

Bhargava wants more for 'Bharat' consumers

Maruti Suzuki chief for incentivising alternative tech for small cars

SURAJEET DAS GUPTA
New Delhi, 24 August

Maruti Suzuki Chairman R C Bhargava has made a strong pitch to the government for incentivising the use of alternative technology such as hybrid, CNG, ethanol and biogas for small, affordable cars, so that consumers in the "Bharat market" have an alternative to the costlier electric vehicles (EVs) which are currently out of their reach.

Bhargava also made a contrarian call, saying that small car (below ₹7.5 lakh) sales will continue to grow for a long time to come, because over 200 million two-wheeler customers are waiting to upgrade to cars.

The shrinking of its share in the overall sales of automobiles has been caused by a substantial increase in the price of the models, forcing thousands of would-be buyers to shelve their plans.

The market share of the sub-₹5 lakh cars has shrunk from 25.8 per cent in 2018-19 to just 10.3 per cent in FY22, and the market for cars under ₹7.5 lakh has shrunk from 60 to 43 per cent over the same period

The price rise has taken place due to the costs incurred in moving from the BS4 to the BS6 standard, forcing hundreds and thousands of potential buyers to shelve their plans.

"India is not a homogenous market; there are two markets — the 'Bharat' market for affordable small

"FOREIGN INVESTMENT WILL COME FAR MORE READILY IF INDIA HAS BUILT UP THE SUPPLY CHAIN. AND WE SHOULD INVITE COMPONENT MAKERS TO INDIA BEFORE WE INVITE OEMs"

R C Bhargava,
Chairman, Maruti Suzuki



FULL INTERVIEW

PAGE 2 >



cars and a sophisticated and developed market of consumers who want bigger, ₹20-25 lakh cars," said Bhargava. He pointed out that unlike other countries, currently, 70-75 per cent of the automobile market in India is for cars below 4 metres,

and a large part of the car sales in this category is for those priced below ₹6-7 lakh.

"But the pace of electrification for this market has to be much slower because of India's lower per capita income of \$2,000 dollars, compared to other markets like Europe, where it is \$40,000," said Bhargava, adding that even Maruti is building EVs to cater to the second market segment.

Bhargava said that the challenge is to fix the problem of the "Bharat" market where, until the technology changes dramatically, the cost of an electric car would be double that of an internal combustion engine (ICE) car. A price tag of 1.2-1.3 million for an electric would not be affordable for most. The solution to this, he said, is alternative technologies. "Hybrid cars, in which Toyota has developed technology, are cleaner in terms of carbon emissions compared to electric cars which depend on 75 per cent coal fired energy. And if we use ethanol, and develop our bio-gas potential, we will be able to reduce carbon emission and reduce crude oil imports," he said.

Bhargava said that India has till 2070 to meet carbon emissions targets. "The government should incentivise these other technologies and help in reducing overall emissions and reduce petrol usage," he said.

According to him, the current price of hybrid cars would be around ₹4 lakh more than an ICE-only car. But the reduction of GST, as the government has done in the case of electric cars, combined with the on-going work to reduce costs in small cars, would bring down their price to affordable levels, and even lower than electric small cars.

Turn to Page 6 >

P2 >

MERCEDES EXPECTS EVs TO CONTRIBUTE 25% TO ITS TOTAL SALES BY 2025

Bhargava...

The fact that the market share of cars under Rs 5 lakh has shrunk from 25.8 per cent in 2018-19 to 10.3 per cent in FY 22 is because, “entry-level cars have become less affordable on account of the substantial percentage increase in their prices due to the regulatory requirement of moving from BS 4 to BS 6.” Bhargava said.

He pointed out that while the cost of making the upgrade is similar across all segments, its impact in terms of percentage on price is more for cheaper cars. And this is reflected in the fact that hundreds of thousands of customers have shied away from buying a car.

Even so, the potential market is huge. As Bhargava puts it: “You don’t need a survey to understand that in a country with over 200 million two-wheeler consumers and where 20 million two-wheelers are sold every year, there is a huge market looking for an upgrade to an entry-level or small car.”

Bhargava believes that in the coming years, if the country hits a growth rate of 8 per cent, per capita income will rise, and low middle class consumers, who will see their income go up, will be able to afford small cars even with the high price.

He also argued that despite all the noise about car sales shifting to the more expensive models, the share of cars over Rs 15 lakh is still around 15 per cent of the market in FY 22. The fact is that as much as 56 per cent of the car sales in FY 22 continues to be in the ₹5 lakh to ₹10 lakh category.