**INDUSTRY ANALYSIS OF AUTOMOBILE SECTOR**



# **ECON F355 BUSINESS ANALYSIS & VALUATION**

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**BIRLA INSTITUTE OF TECHNOLOGY AND SCIENCE, PILANI, HYDERABAD**

**(October, 2022)**

**ECON F355: BUSINESS ANALYSIS & VALUATION**

**COMPANY 1: TATA MOTORS**

**COMPANY 2: MAHINDRA MOTORS**

**COMPANY 3: MARUTI SUZUKI**

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**ACKNOWLEDGEMENT**

We want to thank Prof. Niranjan Swain for providing us with an opportunity to work on this project, which helped us in applying our knowledge of the course in real life. We like to express our deep gratitude for his timely guidance throughout the course of this project, which was instrumental to the completion of this project. We shall remain indebted to him for his help and advice throughout the course and this assignment. We are also thankful to the Economics Department, BITS Pilani Hyderabad Campus, for creating such provisions for students to participate in innovative, valuable projects while also giving hands-on experience in applying our knowledge to real-world data. This project has undoubtedly developed our skills and has given us the necessary tools to excel further in this field.

**Introduction to Automobile Industry[[1]](#footnote-1)**

One of the primary economic pillars in India is the automotive industry. It is a significant growth engine with strong backward and forward linkages. A vibrant, competitive market and the introduction of several new companies brought about by liberalisation and deliberate governmental interventions over the past few years led to an increase in the capacity of the automobile industry and the creation of significant employment. The economy's "Sunrise Sector" is a fitting name for the sector. This sector's share of the national GDP increased from 2.77% in 1992–1993 to around 7.1% today. Over 19 million people are employed through it directly and indirectly. India is quickly becoming into a major automobile hub.

In FY22, 22.93 million automobiles were produced annually in India.

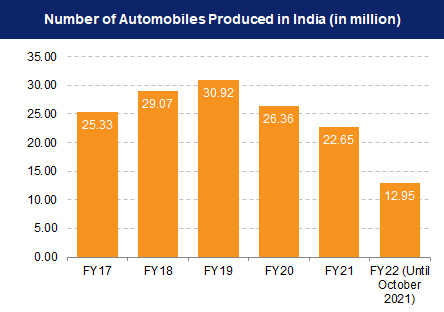
Due to India's large proportion of young people and expanding middle class, the two-wheeler category dominates the industry in terms of volume. Additionally, the expanding interest of businesses in investigating the rural markets contributed to the sector's expansion.

India is a significant exporter of automobiles and is rapidly developing in the near term. By 2022, it is expected that several initiatives by the Indian government and important automobile producers will position India among the top four global markets for two- and four-wheel vehicles. The market of passenger cars in India was estimated at US$ 32.70 billion in 2021. By 2027, it is expected to grow to US$ 54.84 billion, with a CAGR of nearly 9%.

By 2025, it is predicted that India's electric vehicle (EV) market will be worth Rs. 50,000 crores (US$ 7.09 billion).

NITI Aayog and the Rocky Mountain Institute (RMI) estimate that by 2030, the Indian EV finance market will likely be worth Rs. 3.7 lakh crore (US$ 50 billion).

According to a report by the India Energy Storage Alliance, the country's EV industry is anticipated to grow at a CAGR of 36% until 2026. In addition, projection for the EV battery market is expected to expand at a CAGR of 30% during the same period.



The availability of competent labour at reasonable prices, strong R&D facilities, and affordable steel manufacturing are among the few elements influencing the automobile business. The sector offers excellent chances for investment and direct and indirect employment for skilled and unskilled labour. By 2026, it is anticipated that the Indian automobile sector (including component production) will be worth Rs. 16.16–18.18 trillion (US$ 251.4–282.8 billion). After recovering from the COVID-19 pandemic's effects, the Indian auto industry is expected to grow rapidly in 2022–2033. In 2022–2023, sales of electric vehicles, particularly two-wheelers, are projected to increase.

**BCG Analysis**

As its name implies, the BCG (Boston Consulting Group) matrix is the eponymous technique developed by the BCG that gained popularity in the 1970s. It may be referred to as the growth-share or business portfolio matrix. It was used as a technique for helping companies in analyzing their diverse business or product portfolios. It is a graph with two axes - Market Share and Growth Rate. The four quadrants are Dog, Question Mark, Star, and Cash Cow.

**Maruti Suzuki**

|  |  |
| --- | --- |
| **Star** | **Question Mark** |
| Swift Dzire | Grand Vitara |
| **Cash** | **Dog** |
| Alto | Omni |

**Star -** Sedans were the ideal vehicle to have a luxurious appearance and set yourself apart from your peers until the Indian auto industry became infatuated with SUVs. When the Dzire was introduced, entry-level hatchback vehicles like the Maruti WagonR ruled the market. The Maruti Dzire was expensive but provided a wealth of features and advantages relative to its cost. Sedans' backseat comforts were also quite reliable and had a sizable customer base. In their respective segments, the Maruti Suzuki Swift and Dzire continue to enjoy the greatest resale values. A car that has been properly maintained can be resold with the least amount of depreciation losses. Popular Maruti vehicles depreciate at a fairly slow rate on the Indian used-car market. Swift sales surpassed the 19.2k mark in February 2022. YoY volume loss was 1,062 units, compared to 20,264 units at a volume loss of 5.24 percent. Swift sales for the MoM were essentially unchanged after slight rise. Dzire, with sales of 17,438 units, came in second place behind this. Up from 11,901 units at a volume increase of 5,537 units, it represents a significant YoY growth. Sales of the Dzire increased by 16.51 percent month over month, from 14,967 units.

Reference-<https://motoroctane.com/news/208651-maruti-dzire-king-segment>

**Question mark-** Maruti Suzuki, the market leader in the compact car class, is placing a significant bet on this midsized SUV to take some of the market share in the SUV category. The Grand Vitara is most likely the brand's first vehicle with a potent hybrid powertrain. Maruti thinks that because there aren't as many of their own SUV models on the market, their market share is low and that they should release additional vehicles to capture more of that market. There are currently 48 models in the SUV market, only two of them are manufactured by Maruti. The total number of Maruti Suzuki automobiles sold in September 2022 was 34308 units. In September 2022, Maruti Suzuki Grand Vitara sold 4769 units, a 100.00 percent MoM increase.

Reference- <https://auto.economictimes.indiatimes.com/news/passenger-vehicle/uv/maruti-suzuki-looks-to-up-market-share-game-with-grand-vitara/93012781>

**Cash Cow-** The Alto, which debuted on September 27, 2000, has been India's best-selling automobile since 2004-2005. Sales in total exceeded 4 million units. It recorded a sharp 26% fall in sales in 2019–20 at under 2 lakh units, yet it kept the top spot in the market. It has previously defeated rivalry from vehicles including the Tata Nano, Hyundai Eon, Renault Kwid, and Datsun Go Maruti Alto, which has been India's bestselling vehicle for 16 years and counting, has surpassed 4 million domestic unit sales for the first time. Maruti Suzuki automobile sales as a whole in September 2022 totalled 114072 units. Sales of the Maruti Suzuki Alto 800 increased by 42.09 percent month over month in September 2022 to 24844.

Reference: <https://www.businesstoday.in/auto/story/20-years-maruti-alto-slow-starter-became-first-car-top-4-million-sales-274495-2020-10-01>

**Dog**- When Maruti Suzuki introduced the Maruti Van in 1984. Up until 1988, when this vehicle had a name, it was sold under that name. If the new safety and crash regulations had not been implemented, no one would have realised that the van known as the Omni would be sold for three more decades, or even longerThe Omni, like the 800, is a true symbol in the history of automobiles in India; it was the vehicle that inspired everyone to buy a van.After October 2020, MARUTI Omni manufacture will be stopped.

Reference: <https://www.motoroids.com/news/maruti-suzuki-omni-a-car-that-made-everybody-want-a-van/>

**Mahindra & Mahindra**

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| --- | --- |
| **Star** | **Question Mark** |
| XUV 500  Scorpio | Electric XUV 300 |
| **Cash Cows** | **Dog** |
| Bolero  Xylo | Mahindra Voyager  Mahindra Quanto |

**Stars-** The Scorpio and XUV 500 are Mahindra and Mahindra's bestselling vehicles. In India, the XUV 500 leads the market for SUVs, but Scorpio is the best-selling and most well-known vehicle in the country's rural areas. The total number of Mahindra automobiles sold in September 2022 was 34262. In September 2022, Mahindra Scorpio Classic sold 9536 vehicles, representing a 26.01 percent MoM increase.

Reference- <https://www.mahindra.com/stories/scorpio>

**Cash cows-** With sales of more than 1 lac units over the past two years, Bolero has been the best-selling car. Bolero sold over 1,17,000 units in India in 2013. Mahindra's Bolero, which debuted in 2001, has been a cash cow for the company for the past 13 years, while the Mahindra Xylo was only introduced in 2009. The best MUV in India is this one. In the previous month, the Mahindra Bolero had the highest sales figures. Sales increased by 156 percent from the 3,218 units sold in August 2021 to 8,246 units in August 2022. In addition, it represented a 4 percent MoM sales increase over the 7,917 units sold in July 2022.

Reference: <https://www.carwale.com/features/mahindra-bolero-more-than-what-meets-the-eye-34208/>

**Question mark-** This EV might be seen as the company's first step away from its conventional fossil-fuel-powered vehicles and towards the world of electric automobiles. These EVs will have a substantially longer range, be larger, and be much more practical as daily drivers. For instance, the Mahindra XUV300, which is powered by batteries, will have a 350–400 km range.

Reference - <https://www.autocarindia.com/car-news/mahindra-to-launch-electric-xuv300-in-january-2023-424620>

**Dogs-** Due to its price, Mahindra & Mahindra's Voyager was a failure, whereas Quanto is also losing out on opportunities because the vehicle isn't selling as the business had hoped. The corporation believed it would make back its investment, but because this model was not sold, BEP was no longer around for at least ten years.

Thus, it has at last earned the company the title of Dog.

Reference: <https://www.cartoq.com/mahindras-biggest-ever-flops/>

**Tata Motors**

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| **Star** | **Question Mark** |
| Tata ACE | Tata Nano |
| **Cash Cows** | **Dog** |
| Tata Sumo | Tata Bolt |

**Star-** With more than 60% of the mini-truck industry, the Tata Ace has been a pioneer in India's 4-wheel small commercial vehicle market. Tata Ace established the mini-truck market in India and has remained the top option for Indian business owners for the past 16 years. Over 2.3 million (23 lakh) Indians today rely on the mini-truck, colloquially known as "Chotta Haathi," as a source of income and entry point into entrepreneurship since its introduction in 2005. By meeting the country's changing freight transportation needs, the Tata Ace has contributed to the development of the country. He has legitimately developed into the most prosperous Indian commercial automobile ever.

Reference- <https://www.autopunditz.com/post/tata-ace-scv-crosses-16-years-in-the-indian-market-and-over-23-lakh-units-sold-to-date>

**Question mark-** The Nano's engine was a 624CC SOHC petrol with a manual gearbox, a rear engine, and rear wheels that provided a very commendable 25 kilometres per litre. The automobile got a respectable 15–17 kilometres per litre in the city. This 642 cc engine put out 51 Nm of torque and 37 horsepower of power. This was not accomplished, and a number of issues, such as delays in the factory's move from Singur to Sanand, early cases of the Nano catching fire, or the image of the car as being risky and of poor quality owing to cost-cutting, contributed to the fall in sales volume. The actual number of sales for the model year 2016–2017 was 7,591. The Tata Nano measured 3164 mm in length, 1750 mm in width, and 1652 mm in height. It provided a respectable 180 mm of ground clearance. At debut, Tata Motors forecasted 250,000 annual output figures.

Reference:<https://gomechanic.in/blog/tata-nano-india/>

**Cash cows-** Since its initial appearance in 1994, the Tata Sumo has contributed to the development of the Indian automotive sector. It came as an SUV with ten seats and rear-wheel drive. It was developed largely for rural areas of the nation and for military uses. It quickly achieved success. The sales total for 1997 was close to 100,000 copies. Tata Motors has a reputation for building affordable automobiles. The majority of Tata vehicles are affordable. The same was true with sumo. The outcome of a very well-thought-out and well-executed effort was Tata Sumo. It was constructed to be durable enough to resist the wear and tear of rough roads and off-roads, which are common in rural India. It has a very high endurance capacity. The four-wheel-drive model was only utilised for military operations and fleets.

Reference -<https://motoroctane.com/news/208737-evolution-tata-sumo-india>

**Dogs-** While the Tiago changed everything for Tata Motors in India, the company had the same goals for the Bolt, which it replaced. As a new generation product, the Tata Bolt was introduced to take the place of the outdated Indica Vista. Although the Tata Bolt was a quality vehicle, its unattractive form nevertheless substantially incorporated the Indica Vista's appearance. Tata stopped concentrating on the Bolt and turned its attention to the Tiago, which was an immediate success. The Tata Bolt consequently passed away gradually and silently. Two engine choices were available for the Tata Bolt: a 1.3-liter 75 PS diesel engine and a 1.2-liter 90 PS petrol engine.

Reference- <https://gomechanic.in/blog/tata-bolt-in-india/>

1. <https://business.mapsofindia.com/automobile/> [↑](#footnote-ref-1)