

# Characteristics of the indian market

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Prime Motors Ltd is a leading manufacturer of automobiles in the United States. The core competency of the company is continuous technological innovations to manufacture high quality automobiles to suit the changing needs of the customers. To sustain and grow in the competitive automotive industry the company has developed a new electric car with the brand name PrimeElec. The company plans to go global to seek new opportunities for growth and has identified the emerging economy India as a promising market for the export of PrimeElec. PrimeElec

The increasing concern for the impact of auto emission on global warming, the volatile global oil prices and the depleting oil resources in the world has prompted Prime motors to develop an electric car. PrimeElec is an electric car equipped with electric motors instead of an IC engine. The electric power to run the car is derived from a set of batteries in the vehicle that are rechargeable. The car is a four-seated hatchback car with a steel body with additional facilities that include air conditioner, power windows and a centralized locking system.

The car when fully charged will run for 110 kms with the air conditioner switched on and an additional 20 kms without the air conditioner switched on and can reach a maximum speed of 55 kmph. Characteristics of the Indian Market Prime Motors Ltd needs to go global to fuel growth for PrimeElec. The company has analyzed a number of emerging markets in the developing world like China, India, Indonesia, South Korea, Mexico, Argentina, Brazil, South Africa, Poland and Turkey and has chosen the Indian market as several characteristics of the market make India a very attractive destination for the company's PrimeElec.

India is one of the strongest growing economies in the developing world, is now the fourth largest economy in terms of purchasing power parity and has witnessed a steady growth of above 8% since 2003-2004. Its foreign exchange reserves have steadily risen and there has been a booming capital market and increasing FDI inflows. By 2025 the Indian economy is projected to be about 60 per cent the size of the US economy and by 2035, it is likely to be a larger growth driver than the six largest countries in the EU.

The gross saving rate as a proportion of GDP has increased from 23. 5 per cent in 2001-02 to 34. 8 per cent in 2006-07, the investment rate as a proportion of GDP has increased from 22. 8 per cent in 2001-02 to 35. 9 per cent in 2006-07. India is the largest multi-party democracy in the world and has witnessed overall political stability with a strong legal system and good government regulations and the rule of law has always been respected in India.

The government has carried out a number of reforms in the economy however the Indian rupee exchange rate against the USD has been very volatile for the past couple of years. The rupee that was very strong for the past year has depreciated almost 20 % recently and is trading around Rupees 50 to a USD. The Indian automobile market is a very dynamic with a total market size of approximately \$ 10. 8 billion and has been growing at about 8 percent per annum for the last few years. With an overall growth of over 12% p. a.

passenger cars and two-wheelers are expected to be the fastest growing segments. The competition in the passenger car segment is fairly concentrated with Maruti Udyog, Tata Motors and Hyundai Motors controlling

around 85 percent of the total annual sales and the balance being shared by companies like GM, Ford, DaimlerChrysler, Honda, Toyota, Hyundai, Fiat and Volkswagen. There are restrictions for importing passenger cars into India. Customers will be licensed to import cars on payment of duty of 78.3% ad valorem.

The probability of the success of PrimeElec is high in India as there is a growing demand for automobiles especially for an electric car because of the spiraling prices of petrol and diesel. Consumers in India with increasingly better education and the governments that represent them are becoming aware of auto emissions and its impact on global warming. The government has announced a 15 per cent subsidy for electric vehicles, a 12.5 per cent exemption on tax and refund of road tax and registration charges.