

Small cars, entry-level bikes to cost less post rate cut

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The revised GST rates on small cars and entry-level two-wheelers up to 350 cc to 18 per cent from 28 per cent would make both segments cheaper.

Companies like Maruti Suzuki India (MSIL), which has the maximum number of small cars, may gain from the revised rates while Hero MotoCorp, Honda Motorcycle & Scooter India, Bajaj Auto and TVS Motor India would gain momentum in entry-level motorcycles.

Passenger vehicles (PVs) running on petrol, LPG and CNG vehicles of less than 1,200 cc and not more than 4,000 mm length and diesel



WHO WILL BENEFIT? Maruti Suzuki, Hero MotoCorp, Honda Motorcycle & Scooter, Bajaj Auto & TVS Motor expected to gain

vehicles of up to 1,500 cc and 4,000 mm length would move to the 18 per cent rate from the current 28 per cent.

All vehicles above 1,200 cc and longer than 4,000 mm as well as motorcycles above

350 cc and racing cars will be charged a 40 per cent levy. Small hybrid vehicles will also benefit, while GST of 5 per cent on electric vehicles (EVs) remains.

"Auto industry would be a

direct beneficiary of faster economic development. Maruti Suzuki is grateful for small cars being placed in the 18 per cent basket. The 10 per cent lower tax will stimulate a flagging market, and more people will be able to buy safer and more comfortable means of mobility," RC Bhargava, Chairman, Maruti Suzuki India, said.

The growth of the car industry in general will also benefit from the GST system and it could help the growth rate to come back to about 7 per cent a year.

Manufacturing growth and employment will both benefit, he added.

MUCH CHEAPER

According to analysts, Maruti Alto, WagonR, and

Swift will see the most benefit, as they fall squarely in the small car category. With around 12 per cent reduction in cost, these already affordable models will become even cheaper. Similarly, Hyundai Grand i10 and i20, while still in the small car category (1.2 l engine), will also benefit from the around 12 per cent drop, they said.

"Notably, 60 per cent of our ICE (internal combustion engine) portfolio will now fall under the 18 per cent slab rate, with the remainder at 40 per cent," Unsoo Kim, Managing Director, Hyundai Motor India, said.

According to Society of Indian Automobile Manufacturers (SIAM), this timely move is set to bring renewed cheer to consumers during

the festive period and inject fresh momentum into the automotive sector.

"We are confident that the government will also soon notify suitable mechanisms for the utilisation of compensation cess on unsold vehicles," Shailesh Chandra, President, SIAM, said.

For the luxury vehicles, which are at the higher bracket of 40 per cent, the industry veterans said this GST revision is the step in right direction.

"It is progressive and will induce the much-needed impetus by boosting consumption and bring momentum to the automotive industry which essentially remains the pulse of the Indian economy," Santosh Iyer, MD and CEO, Mercedes-Benz India.