

Car prices likely to increase 8-18% in four years as companies spend on upgrade

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By **Sharmistha Mukherjee & Ketan Thakkar**

MUMBAI: Auto industry executives and experts expect an 8-18% jump in [car prices](#) because of the government's plan to implement BS VI emission standards in 2020, as they say manufacturers would pass on the cost to upgrade their technology to buyers. They expect an investment of Rs 50,000-80,000 crore by the [automobile industry](#) alone to make vehicles meet the requirements.

A tweet from minister for road transport [Nitin Gadkari](#) on Wednesday about advancing BS VI standards to April 1, 2020, took the automotive industry by surprise.

Auto makers have been demanding more time to implement BS VI, with at least four years between BS V— yet to be rolled out — and BS VI. The entry-level segment, which makes up for more than half the overall passenger vehicle market and is highly price sensitive, is expected to suffer most because of possible implementation of new rules.

According to several R&D experts that ET spoke to, price of petrol vehicles would go up Rs 50,000 to Rs 70,000 excluding [taxes](#), while diesel-run variants could become costlier by Rs 80,000 to Rs 1 lakh. In trucks, the price increase could be Rs 1-2 lakh.

A senior executive at a leading multinational firm said this could impact the motorisation map of India, since compact cars make up for 50% of the passenger vehicle market. An 8-15% spike in prices could make it a shrinking market, this executive warned. Demand from first-time buyers will be the most affected, the executive said, requesting anonymity.

While it is easier to improve petrol emission standards by enhancing efficiency and intensity of the catalytic converter, the process is complex in diesel, said a senior R&D executive at a leading car maker. He said the systems will have to be tested and validated in phases. "Cost implications are substantial."

Till the previous fiscal, nearly 40% of passenger vehicles sold in the domestic market were diesel-fueled.

Experts say it took Europe 10 years to graduate from Euro IV to Euro VI, whereas the Indian government is trying to enforce similar standards in four and half years.

VG Ramakrishnan, managing director at consulting firm Avanteum Advisors, said the policy needs to be firm and non-negotiable. The supplier ecosystem will invest in process only if there is an irrevocable government commitment, he added.

"Euro VI (which is similar to BS VI) involves reducing both nitrogen oxide and particulate matter and control of one means the other emitter increases. This is particularly complex in diesel engines," Ramakrishnan said. Standards should be adopted simultaneously for both diesel and petrol to obtain desired levels of emission, he added.

A constant flip-flop on regulatory regime can hit India's image — the sixth largest passenger vehicle market in the world, moving towards the No 3 position in the coming decade, Ramakrishnan said.

Experts said many of the old legacy platforms products would have to be discontinued as they cannot be fitted with the equipment required to reduce emission. "In many commercial vehicles, urea will have to be injected to get cleaner exhaust. Ensuring availability of urea and urea infrastructure will also be the key. Fear is everything will be suboptimal," said senior R&D head of leading automotive company.

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