




Association of Indian Forging Industry (AIFI) is optimistic about industry revival

Oct 2018, Pune: Backed by the good monsoon season and the Indian automobile sector driving in growth lane consistently for some time now with all vehicle categories reporting strong sales in January, has opened year 2018 on a robust note for the Forging industry. The surge in auto sales especially, the commercial vehicle and tractor sales, Indian forging industry is anticipating an improved demand / growth in the coming quarters.

According to the latest SIAM report, the **commercial vehicle segment**, which recorded smart growth since the past few months, **grew by 17.88 percent between April to January 2018**, with **M&HCVs clocking 257,001 units (+10.45%)** and **LCVs garnering cumulative sales of 402,996 units (+23.17%)**. The **passenger vehicles segment** rose by **7.57% to 2,85,477 units in January 2018**. In the **tractor segment domestic sales for January 2018 were 20,647 units vs. 14,776 tractors in January 2017, growth of 40%** while **export sales for January 2018 were 1,228 units vs. 1,133 units in January 2017, growth of 8%**.

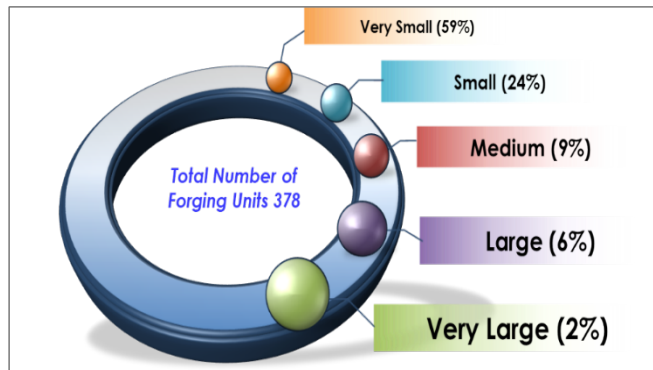
Sharing his thoughts, Mr. Yash Munot, Chairman - Western Region, AIFI, Association of Indian Forging Industry, said, "Indian Forging Industry is one of the key players in the auto component manufacturing sector and a major contributor to the Government's Make in India initiative. The surge in sales of vehicles across all segment in the last quarter is definitely encouraging and as a result, the demand for forgings has been on the rise both in domestic and as well as in exports. Backed by the strong demands we anticipate the forging industry to grow by 10-12% this fiscal.

Snapshot: Indian Forging Industry

	 Installed capacity	 Total Production (In Lakh MT)	 Total Production (In Crore)
FY 2014-15	37.6	22.5	₹ 27,835
FY 2015-16	38.1	22.8	₹ 28,289
FY 2016-17	38.5	23.9	₹ 31,189

The forging industry has emerged as a major contributor to the Indian manufacturing industry. As per the recent survey conducted by the forging association, the estimated turnover of the **378 functional forging units** across India in FY 2016-17 was **INR 31,189 crore** providing employment to approximately **100,000 people** in the country. The report also suggests that **the installed capacity** has increased from **37.6 Lakh MT in FY 2014-15 to 38.5 Lakh MT** with **overall production** of forgings increased from **22.5 Lakh MT to 23.9 Lakh MT**.

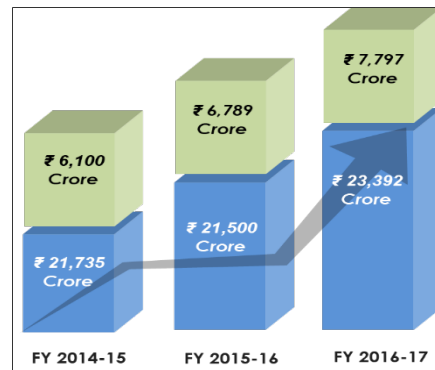
Scale-wise Classification of forging units



Exports

Domestic Sales

VS



Regional Data:

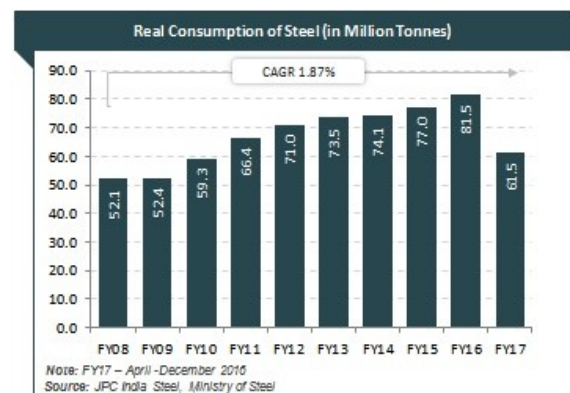
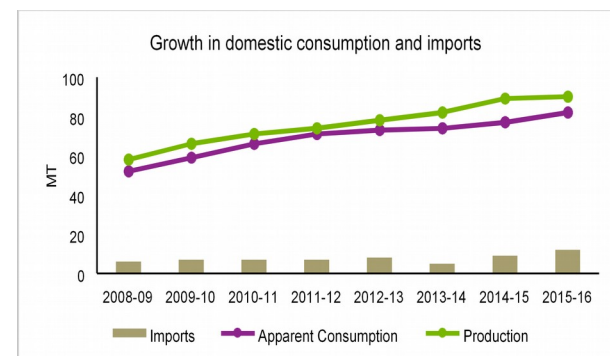
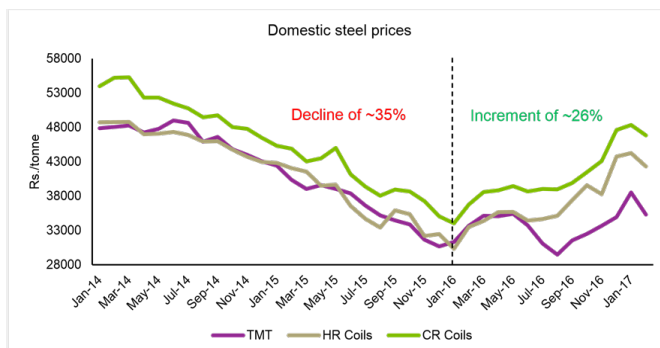
There are approximately **147 forging units** in the Western region. The **147 units** accounts for an **annual turnover** of **Rs. 15,000** crores and a **total installed capacity of 18.07 Lakh MT**. The Western region accounts **for 47 %** of total installed capacity in India. Hot Closed Die process of forging is the most common process contributing to an **installed capacity of 24.14 Lakh MT**. The western region forging units account for **45%** of the same. The survey depicts 100% forming process to be adopted only in this region. These units have an average utilization capacity utilization of 61%.

Key Challenges and Concerns:

GST impact: Even though this new tax reform system announced by the government has been acknowledged as beneficial and advantageous in many ways by industries, there are still some concerns regarding its successful implementation. The benefits of this tax reform are undeniable as it would help bring India's unorganized sector into the fold, increase exports, lower business costs across most sectors and reduce incidences of unnecessary double taxation and removal of multiple checkpoints and permits at state border checkpoints ensuring faster logistics. However, the entire implementation of GST has been a matter of concern with lack of clarity regarding Input Tax Credit & documentation, increase of working capital, lack of clarity in processing returns and no cost saving.

Steel Prices and demand supply gap: The forging industry in India has been showing a growth trend since last three quarters. However, the steel requirement of forging industry is not being met by the steel manufacturers in India. The supply of steel within the country is less than that of demand. Some of the reasons that can be attributed to the demand supply gap major players reeling under high debts, lower coal production by Coal India Ltd. as compared to the demand and sufficient quality to meet the power requirements of manufacturing sector and significant rise in prices graphite electrodes, an immensely vital raw material for steel manufacturers due to demand from battery industry resulting in the shortage.

For exporters, the Indian steel prices are a deterrent for being competitive in the global market.



Modernization: Compared to the European, Japanese & American counterpart and companies from China, Korea and Taiwan the technology & automation levels is much lower (leaving a few bigger forging companies). Most of forging companies (MSME) need to upgrade their technologies, for this the industry need huge government support in terms of further interred subvention & TUF.

Electric Vehicles: Threat to Forging Industry: Another key issue concerning the future of the industry is Government's renewed focus on electric vehicles and taking stern steps to eliminate

Segment	Typical consumption of forging per vehicle (in Kgs)
Passenger Vehicles	180-200 kgs
M&HCVs	400-420 kgs
LCVs	200-250 kgs
Tractors	250-300 kgs

petrol/diesel cars by 2030. The decision seems highly farfetched at present and require the Government to draw a clear road map for the same. Currently, India sells 22,000 Electric Vehicles annually, out of which only 2000 units are four wheelers (approximately 1% of the total four-wheelers sold in India). The introduction of EVs will have an adverse impact on Indian Forging Industry as 60% of the forging units are into manufacturing of auto components. Internal Combustion Engines (ICEs) have approximately 2000 moving parts as compared to only 20 moving parts in Electric Vehicles. Electric Vehicles do not have engine and transmission parts completely. It only comprises steering components, suspensions and axles out of the forged auto components. As a result, on an average 60-70% of demand for forged auto components would decline resulting in job losses and unit shutdowns.

The need of the hour is aggressive and assertive political action that will provide a level playing field to Indian manufacturers to become competitive in the global platform and other relevant policy reforms to foster ease of doing business.

“Despite the overall business environment looking up and anticipating good demand the industry is still faced with challenges in steel pricing, steel availability and impact due to GST implementation issues and technology upgradation, Govt focus on electric vehicles etc.. The forging units need support from the Government by aggressive assertive political action in solving the above issues.”, concludes **Mr. Anil Javalekar, Chairman - Finance & Administration, AIFI.**

##End##

For more information, please contact Perfect Relations:

ABOUT AIFI:

Association of Indian Forging Industry (AIFI) is the apex body of the Indian Forging Industry. At present it consists of over 250 members, who command a large market share of the total production of the Indian forging industry. The role of AIFI is to promote and develop the Indian Forging Industry to meet the demands and expectations of forging customers and end users, both domestic and global) by improving the business environment for its members and contribute in increasing their competitiveness through mutual co-operation and understanding of all parties concerned and constant updating of information and technology.