
Rane Group working on localisation of airbag components



Chennai-based \$550-million auto components major Rane Group arm Rane TRW is well poised to capitalise on new legislation of the Centre mandating airbags in passenger vehicles on new models from October 2017, and all models from October 2020.

“At present, 30% of vehicles are fitted with airbags. Ever since the legislation was announced, most vehicle manufacturers are proactively adopting airbags as standard fitment. This will reach 100% by 2020, and there will be a significant growth for this product line. Rane TRW is well poised to capitalise on this opportunity,” Rane Group Chairman L Ganesh told DH.

“We began manufacturing airbags in 2015. This is part of Occupant Safety Division of Rane TRW Steering Systems, which is a joint venture between Rane Group and ZF TRW. Our JV partner provides the necessary technology support. Our initial investment was Rs 18 crore,” Ganesh said.

“We are working on localisation of the components, however, the heart of the airbag, what they call the inflator, is a very high technology and safety critical part, which is the most expensive that will continue to be imported for foreseeable future. We supply airbags to Ford, Mahindra and Renault. We continuously work on new opportunities leveraging our relationships with OEMs,” Ganesh added.

In addition to airbags, Rane Group is engaged in steering and suspension systems, friction materials, valve train components, occupant safety systems, die-casting products.

On global plans, Ganesh said, “The US and Europe are our major export markets. We want to increase our revenues from international customers to 25% (currently about 20%) over the next couple of years. We are progressing well in achieving this target.”

“We have won new customers in Europe and the acquisition of Precision Die-Casting is aimed in this direction, and will give us a significant opportunity in the US. This acquisition helped us establish manufacturing footprint closer to customer location which we believe will be key to success in the international markets.”

Rane Group’s performance in the first half of 2016-17 was supported by broad-based growth across vehicle segments. Rane Group’s sales registered a growth of 23% in the first half with 10% EBITDA and 4.8% PBT margin.

However, the sudden move on demonetisation has caused a severe negative impact on sales, especially in the aftermarket. “It is early to predict how long this will last. We are hoping that it will be purely temporary and business will come back to normal in Q4,” he said.

On outlook, Ganesh said, “We are looking at a decade of profitable growth. We want to balance growth and profitability. Over the next few years, we are looking at a growth rate of 15% to 20% and ROCE (return on capital employed) of 20%. This is driven by enhancing our global presence and consolidating our domestic position.”

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