



Diversify to Grow In a Slowing Economy: Challenges

Some extremely intriguing insights have been revealed by a research conducted by CRISIL covering over 300 micro, small and medium enterprises in the auto component industry. They are:

- The Automobile Component Industry has seen a slowdown in revenue growth over the past 4 financial years due to lacklustre demand from automobile manufacturers.
- SMEs who have continued to have a narrow focus have typically grown in the low single digits (3%)
- SMEs with a diversified product range, customer base, and geographical outreach logged a compound annual growth rate (CAGR) of 10 per cent in average sales between 2012-13 and 2014-15. The revenue base of these organizations was also bigger.
- Rating downgrades during slowdown were 40 per cent for SMEs with limited diversification, as against only 15 per cent for those with diversified business profiles.

[Source: Business Standard-CRISIL SME Tracker: Diversification drives growth for auto component MSMEs](#)

As the economy slows down from near double-digit growth rates, Diversification as a strategy is an imperative – especially for SMEs in the component industry.

Diversification options that component manufacturers need to explore include:

- a) Adding new products (especially value-added assemblies)
- b) Adding new customers in the current industry segments addressed
- c) Expanding to new geographies
- d) Entering new industry segments

The complexity involved in managing a diverse portfolio throws up a number of challenges - necessitating significant improvements in business processes including production planning, material planning/ Inventory control, support and services, logistics, sales, new product development, understanding of new customer segment, marketing to a new geography, etc.

In order to track and manage all these complexities, Affordable Business Solutions offers ABS Baadal - an Industry Vertical Solutions for Component Manufacturers that includes a suite of pre-configured ERP/ CRM/ Business Analytics solutions offered on the Cloud Computing model for Component Manufacturers including Fabrication, Precision Machining, Foundry, Forging, Plastics, and Rubber. ABS also offers business consulting to enable you to embrace LEAN/ Global Manufacturing Excellence practices, which can help you implement programs to increase the value added per employee. ABS Baadal provides the IT solutions which can help monitor, track and increase the overall productivity and efficiency of your organization.

Do let us know your thoughts and responses at [ABS Linked-In](#). If you would like to explore how you could leverage ABS Baadal and our business consulting services, please connect with us at absbaadal@abs.in

