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Auto firms to raise prices from April as costs, regulations squeeze margins



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India's electric vehicle market is still in its infancy, representing just 2.4% of the overall passenger vehicle segment. This is far below the global average of 12 per cent and lags significantly behind China's 30 per cent EV penetration

Indian automotive manufacturers are set to implement price increases across their vehicle portfolios starting April 2025, citing escalating input costs and regulatory pressures. Major players such as Maruti Suzuki, Tata Motors, Hyundai, Honda Cars India, Kia, and Mahindra & Mahindra have announced price hikes ranging between 2 and 4 percent.

As net profit margins for original equipment manufacturers (OEMs) have largely remained flat over the past nine months, analysts believe that, without these increases, profit margins would come under significant pressure.

Data from Bloomberg highlights rising costs of key raw materials. The London Metal Exchange (LME) index climbed 11.9 per cent year-on-year, driven by a 12.8 per cent rise in copper and over 30.9 per cent in tin. Nickel rose 3.9 per cent month-on-month but remained down 7.5 per cent on a year-on-year basis. However, some commodities, including steel and crude oil, showed declines, with Brent crude falling 16.4 per cent year-on-year to \$72.5 per barrel.

"While manufacturers have absorbed some of these costs through internal efficiencies, the cumulative impact has necessitated price adjustments to maintain profitability. Without these price hikes, OEMs could face a considerable squeeze on their profit margins, potentially affecting their ability to fund future investments in research, development and expansion," said Anurag Singh, advisor at Primus Partners.

For the nine-month period ending December 2024, Maruti Suzuki's net profit margin improved by 48 basis points compared to the same period in the previous year. In contrast, Tata Motors and Mahindra & Mahindra recorded minimal changes, within creases of approximately 0.04 basis points and 0.28 basis points respectively.

Industry experts note that price hikes are influenced by several factors, including the rising cost of electronics, regulatory compliance requirements, and the trend towards premiumisation. "There are two major causes – the rising cost of features and electronics, and fluctuating input costs. While steel prices have been stable and oil prices have dropped, other factors such as labour costs and currency fluctuations are impacting manufacturers," Singh added.

Experts also pointed out that it is common for manufacturers to announce price hikes around this time to capitalise on March-end depreciation benefits.

"The industry's premiumisation trend, with increased spending on advanced technologies like Advanced Driver Assistance Systems (ADAS), hybrid systems and electric vehicle development, is contributing to rising research and development and technology costs," said Sanket Kelaskar, an analyst at Ashika Group.

Currency fluctuations and rising manpower costs are also contributing factors. "The Us dollar has strengthened from 84 to 86 levels, and the euro has risen from 90 to 94 levels," Singh noted.

Two-wheeler manufacturers are also expected to raise prices by around 2 per cent, with Bajaj Auto implementing a 1 per cent increase and Hero MotoCorp raising prices by 1 to 2 per cent. The upcoming implementation of On-Board Diagnostics (OBD) Stage II-B norms in April 2025 is another factor pushing up prices, as OEMs invest in new technologies and emission compliance.

Analysts believe that while price hikes are necessary to offset costs, strong demand, middle-class tax relief measures, and new product launches will help maintain market stability. The Society of Indian Automobile Manufacturers (Siam) has retained its forecast, expecting passenger vehicle growth between 1 and 4 per cent and two-wheeler growth between 7 and 9 per cent in the coming year.