

Small cars should not be squeezed out, says Bhargava

Two-wheeler buyers aspire to own entry-level cars, says Maruti Suzuki chairman

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INDIA IS THE world's largest two-wheeler market but with a notably under-penetrated car market, Maruti Suzuki chairman RC Bhargava has said. This gap may widen further if the entry-level car segment gets squeezed out in favour of growth for large, upscale cars, leaving such buyers without much choice, he added.

The interest of carmakers in the entry-level segment (priced below ₹5 lakh) has dwindled dramatically over the last five years — the primary reason being the natural upshift in preference for feature-rich, spacious and powerful cars instead. This change has led to phasing out of several models from the entry segment.

This market shift, however, will lead to fewer choices for two-wheeler buyers, especially those with families who aspire to progress to small cars, Bhargava said.

There are an estimated 220-230 million registered two-wheelers in the country. The two-wheeler penetration level in India is estimated at 160 per 1,000 people, while for cars it is 25 per 1,000 people — among the lowest in the world.

"India is very under-penetrated when it comes to personal mobility. A country cannot move



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CHAIRMAN, MARUTI
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primarily on two-wheelers. They are not an efficient form of commuting. They are unsafe and not suitable for families. We are the only country in the world where the bulk of the people move on two-wheelers. The car industry has to move up, otherwise the whole effort (to improve) the quality of life of the people will not succeed," Bhargava told *FE* at an event held recently to mark 40 years of Maruti Suzuki.

Hyundai Santro, Hyundai Eon, Datsun Go, Mahindra KUV100 and Tata Nano were some entry-level models that were pulled out from the market over the last 5-6 years. This has left just Maruti Alto, Maruti S-Presso and Renault Kwid.

From 13% in FY18, the share of the entry (mini) segment in India's passenger vehicle (PV) industry fell to 7.76% in FY22, data from the Society of Indian Automobile Manufacturers (SIAM) show.

"I don't like a situation where a large mass of people, who have decades of an aspiration of moving up, are finding their dreams

going further away," he said.

In the past two years, car prices have moved up by 15-22% on account of a surge in costs such as raw material, freight and other inputs. Meeting the new regulatory norms has also led to a rise in costs.

The pressure has been the most severe on the price-sensitive, entry-level buyer where a car priced at ₹3.75 lakh in 2019 is now priced around ₹4.5 lakh. In addition, the increase in petrol costs may have forced the entry-segment buyer to stay within the two-wheeler segment, market experts said.

"Some of the regulations which have come, the impact of that has been adverse on the bottom end of the market. And I am not happy about that because of the impact on the customer," Bhargava added.

Maruti Suzuki tried to infuse new life into the segment with the launch of the updated Alto, its entry-level car, earlier this month. At the launch, the company also said the model is getting bookings of 200 per day.