

Luxury car share unmoved in 5 years

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THE SHARE OF luxury cars in India has remained static in the last five years, highlighting their abysmal penetration levels in the world's third-largest automotive market and home to one of the highest number of millionaires.

Five luxury car brands — Mercedes-Benz, BMW, Audi, Jaguar Land Rover and Volvo — together sell one luxury car in the country while the other brands sell 99. This brings their share to just 1% in the India. The global average share of luxury cars stands at 2%, as per estimates.

Emerging economies such as Brazil, Thailand and Indonesia have luxury car penetrations ranging 5-8% while more developed markets like Germany and the UK have 25% and 15%, respectively. In China, the world's largest market, the share of luxury cars stands at 13% as of 2022-end.

By the end of this calendar year, India's luxury car market would have grown to 45,000-46,000 units, making 2023 the best-ever year for the segment. The previous best came in 2018 when the five brands sold 40,340 units. In 2018, the share of luxury cars stood at 1.18%.

During the January-September

IN THE SLOW LANE

Luxury car penetration (%)



Source: Auto sales data of individual countries

period this year, India saw sales of around 33,500 luxury cars. German giant Mercedes-Benz had a share of 40% while BMW controlled 29% of the market.

Manufacturers and market watchers blame the high levels of taxation that India has on not just fully imported units but for those assembled or made within the country as well. The final selling price of a fully imported car in India gets doubled after including all the relevant taxes. "Luxury car penetration remains low (in India) owing to a combination of high price barriers and conservative spending," said

Santosh Iyer, managing director and CEO, Mercedes-Benz India, the country's largest luxury carmaker.

However, Iyer added: "While luxury industry penetration may remain around 1% of the total PV market, there is a structural change in the luxury segment which is maturing fast, with clear acceleration of the top-end vehicles worth ₹1.5 crore and more, which now comprises 25% of our volumes."

Amit Dakshini, president & sector leader, Automotive & Manufacturing Practice, Arthur D Little India and South Asia, said, "The growth in Indian economy has fostered the

emergence of an upper middle class, rapidly moving towards a rich consumption base."

High net worth individual population with asset value of \$1 million and more, which was recorded at 790,000 persons in 2022 will also rise to 16,50,000, growing 107% by 2027, as per a Knight Frank report.

"The ₹30 lakh and above household income is likely to be a significant 10% of the total households in 2030-31. About 80% of this population will be earning ₹50 lakh and above — a significant target market for the luxury segment in India," said Dakshini.