

Increased focus on car safety drives up capex

SHALLY SETH MOHILE & SHINE JACOB

Mumbai/Chennai, 11 September

Manufacturers of airbags, advanced driver assist systems (ADAS), and electronic stability control (ESC) are investing in capacities and localisation of technologies to capitalise on the upcoming stringent legislation related to passenger safety and strong demand for feature-rich premium cars.

Joyson Anand Abhishek Safety Systems — an Anand Group company that makes airbags, seatbelts, crash sensors, and child restraint systems — has earmarked an investment of around ₹250 crore for production ramp-up and localisation. The company has invested around ₹100 crore in research and development, said Mahendra S Rajawat, president and managing director at the firm.

“With the new regulations, we expect our business to increase three times than what we are today. From two airbags to six airbags itself means a threefold increase,” said Rajawat.

Subhabrata Sengupta, executive director at consulting Avalon Consulting, pegs the current market



BETTING ON SAFETY

▶ **₹1,000 crore Continental to invest in Karnataka** for automotive software development and connected tech

▶ **₹250 crore Joyson Anand Abhishek Safety System** to put in for production ramp-up and localisation

▶ **\$1 billion the expected market size of airbags** following the implementation of new rules; it is \$350 bn currently

▶ **\$600-million opportunity for those involved in supply of sensors, ECUs, and other safety equipment**

size of airbags in revenue terms at around \$350 million and expects it to catapult to \$1 billion if the six airbag regulation takes effect. Turn to Page 6 ▶

ing, such as fabricating claims, specifying false causes, and inflating the extent of loss and making them punishable offences.

Vehicle ...

There will also be an incremental \$600-million opportunity for those involved in the supply of sensors, ECUs (electronic control units), etc, he said.

Days after the high-profile car crash that claimed the lives of two, including ex-Tata Sons chairman Cyrus Mistry, Nitin Gadkari, minister of road transport and highways at a *Business Standard* event, said that a fine would be imposed if those on the rear seat of a car were found not wearing seatbelts.

This, however, may not mean much for seatbelt makers, said Sengupta. "Seatbelts have been standard for more vehicles for some time now, even in the lower segment. Therefore, it's not such a big opportunity — as and when it takes effect — will have a multiplier effect on the safety critical components," he said. In January, the Ministry of Road Transport & Highways (MoRTH) issued a draft notification that sought to make it mandatory for cars manufactured after October 1, to be fitted with two side/side-torso airbags, one each for the persons occupying the front row outboard seating positions, and two side curtain/tube airbags, one each for the persons occupying the rear seat.

In a note submitted to the government, automakers have said that additional airbags will jack up the costs of cars, espe-

cially small cars, making them out of reach for first-time buyers. Moreover, additional airbags won't alone help in reducing road accidents.

Additional airbags are expected to raise the cost of safety equipment per car, said Rajawat. Depending on the segment, on an average, the airbag cost will increase to around ₹30,000-40,000 per car, from around ₹15,000-20,000 now," he pointed out. Auto-part manufacturers are bracing for newer regulations, too.

Continental India, manufacturer of safety-critical parts, systems and electronics, sees penetration of ESC (electronic stability control) in passenger cars increase to 75-80 per cent from the current 20 per cent in a year even without a mandatory requirement for the technology, said. "We are fully geared up for the upcoming regulations and shift in consumer preferences, and have made enhanced investments - be it for ESC, for which we have a capacity of 4 million units, or airbag control units," said Prashanth Doreswamy, president and CEO, Continental India.

The company is also the largest supplier of ESCs, airbag control units, and ADAS (advanced driver-assistance systems) globally. It shall invest in localising ADAS once volumes in India reach a critical mass, he said. It recently got into a joint venture to localise ESC manufacturing; it shall help the company reach 100 per cent localisation of the safety-critical technology.

In July this year, the local arm of the German manufacturer got into an agreement

with the Karnataka government and committed to investing ₹1,000 crore in the state to further the growth of its technical centre in India for innovation around automotive software development and connected technologies.

Doreswamy expects ESC to go the anti-lock braking system (ABS) way. ABS was made mandatory in the passenger vehicle segment in 2018. "This is a much superior technology compared to ABS and is likely to become mandatory sometime in 2024," he said.

Climate ...

This year, Hyderabad and Ahmedabad, along with Mumbai, like every year, faced heavy rain-induced urban flooding, leading to a collapse of infrastructure and services. During the past 65 years, floods took 109,412 lives and damaged over 258 million hectares of crops, amounting to losses of about ₹4.69 trillion, according to the Central Water Commission. Experts are of the view that urban India is now facing the twin challenges of infrastructure redevelopment and climate adaptation, both of which are out of the purview of the sparsely financed municipal corporations.

Different cities, similar crises

"India is experiencing one of the biggest urban growth spurts in history. However, this is happening when 75 per cent of India's 2050 infrastructure is yet to be built. It is also happening in the most unplanned way, infringing upon environmentally sensitive areas at a time