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Cab companies rev up sluggish car sales

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As we have seen in the figures out last month, car sales in India have grown at a healthy 7.73 per cent for the seventh month in a row. Steady acceleration, this, for the auto industry that's been in the slow lane for a while. But the reason behind this pick-up is not because you and I are suddenly out there buying up those cars, it's actually our cab companies who are driving this growth.

Car-hailing firms like Uber and Ola are pushing their way into the country's \$8-10 billion taxi market, and carmakers find themselves benefiting from this rush of aggressive taxi service aggregators. Top auto companies like Maruti Suzuki, Hyundai,



Tata Motors and Toyota have seen their car sales, sold as taxis, zoom in the past months.

In the first three months of the current financial year, Suzuki's Dzire Tour registered a 149 per cent jump in sales to 7,909 over the corresponding period last year. Korean car major Hyundai Motor India has been selling 700 units of the i10 taxi, significantly up from 100 units in the launch month of November.

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Cab-hailing firms tie up with carmakers for price discounts

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"We have seen the i10 gain acceptance among taxi operators and so we plan to make the car available in all major cities," said Rakesh Srivastava, senior vice president (sales and marketing), Hyundai Motor India. Srivastava confirmed that the company was in talks with taxi aggregators to widen their business partnership.

Sales of taxi models are set to further accelerate, given the car-hailing firms' expansion drive on the back of generous investor funding. Moreover, car financiers such as SBI, Srilam Transport Finance, Mahindra Finance and Cholamandalam have also joined the bandwagon for their share of the pie.

As per a cab company executive, taxi aggregators pre-negotiate car prices with automakers at heavy discounts for their driver-partners. In order to keep the taxi's running cost low, these app-based firms have also tied up with fuel retailers like Indian Oil.



"We are selling Etios and Etios Liva to our taxi customers which currently contribute nearly 8-10 per cent of additional customers to our fleet sales, and is growing month on month," said N Raja, senior vice president and director (sales and marketing) at Toyota Kirloskar Motor Private.

Ola, for instance, has entered into an agreement with car finance companies and automakers to ensure up to Rs 100,000 discount to their 'driver-partners'. Rival Uber has also entered into similar tie-ups. "We have financing tie-ups with almost a dozen car-financing companies," said Neeraj Singhal, head of expansion for India & the subcontinent for Uber.

Singhal, who is very bullish on the Indian taxi market, said Uber would expand its presence and compete more on efficiency and affordability rather than number of cities in an oblique reference to Ola's claim of being present in 100 cities. Uber recently announced its entry into seven more cities taking its total count to 18.

"Our business is designed around efficiency. We will continue to be affordable as a result. We are here for the long-term and want to gradually expand operations. We are definitely not in a rush," Singhal added.

It is estimated that the organised taxi market in the country is growing annually by 25-30 per cent. Not surprisingly, Ola has grown 10 times in size in the last one year with investors valuing the company at \$2-2.5 billion. The company has raised \$800 million from venture funds. "We are operating in 100 cities as of now, and intend

to double it in the next one year," said an Ola spokesperson.

The model brought out by taxi aggregators seems to be working well for all stakeholders, including drivers. "On an average, Ola is adding 1,000 taxi operators daily on its platform," the Ola executive added. The company controls about 85 per cent of the app-based taxi service market. It has nearly 200,000 vehicles on its platform and counting.

Application-based car-hire services are expected to expand fast once government regulations are in place. Smartphone penetration which has been on rise ever since its arrival will also spruce up the growth. "Aggregators have unleashed high energy in triggering the demand for taxis. The model, if it gets aligned with government policies, will have a strong bearing in shaping the business model mix of the taxi industry," Toyota's Raja said.

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