Will invest ₹2,000 cr in India: Toyota Kirloskar

High GST rates taking a toll on volumes, says Viswanathan

SHALLY SETH MOHILE
Mumbai, 15 September

Toyota Kirloskar Motor (TKM) will not expand capacity if goods and services tax (GST) on automobiles is not reduced. The firm, however, will go ahead with its investment plans in India. In his tweet, Toyota Kirloskar Motor Chairman, Vikram Kirloskar said: "We are seeing the demand increase & the market recover slowly. The future of sustainable mobility is strong here in India and Toyota is proud to be part of this journey. We are investing ₹2,000 crore towards the electrification of vehicles and helping build a strong India!"

But a high GST rate remains a concern for the firm. A high tax rate has been impeding volumes and saddling the company, said Shekar Viswanathan, vice-chairman, TKM.

Like several others that have a relatively smaller footprint, the local arm of the world's largest automaker has been hit hard by the pandemic and is struggling to utilise its plants optimally.

"If the GST rates don't come down, the demand for vehicles can't go up," Viswanathan told *Business Standard*.

TKM's second plant, which has an existing capacity of 210,000 vehicles annually, will remain largely unutilised and stagnate at the current level of 30 per cent if the GST rate remains at an elevated level. "At this rate, we can never dream of expanding our capacity," he said.

Automobiles categorised as sin goods, attract 28 per cent GST– the highest slab. Vehicles with engines bigger than 2 litres and with a diesel powertrain attract higher duty, taking it beyond 43 per cent.

India's auto industry, which accounts for 49 per cent of the manufacturing GDP, has been lobbying for a reduction in GST.

Viswanathan joins several others who have been batting for a rate cut. Earlier this month, at the auto industry's annual conclave, Kenichi Ayukawa — managing director at Maruti Suzuki India — and several other executives made a strong pitch for a rate cut. They were assured by Cabinet ministers at the meet that the case would be put up before the finance minster.

Viswanathan added that the company's product profile in the future will be hybrids. The rate cut, he added, will spur volumes and compensate for the loss of revenue. "We don't have latitude to reduce prices. We have to make some margins," he said.

Following a Bloomberg report that Toyota does not plan to expand further in India, the company issued a statement.

"WE ARE SEEING THE DEMAND INCREASE & THE MARKET RECOVER SLOWLY. WE ARE INVESTING ₹2,000 CRORE TOWARDS THE ELECTRIFICATION OF VEHICLES"

VIKRAM S KIRLOSKAR,
Chairman, Toyota Kirloskar Motor

KEY TAKEAWAYS

- **Company's second plant operating** at one-third capacity
- **Priority remains optimum** utilisation of capacities
- **High tax regime** has been a deterrent