

10-15% OF SALES COME FROM LOWEST-PRICED BASE VARIANT

# Auto buyers gearing up for premium drive

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**THE INCREASED AFFORDABILITY** following the simplification in the GST rates will allow auto buyers to move up the value chain and opt for more premium products.

According to market experts, buyers will tend to choose premium options as the resultant benefits reduce the price difference between variants of a same model, and even between two segments of cars.

The reduction in GST rate to 18% from 28% will lead to a price correction of around 8.5% in small cars, and between 3.5% and 6.7% for large sedans, mid-size and large SUVs, according to Crisil Intelligence.

Diesel cars and SUVs having engines smaller than 1,500cc and measuring less than 4 metre will see the steepest reduction in prices since they used to carry a cess of 3%, in addition to 28% GST. Depending on models and variants, this could translate to a reduction of ₹35,000 to ₹1.5 lakh in prices, pushing customers to premium options.

## SHIFT TO DEARER MODELS

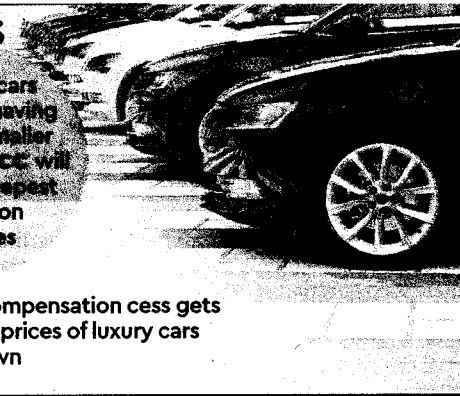
■ Price of an entry-level car is **₹4.23 lakh**

■ Reduction in GST rate will lead to a price correction of around **8.5%** for small cars

■ For large sedans, mid-size and large SUVs, it will be between **3.5%** and **6.7%**

■ Diesel cars and SUVs having engines smaller than 1,500cc will see the steepest reduction in prices

■ As the compensation cess gets abolished, prices of luxury cars will go down



For instance, the middle variant of automatic Tata Nexon diesel could see a price reduction of ₹1.3 lakh, bringing it on par with the base variant of the model with the same technology. The price of the middle variant of mini SUV Tata Punch at ₹7.52 lakh will be closer to premium compact SUV Skoda Kylaq, priced at ₹8.25 lakh.

Experts said since most vehicles are purchased on finance, the upshift in preference will result in minimal or no change in equated monthly instalment.

Saket Mehta, partner and EV

& auto industry leader, Grant Thornton Bharat, said: "Since the GST rate cut on small cars reduces the on-road price by up to ₹1 lakh, the monthly EMI for a typical car loan may not change significantly. This creates an opportunity for buyers to consider high variants or even upgrade to a better model within the same budget."

Carmakers typically see 50% of sales volumes coming from the middle variant, followed by 35% from the top variant. Just 10-15% of sales come from the lowest-priced base variant.

Although prices of entry-level cars have seen a significant rise over the past few years, widening their gap with two-wheelers, the rate cut would infuse a positive sentiment among two-wheeler owners, say experts. With the availability of cheaper loans, they may also consider buying four-wheelers.

As the compensation cess gets abolished, the luxury car segment, too, will see a reduction in prices. Mercedes-Benz India may cut prices by 5-8%. This would translate into a saving of around ₹5-6 lakh for the buyer.