

## **India Passenger Car Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

Market Report | 2023-01-23 | 70 pages | Mordor Intelligence

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### **Report description:**

The Indian passenger car market was valued at USD 32.70 billion last year, and it is expected to reach a value of USD 54.84 billion in the next five years while registering a CAGR of over 9% during the forecast period.

The COVID-19 pandemic restrained the domestic production of passenger vehicles due to the shutdown of manufacturing facilities during lockdowns. With the stringent social distancing norms and nationwide lockdowns, the production units of different OEMs were completely shut down, and the raw material transport was halted, directly or indirectly affecting thousands of dependent workers and the entire industry. Although the impact was not extremely disastrous for the market, Indian-origin manufacturers like Tata Motors and Mahindra lost a good market share at a time when their cars were picking pace in terms of safety and popularity.

Over the long term, the market is expected to have steady growth due to rising sales of passenger cars and the gradual shift of consumers from transportation to comfortable/convenient transportation and from convenient transportation to luxurious and safe transportation. Increasing investments and product launches by major OEMs in the country and their focus on localizing supply chain facilities are also creating a positive outlook in the market. For instance.

### **Key Highlights**

According to the Society of Indian Automobile Manufacturers, passenger car sales in India nearly quadrupled to 307,389 units in September from the previous year. Based on the Indian car industry lobby organization, production for the month increased by 88% to 372,126 units.

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The Indian automotive industry has shifted from a components manufacturer to an assembler and manufacturer of complete vehicles, including passenger cars. India is also a major exporter of automotive parts, components, and assembled vehicles to countries in the Middle East and Asia, which may continue to be a major contributor to the Indian automotive industry's revenue. With the growing presence of international automobile manufacturers in the country, and the consumers' ability to purchase new cars, there is an increasing demand for passenger cars.

With the growing focus on improved fuel economy and reduced exhaust emissions, the demand for and sales of electric vehicles, especially electric cars, are expected to witness fast growth during the forecast period. However, inadequate charging infrastructure and the high cost of electric cars may create new challenges for players operating in the market.

#### India Passenger Car Market Trends

##### Increasing Demand of Sports Utility Vehicle in the Market

India was the fourth-largest car manufacturer in the world. Indian motor vehicle manufacturers produced 22.65 million motor vehicles in 2020-21. The enhanced comfort and autonomous safety systems offered by luxury SUVs, as well as perks such as greater agility, more room, and superior comfort compared to sedans, are driving customer predilection toward small SUVs in development.

With rising worldwide vehicle sales, governments and regulatory agencies such as the European Commission (EC) and the US Environmental Protection Agency (US EPA) established severe emission standards to reduce GHG emissions. Stringent regulations have turned global attention to electric and hybrid cars, resulting in the exponential expansion of these vehicles, as well as electric SUVs, in recent years. Many automakers are introducing electric SUVs in the market.

In October 2022, BYD announced its debut in the Indian passenger car market with the launch of the Atto 3, an electric sport-utility vehicle. It aims to begin vehicle deliveries in January. With 24 existing dealership showrooms with partners across the nation, the world's top EV producer has set a goal of selling 15,000 electric SUVs in India next year and capturing 40% of the country's EV market by 2030.

The market for premium SUVs has increased dramatically, in step with the growth of luxury automobiles. Premium SUVs accounted for 61% of all premium vehicles built globally last year. Countries such as the United States, Canada, Japan, China, and South Korea dominate the premium SUV industry, accounting for more than 90% of total worldwide production.

On the other hand, full-size SUVs have various benefits, including adaptability, different drivetrain options, off-roading capabilities on rocky and muddy terrains, substantial towing capability, larger seats, and trunk space, a greater level of comfort, and a competitive range compared to sedan automobiles. The increasing use of electric and hybrid cars, as well as improvements in semi-autonomous and autonomous vehicles, would provide the SUV industry with great growth potential.

##### Shifting Focus Toward Safer Passenger and Electric Vehicles

Improved government regulations and policies, in coordination with various ministries and departments, are anticipated to speed up the process of electric vehicle adoption in India. For instance, the Ministry of Power clarified that no license is required to operate EV charging stations in India. The government considers EV charging stations as a service, not the sale of electricity. Thus, it has been made license-free.

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With the increasing sales of electric vehicles in India, automakers are investing in developing new technologies and increasing their production capacities to accommodate the demand. For instance,

In February 2021, Hyundai announced investing INR 1,000 crore toward developing new affordable EVs. The vehicle will be manufactured locally, and the company is already in talks with local vendors for sourcing the components. Hyundai may also seek a strategic partnership with its sister brand, Kia, as the latter also has plans to add EVs to its portfolio in India. The company is working on a mass market, offering a more affordable electric car for India, which may debut by 2024.

The government has decided to take a critical role in supporting the creation of demand and acceptability of EVs, spurring collaborative R&D efforts, and enabling the required infrastructure to take its shape. The government has also decided to implement a robust EV demand-generating scheme, in terms of size and duration, to meet the objectives of bridging the gap in the acquisition price of EVs compared to the normal IC engine vehicles.

#### India Passenger Car Market Competitor Analysis

Maruti Suzuki led the Indian passenger car market last year in the hatchback, sedan, SUV, and MUV segments. Mahindra registered the highest sales in SUVs, after Suzuki, whereas Hyundai led the hatchback and sedan segments after Suzuki.

Hyundai, Mahindra & Mahindra, Kia, Toyota, and MG India have added new passenger cars to their product line-up. Tata is set to dominate the Indian SUV market with its updated Harrier and Safari models, which are equipped with ADAS features and are expected to be launched in 2023. Tata Altroz holds a fair share of the Hatchback sector market, gaining many buyers due to its build quality, safety, and reliability. Ongoing plant expansions, mergers, and acquisitions between vehicle manufacturers are leading to the market's growth. For instance,

In December 2021, Hyundai Motor India Ltd invested about INR 4,000 crore as part of an ambitious plan to introduce half a dozen electric vehicles (EVs) in the country by 2028.

In July 2021, Maruti Suzuki expanded the country's largest single-location automobile investment as it plans to invest up to INR 18,000 crore for new factory premises in Haryana, which may have a peak annual capacity of 10 lakh units.

#### Additional Benefits:

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

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