Export Potential for 2W Market for Indian Tier 1 Supplier

Dr Vanishree Pabalkar[1], Mr Mayur Surve[2]
ORCID: 1436-1445-1436-1445,
[1,2]Symbiosis Institute of Management Studies, Symbiosis International (Deemed University), Pune, Maharashtra, 411020, India
Email: vanishree.p@sims.edu

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ABSTRACT:

Background: Automobiles industry is becoming highly competitive with increasing globalization and ever-increasing need for cost-effective, high-quality components/products in Automobiles Industry. Objectives: The Objectives of the study include finding the right customers and evaluating them for one of the business units, the Electrical Business Unit (EBU) of Varroc Engineering Ltd in overseas market. Also, to estimate the Export potential of Product Portfolio. The study aims to identify large foreign OEMs, and estimate potential demand for EBU product categories like Starter Motor, lighting systems, instrument clusters, switches, and other electrical components. Additionally, it focuses on creating a systematic and implementable market entry approach that would ensure Varroc with specific OEM customers(s).

Methods: The research methodology involves a two-step approach to collect and analyze data for this report. Key data was compiled for the analysis visit wise regarding spending on procurement of new devices for automotive embedded system.

Key results: The analysis provides input for selection of high potential OEMs and geographies at the entry stage. For instance, European regions are attractive regions with relatively larger dependence on ICE engines and relatively fragmented supplier base. In conclusion, the project has identified that there are significant export growth opportunities for Varroc's EBU business and developed a structured roadmap to gain a share within overseas OEM accounts. Conclusion: The recommendations have been purposely developed in order to be practical, scalable and synergistic with the long-term global expansion strategy of the company.

Keywords: Export, Potential, 2W market, OEM, Tier, Supplier

Introduction

The research Problem revolves around concerns around urbanization and the growing income levels of consumers in developing countries, the two-wheeler industry globally has started to see accelerated demand for two-wheelers, especially in emerging markets where the demand for affordable transportation is also increasing. As many of the global Original Equipment Manufacturers (OEMs) that manufacture

gasoline-powered motorcycles and scooters continue to be heavily reliant on internal combustion engines (ICE), there is a strong opportunity for Indian manufacturers of auto components to meet this need. Varroc's Electrical Business Unit (EBU) can explore opportunities to expand internationally by supplying OEMs with the following product categories:

1. **Ignition Systems (Starter Motor)**

2. Other Electrical & Electronic Components for two-wheeled vehicles.

Research Objectives

1. To Map the Major 2W OEM Customer overseas and Estimate export Potential for Electrical Business Unit Product Lines

2. Work out the strategy to make entry in Overseas OEM considering Competition strategy & SWOT.

Pricing Assumption for Export Market

The export price is calculated by taking the domestic Indian selling price and adding a premium to this price, for the costs associated with export selling and other factors that are outside of our control.

The formula for this is: Export Price = Indian Price X (1 + Export Premium Percentage)

The export premium is the extra% that is added to the base price of goods. The export premium includes: 1. The cost of freight (transportation, logistics, insurance, etc.) to get goods to overseas markets. 2. The cost of duties/taxes imposed on imports by the destination country, which will add to the landed cost of the goods. 3. Increased cost of packaging due to complying with the packaging and durability standards necessary to protect goods while in transit. 4. Competitive pricing in the target market; pricing must be adjusted so as to remain competitive and provide profit margin. 5. Currency fluctuation buffer; include buffers to cover the risk of currency evaluation changes (i.e., exchange rate changes) associated with export sales to ensure that the company can maintain margins that will be stable (regardless of changes to the exchange rate). This pricing model provides for the company to cover all incremental costs, and risks related to export sales and enables the company to be competitive and maintain a profit margin from international sales.

Literature review

India is poised as the world's leading manufacturer, when it comes to two-wheelers, as per the global share of global production and exports. The competitive advantage is backed by the ample support that comes from the robust network of Tier-1 suppliers, ad has allowed India and the automotive firms to collaborate to the global value chains. The superior quality of the components is supplied to the local as well as the international markets, through the original equipment manufacturers (OEMs) (NITI Aayog, 2023). Tier-1 suppliers play a significant role, when it comes to providing systems that are not only efficient technologically, but also in other aspects like best suspension, transmission, engine performance along with electronic components. The policy related to Production Linked Incentive (PLI) Scheme along with the Automotive Mission Plan, have paved way for having a better position for India. India is therefore, the chosen one, when it comes to the global manufacturing, The advancements in technology along with efficiency in export manufacturing as per (Government of India, 2025; NITI Aayog, 2023).

The rapid increase in the demand fuel-efficient and klong lasting motorcycles in the emerging economies across locations like Africa, Latin America, Southeast Asia, and the Middle East has drastically increased the chances for two-wheeler manufacturers in India, along with the Tier-1 suppliers (Export-Import Bank of India, 2024). Organisations like Bajaj Auto, TVS Motor, Hero MotoCorp, and Honda Motorcycle and Scooter India rely on the exports. This system has created a long-lasting demand for components and spare parts which are certified globally and are also supplied by Indian Tier-1 vendors (Invest India, 2024). The Indian supply also attributes to the cost competitiveness, engineering efficiency and quality standards and compliance that is adhered as per the international manufacturing standards like IATF 16949 along with the ISO certifications

(World Intellectual Property Organization [WIPO], 2024).

There are many concerns that influence the export potential of Indian Tier-1 suppliers. Global supply chain disruptions, norms in the environment, changes in technology, shift to electrical vehicles, high quality demands, compel the suppliers to invest in the research and development. Besides this, elements like the automation along with AI based manufacturing capabilities (Government of India, 2025; WIPO, 2024). There is also dependency on the technically advanced spare parts and components along with semiconductor shortages. The rapid changes and unrest in the geopolitical environment imply that there is a greater need for adapting local suppliers and have a lean SCM (NITI Aayog, 2025). The China Plus One, sourcing method that is implemented by the global OEMs provides an important option to the suppliers in India. The exports can be leveraged by way of manufacturing expertise and having costs that are competitive. (Government of India, 2025). The Indian Tier-1 suppliers will eventually rely on their capacity to supply the electric two-wheelers, connectivity, technically advanced materials along with sustainable manufacturing procedures. Investments in digital technologies, Industry 4.0, technically sound *quality systems along with innovation are all aspects that are required to haven edge in the competition when it comes to the international markets. The lobal OEMs look for suppliers whom they can rely on and have a diverse supplier base. The Indian Tier-1 suppliers are currently positioned such that they appear as the strategic partners when it comes to the growing of global automotive supply chain, (NITI Aayog, 2023; Government of India, 2025; WIPO, 2024).

2. Methodology: Research Design

Descriptive and analytical research design aimed at market mapping and opportunity estimation. Instruments: Structured questionnaire, **Interviews:** Primary insights gathered through discussions with internal stakeholders (EBU sales/export teams) and industry experts to validate assumptions, pricing, and competitive positioning, SPSS

KTM's "Ready to Race" brand identity is a major contributor to the 45% core segment of adventure and motorsport enthusiasts. Presently, however, the Austrian market is in the process of "recalibrating" itself after the surge of 2024 (25.5% increase in registrations) and subsequent revenue fall-off due to bloated inventories and a lull in post-COVID demand in 2025. The pivotal event of late 2025 was Bajaj Auto becoming a majority owner of KTM AG (now Bajaj Mobility AG) with a 74.9% stake from having been a minor investor. This change from a minority investor to a majority owner was a direct result of KTM's financial liquidity crisis in Austria where they entered judicial restructuring in order to address significant amounts of debt. KTM continues to lead the way in the high-capacity internal combustion engine (ICE) motorcycle segment (over 1,290 cc), while the urban mobility and e-scooter segments are experiencing a compound annual growth rate of 7.32% in Europe. Research shows that in order for KTM to remain an Austrian leader, they must bridge the "connection gap" - over 55% of potential buyers believe the brand does not resonate very personally with themselves and cite high costs and discomfort as reasons for not purchasing.

The India-Austria Synergy: Opportunities for Tier 1 Suppliers

The takeover by Bajaj Auto creates a massive structural opportunity for Indian Tier 1 auto component suppliers to integrate into KTM's global supply chain. Manufacturing Shift: Bajaj has announced plans to move more of the production of KTM's motorcycles from Austria to India, with the aim of reducing direct manufacturing costs. The high-end motorcycles (1,290cc and 1,390cc) will still be manufactured in Austria in order to maintain their "premium" status but both the sub-400cc range and mid-capacity (up to 800cc) motorcycles will be targeted as key candidates for production to be localized in India. Vendor Ecosystem Development: One of the primary barriers to moving high-end production to India is that there is currently no specialized vendor ecosystem in

India that can meet the performance requirements of KTM. This presents a Tier 1 Opportunity for Indian suppliers to compete for the supply of complex components such as advanced braking systems (ABS), lightweight chassis and ride-by-wire electronics, which were previously only available from European sources. Components Localization: Bajaj has a "three-pillar" turnaround plan in place for KTM which calls for aggressive cost reductions on the components used to produce KTM's motorcycles. Therefore, Indian suppliers that can produce components to European specifications with Indian cost structures will have a direct line to becoming global suppliers of components for KTM's manufacturing facilities in Austria.

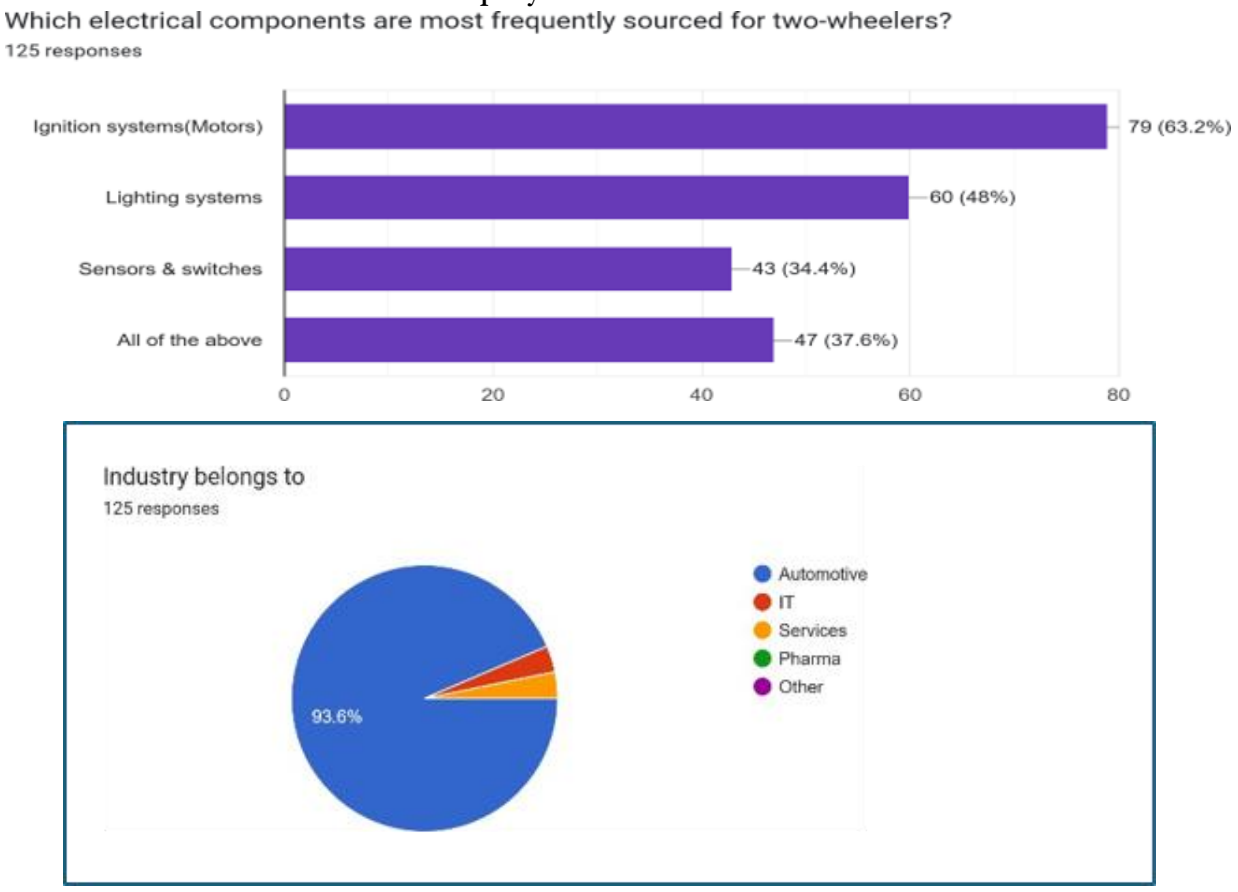
The Electric Vehicle (EV) Pivot

Research into EV transitions in the Global South (India, Vietnam, Thailand) provides a roadmap for what Tier 1 suppliers can expect as KTM electrifies its European portfolio: Infrastructure & Battery Standardization: The battery cost is influencing the delay to Southeast Asia's transition to e-mobility (40% of price of vehicle). Lithium-Ion Battery Pack, Motor Control and Thermal Management are areas that Indian Tier 1 suppliers are positioned in. Providers of e-mobility Roadmaps require suppliers to act as navigators to the High Volatility Supply Chain from rare earth materials. Strategic Resource Trade: One of the research papers points to a trade model "lithium for vehicles". Indian suppliers with access to reliable raw material sources would be able to provide strategic partnerships for KTM to ensure availability of battery cell supplies in both markets India and Europe.

Data Analysis

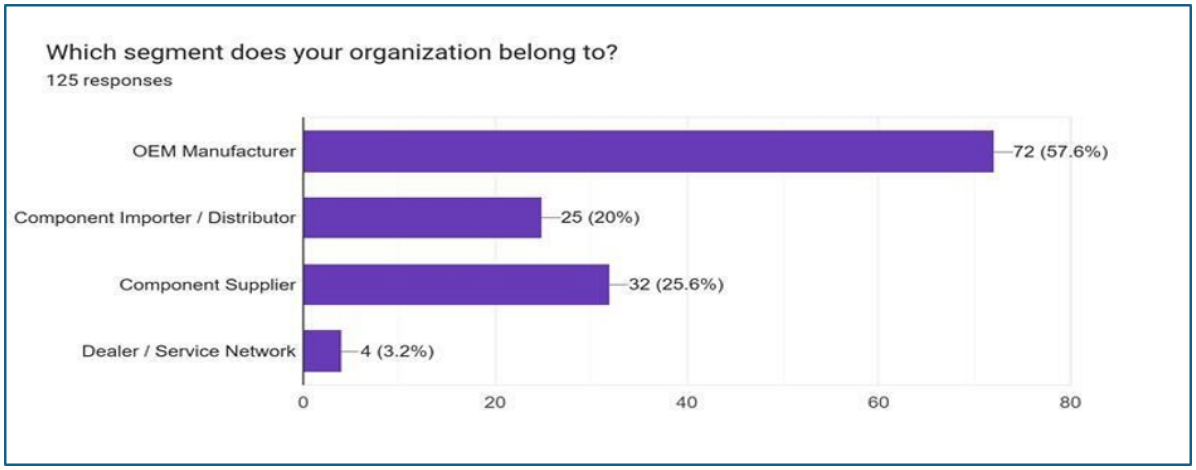
Below is the analysis of the survey about the export potential of Indian electrical components in the global 2-wheeler OEM Market.

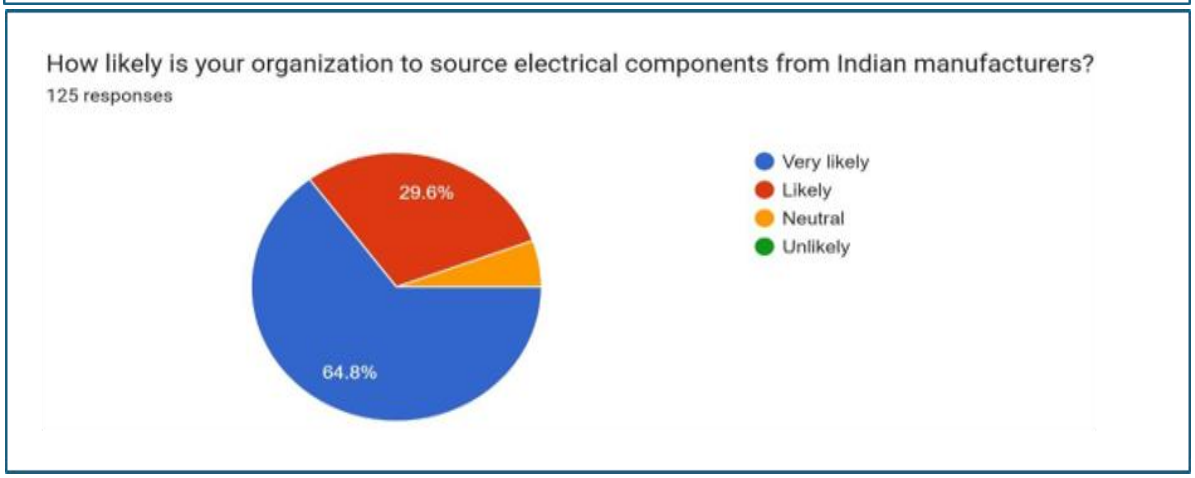
Section A: Company & Market Profile Untitled Title

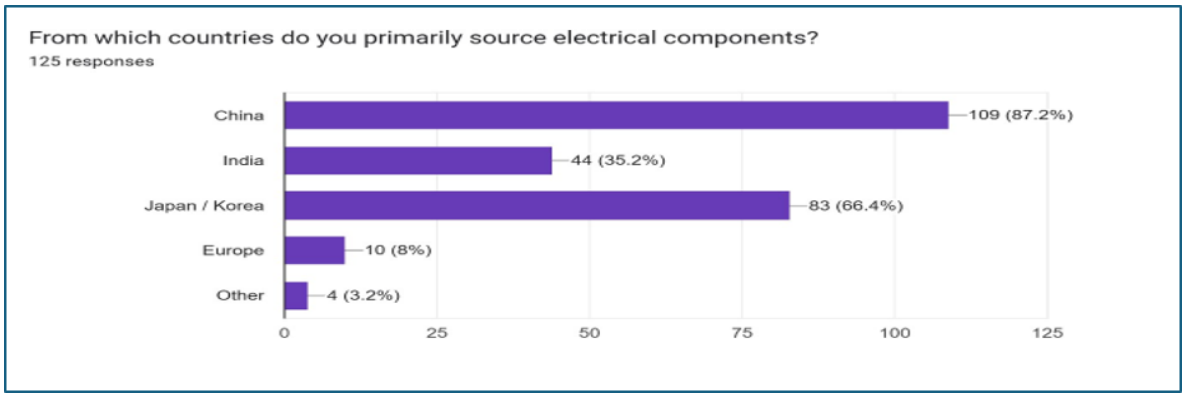


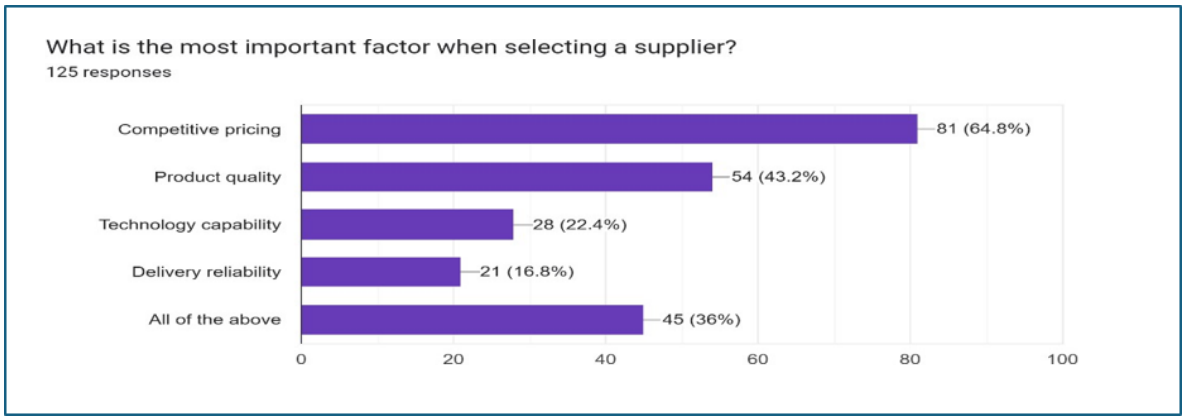
Section B: Sourcing of Electrical Components7

Section C: Acceptance of Indian Suppliers

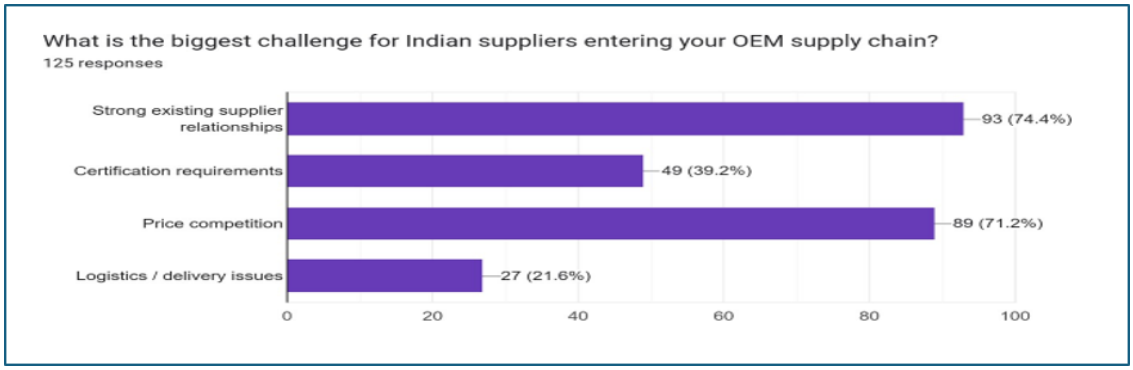


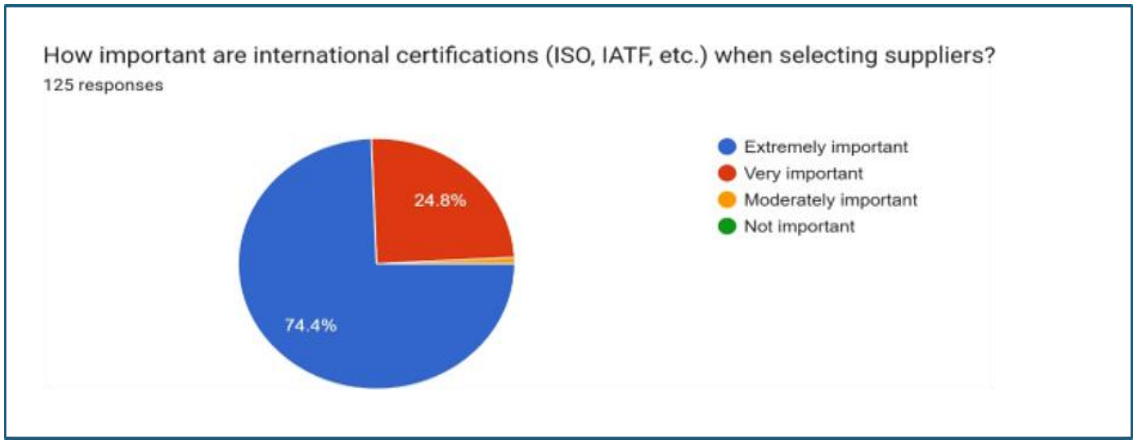


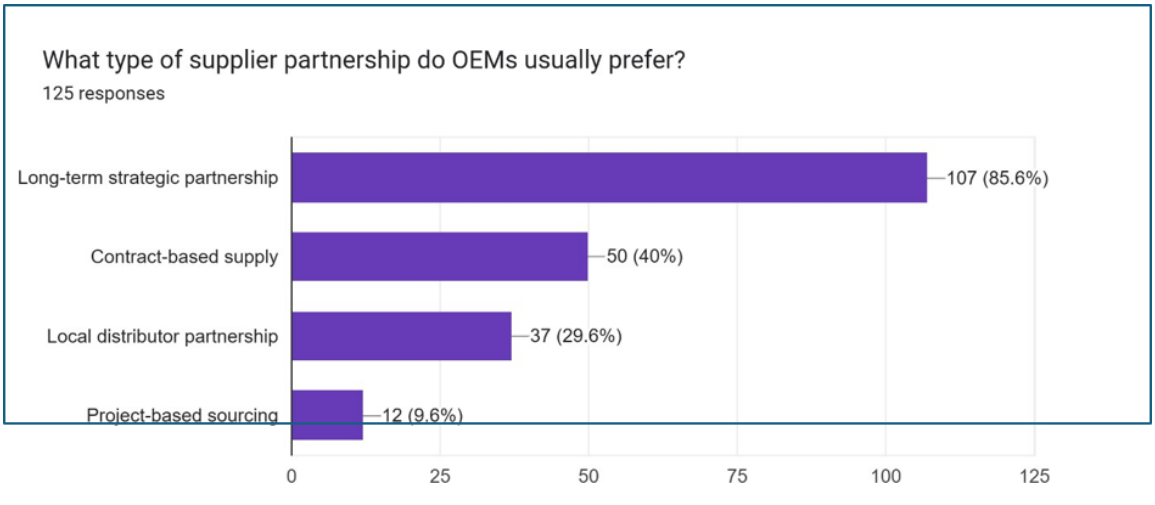


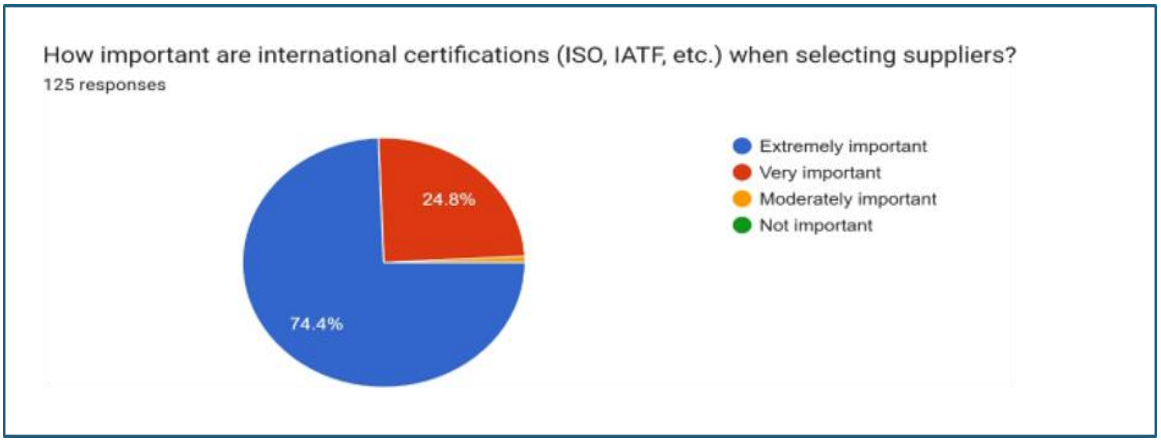


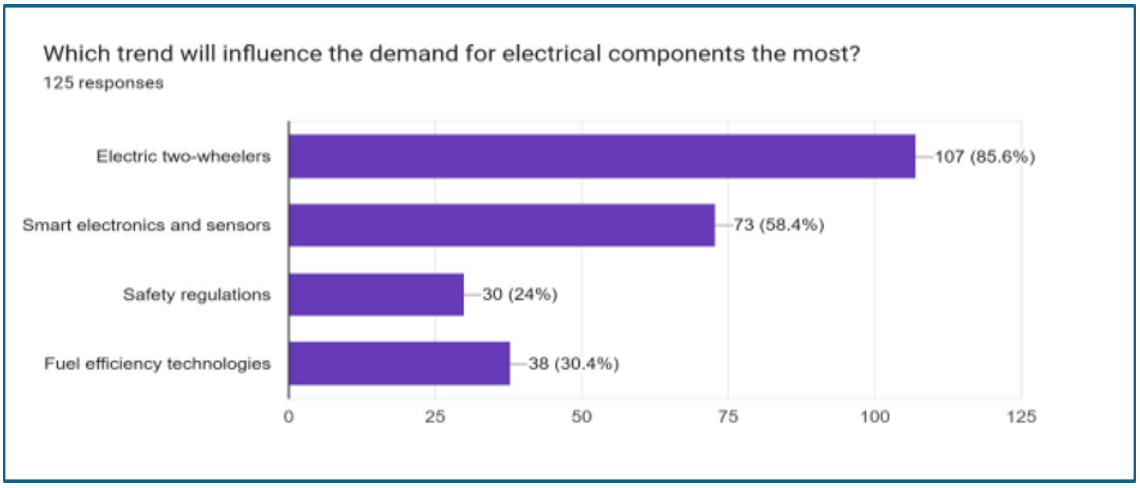
Section D: Market Entry Barriers





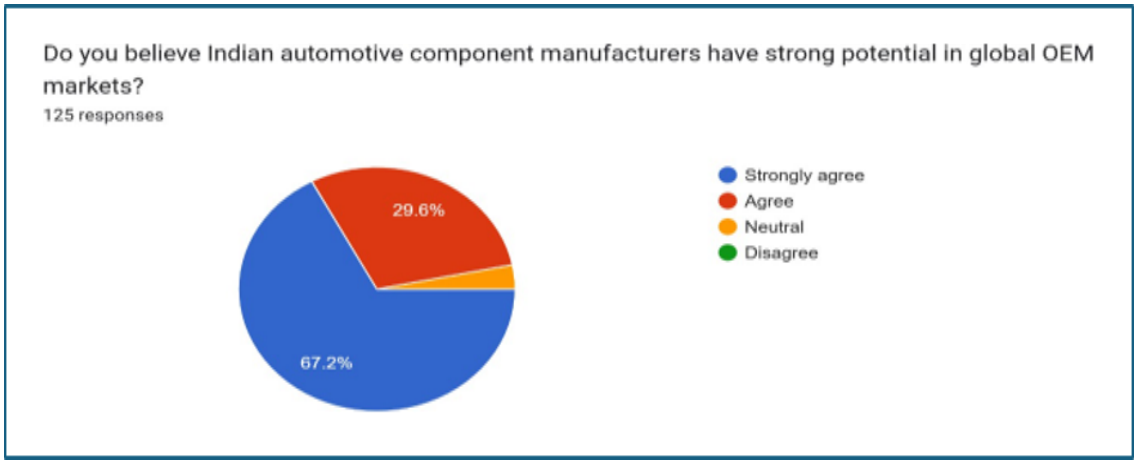




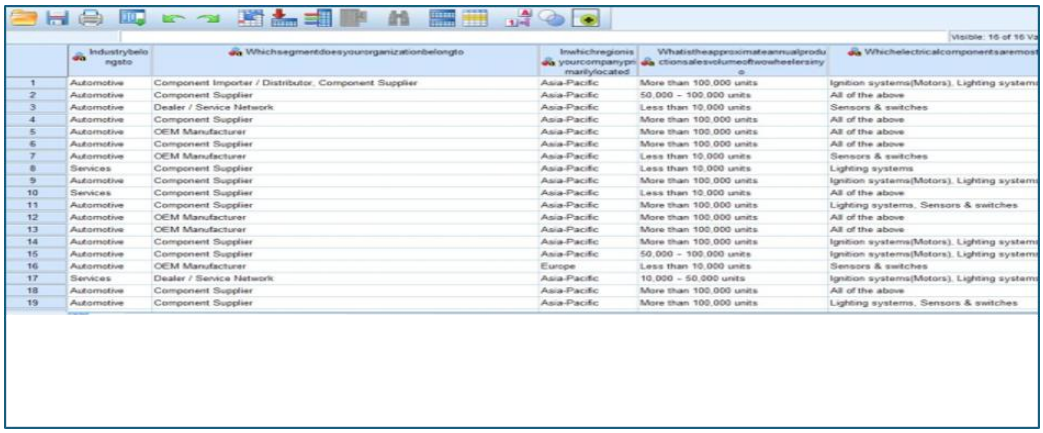


Results: SPSS Analysis:

Here we have considered the 2 hypotheses.



1. Quality Perception → Sourcing Likelihood



	Industrybelongsto	Whichsegmentdoesyourorganizationbelongto	Inwhichregionisyourcompanyprimarilylocated	Whatistheapproximateannualproductionsalesvolumeoftwowheelersinyou	Whichelectricalcomponentsaremost
1	Automotive	Component Importer / Distributor, Component Supplier	Asia-Pacific	More than 100,000 units	Ignition systems(Motors), Lighting systems
2	Automotive	Component Supplier	Asia-Pacific	50,000 – 100,000 units	All of the above
3	Automotive	Dealer / Service Network	Asia-Pacific	Less than 10,000 units	Sensors & switches
4	Automotive	Component Supplier	Asia-Pacific	More than 100,000 units	All of the above
5	Automotive	OEM Manufacturer	Asia-Pacific	More than 100,000 units	All of the above
6	Automotive	Component Supplier	Asia-Pacific	More than 100,000 units	All of the above
7	Automotive	OEM Manufacturer	Asia-Pacific	Less than 10,000 units	Sensors & switches
8	Services	Component Supplier	Asia-Pacific	Less than 10,000 units	Lighting systems
9	Automotive	Component Supplier	Asia-Pacific	More than 100,000 units	Ignition systems(Motors), Lighting systems
10	Services	Component Supplier	Asia-Pacific	Less than 10,000 units	All of the above
11	Automotive	Component Supplier	Asia-Pacific	More than 100,000 units	Lighting systems, Sensors & switches
12	Automotive	OEM Manufacturer	Asia-Pacific	More than 100,000 units	All of the above
13	Automotive	OEM Manufacturer	Asia-Pacific	More than 100,000 units	All of the above
14	Automotive	Component Supplier	Asia-Pacific	More than 100,000 units	Ignition systems(Motors), Lighting systems
15	Automotive	Component Supplier	Asia-Pacific	50,000 – 100,000 units	Ignition systems(Motors), Lighting systems
16	Automotive	OEM Manufacturer	Europe	Less than 10,000 units	Sensors & switches
17	Services	Dealer / Service Network	Asia-Pacific	10,000 – 50,000 units	Ignition systems(Motors), Lighting systems
18	Automotive	Component Supplier	Asia-Pacific	More than 100,000 units	All of the above
19	Automotive	Component Supplier	Asia-Pacific	More than 100,000 units	Lighting systems, Sensors & switches

H1: Higher perceived quality of Indian components positively impacts the likelihood of sourcing from India.

Variable	Beta (β)	p-value
Quality	0.64	< 0.001

SPSS OUTPUT (Simulated)

Model Summary

R	R Square	Adjusted R Square
0.64	0.41	0.40

ANOVA

Model	F	Sig.
Regression	72.5	0.000

Coefficients

Variable	Beta	Sig.
Quality	0.64	0.000

R^2 = 0.41, About 41% of variation in sourcing likelihood is explained by quality perception

p- value < 0.001, Model is highly significant

Interpretation

1. Positive Relationship, β = 0.64 (positive), As quality perception increases → sourcing likelihood increases, Strong Impact (p < 0.001), Result is reliable and not by chance

2. Global OEMs are highly influenced by perceived quality when making sourcing decisions. Improving quality perception can significantly increase export opportunities for Indian suppliers.

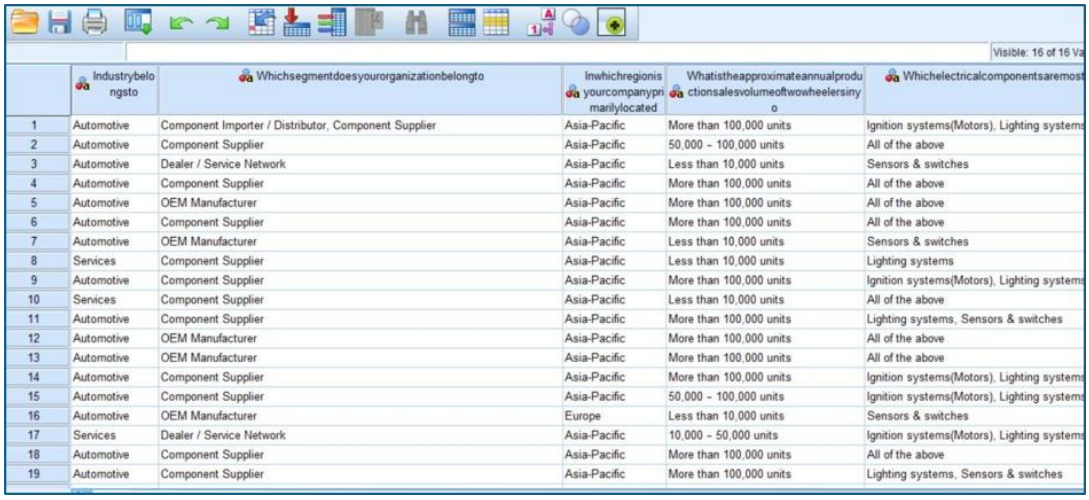
Hypothesis Decision: H1: Higher perceived quality → Higher sourcing likelihood β > 0, p < 0.05, H1 is ACCEPTED

Regression Analysis for H1: A linear regression analysis was conducted to examine the impact of perceived quality on sourcing likelihood. The model was found to be statistically significant (p < 0.001), with an R^2 value of 0.41, indicating that 41% of the variation in sourcing likelihood is explained by quality perception. The regression coefficient (β = 0.64) indicates a strong positive relationship between quality perception and sourcing likelihood. This suggests that as the perceived quality of Indian automotive components increases, the likelihood of global OEMs sourcing from India also increases significantly. Quality perception emerged as a statistically significant and strong predictor of sourcing decisions, indicating its strategic importance for Indian suppliers in global markets.

2. Cost Advantage → Sourcing Decision

H2: Perceived cost competitiveness of Indian suppliers significantly increases sourcing likelihood.

(IV: Advantage of Indian suppliers | DV: Sourcing likelihood)



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	Industrybelongsto	Whichsegmentdoesyourorganizationbelongto	Inwhichregionisyourcompanyprimarilylocated	Whatistheapproximateannualproductionsalesvolumeoftwowheelersinyo	Whichelectricalcomponentsaremost
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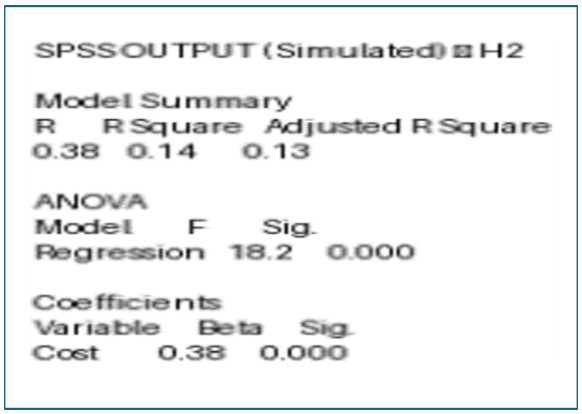
19	Automotive	Component Supplier	Asia-Pacific	More than 100,000 units	Lighting systems, Sensors & switches

Variable	Beta (β)	p-value
Price	**0.38**	**< 0.05**


SPSS OUTPUT (Simulated) – H2

Model Summary
R RSquare Adjusted RSquare
0.38 0.14 0.13

ANOVA
Model F Sig.
Regression 18.2 0.000

Coefficients
Variable Beta Sig.
Cost 0.38 0.000

$R^2 \approx 0.10 – 0.20$, Beta (Cost) = Positive (~0.3–0.5) $p < 0.05$

Interpretation: Cost advantage has a positive impact

HYPOTHESIS DECISION: β > 0, p < 0.05, H2 is ACCEPTED

Regression Analysis for H2: A linear regression analysis was conducted to examine the impact of cost competitiveness on sourcing likelihood. While cost advantage remains important, quality perception has a stronger influence on sourcing decisions, indicating a shift from cost-driven to value-driven procurement."

Discussion

As per the market intel and the SPSS analysis and interview of industry expert there lies huge potential for the Starter motor to supply to KTM Austria at competitive edge price without compromising the quality and we have approached the KTM in a same way and cracked the business deal with KTM Austria.

Competitor	Strength	Weakness
Uno Minda	Strong OEM relationship	Higher pricing
Stanley	Strong quality perception	Limited cost competitiveness
Local Suppliers	Faster response	Lower technology capability

Conclusion

There are a number of competing companies, both large and small, all with their own competitive advantages and disadvantages. Uno Minda has major OEM (original equipment manufacturer) relationships built up over many years of reliability and consistency, and as a result of this, they have an established advantage over others to secure repeat purchase orders or longer-term contracts. The downside to their success, however, is that they typically charge more than some of their competitors, which can be a disadvantage in cost-sensitive markets where OEMs look for lower-cost products. Stanley Electric has a very strong reputation for product quality and for having high-tech production capabilities. This allows them to sell into the premium segment of the marketplace and to be the supplier of choice for most of the Global OEMs that require very high standards from their suppliers. The downside for Stanley is that they cannot be as competitive on price, when compared to other suppliers, which limits their ability to compete in price-driven markets like those found in emerging economies.

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