

Auto sector sees K-shaped recovery post-pandemic

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THE AUTOMOTIVE SECTOR has witnessed a K-shaped recovery after the Covid-19 pandemic, with the two-wheeler segment growth lagging behind that of cars and SUVs for much of the last year.

According to the Society of Indian Automobile Manufacturers (SIAM) data, segments that cater to entry-level buyers in two-wheelers and four-wheelers saw relatively muted growth compared with the rest of the industry.

The premium and luxury segments in both these categories recorded a much superior growth, it added.

The trend indicated a widening gap in the demand-recovery process post-the pandemic.

This is because for an overwhelming 60% of the volumes, two-wheeler manufacturers rely on the rural markets which bore the brunt of the lockdown and pandemic effects, market watchers said.

About 60-70% of India's car and SUV market gets generated from the urban and semi-urban markets which recovered faster from the Covid-19 disruption.

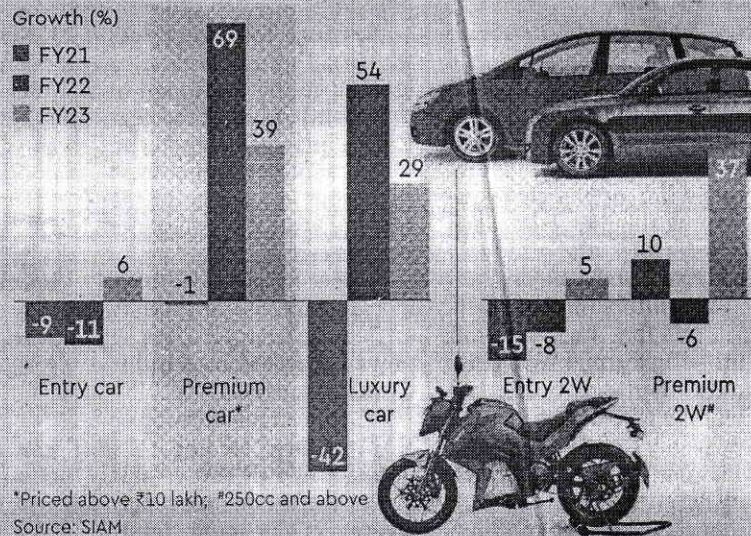
Almost every fourth car sold by Mercedes-Benz, India's largest luxury auto brand, was priced at ₹1.5 crore or above, according to the company. This share used to be half or 12% five years ago.

Similarly, Italian supercar maker Lamborghini has already exhausted its India quota of cars for the year while BMW and Volvo are struggling to get enough electric cars to meet the domestic demand.

Thanks to a series of launches in the ₹10 lakh and above segment, especially of the SUV-type such as Kia Seltos, Hyundai Creta, Mahindra XUV700, growth of the premium passenger vehicle category has been more than six times the growth recorded by the entry level segment in FY23.

Launched last year, the fully facelifted Maruti Suzuki Alto, the cheapest car in the country, is presently carrying a discount of nearly Rs 60,000, among the high-

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est in the segment below Rs 10 lakh.

The Maruti S Presso, another entry level compact car, also carries a near-similar discount, indicating the muted retail demand for these products.

Repeated increases in product prices due to high commodity costs, forced car makers to carry out multiple hikes over the last 12-15 months. This, market watchers say, has pushed the entry cars out of the financial reach of budget car buyers in addition to high fuel prices.

"For the blue-collar workers, who were impacted by the pandemic more than the rest, for them the car prices hikes have been substantial. Running costs have surged even as residual value of the vehicle has dipped," said Puneet Gupta, director, S&P Global Mobility, Automotive Sales Forecast India & Asean.

After years of trying, Japanese heavyweights Yamaha and Suzuki gave up their ambitions to shore up volumes and quit the entry level motorcycle segment. Both companies realigned their targets to chase growth in the premium segment instead.

After being among the first to come out with a 125cc scooter, Suzuki is now among the top three manufacturers in the segment. A 125cc scooter segment is consid-

ered to be a premium offering because of its 30% high pricing compared to a 100cc.

The entry level two-wheeler segment grew by only 5% in FY23 as against 37% clocked by the premium two-wheeler segment in the same year, as per data shared by the Society of Indian Automobile Manufacturers. The premium segment comprises bikes having 250cc and more with a typical entry price of Rs 1.8 lakh.

"The margins are wafer thin in the 100-110cc bike segment and volumes are also declining. With inflationary pressures, it is becoming very difficult to sustain business within that segment. That is why Hero is desperately chasing volume in the premium segment with Harley," said a Mumbai-based analyst.

Within 10 days of opening the bookings, over 10,000 units of the Triumph Speed 400, manufactured by Bajaj Auto, were booked. The bike is priced at Rs 2.23 lakh and is among the most expensive bikes made by Bajaj.

Automakers believe that it is the change in the attitude of the Gen-next buyers that is responsible for the surge in demand which is not just restricted to the automotive sector but also seen in travel and leisure trends.