

United International Journal of Multidisciplinary Research

ISSN: 3048-6726(UIJMR)Impact Factor: 6.934 (SJIF)

An International Peer-Reviewed and Refereed Multidisciplinary Journal

www.ujmr.in Vol-3, SpecialIssue-2,2026

A Mercedes-Benz Sold Every Six Minutes: Do GST 2.0 Reforms Favor Multinational Success Stories Over Indian Enterprises?

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Abstract:

The implementation of GST 2.0 in September 2025 marked a major step in India's indirect tax reforms, with significant implications for the automobile sector. The reform aimed to simplify the tax structure, reduce cascading taxes, and stimulate consumer demand by lowering GST rates on small, mid-sized, and commercial vehicles while rationalizing rates on luxury automobiles. This study evaluates whether GST 2.0 has achieved its intended objective of strengthening domestic automobile manufacturers or whether it has disproportionately benefited multinational corporations (MNCs) operating in India.

The paper focuses on the uneven impact of GST 2.0 across domestic and foreign automobile firms. Although the revised tax structure reduced vehicle prices and improved overall market demand, it also narrowed the price gap between domestic and premium foreign brands. This shift may have influenced consumer preferences toward multinational brands, raising concerns about the long-term competitive position and self-reliance of Indian manufacturers.

The study adopts a descriptive and analytical methodology based on secondary data from industry reports, dealer association statistics, company disclosures, and credible financial and automobile news sources. A comparative framework is used to examine changes in sales volumes, average ex-showroom prices, estimated revenues, and effective tax reductions for selected Indian and foreign automobile companies before and after GST 2.0.

Findings indicate a dual-market outcome. Domestic manufacturers continue to lead in unit sales and market penetration due to affordability and distribution strength. In contrast, multinational firms show stronger gains in revenue per vehicle, margins, and brand premiumization, as tax rationalization has improved the accessibility of premium vehicles to middle- and upper-middle-income consumers.

The study concludes that while GST 2.0 has improved market efficiency and consumer sentiment, it has produced mixed competitive effects. Future policy should combine tax reform with targeted innovation and capability-building incentives to ensure balanced and sustainable growth in India's automobile industry.

7th National Conference On “Contemporary Issues In Global Business Management Practices” 25 & 26 February, 2026 by University Arts & Science College (Autonomous), Kakatiya University.

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Keywords: GST 2.0, Automobile Industry, Multinational Corporations, Domestic Manufacturing, Consumer Behavior

INTRODUCTION:

Imagine a person planning to buy a car worth ₹10 lakh from an Indian automaker say, a Tata Nexon. Before GST 2.0, the vehicle's on-road price, including taxes, matched his entire budget. But after the introduction of GST 2.0, with its reduced rates on small and mid-sized vehicles, that same car now costs roughly ₹8 lakh. The consumer still has ₹2 lakh in spending capacity left enough to consider a higher-end or more "prestigious" alternative from a multinational brand such as Hyundai, Toyota, or even entry-level models from Volkswagen or Skoda. This shift in purchasing power may seem small, but multiplied across millions of buyers, it reflects a powerful trend: **GST 2.0 has made premium and multinational brands more accessible to India's upper and middle classes**, subtly tilting the automobile market in their favour.

Mercedes-Benz India recently revealed that it sold 2,500 vehicles during the nine days of Navratri 2025 its highest-ever festive sales, averaging one car every six minutes. Maruti Suzuki, India's largest carmaker, sold about 75,000 passenger vehicles in the first three days of Navratri alone, or roughly 17 vehicles every minute. Hyundai Motor India dispatched 51,547 vehicles in September, while Toyota Kirloskar recorded strong festive growth as well. On the surface, this seems like a collective win for India's auto sector. But the question arises: **Has GST 2.0 a reform meant to boost domestic manufacturing ended up favouring multinational corporations more than Indian automakers, especially in the premium segment?**

The GST 2.0 reforms, implemented on September 22, 2025, reshaped India's automobile tax structure. The government simplified the earlier system which combined excise duties, VAT, and various cesses into a cleaner framework. The GST rate for small cars, two-wheelers, and commercial vehicles was reduced from 28% to 18%, while a uniform 40% rate replaced the earlier tiered structure for luxury cars and large SUVs. Electric vehicles retained their concessional 5% GST rate. These changes, aimed at stimulating demand and promoting ease of business, have certainly delivered results but not without unintended consequences.

OBJECTIVES:

1. GST 2.0 Impact on Automobile Industry
2. GST 2.0 Impact on Indian Automobile Companies
3. GST 2.0 Impact on Foreign Automobile Companies

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REVIEW OF LITERATURE:

1. **Basavanagouda&Panduranga (2022)¹. “Analysis of Goods and Services Tax (GST) Impact on Indian Automobile Industry”. SSRN Electronic Journal.** The study concludes that GST improved structural efficiency and transparency in the automobile taxation system.
2. **Dr. Anthony Samson (2025)². “A Comparative Analysis of Car Sales - Prior to and After GST 2.0 Implementation.” Journal of Emerging Technologies and Innovative Research.** The paper finds that GST 2.0 significantly increased car sales volumes due to lower effective tax rates and improved affordability.
3. **Dr. Vivek I Sarikar (2025)³. “Latest GST Reforms and its Impact on the Indian Automobile Sector” International Journal of Creative Research Thoughts.** The research concludes that recent GST reforms strengthened demand conditions and simplified compliance for automobile businesses. The benefits were more visible in mid and premium vehicle segments due to price rationalization.
4. **Dr. KateshiyaSumeetDharamshibhai(2023)⁴. “Impact of GST on the Automobile Industry”. International Education & Research Journal (IERJ).** The study observes that GST reduced cascading taxes and improved input tax credit utilization across the automobile value chain.

METHODOLOGY:

This study adopts a descriptive and explanatory research methodology to examine the impact of GST 2.0 on the Indian automobile industry, with specific focus on domestic and multinational firms. The research begins by identifying the problem of uneven benefits arising from GST 2.0 reforms despite their uniform application. Secondary data were collected from credible sources such as FADA reports, company press releases, industry publications, and financial reports. Sales volumes, pricing structures, GST rates, and revenue estimates were systematically analyzed to compare performance across firms. The study is based on samples of top Automobile companies namely Maruti Suzuki, Tata Motors, Mahindra & Mahindra, Hyundai Motor India, Toyota Kirloskar Motor, BMW India, Mercedes-Benz India. Descriptive analysis was used to observe trends in demand, affordability, and market segmentation, while explanatory analysis helped interpret changes in consumer behaviour and firm profitability. The findings were then synthesized to explain how GST 2.0 influenced competitive dynamics and value creation within the automobile sector.

EMPIRICAL RESULTS:

According to the Federation of Automobile Dealers Associations (FADA), passenger vehicle sales during Navratri 2025 rose 35% year-on-year to 217,744 units, compared to 161,443 units in 2024. Overall, September sales reached 299,369 units, up from 282,945 the previous year. FADA Vice President Sai Giridhar

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credited the timing of GST 2.0 with “reviving consumer sentiment and accelerating deliveries across all categories.”

However, a deeper look into the sales data suggests a more uneven impact one that reveals how MNCs may have gained more from the new tax structure than their domestic counterparts.

Company	Classification	Units Sold (Period)	Avg Ex-Showroom Price (₹ lakh)	Estimated Sales Value (₹ crore)*	Segment GST Band	Estimated Effective GST Burden Change	Estimated Value per Car After GST 2.0 (₹ lakh)**
Maruti Suzuki	Indian company (foreign parent owned)	1,89,600 (Sept)	9.8	18,580	Small-mid cars	↓~8-10%	8
Tata Motors	Domestic	61,000 (Sept)	19.5	11,895	SUVs + EVs	↓~8-10%	16
Mahindra & Mahindra	Domestic	1,00,000 (Sept)	16.5	16,500	SUVs	↓~8-10%	13.5
Hyundai Motor India	MNC subsidiary	70,000 (Sept)	15	10,500	Mid segment	↓~8-10%	12
Toyota Kirloskar Motor	MNC JV	31,000 (Sept)	28	8,680	Mid-premium SUVs	↓~10-12%	24.5
BMW India	MNC luxury subsidiary	4,200 (Q3/Festive est.)	70	2,940	Luxury	↓~18-20%	56
Mercedes-Benz India	MNC luxury subsidiary	5,100 (Q3/Festive est.)	95	4,845	Luxury	↓~20-22%	74

* Estimated Sales Value = Units × Avg Ex-Showroom Price (analytical estimate)

** Post-GST value reflects modeled effective pricing after GST 2.0 rationalization

† Luxury volumes represent Q3/festive estimates, not single-month audited data

IMPLICATIONS OF THE STUDY:

The September and Navratri 2025 automobile sales data reveal a dual trend in India’s car market. Domestic automakers continue to dominate in unit volumes, while multinational brands are capturing disproportionate gains in revenue and profitability after GST 2.0. This divergence highlights how tax reform has reshaped not only pricing but also consumer behavior and brand positioning.

Indian manufacturers lead comfortably in volume. Maruti Suzuki sold about 1.89 lakh units, Mahindra & Mahindra around 1.05 lakh, and Tata Motors nearly 61,000 vehicles, with Tata recording an impressive 47% year-on-year growth driven by

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SUVs and EVs. These numbers confirm that domestic firms still command the mass market and remain central to employment and production scale.

However, multinational brands show stronger value growth. Hyundai sold roughly 70,000 units with 10% growth, while Toyota posted about 31,000 units with a 16% rise. Luxury players expanded even faster: BMW's quarterly sales rose 21%, and Mercedes-Benz recorded a festive milestone with 2,500 cars sold during Navratri. Though their volumes are smaller, their revenue per vehicle is dramatically higher.

When evaluated on value per car after GST 2.0, the market picture changes. Premium MNC models generate revenue compared to mass-market domestic firms despite far lower sales volumes. A single Mercedes-Benz GLE priced above ₹1 crore equals the value of roughly 40 entry-level small cars. A BMW 5 Series produces several times the per-unit revenue of a compact sedan. Mercedes-Benz's 2,500 Navratri vehicles were estimated to generate about ₹2,500 crore in value, while Tata Motors' 60,000+ September sales produced roughly ₹12,000 crore. Maruti Suzuki's much larger volume translated into about ₹19,000 crore. The unit gap is huge, but the revenue gap is far narrower showing how MNCs convert lower volumes into high value.

A key reason is GST 2.0's structural simplification. Before reform, luxury vehicles faced cascading taxes excise duty, VAT, and luxury cesses often pushing total tax burden above 50%. GST 2.0 consolidated these into a unified slab with smoother input credit and compliance, improving pricing transparency and cost efficiency. For companies dependent on imports or CKD assembly, this reduced friction and improved margins.

The result is visible in price positioning. Premium MNC models such as the Mercedes-Benz GLA (~₹50 lakh) and Toyota Fortuner (~₹43 lakh) are now closer in effective on-road pricing to high-end domestic SUVs like the Mahindra XUV700 (₹28–₹35 lakh). For buyers with ₹40–₹50 lakh budgets, upgrading to a global brand has become more attainable. Dealership behavior and festive buying patterns reflect this psychological shift.

A similar effect appears in the ₹10–₹20 lakh segment. Hyundai Creta and Toyota Urban Cruiser Hyryder have taken share from Indian competitors in overlapping price bands. With lower tax friction and strong branding, multinational offerings are increasingly perceived as better value despite similar specifications. Brand aspiration now plays a larger role in purchase decisions.

Domestic firms still benefit from GST 2.0 through logistics efficiency, reduced working capital lockups, and scale expansion especially in SUVs and EVs. Tata's rapid growth demonstrates that Indian companies can thrive under the new regime. Yet their customer base remains more price sensitive, and competitive intensity keeps per-vehicle margins tighter than in premium segments dominated by MNCs.

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GST 2.0 therefore creates a paradox. The reform improves overall market efficiency and affordability, but its economic leverage favors brands positioned higher in the value chain often multinational players. The same tax rationalization that lowers costs for domestic cars also makes global brands more accessible to India's rising middle class. Consumers who once targeted upper-end domestic models can now stretch toward multinational vehicles or even pre-owned luxury cars.

In summary, GST 2.0 has democratized access to premium automobiles while intensifying competitive contrast. Domestic manufacturers lead in volume and employment, whereas MNCs command stronger pricing power, brand prestige, and margins. The policy challenge ahead is to encourage domestic innovation and self-reliance without unintentionally reinforcing the perception that foreign brands represent superior value and status.

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