

IMPACT OF REGULATORY & COMMODITY COST CHANGES ON VEHICLE PRICING & DEMAND



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Some price increase will be seen, but in the long run, it is expected to be absorbed, and overall, it will be considered positive for the industry. Challenges in driver recruitment and retention are already being faced, and improvement of working conditions is being seen as helpful. **In the short term, an increase in price of ~₹50K is expected** due to the regulations.

While Aluminium prices have increased, they are still lower than what was seen pre-March. Unless another 10% increase is observed, it is unlikely to be considered a major concern. For rare earths, the impact will be seen as model-specific and driven by availability issues. **Rare earths account for hardly 5 to 6% of the cost, so any cost impact is unlikely to be considered substantial.**

Growth is expected to be driven more by demand and macroeconomic factors. A ₹20–50K price increase is not likely to put off people from vehicle purchase if demand is present, particularly as most vehicles are financed.

Price increase is seen as more of a factor in passenger vehicles (PV) than in commercial vehicles (CV); **in CV, a huge inventory pileup was observed** in the channel before the regulations came into effect, and, if the price increase is seen across the board, demand is expected to adjust.

