

Carmaker bets on India's growing love for SUVs

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IPO-bound Hyundai Motor India Limited is betting big on India's new-found obsession with sports utility vehicles (SUVs). According to its draft red herring prospectus, SUV share in India's car market is set to jump to 60 per cent by FY29 from around 50 per cent now.

The firm said its future success would largely depend on the success of its SUVs in the Indian market, which is experiencing cannibalisation of hatchbacks and compact sedans. The share of SUVs in the Indian market was hardly 23 per cent in FY19. The share of hatchbacks dipped from 47 per cent to 28 per cent between FY19 and FY24, while that of sedans declined from 19 per cent to 9 per cent during the same period.

"With our premiumisation strategy, we expect the SUVs to continue to form a substantial portion of our passenger vehicle portfolio and sales. Consequently, our future success will, to a large extent, depend on continued demand for and market acceptance of our SUVs, and our ability to enhance, develop and manufacture SUVs that meet the evolving needs of our customers," the company said in its DRHP.

HMIL's established presence in the domestic passenger vehicles market is underpinned by the strong position of the Grand i10 Nios, Aura, and i20 in the compact car segment, and Creta, Venue, Alcazar and Tucson in the SUV space. As many as 30 SUVs have been launched in the last five years, versus four hatchbacks and three sedans. According to a CRISIL report, the SUV segment is expected to grow at a compound annual growth rate of 7 per cent to 9 per cent from FY24 to FY29.

However, a change in government regulations, including those related to taxation, consumer preferences, technological change, or other



PV market share in %

■ FY24 ■ FY29

Hatchback	28.1	21-23
Sedan	9.3	7-9
SUV	50.3	57-60
MPV	8.9	9-11
Vans	3.4	2-4

MPV: Multi-purpose vehicle; SUV: Sport utility vehicle
Source: Hyundai DRHP

factors that could reduce demand for SUVs, may impact this, the DRHP said.

"Modern consumers in India are preferring mid-end or top-end versions of the vehicles, moving away from the traditional fuel-efficient budget-friendly small cars towards higher priced feature-loaded larger cars which offer much more space, taller ride height, seamless connectivity, and improved performance. An increase in spending from the upper middle class after the pandemic led to more purchases of SUVs, supported by a higher number of model launches in the SUV category (which has higher profit margins) and an increase in affordability with the launch of compact SUVs led to cannibalisation of hatchbacks and compact sedans," the company said.

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