

New Norms to Put Auto Parts Firms on the Profit Highway

Safety and emission regulations, rapid electrification trend are likely to help cos expand biz

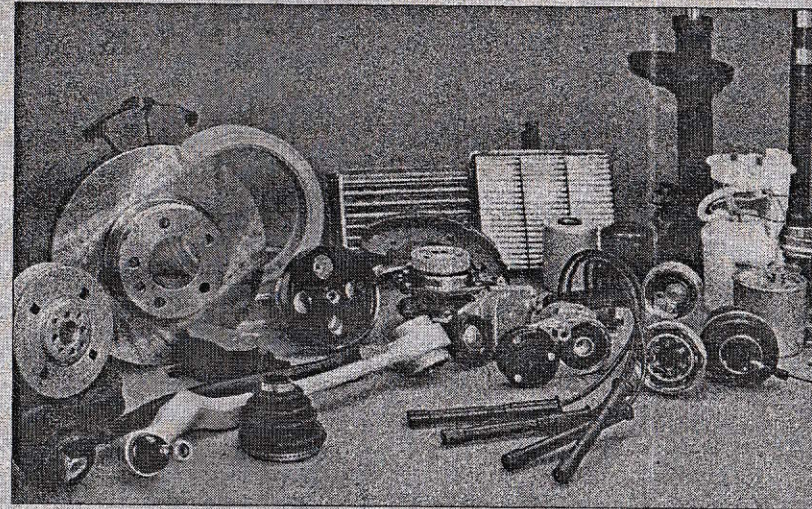
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Greater Noida | New Delhi: A raft of new regulations related to vehicle safety and emission expected in the coming months and the mega trend of electrification, have come as a blessing in disguise for the auto component manufacturers.

The legislation as well as the electrification trend is leading to an increase in the content per vehicle leading to a bump up in their revenue and profitability, said top executives at various auto component firms ET spoke with.

Every time emissions have gotten tighter and fuel economy norms have got tougher, companies like Cummins have succeeded and managed to increase business with every automaker, says Ashwath Ram, managing director, Cummins India.

India's auto industry will transition to (BSVI) Bharat Stage VI-B norms with effect from 1 April 2023. The passenger vehicle makers in the country would also be required to disclose their corporate average



fuel economy (CAFEII) scores with the government by the beginning of the new fiscal year.

The BSVI-B will include meeting the RDE (Real Driving Emissions) norms. This is likely to lead to a price increase across categories. For petrol vehicles it could be less than 2% while for diesel it could be in the range of about 3-3.5%, says Hemal Thakkar, director Crisil Research.

"The regulations will help us

grow our share in the pie and grow our pie," said Ram of Cummins, adding that the company has ambitions to grow its business twice of the country's GDP. "While doing that we want to increase our profits by one percent every year till we get to our highest historical levels of profit of 18-20%," he added. In the years to come Cummins plans to offer integrated powertrains and diversify into e-axles. The company

showcased its future-readiness with its fuel agnostic and hydrogen engines at the ongoing Auto expo in Greater Noida.

A mandatory deployment of some of the safety related features like six airbags (expected to come into effect from October 2023), seat belt for rear passengers and ESC (electronic stability control, now a feature only in high end cars) have prompted manufacturers of these parts to watch the space closely.

"Addition of every airbag will improve the realisation for the airbag manufacturer and cost for the buyer," says Thakkar of Crisil adding that the cost of the vehicle would go up anywhere between ₹15,000 and ₹25,000 for complying to four additional airbags. The costs don't include any structural changes in the vehicle, he stated.

Jaisal Singh, vice chairman, Anand Group said regulation on ESC is an opportunity for the group. "It certainly presents an opportunity for us, and we are looking carefully, but we are constantly on the ball with regards to what's coming next and as a result we start to equip ourselves from now."