers.
- 75% of the total global exports of Indian automotive component is to OEM's and Tier one suppliers.

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Threat in the opportunity:

- Internet Marketing / sourcing.
- Delivery lead times / volumes
- Natural Calamities.
- Communication gap.
- Over commitments / unrealistic projections.
- Lack of cost calculations.
- Customer exploiting the supplier.
- Supplier exploiting the customer.
- Economic relationship.
- Inadequate auditing process / procedure.
- Merchant traders.

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Pro-active

Sale prices are governed by market competition.

Wise procurement defines the profitability of the company.

React / Pro-act!!!!!!!!

Decision is yours?????

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Krystal Performance

- 10 months young
- £ 3 million confirmed Business
- 2 joint ventures
- 15 customers
- Recognition: Our customers include

Bosch, Eaton, Integrated, Magal,
Nissan, Showa, SKF