

BUSINESS DAILY

CORPORATE NEWS

Low cost Kenya made car on sale at Sh950,000



The Mobius II has entered showrooms at a price of Sh950,000. PHOTO | COURTESY

IN SUMMARY

- The car, which trades under the brand name Mobius, entered the showrooms this month at a price of Sh950,000 – making it the lowest priced new vehicle in the country.
- Mobius has opened a showroom at Sameer Business Park on Nairobi's Mombasa Road.
- Mobius Motors is currently looking for distributors in Nyeri, Maua, Meru and Murang'a, and is mainly targeting rural transport.

A Kenyan-made vehicle that is designated as Africa's cheapest car has hit the showrooms, bringing to reality the dream of an entrepreneur who designed it four years ago.

The car, which trades under the brand name Mobius, entered the showrooms this month at a price of Sh950,000 – making it the lowest priced new vehicle in the country.

Mobius Motors is the car maker while Thika-based Kenya Vehicle Manufacturers (KVM) is the assembler of the car that is designed for Africa's rough terrain and off-road driving.

The vehicle is stripped of extras such as air conditioning, power steering and many internal fixtures.

Mobius, whose design and engineering works is supported by American billionaire Ronald Lauder, has opened a showroom at Sameer Business Park on Nairobi's Mombasa Road.

Mr Lauder's financial backing has helped Mobius scale up its production besides speeding up its journey to the market.

KVM has assembled 50 units since Mr Lauder injected millions of shillings into the operation through Pan African Investment Company (PIC) and has since sold ten units.

READ: US tycoon invests in assembly of Africa's cheapest car in Thika

Mobius Motors is currently looking for distributors in Nyeri, Maua, Meru and Murang'a, and is mainly targeting rural transport.

The car can seat eight passengers, including the driver, and it has a large cargo space. Mobius' promoters are also banking on the vehicle's efficient fuel consumption and easy maintenance to establish it as the car for rural folks.

It has a loading capacity of 625 kilogrammes and a top speed of 160 kilometres per hour achieved using a five-speed manual transmission.

At Sh950,000, the car is significantly cheaper than the lowest priced showroom models in the market that cost more than Sh2 million.

Mr Lauder, whose worth is estimated at \$3.8 billion (Sh330 billion) by Forbes magazine, has offered Mobius an undisclosed amount of convertible debt to help it assemble the first 50 units this year and establish a distribution network.

A convertible debt is a loan that can be turned into equity or stock ownership at a future date. Savvy startup investors prefer it because it helps them secure investment funds without setting a valuation on a company — a difficult process for a pre-revenue company.

Mr Lauder made his money from cosmetics giant Estée Lauder and served as US ambassador to Austria from 1986 to 1987. Dana Reed, the chief executive officer of PIC, sits in the board of Mobius Motors.

Mr Joel Jackson, the design brains behind Mobius, says he expects a vehicle designed specifically for the African market to appeal to business owners who are looking for affordable transportation.

The 29-year-old computer engineer told the *Business Daily* that plans are underway to increase production after the initial 50 units go on sale.

The Mobius is designed to eliminate all non-essential features of a vehicle to reduce weight and cut cost.

KVM is locally sourcing raw materials used to make the car in the hope of establishing a value chain that benefits local suppliers.

Last year, Mobius Motors told Reuters that over 35 per cent of the total vehicle cost is sourced locally and its target was to get above 40 per cent.

Mobius is however expected to face an uphill climb in a market that is underpinned by consumer preference for imported second-hand cars. There are currently around 800,000 cars on Kenyan roads, with some 90,000 units sold every year.

Official statistics show that 76,122 or 84 per cent of car registrations last year were used.

At Sh950,000, Mobius retail price is at par with what many Kenyans pay for used cars, making quality and features such as fuel consumption, availability of spare parts and after-sales service critical for consumer buy-in.

The sale of Mobius comes as rising incomes and increased confidence in the economy continues to shore up the rate at which Kenyans are buying cars.

READ: KRA, dealers big gainers of record car sales growth

Individuals and businesses bought 43,360 vehicles in the half year ended June, representing a 39.3 per cent jump from 35,246 units sold in the same period last year.

Both used and new car dealers registered double-digit sales growth, indicating a broad-based growth in demand.

Majority of vehicle purchases are backed by bank loans and employers' funds that are mostly hinged on confidence in the borrowers' ability to pay.

The purchases, whether in cash or credit, also reflect better prospects on the part of those buying the units for personal use or for commercial activities.

New vehicle dealers, however, recorded the fastest sales growth in the review period, indicating robust demand from their customer base composed of the government, blue-chip firms, and wealthy individuals.

Sales in this segment of the vehicles market rose 39.3 per cent to 8,915 units, driven by government purchases and orders from businesses in the transport, trade, and construction industries.

Mobius Motors says it has received a number of pre-orders for the vehicle and will develop an upgraded car dubbed Mobius III, which is set for production launch in 2016.

Assembly of Mobius in Kenya is set to boost the local car assembly business which rides on tax exemptions that the government has offered to attract investors and create jobs.

Imports of vehicle parts are exempted from the 25 per cent tax levied on fully-built units, helping dealers to churn out cars at reduced prices.

Data from the Kenya National Bureau of Statistics (KNBS) shows that 3,611 vehicles were assembled in Kenya in the period to June, accounting for 40 per cent of the new 8,915 units sold in the period.

This is less than the 52 per cent of new cars that were assembled locally in the same period last year.
