

Indian Machine Tools Industry- Opportunities for US Companies

OVERVIEW

India ranks 17th in production and 12th in the consumption of machine tools in the world. The country is set to become a key player in the global machine tools industry and is likely to see substantial high-end machine tool manufacturing, even as China keeps its lead in lower end volumes. Several firms have entered the Indian machine tools sector, or announced plans for joint ventures or wholly owned subsidiaries in India.

Industry experts believe that the phenomenon is linked to the spurt in manufacturing, for which the machine tools sector serves as the mother industry. Since the manufacturing capacity is stagnating and the growth rate for the machine tools industry is falling in the developed economies, shifting machine tool capacity to low-cost high skill geographies like India has become viable.

DOMESTIC MARKET

The Indian machine tools industry comprises of around 160 players in the organized sector and around 400 units in the small ancillary sector. Ten major Indian companies constitute almost 70 per cent of the total production. The Government-owned Hindustan Machine Tools Limited (HMT) alone accounts for nearly 32 per cent of machine tools manufactured in India. Approximately, 75 per cent of the Indian machine tool producers are ISO certified. While the large organized players cater to India's heavy and medium industries, the small-scale sector meets the demand of ancillary and other units. Many machine tool manufacturers have also obtained CE Marking certification, in keeping with the requirements of the European markets.

The machine tools industry employs a workforce totaling 65,000 skilled and unskilled personnel. The Indian Machine Tool Manufacturers' Association (IMTMA) is the sole voice of the Indian machine tools industry, its membership constituting over 90 per cent in the country.

The industry can be segmented in several ways:

1. Based on how the metal is shaped, the industry can be classified into—metal cutting machines and metal forming machines. Metal cutting accounted for 87 per cent of the total output of machine tools in India in 2007-08.
2. Based on how the tool selection/ movement is controlled, the industry can be classified into – CNC machines and conventional machines. CNC machine tools, which are highly productive and cost effective, comprised nearly 60 per cent of the machine tools produced in 2007-08.
3. Based on the usage purpose, the industry can be classified into – general-purpose machines and special-purpose machines.

DEMAND OUTSTRIPS RESOURCES

The Indian machine tool industry though has its fair share of domestic manufacturers however it remains a net importer of machine tools. Import in this sector has increased by 3.6 times in the fiscal

2008-09 over fiscal 2004-05. The major suppliers include Japan, Germany, Italy, Korea, China, and the United States. There are no restrictions on the import of machine tool equipment to India. The total duty for importing machine equipments is 8.1 percent

MARKET & OPPORTUNITIES

The major contribution of revenues, nearly 66 per cent, for the Indian machine tool industry comes from metal cutting CNC machines. Within these, the major categories are Numerically Controlled (NC) Machines and Flexible Manufacturing Systems (FMS). In the metal cutting conventional segment, there are General Purpose Machines (GPMs) and Special Purpose Machines (SPMs). In the metal forming sector, conventional machines are preferred and they contribute to around 9 per cent of revenues, in comparison to 4 per cent for metal forming CNC machines.

The industry’s prospect mainly depends on the growth of the engineering sector. The user sectors of machine tools are: automotive, auto ancillaries, railways, defense, agriculture, steel, fertilizers, electrical, electronics, telecommunication, textile machinery, ball & roller bearings, industrial valves, power-driven pumps, multi-product engineering companies, earth moving machinery, compressors and consumer durables like washing machines, refrigerators, television sets, watches, dish washers, vacuum cleaners, air conditioners, etc.

US\$ Million	2008	2009	2010 est*
Market Size	1721	1690	2248
Local Production	423	317	845
Exports	34	20	36
Imports (Global)	1332	1393	1438
Imports from US	333	348	360

Statistical data are unofficial estimates from trade sources
 *2010 figures are estimates

Opportunities

The Indian machine tools sector offers several opportunities for investment and trade. Given the current gap between demand and supply, there is a clear need for adding capacities in this sector. The industry is moving towards increasingly sophisticated CNC machines, driven by demand from key user segments, such as automobiles and consumer durables. Machine tool manufacturers need to develop capabilities to cater to this demand and investments in this area could yield long-term benefits. At the same time, R&D and design capabilities are also gaining importance, as critical success factors for the future and this

is an area that could see increased investment from Indian and global players. Few global automotive players have already leveraged India as a design hub and this trend could extend to other manufacturing sectors, such as, machine tools. Several Indian States offer attractive locations for setting up manufacturing and R&D facilities in India.

Import Trends

A burgeoning Indian market and a capacity-constrained Indian machine tools industry resulted in a zoom-phase for importers. Machine tool imports rose by 47 percent to register a total value of \$1.4 billion. With this hike, imports captured nearly 75 % of the Indian market share.

The bulk of the imports comprised metal-cutting machine tools. And within this segment machining centers, turning centers and grinding centers formed the largest chunk of imports. These three machine tool categories captured 40 per cent of the total machine tool imports in 2009.

Reference Source

US Commercial Service Guide on India <http://www.buyusa.gov/india/en/ccg.html>)

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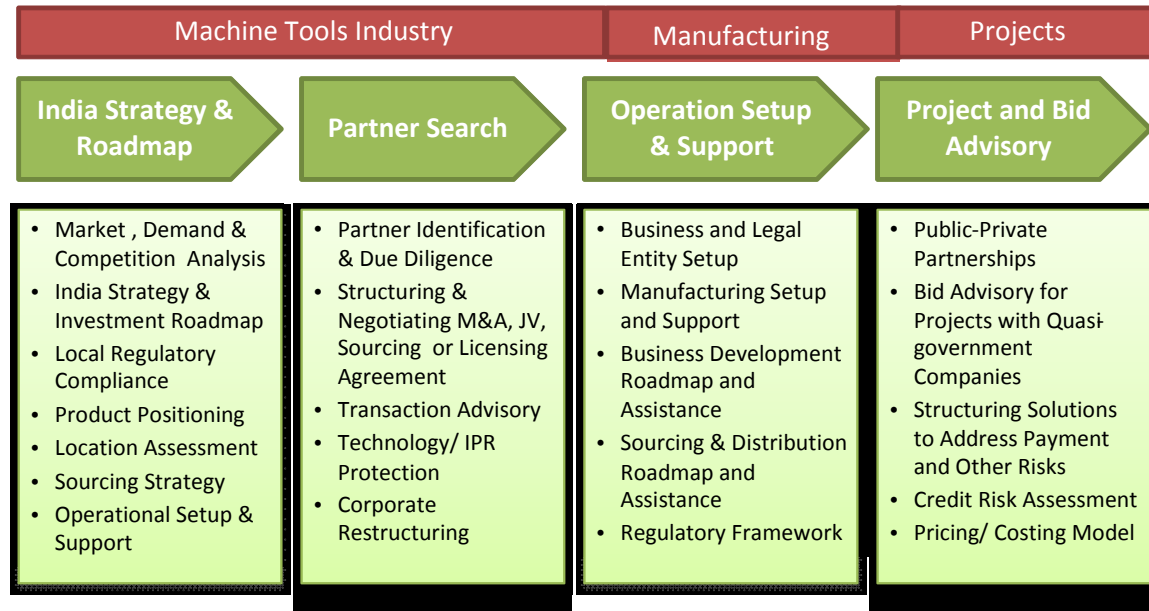
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