

Luxury cars likely to get cheaper

SHINE JACOB

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Indian auto component majors and European car makers welcomed the India-European trade deal, citing that the move will strengthen India's integration with global automotive value chains, while simultaneously stimulating demand in the imported luxury vehicle segment, making it cheaper in the Indian market.

Under the deal, India has agreed to a quota-based reduction in import duties on European automobiles, with tariffs set to fall to as low as 10 per cent over five years. This may make premium European brands such as Mercedes-Benz, BMW, Audi, Ferrari, Porsche, Lamborghini, Rolls-Royce, and Bentley cheaper in the long run.

Based on the quota, India will allow up to 250,000 vehicles from Europe at preferential rates, versus hardly 37,000 vehicles mentioned in the UK trade deal. Currently, "locally manufactured cars" attract a basic customs duty of 16.5 per cent, while imported vehicles from the EU attract up to 125 per cent duty. Reduced duty will bring down showroom prices considerably in India.

According to reports, the mass market will be largely unaffected, as the concessions will apply mainly to cars priced above ₹25 lakh. Despite this,



Auto stocks in red

Nifty Auto



Sources: Bloomberg/Exchanges

speculation about rising competition from global majors has led to shares of major Indian automobile manufacturers.

For the components industry, this will boost exports, technology partnerships, and investment-led growth, as the EU comprises 30 per cent of India's component exports. In FY25, component exports from India to the region were seen at \$6.75 billion versus imports of \$5.77 billion from the EU.

The free trade deal is expected to boost the luxury

vehicle market, which contributes only about one per cent of the passenger vehicle market.

However, those having local units are not expecting any immediate price reduction. Industry sources told *Business Standard* that as the rupee depreciated by 19 per cent in 2025 compared to the euro, any benefit arising from lower duty imports for CBUs in the next couple of years may be eroded. Hence, companies were reluctant to give any price predictions.

"While we do not foresee any immediate price changes in the near term, the FTA could create opportunities to introduce new and niche products and, if demand scales, support deeper localisation over time," said Hardeep Singh Brar, president and chief executive officer, BMW Group India. Santosh Iyer, managing director and chief executive officer, Mercedes-Benz India, said, "The FTA is expected to strongly drive technological innovation and sustainable growth within the Indian automotive sector, with a sharp focus on future mobility."

Shailesh Chandra, president of Siam and managing director and CEO Tata Motors Passenger Vehicles, said, "The FTA with EU will play a key role as India marches on towards *Viksit Bharat*."

Large mkt opens up: Maruti chairman

SURAJEET DAS GUPTA

New Delhi, 27 January

Carmakers in India stand to gain a substantially big market for small cars in Europe owing to the free-trade agreement (FTA) between India and the European Union and they can manufacture at a much lower cost here than a few European companies do, according to Maruti Suzuki Chairman RC Bhargava.

On what his company would do, Bhargava said: "We (Suzuki) have a manufacturing facility in Hungary, so we cannot compete from India on the same models with them. Of course they (the Hungary unit) don't make all the models, so we have to study the scope of the opportunity of small cars in Europe. But yes, there is a large enough small-car market in Europe. We in India have a cost advantage while European companies making small cars are not competitive. The door has been opened by Europe."



He added with import duty on electric cars for vehicles exported from India to eventually go to zero (for vehicles running on the internal combustion engine, they will go to zero from 10 per cent now) as envisaged in the FTA, it would provide an advantage for companies like Maruti Suzuki to manufacture the models in India and ship them to Europe. The firm is exporting its electric Vitara to Europe.

The FTA will allow European carmakers to export to India at a lower duty of 35 per cent to begin with, eventually going down to 10 per cent. It also sets an annual quota of 250,000 imported cars, which have to be priced above ₹25 lakh. But does this give enough protection to Indian carmakers? Bhargava said: "Do we want protection even after over 75 years (of independence)? The fact is hardly any of them makes high-end luxury models like BMW or Merc, except a few. European carmakers will want to bring their high-end cars to India, where they have high margins. However, I am not so sure whether Ferraris will be imported because they would be unaffordable even with lower duties."