

AUTOMOBILES

Sector Impact - CV- Negative
Passenger Vehicle - Positive
Two Wheeler- Positive

Background

('000 units)	Domestic Sales				Exports			
	FY09	Apr-Dec 08	Apr-Dec 09	Growth	FY09	Apr-Dec 08	Apr-Dec 09	Growth
MHCV	184	143	156	9.73%	17	13	15	9.82%
LCV	201	146	196	34.65%	26	23	16	-29.11%
Passenger Cars	1,219	865	1,071	23.79%	332	250	328	30.80%
UV and MPV	332	240	297	23.83%	4	4	3	-17.64%
Three Wheelers	350	260	322	23.67%	148	120	118	-1.87%
Two Wheelers	7,438	5,571	6,779	21.68%	1,004	793	849	7.15%
Tractors	304	NA	NA		39	NA	NA	

MHCV: Medium and Heavy Commercial Vehicles; LCV: Light Commercial Vehicles; UV: Utility Vehicles;
 MPV: Multi-purpose Vehicles
 NA-Not available

Source: Society of Indian Automobile Manufacturers (SIAM)

- Economic slowdown, job losses and pay cuts, cautious stance of vehicle financiers, all on the back of the global financial crisis added to the woes of the automobiles industry in 2008-09.
- With the economy back on track supported by a number of incentives offered through the fiscal stimulus package, namely the cuts in excise rates (more pronounced in the case of small cars to 8 per cent and CVs), accelerated depreciation allowable for CV purchases, Government support under the JNNURM for purchases of buses by the SRTUs thus pushing up bus sales along with the revival in consumer confidence and availability of finance, post July 2009, the automobile industry is witnessing revival in demand.

- Also, a range of new launches especially in the compact PC segment has helped to push the sales. The April–December 2009 period has seen domestic automobile sales grow by 22.1 per cent

Budget Proposals

1. Ad valorem component of excise duty increased by 2 per cent across board.
2. Hike in excise duty on petrol and diesel by Re.1 per litre.
3. Full exemption from excise duty to trailers and semi-trailers used in agriculture.

Duty Structure

(%)	Pre-Budget	Post Budget
CUSTOMS DUTY		
• CV (Old and New) and Tractors	10	10
• Passenger cars, two and three wheelers		
• Old	105	105
• New	60	60
EXCISE DUTY		
• Passenger Cars, UV and MPV		
• Small Cars*	8	10
• Hybrid Cars	10	12
• Others ¹	20	22
• Buses	8	10
• Chassis of diesel operated CV	8 + Rs. 10,000	10 + Rs. 10,000
• Chassis of diesel operated CV	20 + Rs. 10,000	10 + Rs. 10,000
• Diesel-operated CV other than bus and chassis	8	10
• Petrol-operated CV other than bus and chassis	8	10
• Two-Wheelers	8	10
• Three-Wheelers	8	10
• Tractors	8	10

Excluding:

2% Education cess and 1% secondary & higher education cess

1% National Calamity Contingent Duty (NCCD)

¹ Additional duty of Rs. 15,000 applicable on cars with engine capacity exceeding 1500cc

* Of length not exceeding 4 metres [Engine capacity < 1500cc (Diesel); 1200cc (Petrol)]

Budget Impact: Industry

1. Commercial vehicles :- Increase in excise duty on CVs is expected to be passed on to the consumers along with rise in operating costs (hike in fuel prices) resulting in a marginal negative impact on CV sales
2. Two wheelers:- Rise in personal income tax slab coupled with continued impetus on rural development is likely to result in higher disposable income for target two-wheeler customers, thereby partially offsetting the hike in excise duty and fuel price.
3. Cars:- Passenger Car manufacturers are expected to pass on the excise duty hike and the prices of passenger vehicles are expected to increase. However, increase in disposable income on account of changes in income slabs would more than offset the increase in vehicle and fuel prices. Individuals with income levels of Rs. 8 lacs and above (that align to the target income for affording ownership of car) are expected to save more than Rs. 50,000 on income tax.
4. Favourable impact for OEMs with presence in farm equipment is expected.

Budget Impact: Companies

Company	Products	% of Sales	Applicable Proposals	Overall Impact
Ashok Leyland	CV	90%	1, 2	▼
Tata Motors Ltd.	CV Cars UV	65% 20% 8%	1,2,	▼
Maruti Udyog	Cars and UV	93%	1, 2	▲
Mahindra and Mahindra	UV and LCV Tractors Three Wheelers	55% 30% 3%	1, 2, 3	◄►
Hero Honda	Two Wheelers	99%	1, 2	▲
Bajaj Auto	Two Wheelers Three Wheelers	74% 21%	1, 2	▲

Legends:

▲▲	Highly Positive	▼	Negative	◄►	Neutral
▲	Positive	▼▼	Highly Negative	∅	No Proposals