

Indian Bearing Industry: Indigenization to Curb Imports

What's Buzzing in Indian Bearing Industry

The Indian Bearing Industry goes for a push for localization coupled with a high opportunity for reducing imports is expected to provide appreciable growth potential for the bearing players.

Context

The Indian bearing industry is estimated at Rs 1,20,000 million, a non-descript 4% when compared to the global industry size of US\$50 billion. The industry is divided into industrial & auto segment bearings, both of which lie in the range of 50-55% depending on macros. With respect to consumption, 60% is produced domestically while the rest of the requirement is met through imports. A large part of the industrial segment bearings is imported given economies of scale not being lucrative enough as the industrial segment bearings are heterogeneous in nature.

India's ball bearing industry basically consists of two parts:

- an organised sector, having over half of the total market share, and
- an unorganised sector, with just 15 per cent of the market share.

The rest of the call is met by way of imports.

This industry derives demand from both the replacement market and OEMs (original equipment manufacturers). Around 60 per cent of sales come from the OEM side and 40 per cent from the replacement side.



Every industry needs bearing

The organised sector presently dominates the OEM market, while the unorganised sector has a firm grip over the replacement market. The replacement market is highly price-sensitive, competitive and hence it maintains its existence. Some trade analysts, however, believe that the organised sector is also catching up.

Perspective View

Moving forward, the Indian government's objective on Atmanirbhar Bharat, the renewed focus on infrastructure and allied activities led by an increase in capital expenditure, with budgeted growth of 30.8% YoY for FY21E BE (Rs 4.39 trillion) and 26.2% YoY to (Rs 5.54 trillion) is expected to

significantly increase domestic manufacturing & aid the Indian bearings market. Further, companies such as SKF India which only manufactures 35% locally is aspiring to increase the number to 65-70% by 2024-25. Thus, significant Capex in India should ensure ample demand domestically and hence we expect economies of scale to set in and make manufacturing of industrial bearings in India more viable. We expect companies such as SKF India, Timken & Schaeffler to be the prime beneficiaries of the increasing thrust towards 'Indigenization'.

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