

Auto industry will grow at 5-6% per year: RC Bhargava

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The Indian auto industry has struggled a lot in the last 2-3 years, but now it is in a recovery phase and several companies have recorded their best-ever year in 2022. However, shortage of semiconductors continues to be a problem, which, according to RC Bhargava, Chairman, Maruti Suzuki India, should last only till October. In an exclusive interview with *businessline*, Bhargava also said the industry is expected to grow 5-6 per cent per year. Excerpts:

Do you think the Indian auto industry is on a rebound mode now, after a stellar performance in 2022?

Overall, I think the growth of the auto industry in India slowed down a lot in the previous decade... last four years, because of Covid, the semiconductor issue and all that. In 2022-23, the industry got ahead of its previous best performance year; that was four years ago. But, the signs going forward are that the industry will grow at about 5-6 per cent a year as a whole.

What about the semiconductor shortage? By when do you expect normalcy to return?

There are still problems in some isolated areas... it's not a widespread problem, not as big as it used to be. Things have improved significantly. But yes, there are some areas where there is a shortage of certain kinds of semiconductors.

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of this year — which means from October onwards — we should be more or less on a normal footing as far as semiconductors are concerned.

Do you think more people going for the mid or top variants of vehicles is one of the reasons for the semiconductor issue?

I think during the Covid period, the industry suffered setbacks, and expansions did not take place. The entire demand on the semiconductor industry on the other hand, grew very fast because there was a big expansion of use of technology in areas such as communication systems.

The industry (auto) was not able to cope up with the growing demand. I think there is an issue also of better coordination between the manufacturers, tier-1 vendors and the designers.

You recently said affordability is an issue when it comes to small cars, especially in the smaller towns and rural areas. Do you think that would hamper the growth in the car industry?

We have seen in the last four years that for various reasons, the demand of cars in the lower segment or entry-level segments or just above the entry-level segment, has slowed down significantly, and as a result some car manufacturers have already gone out of production in that area.

We have had to slow down our production there, but we are also now looking as to what should be our capacity planning and therefore, the requirement for (more) facilities, organisations and such things. Going forward, it seems that the growth of the small car market/ low-end of

the market will be significantly slower than what had been in the past. Whereas, the market for the bigger and the more expensive cars will continue to grow.

So overall, we will not get to the double-digit growth which we had between 2000 and 2010. I don't think that era is coming back soon, unless there are again, some changes in the entire system.

Is it do with BS6 also kicking in and also preference for SUVs?

People who are buying small cars are the people who are upgrading from two-wheelers. That segment has lost its ability to buy cars in the same speed and the same time they were upgrading earlier.

The other (higher) segment is continuing to grow, so relatively yes, SUV segment is growing faster.

Do you think it is time to change the stance now to a big/ SUV player?

We have just added four new SUVs and the next few years, we will accomplish launch of EVs, and they are all in the bigger (expensive) segment. They are not going to be high volume vehicles. The smaller segment has slowed down but that doesn't mean that volumes have become very small or insignificant... the volumes still run into lakhs and lakhs of cars per year.

Do you think the country has enough EV charging infrastructure now?

It's not as if the EV segment has started galloping ahead. But, it's growing and it continues to grow and all of us will continue to add a model in the EV segment. But, the government has also said there are other options/ alternative fuels which they are encouraging.