

# Fake spare parts' growth beats auto sales

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## HIGHLIGHTS

- The overall counterfeit product industry in India is worth Rs 1 lakh crore, causing the government tax losses of Rs 40,000 crore: ASPA Data
- The total auto after-market in 2018-19 grew by 9.6% to Rs 67,491 crore (\$10 billion) from Rs 61,601 crore (\$9 billion) in the previous fiscal: ASPA president

CHENNAI: The Rs 22,000-crore counterfeit auto parts industry — growing faster than car and bike sales, and which doubled in the last five years — is giving headaches to original equipment manufacturers (OEMs). They are now hoping that the draft rules to eradicate spurious spares, which were notified in July, will get operational soon.

According to the Authentication Solution Providers' Association (ASPA), the overall counterfeit product industry in India is worth Rs 1 lakh crore, causing the government tax losses of Rs 40,000 crore. While fake products are common in agriculture (fertilisers and pesticides) or even FMCG, they are life-threatening in the automotive and pharmaceutical industry, said ASPA president Nakul Pasricha.

"Counterfeiting is a huge problem in the auto parts after-market segment," said Pasricha. "The total auto after-market in 2018-19 grew by 9.6% to Rs 67,491 crore (\$10 billion) from Rs 61,601 crore (\$9 billion) in the previous fiscal. Counterfeit auto components account for 30-40% of the overall after-market for components in retail outlets."

Apart from sales loss, there are also lives lost. "A good 20% of all road accidents in India is attributed to counterfeit automotive parts and, according to a Ficci-Cascade report, counterfeiting in the auto sector results in tax revenue loss of about Rs 2,200 crore to the government," added Pasricha.

The top sectors battling counterfeiting are alcoholic beverages, auto components, computer hardware, FMCG, mobile phones and tobacco. While the problem is critical in auto parts, in FMCG too the counterfeit product share is as high as 30%. This grey market is both local- and import-driven. "There are fly-by-night operators making them in India, and some portion of these counterfeit auto parts also come in from China," said Pasricha. The boom in the used car/SUV/two-wheeler market has further exacerbated this problem. "As vehicles get older, customers are more likely to look for cheaper alternatives to OEM parts and therefore tend to get exposed to spurious options," said Pasricha.

OEMs, of course, conduct routine raids against traders and manufactures dealing in counterfeit parts. A recent raid by Honda Motorcycle & Scooter India across north and east India led to seizing of "counterfeit goods worth Rs 49 lakh last month". He added, "In the last three years, the Honda intellectual property rights enforcement team has seized 94,000 counterfeit parts across the country." A draft notification of the motor vehicle rules, that mandate the fixing of invisible microdots on vehicles and all their parts to prevent theft and check fake parts is currently open for feedback and comment. "The draft notification of the motor vehicle rules came in the last week of July and could stop counterfeiting to some extent, if and when adopted," said Pasricha.

Source: <https://timesofindia.indiatimes.com/business/india-business/fake-spare-parts-growth-beats-auto-sales/articleshow/70693496.cms>