

India Car Rental - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2019 - 2029

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Report description:

The India car rental market was valued at USD 3.06 billion in the current year, and it is expected to reach USD 4.01 billion, projecting a CAGR of 5.5% during the forecast period (2024 - 2029).

Key Highlights

- Increasing urbanization rate, growth in the millennial population, improved mobility infrastructure, and rise in tourism serve as the major determinants for the growth of the car rental market in India. With better road transportation infrastructure and a rise in urban population, there will exist a demand for personal mobility, which in turn contributes to the boosting demand for car rental services as it assists in extending an alternative and financially feasible option to the consumers. For instance, the urban population as a percentage of the overall population in India stood at 36% in 2022, compared to 34% in 2018.
- It is estimated that 34% of the overall population in India are millennials, which serves as one of the largest millennial populations across the globe. It is anticipated that the millennial population will contribute 50% of the overall population by the end of 2030. Due to the high cost of owning personal vehicles, millennials prefer availing of car rental services for shorter trips, which positively impacts the car rental market in India. Further, car rental services are preferred due to their cost-cutting and fuel-saving advantages, which are expected to witness a rapid surge in the coming years.
- Coupled with that, improving investment in road connectivity propels the demand for the car rental market in India as it helps enhance consumers' convenience who are willing to avail of the private medium of transportation. In June 2023, the Ministry of Highways and Transport notified that the total length of the national highways in the country increased by about 59% in the last nine years. The total length of National Highways stood at 91,287 km in 2013-14, which increased to 1,45,240 km in 2022-23. Rapid improvement and investment in enhancing national highways assist in better inter-city and inter-state travel, thus fuelling the demand for car rental space in India.
- One of the major challenges faced by the car rental sector in India is its limitation of integrating into Tier 2 and Tier 3 cities and

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rural areas. The car rental market is highly clustered around urban pockets in India as demand for these services is higher in cities such as Bangalore, Hyderabad, Delhi, and Mumbai, among others. Therefore, companies fail to implement strategies to expand their business outside of major urban areas, thus limiting growth opportunities.

-However, technological advancement and a surge in value-added services, such as vehicle pickup and drop services, will contribute to the surging growth of the car rental market in India in the coming years. Various companies operating in the ecosystem have initiated implementing strategies such as fundraising to cater to the growing demand of the car rental market. For instance, in May 2023, IndusGo, a self-drive rental company, received a funding boost of INR 100 crore from its parent company, Indus Motors, to expand its fleet by 1,000 cars in addition to the existing fleet of 480 cars.

India Car Rental Market Trends

Growth in Tourism

- Rising government spending to improve the tourism sector in the country, coupled with a surge in international arrivals, serve as the major determinants for the growth of the car rental market in India. With the surge in tourist arrivals in India, there exists a massive demand for car rentals, as it gives the freedom to the tourists to plan their outings at their convenience rather than being dependent on the schedule fixed by travel agencies. Subsequently, consumers visiting India for business and conference-related purposes also avail of car rental services booked by the organizing team arranging the visit.

- Although international arrivals witnessed a steady decline between 2020 and 2021 due to the impact of COVID-19, with the gradual opening of the economy, international arrivals in India showcased a 305.4% Y-o-Y growth between 2021 and 2022.

Similarly, foreign tourist arrivals in India touched 6.03 lakh (USD 0.82 million) in April 2023, an increase of 53.71% in the same period in 2022, wherein the number of foreign tourist arrivals in India stood at 3.92 lakh (USD 0.285 million) in April 2022.

- Further, the government's excessive focus on placing India as one of the major tourist destinations in the world contributes to propelling the demand for car rental services.

- For instance, in August 2023, the Ministry of Industry and Commerce pitched for increasing collaboration between India, Latin America, and the Caribbean (LAC) countries in areas such as tourism, hospitality, and promoting investment flows. Through this collaboration, the ministry expects a higher number of tourist arrivals from countries such as Belize, Ecuador, Nicaragua, Brazil, El Salvador, Panama, Chile, Guatemala, Peru, Costa Rica, Guyana, and Suriname.

- The Union government announced its plan under Budget 2023 to select 50 tourist destinations through challenge mode, which is to be developed as a whole package for domestic and international tourism.

- Subsequently, under the Budget announced in 2023, the Union Government of India allocated an amount of INR 1,742 crore for the development of tourism infrastructure and another INR 242 crore for promotion and branding.

- Another major determinant aiding the growth of the car rental market is the improved road and highway connectivity in India, which also helps domestic and foreign tourists to visit various cities by using a personal medium of transportation. For instance, the Indian government was successful in developing 10,993 km of national highways between 2021 and 2022. Furthermore, the government is aggressively planning to scale up the road construction project in FY2024 with higher investment in the investment trust fund (InvIT) set up by the National Highways Authority of India (NHAI).

Increasing Demand for Online Car Rental Service to Gain Traction in the Coming Years

- The increasing internet and smartphone penetration rate in India is contributing to the surging growth of online car rental bookings in recent years. The internet penetration rate in India stood at 48.7% in 2022, compared to 47% in 2021. Similarly, the smartphone penetration rate touched 70.95% as of June 2023. With the rise in the availability of internet and smartphone services

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across India, there will exist a demand for online bookings as it offers enhanced convenience to the customers, which gives the option of booking without visiting any physical location,

- Further, the integration of various online car rental portals in the ecosystem assists the consumers in garnering a variety of information related to the vehicles available, condition, rate per day, and cashless transactions, among others, which is readily available on the website or mobile application. It also helps in extending value-added services to the users, such as verification of documents of the renter, offering information to the renter regarding the car, services like drop and pick-up of the rented car at a certain place, e-signing contracts, etc., which enhances customers convenience.

- Various companies are actively implementing strategies to improve their online booking mechanism to cater to the rising demand for e-booking services. For instance,

- In May 2023, Indus Motors-backed self-drive car rental startup announced the launch of its upgraded mobile app 'IndusGo 2.0'. Designed to keep the end customer in mind, IndusGo 2.0 incorporates state-of-the-art technology and an intuitive interface, making the entire booking process seamless and hassle-free.

- TravelLocal, an initiative by Amsons Tours and Travels Pvt Ltd, has set up online car rental and cab services for local and outstation travel. Travelocity offers its services to over 99 cities across India, with 625+ operator affiliations. It allows its customers to rent a car or get a cab 24/7 by visiting its official website and making a few simple clicks.

- Integration of new-age startups in the ecosystem would further assist in the growth of online car rental booking services in the coming years, which is expected to record a surging growth during the forecast period.

India Car Rental Industry Overview

The market is moderately fragmented and competitive, with various local and nationwide companies operating across India. To gain a competitive advantage against major players, various companies operating in the market focus on extending car rental services to cater to corporate clients. Some of the major players include Zoom Car, Revv, Drivezy, MyChoize, Myles, Vroom Drive, Avis, Eco Rent a Car, and Ola, among others. The primary focus of these players is on enhancing their services to gain a customer base and maximize profitability. Further, these players compete based on various parameters such as price, assistance and maintenance services extended, insurance options, and business presence across India, among others.

Various companies operating in the ecosystem are actively engaging in forming partnerships and implementing rebranding strategies to enhance their brand presence and expand their business capability across India. For instance,

In May 2023, MyChoize, a self-drive car rental company in India, announced the completion of its rebranding initiative, under which the company invested heavily to update its services and website to upgrade the overall customer experience.

In February 2023, Orix, a car rental company operating in India, announced that MG Motor India delivered 108 Hector SUVs in a single business day to assist the company in catering to the growing demand for car rental services.

In January 2023, Zoomcar announced its partnership with homegrown electric vehicle charging network startup Statiq to accelerate EV-based travel in the country. Under this agreement, Statiq, along with Zoomcar, will enable EV owners to host on Zoomcar and earn additional income by sharing with guests.

Additional Benefits:

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

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