

PRESS RELEASE

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SIAM Welcomes Union Budget 2010-11

Society of Indian Automobile Manufacturers (SIAM) welcomed the Union Budget 2010-11 as a reform focused growth oriented Budget in the background of economic downturn.

Dr. Pawan Goenka, President, SIAM and President – Automotive, Mahindra & Mahindra, stated that the Hon'ble Finance Minister and his team seem to have struck the right balance in pushing reforms, maintaining a high focus on social and physical infrastructure whilst returning to fiscal responsibility in a measured manner. He cited several positive proposals for the Automobile Industry - the correction in Excise duty on Electric Vehicles which will enable the manufacturers take CENVAT credit and exemption of Customs duty on Electric Vehicles parts. Dr Goenka also welcomed the increase in weighted deduction for in-house R&D to 200% from 150% and outsourced R&D from 125% to 175%. This would spur industry focus on innovation, R&D and product development that would increase the competitiveness of the industry longer term.

He said that 2% hike in Excise duty was expected and should not have adverse impact on the market. The result of the Budget proposals is that the basic Excise Duty rate and Service Tax rates have converged to 10%, indicating a move to enable GST implementation from Apr 2011.

The industry was hoping for a reduction in the large gap in excise duties between smaller personal vehicles and CVs and the high excise levy on larger personal vehicles, but that did not happen.

Mr. S Sandilya, Vice-President, SIAM and Chairman, Eicher Group said that in recent times, rural market has been playing an important role for the automotive sector and increased allocation for rural development including NREGA will have positive impact on automobile industry. Also, if banking license is granted to private players and NBFCs by Reserve Bank of India, it will result in increased reach and resulting penetration.

However, **Mr Sandilya** said that while other segments of the automobile industry are improving, the Commercial Vehicles segment is still to catch up with last year's volumes and the industry was expecting reinstatement of accelerated depreciation and extension of JNNURM bus purchase scheme. We do hope some steps will be taken in this direction when the issue is debated in the Parliament.

SIAM also welcomed the increased allocation to renewable energy and setting up of National Clean Energy Fund. **Mr Dilip Chenoy, Director General, SIAM** also mentioned about the approval of the projects under the National Skills Development Council which will have significant benefits.

For more information, please contact:

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