

INDIAN AUTO COMPONENT INDUSTRY

**Airbag market expected to grow to
~2.5-3x of current levels to
Rs. 6,000-7,000 crore by FY2027**

DECEMBER 2022



Auto component manufacturers in the airbag space expected to witness strong growth over the medium term



The airbag industry is one of the fastest growing auto component segments and is expected to benefit from the increase in content per vehicle arising from higher regulatory requirements and voluntary increase in the number of airbags per vehicle as precautionary safety initiatives. ICRA expects the industry to grow to Rs. 6,000-7,000 crore by FY2027, from the current levels of Rs. 2,400-2,500 crore, at a 4-year CAGR of 25-30%.



Earlier, only one airbag per car (driver airbag) was mandatory from July 2019. For vehicles of category M1 (vehicles that can seat up to eight passengers and weigh less than 3.5 tonnes) manufactured from Jan 01, 2022, two airbags (dual front airbags) were mandated. Further, for M1 category vehicles manufactured from October 1, 2023, two side airbags and two side curtain air bags have also become mandatory. As a result of this, the mandatory content per vehicle for airbag manufacturers is expected to rise from Rs. 3,000-4,000 currently to Rs. 8,000-10,000 by October 01, 2023.



The industry currently imports 60-70% of its components, largely stemming from the lack of indigenous technological capability and absence of adequate volumes. The imports are primarily from overseas parents/joint venture partners. There is immense scope for localisation and development of tier-II vendor ecosystem in this space and increasing volumes could make localisation economically viable. Airbag component manufacturing is a part of the PLI scheme, for facilitating improved levels of localisation in this space.



The capacity for airbags would need to increase significantly in the next one year, to meet regulatory requirements. Several players have started undertaking capacity enhancements in the last 6-8 months to gradually scale up their facilities, and ICRA expects a capex of ~Rs. 1,000-1,500 crore in the next 12-18 months for capacity enhancements and localisation measures.



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