

India Used Car Market - Growth, Trends, Covid-19 Impact, and Forecast (2023 - 2028)

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Report description:

The Indian used car market was valued at USD 32.14 billion, and it is expected to reach USD 74.70 billion, registering a CAGR of 15.1% during the forecast period.

The COVID-19 pandemic had a minimal impact on the industry. With the increased number of people preferring individual mobility and more finance options available in the used car market, the market is set to grow considerably. Due to the pandemic's reduced cash inflow, buyers have been forced to look for alternatives to new cars, and the used car industry has high growth potential in this regard. As the pandemic has hampered new vehicle sales and production, the used car market is gaining traction among buyers.

Over the long term, the standardised dealership experience, high price experience, and high financing cost for used cars may stifle the market's growth. With the implementation of the new BS-VI emission standards by the Government of India, the technological cost of cars to meet the standards will be borne by consumers. The companies' emphasis on reducing diesel car production is expected to increase demand for compact diesel cars in the price and mileage-sensitive Indian market.

A few years ago, the new-to-used car ratio was 1:1.2, but it is now 1:2.2. When ten new cars are sold, the market has 22 used cars available for purchase. The average holding time of a new car has decreased from 5-6 years to 3 years. The used car category has provided many options for first-time buyers. In terms of buyer preferences and requirements, the trend in the used car market mirrors the trend in the new car market. Buyers in the used car segment, on the other hand, are more likely to try out new brands. This is not the case with new vehicles.

Key Highlights

Maruti Suzuki, on the other hand, has long been the top choice for used car buyers and has a majority market share in the new car market.

Moreover, Only 17% of the market is accounted for by the organised sector. Today, the majority of car purchases and sales are

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conducted informally.

Although India has seen tremendous growth in the used car market, there is still room for future growth through the organised sector, as the ratio of new cars to used cars in mature markets such as the United States and Europe is 1:3. Overall, the Indian used car market appears to be on the right track.

Key Highlights

In June 2022, Porsche has made an official announcement that it will launch a used-car business in India on June 8, 2022, under its new sub-division, Porsche Approved. This new business will be launched at the Porsche Centre Kochi in Kerala.

Meanwhile, other German luxury automakers such as Audi, BMW, and Mercedes-Benz already have pre-owned car operations in the country.

However, lack of standardization and awareness among customer may hamper the market growth during the forecast period.

Based on Aforementioned Points the target market is expected to grow with a significant rate in the upcoming time-period.

India Used Car Market Trends

Rising Middle Class and Young Population

A rising middle class and India's young population are two key factors driving this massive growth over the next five years. This is also fueled by the fact that India's disposable income has steadily increased over the years. According to the report, factors such as technology-driven transparency, convenience, transaction simplicity, and so on will also contribute to this projected growth. The average car age has decreased by 33% from six years in the fiscal year 2010-2011 to four years in the fiscal year 2021-2022.

With more players entering the market, India's used-vehicle industry is transitioning from an unorganized, setup where transactions occur via roadside garage mechanics, small brokers, and between car owners - to an organized system.

The reduced average tenure of ownership for cars and two-wheelers due to higher disposable incomes, as well as the introduction of new models in shorter time frames, are also aiding the sector's growth. When the global scenario is considered, India remains far behind. In FY2021-2022, an estimated 4.4 million used cars were sold in India, while 80 million used cars were sold in the United States, China, the United Kingdom, Germany, and France.

Factors responsible for Indian consumers choosing used vehicles over new vehicles are a need for mobility for personal and business growth, budget constraints and macroeconomic uncertainty, progressive industry players offering refurbished, certified, high-quality cars with warranties, digital & AI-led transformation increasing convenience, trust, and transparency, and the value for money nature of used cars when compared to new cars. The emergence of organized online and physical used car platforms, combined with an increase in demand for personal mobility and favorable government support, are also expected to drive growth. For instance,

November, 2022: The CarTrade Tech-owned company now intends to open many more locations by the end of 2023. Furthermore, CarWale abSure is working on a slew of new product initiatives to improve the process of digital vehicle buying and selling through collaborations with OEMs, Banks, NBFCs, Dealers, Insurance companies, and other ecosystem players.

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Growing Demand for Luxury Used Cars to Play Key Role in the Market

The Indian used car market is expanding due to rising demand for luxury vehicles. The sale of used luxury cars increased by 20%.

Due to the high cost of a luxury car, it was difficult to obtain one until recently. However, this trend is changing as consumers can now purchase used luxury vehicles. With easy access to financing options, annual maintenance contracts, and lower entry prices, the market is becoming more organized. Furthermore, the average age of used luxury vehicles entering the market is between 2 and 3 years, versus 5-6 years for a mid-size or small-scale vehicle, making them a better option in some cases.

According to auto dealers, demand for pre-owned luxury cars has increased by 35-40% year on year, as owners of luxury cars typically sell their vehicles after a year or two and upgrade to better models.

Initially, the market for pre-owned luxury vehicles was limited to major metropolitan areas. Local dealers and online players, on the other hand, have expanded the market. Customers in tier 1 and tier 2 cities can currently inquire about and purchase these vehicles. According to Big Boy Toyz, more than 33% of used luxury vehicle purchasing inquiries come from areas other than the home city.

Factors such as rising consumer preference for luxury vehicles and the country's youth preference for market leaders are expected to drive demand for used cars in India during the forecast period. For instance,

In September, 2022, Volvo plans to expand its certified used-car business across India by early 2024, with this segment accounting for up to one-third of total volume. Volvo operates its pre-owned car business globally through the 'Selekt' platform, which it recently launched in India with two dealerships.

India Used Car Market Competitor Analysis

Due to their business models and increased number of pre-owned car retail outlets, significant players hold the largest market share in India's used car market. OLX, Mahindra First Choice Wheels, CARS24, Maruti True Value, and Hyundai H Promise are among the major players. To maintain their market position, these companies are pursuing a variety of growth strategies. For instance,

In August 2021, Audi India announced its plan to expand Audi Approved Plus showrooms from 7 to 14 by the end of 2021, which will back up pre-owned sales, along with the 40-plus workshops countrywide

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

Table of Contents:

1 INTRODUCTION

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1.1 Study Assumptions

1.2 Scope of the Study

2 RESEARCH METHODOLOGY

3 EXECUTIVE SUMMARY

4 MARKET DYNAMICS

4.1 Market Drivers

4.2 Market Restraints

4.3 Industry Attractiveness - Porter's Five Forces Analysis

4.3.1 Threat of New Entrants

4.3.2 Bargaining Power of Buyers/Consumers

4.3.3 Bargaining Power of Suppliers

4.3.4 Threat of Substitute Products

4.3.5 Intensity of Competitive Rivalry

5 MARKET SEGMENTATION (Market Size in USD Billion)

5.1 By Vehicle Type

5.1.1 Hatchbacks

5.1.2 Sedans

5.1.3 Sports Utility Vehicles (SUV)

5.2 By Vendor Type

5.2.1 Organized

5.2.2 Unorganized

5.3 By Fuel Type

5.3.1 Petrol

5.3.2 Diesel

6 COMPETITIVE LANDSCAPE

6.1 Vendor Market Share

6.2 Company Profiles

6.2.1 CARS24

6.2.2 Maruti True Value

6.2.3 Mahindra First Choice Wheels

6.2.4 Hyundai H Promise

6.2.5 Honda Auto Terrace

6.2.6 Ford Assured

6.2.7 Toyota U Trust

6.2.8 Big Boy Toyz

6.2.9 BMW Premium Selection

6.2.10 Audi Approved Plus

6.2.11 Mercedes-Benz Certified

6.2.12 Car Trade

6.2.13 OLX

7 MARKET OPPORTUNITIES AND FUTURE TRENDS

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