

GOVERNMENT OF INDIA  
MINISTRY OF HEAVY INDUSTRIES & PUBLIC ENTERPRISES  
DEPARTMENT OF HEAVY INDUSTRY  
**LOK SABHA**  
**UNSTARRED QUESTION NO. 1526**  
ANSWERED ON 11.02.2020

**SLOWDOWN IN AUTOMOBILE SECTOR**

1526. SHRI BRIJENDRA SINGH:

Will the Minister of HEAVY INDUSTRIES AND PUBLIC ENTERPRISES भारी उद्योग एवं लोक उद्यम मंत्री be pleased to state:

(a) whether the Government is aware that there is a slowdown in the automobile sector;

(b) if so, the reasons therefor; and

(c) the corrective measures taken/being taken by the Government to put a check on the slowdown and increase the demand for automobiles in the country?

**ANSWER**

**THE MINISTER OF HEAVY INDUSTRIES & PUBLIC ENTERPRISES  
(SHRI PRAKASH JAVADEKAR)**

(a) & (b): There are cyclical slowdown across various sectors including automotive sector since the last few months. There are various financial and regulatory together with perceptual reasons for slowdown, which are as follows:

- Reduction in finance availability to Auto Sector
- Increase in Axle Load limit for commercial vehicles by up to 25% expanded freight capacity leading to shrinkage of new vehicle demand
- Increase in vehicle cost due to Supreme Court order for upfront collection of long-term 3<sup>rd</sup> party insurance premium for 3 years (new cars) and 5 years (new two-wheelers)
- Increase in collateral for dealers from 25% to 60% resulted in reduction in inventory finance to dealers
- Postponement of purchase in anticipation of discounts by OEMs for clearing of stock with BS IV norms (situation similar to the transition from BS III to BS IV)

(c): The Government, as a policy maker, always attempts to keep and improve momentum of the economy through a package of measure for comprehensive and continued development of the industry as and when required. Some of the steps taken by the Government to encourage automobile industry are as follows:

- Reduction in Corporate tax to 22%
- Continuation of registration of ICE and EV in future
- Scrappage policy under consideration
- Proposed increase in registration of new cars deferred till June 2020
- Funds worth Rs. 70,000 crores released to PSU banks
- Linking of repo rate to interest charged for vehicle purchased

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