‘No reason for high tariffs on cars from UK, EU’

Maruti Suzuki chief says costs of many models 20-30% lower in India

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New Delhi, 4 January

Supporting a reduction in high tariffs on cars imported from the United Kingdom (UK) and European Union, Maruti Suzuki Chairman R C Bhargava is of the view that the Indian auto industry is as competitive as those there and there is no reason why high tariffs are required to protect the domestic industry.

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Responding to the demand made by the UK government for a reduction of import duty on cars in its negotiations on the India-UK free-trade agreement (FTA), which has become prolonged due to opposition from some carmakers, Bhargava said: “My views may not be shared by the industry, but we are as competitive as the UK and EU in cars, and in many models our costs are 20-30 per cent lower in India in my estimate. So there is no reason why import tariffs on cars cannot be reduced as sought by the UK government under the India-FTA negotiations. I think 30 per cent duty is fine.”

Also, Bhargava does not think there is any reason to have a quota on the number of cars that can be exported by the UK at a lower tax rate.

TESLA IS BARGAINING FOR THE BEST DEAL. IT SEES INDIA AS A LARGE MARKET. BUT WHETHER IT HAS SPECIAL REQUIREMENTS I AM NOT SO SURE. BUT I BELIEVE CONCESSION HAS TO BE GIVEN TO EVERYONE IN THE INDUSTRY

R C Bhargava,
Maruti Suzuki Chairman

Society of Indian Automobile Manufacturers had reportedly floated a suggestion last year for eliminating import tax on a limited number of cars from the UK in a phased number.

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Low spend...

The Centre's fiscal deficit for the first eight months of the current fiscal year accounted for 50.7 per cent of the full-year target of ₹17.87 trillion, much lower than 58.9 per cent during the corresponding period of the previous year.

"The savings incurred due to lower expenditure in the ministries would also help the government meet any unanticipated rise in expenditure for instance, increase in subsidies. They will be able to absorb these pressures," said D K Srivastava, chief policy advisor at EY India.

The lowest utilisation for the April-November period was by the petroleum and natural gas ministry, which spent 5 per cent of its allocated ₹41,007 crore as against 26 per cent of the Budget Estimates (BE) in the corresponding period last year. The CGA has reported -18 per cent spending by the minority affairs ministry during the April-November period, implying past savings.

The development ministry of the northeast region, along with the cooperation ministry, had spent only 11 per cent of the BE till November.

The civil aviation ministry, which too has spent less than one-third of BE at 30 per cent utilisation, fell short in its revenue expenditure with only 29 per cent of BE spent. The ministry has spent 84 per cent of its capital expenditure during the first eight months of FY24.

The micro, small, and medium enterprises ministry, too, was able to spend only 18 per cent of its budgeted ₹22,138 crore till November, owing largely to low revenue expenditure.

India-UK FTA...

Because they end up making social security contributions in both countries.

"India is discussing social security contributions with the UK. It's a tough call for the UK since it is a red line for them. But we are insisting on having an agreement and there has not been much progress on that," one of the people told *Business Standard*.

India has been trying to ink an SSA with the UK for years now, even before both nations kick-started the FTA negotiations in January 2022.

According to the IT industry lobby group Nasscom, the contribution to the SSA is made both by the employee and the employer in the range of 12-14 per cent.

UK's resistance stems from the fact that it may not have much to gain since the SSA would be reciprocal in nature. Ajay Srivastava, a former trade ministry official and founder of think tank Global Trade Research Initiative, said India must negotiate hard to include an SSA in the ambit of the India-UK FTA.

"India and the UK both have SSAs with various countries, but not with each other. This absence becomes significant for Indian professionals working on short- to medium-term assignments in the UK.

Without an SSA, these workers face double taxation — they must contribute to social security systems in both India and the UK," Srivastava said.

India has operationalised SSAs with as many as 20 countries, including Japan, South Korea, Australia, Brazil, Canada, and several European countries such as Germany, Hungary, Netherlands, Sweden, among others. However, negotiations for a totalisation agreement — similar to an SSA — with the US have not made much headway.

A Nasscom spokesperson said since the UK has a shortage of digital skill sets required by technology companies, Indian tech companies, in addition to skilling and employing locally, rely on the ability to bring in temporary workers for executing specific projects on a short-term basis.

"Social security contributions kick in after the first year (52 weeks) of being in the UK. The contributions made by temporary short-term workers are non-refundable. A reciprocal social security agreement will bring down the cost of operations for companies and make the UK an even more attractive destination for investments. From an employee perspective, there will be an increase in the take-home salary," Nasscom spokesperson said in response to queries sent by *Business Standard*.

Apart from the SSA, other contentious issues in the FTA talks include relief measures with respect to the UK's carbon border levy, rules of origin, and goods and services. Among goods, the UK has been seeking massive market access on whiskey and automobiles, including electric vehicles.

These continue to remain thorny issues.

The 14th round of negotiations for the FTA is scheduled for this month. Both sides intend to conclude the negotiations by next month since general elections in both countries are expected over the next three-four months.

Transsion...

While the overall smartphone market has shrunk, at the upper end companies like Apple and at the lower end companies like Transsion have grown volumes at the expense of some of the top five brands.

The reason is that the premiumisation of the sweet spot in the market has moved to over ₹20,000, while many of the top five brands, such as Xiaomi and Realme, concentrated on the ₹10,000-20,000 range, which has been shrinking.

"Transsion's targeted strategy has yielded significant growth, especially in the affordable smartphone segment," said Shilpi Jain, senior analyst in Counterpoint Research. "Noteworthy fluctuations in its individual brand shares show its adaptability in a competitive market. Its success story is accentuated by an emphasis on diffusing premium features like the 8GB RAM and 5G capability into the affordable mass segment."

Transsion India Chief Executive Officer Arijeet Talapatra said the company was planning the launch of 20-25 new models under Tecno with enhanced artificial intelligence (AI) features and marketing its foldable devices aggressively.

"Our emphasis on online sales is unwavering. Tecno has emerged as the fastest-growing smartphone brand on Amazon with 167 per cent growth below ₹35,000 and 67 per cent growth under ₹20,000. We have a 360-degree focus with 1,100-plus distributors reaching every corner, backed by 1,200 Carlcare service centres and three factories," said Talapatra.

The Itel brand has become a leader in the less than ₹10,000 play, catering to those looking to upgrade from feature phones.

Infinix is a mid- and high-value segment brand with a range of phones from ₹6,500 to ₹16,000. The premium brand Tecno, which is available both offline and online, is priced up to ₹90,000.

Transsion has been able to improve its average selling price in India, according to the data available, from $76 in Q2 2021 to $86 in Q2 2023. India is already its second-largest market, accounting