

# More price hikes ahead as auto cos move to recoup margins

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Vehicle buyers need to brace for more price hikes in the coming months, as manufacturers look to recoup some of the margins lost during the June quarter despite the slight let-up in raw material cost pressures in recent weeks.

Auto component manufacturers and tyre producers have already included the revised pricing in their cost planning for the current quarter, which they intend to recover from vehicle makers. These hikes will come into effect from August. Several such companies have started renegotiating supply contracts with automakers.

Anant Goenka, Managing Director, Ceat, said: "There is always a lag in price in-

creases, so we do expect some price increases to come in Q2. We have already taken an increase in July, and we are looking to take hikes in August and September." The Mumbai-based tyre maker raised prices by 1-10 per cent on two-wheelers and three-wheelers; 2 per cent on passenger vehicles; and 2-3 per cent on commercial vehicles this month.

Automotive dealers selling two-wheelers, cars and sports utility vehicles (SUV) have been already informed of the hike in the coming month.

"PV dealers indicated that a further price hike of 1-2 per cent will be taken in August before the beginning of the key festive season. Discount levels continue to remain negligible. There have been price increases in the last



Tyre producers plan to hike prices, which they intend to recover from vehicle makers

few days across the entry segment and premium motorcycles," said Nirmal Bang in a report.

## Sluggishness in demand

Despite the severe sluggishness in demand, two-wheeler makers have not shied away from price hikes. Hero MotoCorp, India's largest two-wheeler maker, hiked prices by around ₹3,000 in July, while TVS Motor Company had hiked

prices in June. Royal Enfield hiked prices by around ₹4,000-5,000 in May.

Automakers across segments have increased prices at least three times since the start of January; however, the quantum of the increase pales in comparison to the hike in raw material costs seen over the past several months. Maruti Suzuki, Tata Motors and Mahindra & Mahindra have carried out multiple price hikes thus far, to offset the cost pressure ranging from 0.55 per cent to 2 per cent.

"There has been an 18-20 percent hike in commodity costs. Which manufacturer has taken that kind of price hike? When we started the year, we expected the year to be benign. But the Russia-Ukraine war led to a huge spike [in input costs], and it

is only that spike which has got corrected now," said a top executive of a leading SUV maker.

While price of raw materials make up an important component in the cost pie, rupee depreciation, cost of transportation and increased cost of power, have been putting added pressure of cost inflation.

## Robust booking orders

Analysts say the planned price hike won't have a steep impact on demand for cars and SUVs, as the industry is sitting on robust booking orders, which is only set to head north closer to the festival days. Two-wheeler demand, however, could further soften and can only be revived with a bountiful monsoon and a healthy pick-up in demand.