

The Indian Foundry Industry: Opportunity for US companies

Overview

The Indian foundry is experiencing a rapid growth driven by increasing domestic demand in automotive, power, textiles, and electrical sectors. India is fourth largest producer of casting components, and has doubled casting capacity to 7 million MT since year 2002. The industry is fragmented with more than 5,000 players in the industry employing more than 500,000 persons and generating 1.5 million indirect employments. There are five geographic clusters Belgaum, Batala/ Jalandhar, Coimbatore, Kolhapur and Rajkot.

Figure : Top Ten Casting Producing Countries

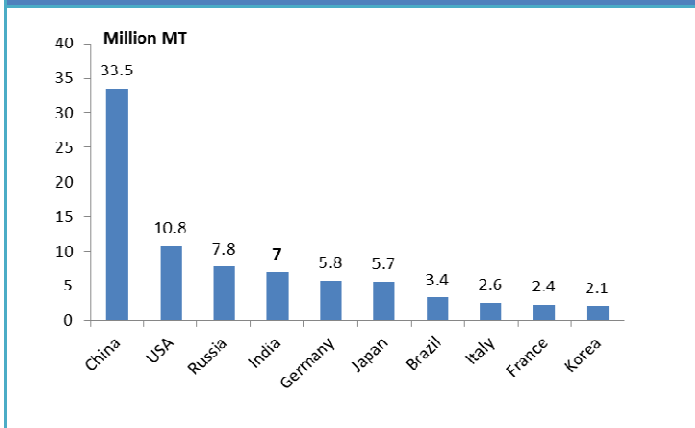
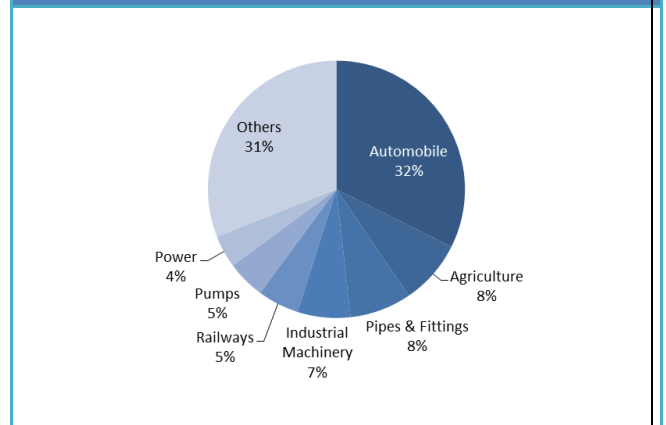


Figure : Sector-wise casting consumption pattern



Foundry Industry comprises large number of small players and 32% of the casting components are used in auto industry and remaining into electrical and engineering sectors. Our primary market assessment suggests majority of players are expanding their manufacturing capabilities and surge in automotive industry and other manufacturing activities driving these expansion plans. New facilities are focusing on state-of-the-art machines, new technology and automation of processes.

Auto industry is the driving industry for casting components, and similarly foundry industry is vital for sustainable growth in auto and other engineering sectors. Indian auto industry is 7th largest in the world and 4th largest exporter in Asia. Global brands are tapping India's expertise in manufacturing small, fuel efficient and low cost cars along with strong engineering base. In 2010-11, India estimated to have exported US\$ 5bn worth of auto components and figure is estimated to touch US\$ 30bn by 2020.

Figure : Global auto players in India

Company	Recent Expansion Plans
Ford Motors	Announced US\$ 500mn investment plan to set up plant with 250,000 annual capacity, and further announced to make India as global production hub
Nissan Motors	Plans to export 250,000 vehicles from India by 2011
General Motors	Plans to export 50,000 vehicles from India by 2011
Fiat	Announced to source US\$ 1bn worth of auto components from India

Then there are several premium cars are manufactured in India such as Audi, Bentley, BMW, Chevrolet, Lamborghini, Mercedes, Rolce Royce, Volkswagen. These companies are consolidating their operations and vendor base, global casting and component companies trending to follow their customers to destinations like India. Country offers several operational advantages to casting and component manufacturing companies.

Foundry industry is labor intensive and labor costs in India are some of the lowest in the world. Fresh engineering graduate from tier I & II institute can be hired at US\$ 6,000 per annum while unskilled and semi-skilled labor costs as low as US\$ 100 per month. Also constructing and registering new casting facilities are quicker and cost effective. Regulations governing Environment, Health and Safety for foundries are nearly non-existent, and cost of dies and tooling are significantly lower than in developed countries, although tooling quality may not be as good.

As per industry associations, casting production capacity to touch 10 million MT by 2012, and additional investment of US\$ 2bn required to achieve this growth. Opportunity in domestic as well as export market makes hi-tech foreign players to collaborate with local manufacturers. There is a possibility of technology collaborations to bring local suppliers up the value chain and cater to newer markets.

About IMaCS Virtus Global Partners

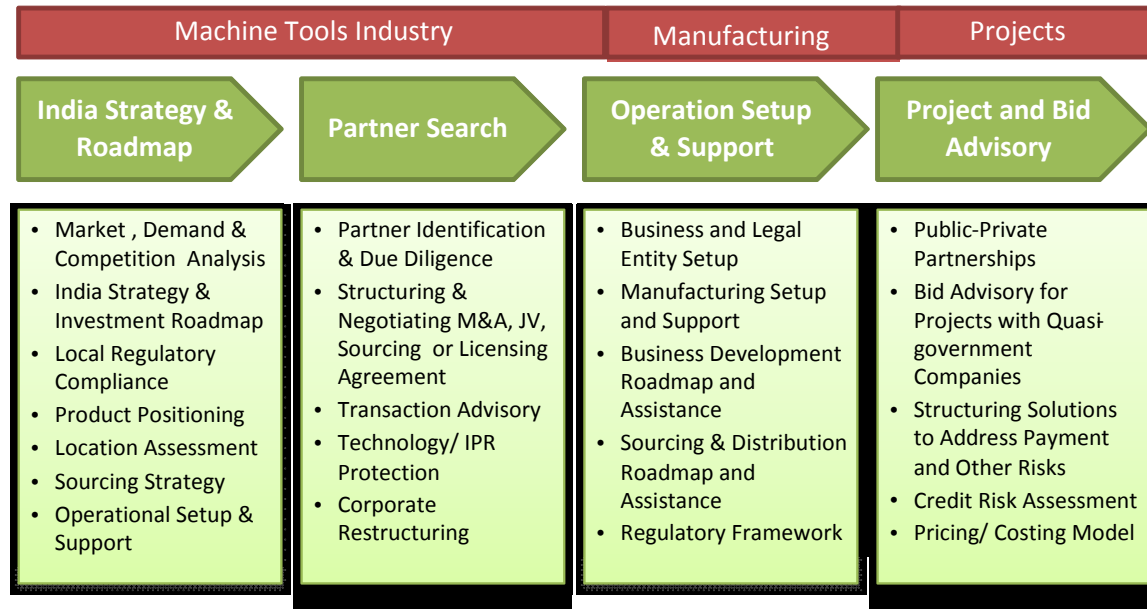
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We provide India related Strategy & Roadmap Consulting, Partner/ Target Search, Operation Setup & Support, Cross-border M&A Advisory, Project/ Bid Advisory and Transaction Advisory services.

Our team possesses a deep understanding of the business environment both in the US and India and is well connected with companies, financial institutions, governmental agencies, and private equity firms in both markets.

We have an established track record of over 15 years and 900 engagements providing advisory services to a diversified client base across manufacturing, infrastructure, energy, technology, industrial commodities, and retail. We also work with multilateral and bilateral government agencies, banks & financial institutions, and regulators. We are headquartered in New York with eight offices in India.

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- Market Assessment of commercial vehicles gearbox and seatbelts in India for a leading international auto-component manufacturer.
- Financial assessment and valuation of India based utility companies for an international strategic investor seeking acquisition of stake in a State Owned Public Sector Utility

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