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## Budget 2015 does little to cheer the battered automobile sector

Nevin John

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A Maruti Suzuki car assembly line is pictured here. (Photo: Vivan Mehra)

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Nevin John, Senior Editor, Business Today

The automobiles sector, which has been struggling for the past two years, had expected decisive steps from Finance Minister Arun Jaitley to steer them out of the difficult times. However, Budget 2015 had little to offer.

The industry wanted the government to announce a cut in

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excise duty and offer industry-specific incentives to increase demand. The excise duty cut, which was initially implemented across all vehicle segments in February 2014 by the then UPA government, was extended till December 2014. But, in the interim Budget, Jaitley had withdrawn it from January 2015. The resultant excise duty hike has translated into a 4-6 per cent price increase across passenger vehicle categories, affecting demand. The inverted duty structure is yet another pain point for the industry. While excise duty on commercial vehicles is 8 per cent, raw material and engineering inputs are being taxed at 12 per cent.

The Budget has proposed a fourfold hike in customs duty on commercial vehicles to 40 per cent. However, it will not impact Indian players, such as Tata Motors and Ashok Leyland. However, Volvo and Mercedes, manufacturers of the high-end hydraulic power steering commercial vehicles, will be forced to rethink their strategy in terms of open manufacturing units in India, said an analyst with a global bank. About 1,000 such vehicles are imported to India, annually.

In his Interim Budget, the finance minister had also refrained from announcing any measures to support the sector. One relief, however, was the decision not to waive off the high customs duty (in excess of current rate) on imported cars as it makes competitive. There is, however, no move to make them cheaper either.

CARE Ratings feels the move will be a boost for the industry as it would provide the much needed support to bus manufacturers in terms of purchase by state transport units (STUs) on a pan-India basis.

The tyre industry's demand for removing anti-dumping duties on the import of raw material, including rubber chemicals (Butyl Rubber SBR grade 1500/1700), to support domestic manufacturers has also not been paid heed to. There was also no mention of lowering the special additional duty (SAD) on imported raw material to 2 per cent, from 4 per cent. The industry wanted to bring down customs duty on various inputs to 5 per cent from 10 per cent.

Other concerns that were not addressed include overloading on commercial vehicles and replacement of older vehicles to promote cleaner environment and fuel-efficient vehicles.

The thrust for infrastructure, and allocation of Rs 70,000 crore for it, is, however, expected to improve roads and, in turn, help the automobile industry in a macro way.

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