

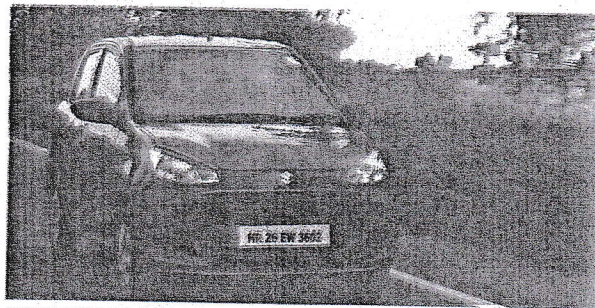
'High GST rate to blame for dismal sales of small cars, entry-level 2Ws'

LOWER TAXES. FADA advocates 18% GST to make vehicles affordable for customers

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New Delhi

Goods and services tax (GST) should come down to at least 18 per cent for automobiles, as it is one of the main reasons for small cars and entry-level two-wheelers not picking up sales, Manish Raj Singhania, President, Federation of Automobile Dealers Associations (FADA), said on Monday. High taxation matters a lot for the customers in rural and smaller cities, he added.

"Entry-level cars or two-wheelers are essential part of people's lives because you get limited public transport in villages and rural areas. That is why we have been advocating 18 per cent GST...if vehicle prices keep going up, how would rural customers purchase vehicles? That's why we are seeing a decline in sales of entry-level cars right now. Let that vehicle be affordable to



DECLINING SALES. Maruti Suzuki sold 11,519 units of its mini cars in the domestic market, down 18 per cent y-o-y **BIJOY GHOSH**

him/ her. Why can't they be part of this growth story that we are seeing? They cannot be left behind," Singhania told reporters here. He said a vehicle or a two-wheeler is a necessity for those people living in rural areas and not a luxury.

Last week, Rajiv Bajaj, Managing Director of Bajaj Auto, had also suggested relaxation in GST rates for commuter motorcycles. He said that the price of commuter motorcycles has increased due to ex-

cessive regulation and high taxation. Currently, the GST on automobiles attracts 28 per cent.

MINI CAR SALES DOWN

According to Society of Indian Automobile Manufacturers (SIAM), the domestic sales of entry-level cars or mini cars have declined around 40 per cent year-on-year (y-o-y) to 1,52,262 units in the last financial year compared with 2,52,409 units in 2022-23.

There are only two manufacturers who make small cars now - Maruti Suzuki India (Alto and S-Presso) and Renault India (Kwid).

In April, Maruti Suzuki sold 11,519 units of its mini cars in the domestic market (14,110 units), down 18 per cent y-o-y. Recently, RC Bhargava had indicated that the smaller cars can also take the advantage of the principles of hybridisation to improve fuel economies at much more affordable cost. If that is aligned with a lower GST, the industry can look forward to small cars with much better mileage than what they have today.

Meanwhile, to understand and quantify customer satisfaction focusing on their journey in sales, after sales service, and product quality in the passenger vehicle category, FADA and Frost & Sullivan are teaming up for a customer experience index study, which will be released in September.