

Analysis of the Indian Ultra Low and Low Cost Car Market

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Abstracts

Executive Summary

India is globally a preferred automobile manufacturing and sale location. With the launch of Tata Motor's Nano the ultra low cost car (ULCC) and the low cost car segments are generating significant interest among the automobile players operating in India. It is estimated that the ULCC and low cost car market in India is anticipated to grow at a CAGR of approximately 25% during 2010-2020. Growth is being witnessed in the segment on the back of increasing demand from rural areas and Tier II cities. The lower per capita income and affluence level of consumers in these areas drives the growth of low cost cars attractive to them. Also the increasing number of young working class families in Tier II cities is demanding lower cost four wheelers.

Why should the report be purchased?

The report highlights key drivers of and trends emerging in the Indian ULCC and low cost car market. A detailed study of key players in the market has been presented as the segment is currently very dynamic. On one hand players such as Ford and Renault-Nissan have shelved their plans to enter the segment, while Hyundai and Maruti Suzuki are looking to launch their range of low cost models by the end of 2012.

The impact of the rising steel and fuel prices on the sales of low cost cars along with the overall growth potential of the segment has been examined. Also, the viability of ULC and low cost vehicle segment has been studied with an aim of shedding light on what strategies can be adopted to succeed in the market.

Research methodology and delivery time

Smart Research Insights has conducted in depth secondary research to arrive at key insights. Data collected from key industry sources has been analyzed impartially to present a clear picture of the industry. All recent developments which impact the sector dynamics have been captured and used to support the research hypothesis.

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SRI is a research organization which specializes in niche sector reports. We have a team of dedicated researchers with rich experience across industry segments that focus on delivering high quality analysis. We are also engaged in providing customized research solutions and company reports.

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About

The Indian passenger car segment is on a fast growth path and is expected to generate sales of over two million vehicles in the financial year 2011. Maintaining a steady growth, even in the recent recessionary phase, the industry has recorded a CAGR of 10.3% over the past decade. Various factors such as robust economic growth, rising levels of disposable income, increasing urbanization and growing number of nuclear families, have acted as growth drivers for the industry.

These trends translate into greater savings and hence enhanced capability to buy vehicles, along with dictating a preference for smaller-cars. Also, financing available on easy terms has also helped in fueling demand for passenger vehicles. The industry holds promise as among the emerging markets, currently, India has one the lowest car density.

Although the industry has a strong outlook, there are some hurdles which the industry faces in the near term. Some of these challenges are the rising commodity prices, interest rates, fuel prices and competition. Another hurdle exists in the form of increasing labour costs which contributes to cost increases throughout the supplier network.

The industry is marked by fierce competition with more and more foreign automobile manufacturers entering the country. The present market leaders in India are Hyundai, Maruti Suzuki, Tata Motors and Mahindra & Mahindra. In 2010, the market was lead by Maruti with 45% market share. Next in line is Tata Motors with a share of 14.84 per cent followed by Hyundai whose share rests at 14%. Moving to single digit market share holders, Mahindra has a share of 6.68% while that of Ford is 3.88 per cent.

In spite of the recent deterioration in customer sentiment, due to rising fuel prices and impending second economic recession, automobile manufacturers remain optimistic about the long-term prospects for the Indian market. Majority of the players are looking to add to their capacities, expand their distribution network and augment R&D capabilities. They are also planning new product launches in the near future. In October 2011, Ford announced investment of approximately one billion USD in establishing a second plant in Gujarat. Toyota, as a part of its 2010-2014 plans, is all set to investment close to INR16.5 billion in its Indian operations in an effort to raise its installed production capacity by 100,000 units and boost the localization of parts.

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