

GST rate cut eases discount pressure for truck makers

G.Balachandrar

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Chennai: The recent GST rate rationalisation has not only resulted in a drop in the prices of commercial vehicles but also eased the long-standing pressure on original equipment manufacturers (OEMs) to offer steep discounts in India's highly price-sensitive and fiercely competitive truck market.

Before the GST revision, medium and heavy commercial vehicles (M&HCVs) priced around Rs 50 lakh typically came with discounts of up to Rs 5 lakh — roughly 10% of the sticker price — as OEMs sought to attract buyers through aggressive pricing. However, with the GST rate on vehicles dropping from 28% to 18%, OEMs found room to scale back disco-

DROP IN OEM DISCOUNTS

Before GST
revision

10%

After GST
revision

2%



unts substantially, reducing them to just about 2%, according to Umesh G Revankar, executive vice chairman, Shriram Finance.

This shift effectively absorbed the tax relief into the pricing structure. While the tax cut lowered the base price of trucks, the simultaneous reduction in discounts meant that the overall cost to customers changed only marginally. "Since OEMs have significantly reduced the discounts, the net cost to customers has not really changed much — hardly a big

change for customers, especially in the commercial vehicle segment," he added.

A senior official of an NBFC engaged in commercial vehicle financing said that while M&HCV prices came down after OEMs passed on the GST rate cuts, the discount levels dropped by at least 5 to 6 percentage points compared with previous levels.

A top official of a leading truck and bus maker said the company witnessed a 3% to 4% drop in discount levels, though he couldn't confirm if the same trend was observed in the M&HCV segment.

However, a couple of CV dealers described this drop in discounts as a temporary trend. Though OEMs maintain that they don't resort to discounts, it continues to be a norm in the competitive truck segment.