



## Context

The automotive supplier industry is of great importance to the Indian economy. The annual turnover of its top 500 companies makes up 4.7% of India's GDP and 19% of the country's indirect tax revenue. However, as market pressures augment, so does the pressure on the suppliers, especially in terms of price, quality and services. Likewise, the price of parts, components and systems that are outsourced by the vehicle manufacturers also increase. Most often, such tendencies lead to a growing prominence of suppliers – an opportunity that many small-scale suppliers find very difficult to take advantage of.

## Strategy

In 1999, UNIDO, in partnership with the Indian Automotive Components Manufacturers Association (ACMA), introduced an upgrading programme for the Indian automotive supplier industry. The programme assisted small and medium-sized enterprises within the automotive component sector to overcome challenges related to low productivity, insufficient and inconsistent quality, and scalability, so that they could become more efficient, reliable and cost-effective suppliers of automotive parts.

## Results

Over three project phases, the project helped to upgrade 133 component manufacturers. In the same time frame, more than 50 national counsellors, company experts and quality staff were trained on the UNIDO-ACMA methodology for productivity upgrading and now deliver related services and facilitate upgrading within the companies.

As a direct result of the upgrading programme, the participating companies have achieved the following:

- All have experienced an increase sales - on average 33%
- 82% of suppliers have added new customers – on average 6 new clients per firm
- 90% of suppliers have added new products – on average 30 new products per firm
- All suppliers have shown tangible benefits/cost savings – on average USD 73,000 per firm

- 33% of companies achieved a delivery schedule adherence of between 96% and 100%; 44% of companies achieved 95%; and 16% achieved between 80% and 95%
- 41% of companies achieved zero PPM (parts per million) customer rejection and another 40% reduced customer rejection by more than 50%
- 86% of companies reduced in-process rejection by more than 50%
- Improved Inventory Turn Ratio (ITR) to reduce working capital requirement – 84% of companies improved ITR
- Reduced machine downtime – 90% of companies improved their equipment efficiency by approximately 40%
- Improved productivity to reduce cost of production – 86% of companies improved productivity by approximately 70%

## Impact/Outlook

Now that the project has been implemented, a follow-up programme will be launched in the beginning of 2012 to broaden the outreach and deepen the scope of the original programme services. It will seek to further assist the small and medium-sized enterprises component suppliers in meeting regional and international market and buyer requirements and to enshrine a continuous improvement approach – not only at the company level, but also within a wider circle of support institutions. Ultimately, this will further enhance their market access and lead to a more sustainable support service infrastructure to service existing and future component manufacturers.

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### At a glance:

<b>Goal:</b>	Market access for automotive component manufacturers
<b>MDG:</b>	8. Develop a Global Partnership for Development
<b>Thematic area:</b>	Trade Capacity-Building
<b>Donors:</b>	Government of India, Fiat, UNIDO
<b>Partner:</b>	Indian Automotive Components Manufacturers Association (ACMA)
<b>Budget:</b>	USD 1,500,000
<b>Status:</b>	completed
<b>Duration:</b>	1999 – 2010