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GST, Competition Law & *Dealer Regulation*

Compensation Cess, CCI Jurisprudence, Dealer Agreements, Spare Parts & Aftermarket

BHATT & JOSHI ASSOCIATES — INDIAN AUTOMOBILE SECTOR LEGAL SERIES

GST, Competition Law & Dealer Regulation

Compensation Cess, CCI Jurisprudence, Dealer Agreements, Spare Parts & Aftermarket

Booklet V of VI — Indian Automobile Sector Legal Series

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CHAPTER ONE

GST on Motor Vehicles: Rates, Classification and Cess Architecture

28% Standard Rate, Compensation Cess Brackets, EV Concessions, Classification Disputes and Strategic Implications for OEMs

> *The Goods and Services Tax framework for motor vehicles is simultaneously one of the highest-rate and most litigation-prone areas of Indian tax law. For OEMs, dealers and corporate fleet buyers, mastery of the rate structure, classification criteria and ITC implications is essential for product pricing, fleet procurement and regulatory compliance.*

1.1 The Rate Architecture: 28% Plus Compensation Cess

Motor vehicles attract the maximum standard GST rate of 28% under Schedule IV of the Central Goods and Services Tax Act, 2017, reflecting the legislature's policy of placing vehicles in the "luxury and demerit goods" category alongside tobacco products, aerated beverages and certain other high-value consumer items. The 28% rate alone would represent one of the highest

commodity tax rates applicable to any manufactured product in India, but it is not the end of the fiscal burden on motor vehicles: the GST (Compensation to States) Act, 2017 imposes an additional Compensation Cess on top of the GST on several specified luxury and sin goods including motor vehicles, which is levied on the same transaction value as IGST and ranges from 1% (for small petrol/CNG passenger cars below certain engine and size thresholds) to 22% (for large petrol/diesel passenger cars above specified thresholds and for all SUVs above a prescribed ground clearance). The combined GST plus cess burden ranges from 29% (small cars, 28% GST plus 1% cess) to 50% (premium petrol or diesel cars above 1500 cc with length over 4 metres or ground clearance above 170 mm, attracting 28% GST plus 22% cess) of the transaction value — a tax incidence that makes India one of the highest-taxed automobile markets in the world for conventional ICE vehicles at the upper end of the market.

The Compensation Cess was introduced as a transitional revenue instrument to compensate states for the loss of state-level luxury tax, octroi, entry tax, and other levies that were subsumed into GST, with the understanding that it would be phased out after five years once the states had adjusted to the GST revenue sharing framework. However, the cess was extended beyond the original five-year sunset date (March 2022) and then again to March 2026 in the Finance Act 2022, as the fiscal pressures on both the Central Government and the states — exacerbated by the COVID-19 pandemic and its economic aftermath — made the cess revenue indispensable for meeting state compensation obligations. For the automobile industry, the continued imposition of the cess means that there is no near-term prospect of a significant reduction in the combined GST plus cess burden on conventional motor vehicles, and that any hopes for meaningful tax reduction must focus either on rationalisation of cess rates for specific sub-categories or on the GST Council's broader rate rationalisation agenda which is expected to address the merits of maintaining separate cess rates alongside the standard 28% rate in the post-compensation period.

Electric vehicles stand apart from the 28% plus cess regime in a commercially transformative way: EVs attract a flat 5% GST with no Compensation Cess whatsoever, a differential of 23 to 45 percentage points compared to their conventional ICE equivalents depending on the ICE vehicle's cess category. The 5% EV GST rate was introduced by the GST Council with effect from 1 August 2019 on the recommendation of a fitment committee that identified the GST differential as one of the most powerful policy tools available for making EVs price-competitive with ICE vehicles in India's price-sensitive market. The arithmetic of the GST differential is striking: for a premium electric SUV with an ex-showroom price of Rs. 80 lakh, the GST at 5% is Rs. 3.81 lakh (on the base price net of GST), whereas a comparable premium ICE SUV at the same ex-showroom price would embed approximately Rs. 32 lakh of GST and cess in the price (at 50% combined rate) — a difference of about Rs. 28 lakh of pure tax saving for the EV buyer, which is the single most important financial incentive driving premium EV adoption in India and which OEM sales teams are trained to present explicitly in customer consultations as a "total

cost of ownership" advantage that persists throughout the vehicle's ownership period.

The GST treatment of hybrid vehicles — which occupy the regulatory space between conventional ICE vehicles and pure EVs — is more complex and has been the subject of significant industry lobbying. Strong hybrid vehicles (which can travel meaningful distances on electric power from a battery that is recharged by regenerative braking and the ICE engine, but which cannot be externally charged) attract 28% GST plus a reduced cess of 15% (for mid-size strong hybrids) rather than the full 22% cess applicable to comparable conventional ICE vehicles, reflecting a partial recognition of their lower fuel consumption and emission performance relative to non-hybrid alternatives. Mild hybrid vehicles, which use a small electric motor only for start-stop and light-load assistance but cannot drive in pure electric mode, attract the same cess rate as their non-hybrid equivalents, since the mild hybridisation provides a marginal rather than a material reduction in fuel consumption and emissions. Plug-in hybrid electric vehicles (PHEVs), which can be externally charged and can travel meaningful electric-only ranges, were historically classified under the strong hybrid cess rate, but the industry has consistently argued that they deserve a rate closer to the 5% EV rate given their ability to operate in zero-emission mode for a significant portion of urban driving.

1.2 Compensation Cess Classification Disputes: The Legal Battleground

The boundaries between cess rate categories — particularly between the "small car" (cess 1%), "mid-size" (cess 15%), "large car" (cess 17%), "luxury car" (cess 20%), and "SUV" (cess 22%) categories — are determined by a combination of vehicle parameters: engine displacement (petrol/CNG above or below 1200 cc; diesel above or below 1500 cc); vehicle length (above or below 4 metres); and ground clearance (above or below 170 mm for the SUV category). These parameters create definitive category boundaries that appear clear on paper but generate persistent disputes in practice because: vehicle dimensions and engine specifications are specified in homologation documents with measurement tolerances that can place a vehicle on either side of a category boundary; the measurement methodology for ground clearance (laden or unladen, with or without occupants, at which axle) is not always consistently applied across GST audit surveys; and the specific hardware configurations of different variants of the same model (same body but different engine options, or same engine with different suspension configurations) can fall in different cess categories, creating complex variant-specific cess rate structures that require vehicle-by-vehicle analysis in GST returns.

The GST Council's Circular No. 200/12/2023-GST, dealing specifically with the classification of SUVs for cess purposes, attempted to provide definitive guidance on the ground clearance measurement methodology by specifying that ground clearance for GST cess purposes is to be measured as the unladen vehicle clearance at the lowest point of the vehicle (excluding wheel and tyre components) above the ground, consistent with the manufacturer's certified homologation data. This clarification reduced (but did not eliminate) disputes about SUV

classification, as manufacturers whose vehicles are near the 170 mm threshold must carefully verify that their homologated ground clearance figure, the measurement methodology used in the type approval, and the actual production vehicles are consistently aligned. Vehicles that are homologated with a ground clearance of 175 mm but whose actual production vehicles — due to manufacturing tolerance variation or the fitting of lower-profile optional tyres — may have unladen clearances closer to 168 mm are in a genuinely ambiguous classification position that requires careful legal and technical analysis before the OEM commits to a specific cess rate for dealer invoice purposes.

The financial stakes of cess classification disputes are very large for high-volume manufacturers. An OEM selling 100,000 units annually of a model that straddles the boundary between the 17% cess (large cars) and 22% cess (SUVs) categories faces: either a potential Rs. 500 crore annual liability if the GST authorities successfully reclassify the vehicle into the higher cess category; or an annual undercharge to the government of Rs. 500 crore if the vehicle is being assessed at the higher SUV cess but is genuinely a large car. Either direction of misclassification creates commercially significant consequences, motivating both the industry and the tax authorities to invest substantial legal resources in establishing the correct classification. The GST Appellate Authority for Advance Rulings (AAAR) and the National Appellate Authority for Advance Rulings (NAAAR) have issued several decisions on vehicle classification that provide guidance for the industry, though the decisions are binding only on the applicant and do not create precedent for other taxpayers — meaning that each OEM must independently seek advance rulings or manage classification risk through robust internal classification methodology documentation and periodic review against the current vehicle specifications.

1.3 GST on Used Vehicles: The Margin Scheme

The GST treatment of used vehicle transactions — which includes both transactions between private individuals (outside GST net) and transactions by registered dealers who buy and resell used vehicles (within GST net) — operates under a special "margin scheme" established by Notification No. 8/2018-Central Tax (Rate). Under the margin scheme, a registered dealer who purchases a used motor vehicle from any person (registered or unregistered) and sells it to a buyer is liable to GST only on the "margin" — the difference between the dealer's selling price and the purchase price — rather than on the full sale value. The GST rate applicable to this margin is 18% for passenger vehicles generally (with a reduced 12% rate for small cars meeting the engine and size criteria of the small car cess category). The margin scheme eliminates the cascade effect that would arise if GST at the full rate were charged on the full sale value at each step of a used vehicle's commercial life, since there would be no ITC available to offset the previous owner's GST if the previous owner was an individual. The commercial significance of the margin scheme for organised used vehicle dealers is substantial: by limiting GST to the dealer's actual profit margin rather than the full transaction value, the scheme makes the used

vehicle business economically viable for registered dealers who compete with private sellers (who pay no GST on their used vehicle transactions).

The interaction between the margin scheme and the "Input Tax Credit blocked on motor vehicles" provision of Section 17(5) of the CGST Act creates a complex compliance dynamic for dealers who purchase used vehicles from registered businesses (which may have claimed ITC on the original vehicle purchase) and sell them to other registered businesses. A corporate fleet operator who sells its fleet vehicles to a used vehicle dealer after three years is a registered GST taxpayer whose original vehicle purchase was made without ITC (due to the Section 17(5) block), meaning that no ITC reversal is required on the sale — the dealer can therefore apply the margin scheme without the complication of ITC recovery. However, if the selling entity is a cab aggregator or car rental company that claimed ITC on the original vehicle purchase (as permitted for specified eligible purposes under the proviso to Section 17(5)(a)), the sale of the used vehicle triggers ITC reversal obligations on the seller and creates a different basis for the dealer's margin scheme calculation. Navigating these interactions requires precise factual analysis of the seller's ITC position for each used vehicle transaction, which is a genuinely demanding compliance requirement for high-volume used vehicle dealers.

1.4 GST on Automobile Finance and Accessories

Vehicle financing — whether through the OEM's captive finance company or through bank or NBFC loans — involves GST considerations at multiple points in the transaction chain. Interest income from vehicle loans is a "financial service" that is classified as an "exempt supply" under Schedule I of the IGST Act (financial services by way of extending loans are exempt from GST when provided in the ordinary course of business), meaning that the lending entity does not charge GST on the interest amount and correspondingly cannot claim ITC on its inputs that are used for the exempt loan activity. However, the processing fees, documentation charges, pre-payment charges, and other fee-based income from vehicle loan products are taxable services at 18% GST, requiring finance companies to carefully distinguish between their exempt interest income and their taxable fee income for ITC apportionment purposes under Rule 42 of the CGST Rules. For OEM captive finance companies that also provide insurance broking, extended warranty, and vehicle service contract products, the GST classification of each product and the associated ITC apportionment creates a complex multi-rate compliance environment.

OEM genuine accessories — sold by the dealer either as part of the original vehicle delivery (factory-fit or dealer-fit at the time of sale) or as post-delivery purchases — attract GST at 28% when they are sold as separate items (as auto parts under HSN Chapter 87), or their cost is included in the vehicle's transaction value and attracts the vehicle's applicable GST rate when they are fitted and sold as part of the vehicle. The distinction between accessories sold separately (at 28%) and accessories included in the vehicle price (at the vehicle's rate, which may be lower for EVs at 5%) creates a classification planning opportunity: OEMs who structure

their accessory programmes to include commonly purchased accessories as standard equipment (included in the ex-showroom price) rather than as separately invoiced items can potentially reduce the aggregate GST burden on the complete vehicle purchase. This planning opportunity is most commercially significant for EV OEMs, whose vehicles attract only 5% GST — including the fitted accessories in the vehicle price at 5% is significantly more favourable than selling them separately at 28%.

CHAPTER TWO

Input Tax Credit, Valuation and Dealer GST Compliance

Section 17(5) ITC Block, Related Party Valuation, Warranty GST, Dealer Obligations and e-Invoicing

> *The ITC framework for motor vehicles contains some of the most commercially significant restrictions in the entire GST system. Understanding the ITC architecture — including the Section 17(5) block, its exceptions, and its implications for different buyer categories — is essential for structuring fleet procurement and dealer commercial arrangements.*

2.1 The Section 17(5) ITC Block: Scope and Exceptions

Section 17(5)(a) of the Central GST Act, 2017 is the most commercially consequential ITC restriction provision in Indian GST law for the motor vehicle sector. The provision blocks ITC on the purchase of "motor vehicles for transportation of persons having approved seating capacity of not more than thirteen persons (including the driver)" unless the registered person uses the vehicle for one of four specified eligible purposes: further supply of such motor vehicles (i.e., the purchaser is a dealer in motor vehicles); transportation of passengers (i.e., the purchaser operates passenger transport services using the vehicle); imparting training on driving such motor vehicles (i.e., a driving school); or goods transport (which is addressed separately in Section 17(5)(b) as not being the category of blocked vehicles — the block in 17(5)(a) applies specifically to passenger vehicles, not goods carriers). For every other registered business — whether a large corporation using company cars for executive transport, a small enterprise using a pickup for deliveries, or a professional using a car for client visits — the GST paid on the purchase of a passenger vehicle (up to 13 seats including the driver) is permanently blocked and cannot be recovered as ITC against the business's GST output liability.

The economic magnitude of the Section 17(5) ITC block for corporate fleet buyers is substantial. A company that purchases 100 executive passenger cars at Rs. 50 lakh each (ex-showroom, inclusive of 50% GST and cess at the rate applicable to premium cars) has paid approximately Rs. 16.67 lakh of GST and cess per vehicle — a total blocked ITC of Rs. 16.67 crore on the fleet purchase. This blocked ITC is an absolute cost to the company, recoverable neither as a refund from the government nor as a setoff against future GST liabilities. The permanent nature of this cost is a significant factor in the total cost of ownership calculation for corporate fleet procurement, and it directly affects the lease versus own decision for corporate fleets: an operating lease arrangement (where the leasing company rather than the fleet operator is the vehicle owner, and the fleet operator pays a monthly lease rental plus GST on the lease) shifts the ITC block to the leasing company, which — if it uses the vehicles for "transportation of

passengers" as its eligible purpose — may be able to claim the ITC, potentially enabling more competitive lease rental pricing that reflects the ITC benefit.

The exception for "transportation of persons" — which permits cab aggregators, car rental companies, and employee transport service (ETS) operators to claim ITC on their vehicle purchases — has been extensively litigated, with GST authorities in several states challenging whether specific transport business models meet the "transportation of persons" threshold. The key legal question is whether the purchaser's business is genuinely a "transportation of persons" business (entitled to ITC) or whether the vehicle is merely incidental to another business activity (blocking ITC). A company that provides employee transportation services to its employees as a welfare benefit — using owned vehicles and employed drivers — is not providing "transportation of persons" as a business activity but as an employee benefit, and therefore cannot claim ITC on its vehicle purchases for this purpose. A dedicated employee transport service company that enters into contracts with corporate clients to provide employee transportation — using vehicles registered in its name and operated by its employed drivers — is providing "transportation of persons" as its core business activity and is entitled to ITC. The distinction between these two models requires careful legal analysis and appropriate structuring of the transport service arrangement to ensure ITC eligibility.

2.2 Related Party Valuation for OEM-Dealer Transactions

The GST valuation framework for transactions between related parties — including the OEM-distributor relationship where the OEM is the manufacturer and the distributor or national sales company is a subsidiary or affiliate — is governed by Rule 28 of the CGST Rules, 2017. Rule 28 specifies that when goods are supplied between distinct persons (defined under Section 25(4) as establishments of the same registered person) or related persons (as defined in Section 15(5)), the value of supply shall be determined as the open market value of the supply (where available) or, if not available, by the cost-plus method or the residual method. For OEMs who sell vehicles to their own distribution subsidiaries (which then onward-sell to dealers), the transfer price at which the OEM invoices the distribution subsidiary is subject to GST valuation scrutiny — the GST authorities may challenge the inter-company price as being below the open market value if the effect of the underpricing is to defer or reduce GST liability on the transaction.

The interaction between GST valuation rules and the income tax transfer pricing framework creates the same "twin scrutiny" dynamic as in the customs context: the GST authority may argue that the inter-company supply price is too low (to capture additional GST on a higher value), while the income tax authority may simultaneously argue that the same supply price is too high (to reduce the taxable profit in India). Managing this regulatory cross-fire requires the OEM and its advisors to: establish a single, consistent inter-company pricing policy that can be defended as arm's length under both the GST valuation framework and the income tax transfer pricing framework; maintain detailed contemporaneous documentation of the pricing

methodology; obtain advance rulings from the GST authority on the applicable valuation approach where there is genuine ambiguity about the applicable rule; and proactively monitor both GST and income tax audit inquiries about the same set of inter-company transactions to ensure that the responses provided to each authority are consistent and that any concession made to one authority does not inadvertently strengthen the other authority's contrary position.

2.3 Warranty and After-Sales GST: Circular 195 Analysis

The GST treatment of automobile warranty services — where a vehicle dealer replaces defective parts and provides labour under the manufacturer's warranty at no charge to the vehicle owner, recovering the cost from the OEM under a warranty reimbursement programme — has been one of the most practically difficult areas of GST compliance for the automobile sector. The fundamental question is: when the dealer provides warranty service to the vehicle owner (at no charge) and submits a warranty claim to the OEM for reimbursement, is there a "supply" between the OEM and the dealer that attracts GST? The GST authorities initially took the position that the OEM is receiving a repair service from the dealer (since the dealer is performing the repair on the OEM's behalf) and that the reimbursement is "consideration" for this service, making the transaction taxable. The automobile industry argued that warranty service is a part of the original supply of the vehicle (the customer pays for the vehicle, and warranty service is an obligation included in the price) and should not attract a separate GST.

CBIC Circular No. 195/07/2023-GST, issued in July 2023, provided the most comprehensive guidance to date on warranty service GST, clarifying: where a warranty replacement is made at no charge to the customer, and the original supply of goods included the warranty service as part of the consideration (i.e., the warranty obligation was embedded in the original vehicle price), there is no additional taxable supply for the replacement goods or repair services — the GST on the original vehicle supply is sufficient to cover the warranty obligation. This clarification was broadly welcomed by the automobile industry as consistent with the economic reality of warranty service, though practitioners have noted that the circular does not exhaustively address all warranty scenarios — particularly where extended warranties are sold separately, where the warranty provider is different from the original seller, or where the warranty replacement involves components that were not in the original vehicle. For OEM counsel and dealer GST compliance teams, the practical implication is that standard warranty replacements (within the manufacturer's warranty period, with no additional consideration from the customer) can be processed without GST implication under the circular's framework, but any deviations from the standard warranty model require careful analysis under the circular's criteria before a GST-exempt treatment is adopted.

2.4 e-Invoicing Obligations for the Automobile Sector

The GST e-invoicing system — under which specified registered taxpayers must generate tax

invoices through the Invoice Registration Portal (IRP) and obtain an Invoice Reference Number (IRN) before the invoice is considered legally valid for GST purposes — has progressively been extended to lower turnover thresholds, bringing most OEMs, distributors, and large dealers within its scope. As of January 2023, e-invoicing is mandatory for all GST-registered businesses with aggregate annual turnover above Rs. 5 crore in the preceding financial year, meaning that virtually every automobile OEM, national distributor, state distributor, and dealer of mid-size or large size must comply with e-invoicing requirements. The e-invoice must be generated in the specified JSON format and submitted to the IRP before the invoice is issued to the buyer; the IRP validates the invoice data, generates the IRN and a QR code, and returns the digitally signed invoice to the supplier, who must include the IRN and QR code on the invoice issued to the buyer.

For automobile OEMs who process thousands of vehicle invoices daily through their ERP systems (and who also process high volumes of spare parts invoices, warranty claim invoices, and inter-company invoices), the e-invoicing integration requirement has been a significant IT and process compliance project. The e-invoice schema for automobile transactions must capture all the required data fields — supplier and buyer GSTIN, HSN code for the vehicle or parts, transaction value, applicable GST rates and amounts, and vehicle-specific information required for VAHAN integration — in the specified format and sequence. Any discrepancy between the e-invoice data and the vehicle's registration data (for example, if the vehicle's model code in the e-invoice does not match the model code in ARAI's type approval database) can create downstream compliance issues when the buyer's RTO matches the invoice data against the VAHAN database for registration purposes. OEM IT teams have invested substantially in e-invoice integration and data quality management to ensure that the millions of vehicle and parts transactions processed annually through their systems comply with e-invoicing requirements without manual intervention.

CHAPTER THREE

Competition Act and the Automobile Sector: CCI Jurisprudence

Shamsher Kataria Deep Dive, Aftermarket Dominance, Vertical Restraints, Resale Price Maintenance and Recent CCI Actions

> *The Competition Commission of India has been one of the most active regulatory bodies in India's automobile sector since its establishment, generating landmark decisions on aftermarket access, dealer agreement restrictions and OEM commercial practices that have reshaped industry conduct across every OEM operating in India.*

3.1 Shamsher Kataria: The Foundational Decision

The Competition Commission's decision in Shamsher Kataria v. Honda Siel Cars India Ltd. and Others (Case No. 03/2011, decided 25 August 2014) is the most consequential competition law ruling affecting India's automobile industry and among the most important competition decisions in Indian competition law history. The case arose from a complaint by an independent garage owner and automobile enthusiast who alleged that major automobile OEMs operating in India — including Honda, Volkswagen, Fiat, Nissan, Mercedes-Benz, BMW, Porsche, Land Rover, and others — were abusing their dominant positions in the aftermarket for spare parts and repair services for their respective vehicle brands by: restricting the supply of genuine spare parts exclusively to their authorised dealer networks and preventing independent repairers and spare parts distributors from accessing genuine OEM parts; refusing to provide technical repair information (service manuals, wiring diagrams, and fault code descriptions) to independent workshops; preventing the sale of specialised diagnostic tools to independent repairers by making these tools available only to authorised dealers; and using "invisible" branding on spare parts (without identifying the original component manufacturer) to prevent buyers from independently sourcing the same components from the component manufacturer at lower cost.

The CCI's analysis proceeded from the determination of the "relevant market." The Commission rejected the OEMs' argument that the relevant market for spare parts was a single broad market encompassing all automobile spare parts, finding instead that each OEM's spare parts and repair services for its specific brand of vehicles constituted a separate relevant product market — a finding known in competition law as the "aftermarket dominance" theory. The economic basis for this finding was the "lock-in" analysis: a vehicle buyer who has purchased a specific brand of car is effectively locked into the aftermarket for that brand's spare parts and repair services, because: spare parts from one brand are not interchangeable with another (brand-specific components are not generically substitutable); the cost of switching to a different

vehicle brand to avoid the high aftermarket prices (selling the current vehicle and buying a new one of a different brand) is prohibitively high relative to the overcharging in the aftermarket; and the buyer typically cannot accurately assess the long-term aftermarket costs at the time of the original vehicle purchase, because the OEM's control over spare parts prices and repair costs after purchase is not transparent at the point of sale. The "lock-in" analysis, which was sophisticated and novel in the Indian competition law context at the time of the Shamsher Kataria decision, has since been refined in subsequent decisions and has become a foundational principle in the CCI's analytical framework for aftermarket competition cases across multiple product sectors.

Having established that each OEM held a dominant position in the relevant aftermarket market for its own brand, the CCI then examined whether the OEMs' practices constituted an "abuse" of that dominance under Section 4 of the Competition Act, 2002. The Commission found multiple categories of abusive conduct: the restriction of spare parts supply to authorised dealers was an unfair condition of sale that prevented consumers from accessing the aftermarket at competitive prices (Section 4(2)(a)); the withholding of technical repair information from independent repairers was a refusal to supply an "essential facility" (the technical knowledge needed to repair the vehicle) that prevented competition in the downstream repair services market (Section 4(2)(c)); and the "invisible" branding of spare parts was an unfair commercial practice that prevented market transparency (Section 4(2)(a)). The remedies ordered included: mandatory supply of genuine spare parts to independent spare parts distributors and repairers on non-discriminatory terms; mandatory provision of technical repair manuals, wiring diagrams, and fault code information to independent repairers; mandatory availability of diagnostic tools for purchase by independent repairers; and civil penalties totalling Rs. 2,545 crore on the fourteen respondent OEMs, calibrated to each OEM's market position and the gravity of its conduct.

The Shamsher Kataria decision was appealed to COMPAT (Competition Appellate Tribunal) by several of the penalised OEMs, who challenged both the dominance analysis and the penalty quantum. COMPAT substantially upheld the CCI's decision on the legal analysis, confirming the aftermarket dominance theory and the finding of abuse, while modestly reducing the penalties of some respondents on grounds of the proportionality of the penalty to the established harm. The Supreme Court subsequently affirmed the COMPAT (now NCLAT) analysis in further appeals, establishing the Shamsher Kataria framework as settled law in Indian competition jurisprudence. The practical implementation of the remedial directions has been ongoing, with the CCI periodically reviewing OEM compliance through monitoring orders and follow-up proceedings against OEMs found to have failed to implement the mandated spare parts access and technical information disclosure requirements within the specified timeframes.

3.2 Resale Price Maintenance: The Hyundai India Case

The CCI's proceedings against Hyundai Motor India Limited (HMIL) — resulting in a penalty order and directions in 2021 — addressed the competition law dimensions of OEM dealer pricing policies, specifically the allegation that HMIL's dealer policies amounted to "Resale Price Maintenance" (RPM) in violation of Section 3(4)(e) of the Competition Act. The core factual allegation was that HMIL maintained a "discount control policy" under which dealers who offered customers discounts exceeding the maximum dealer discount level specified by HMIL faced penalties including reduction in vehicle allocation — effectively coercing dealers to sell at or above HMIL's minimum retail price and preventing price competition between Hyundai dealers for the same customers. RPM — a vertical restraint under which a manufacturer or distributor requires its downstream resellers to maintain specified minimum prices — is presumed to cause appreciable adverse effect on competition under Section 3(4) of the Competition Act (for vertical agreements that create barriers to competition or foreclose market access), requiring the CCI to balance the pro-competitive justifications of the pricing policy (such as preventing free-riding on dealer investments in pre-sale services) against the anti-competitive effect (elimination of price competition between dealers of the same brand).

The CCI found that HMIL's discount control policy amounted to RPM and was anticompetitive in effect, since the policy prevented consumers from benefiting from price competition between dealers and created an artificial price floor in the Hyundai brand's retail market. The Commission imposed a penalty on HMIL and directed the company to revise its dealer agreement pricing provisions to remove all provisions that constrained dealer pricing freedom, explicitly stating that Maximum Retail Prices are non-binding guidelines and that dealers are free to set their retail prices independently. The Hyundai India case followed a series of similar findings against other automobile OEMs (including Volkswagen India, Skoda Auto India, and others) in respect of pricing provisions in their dealer agreements, establishing a consistent pattern of CCI enforcement against OEM pricing control practices across the Indian automobile market. The cumulative effect of this enforcement has been to require virtually every OEM operating in India to revise its dealer agreement templates to remove explicit or implicit price controls, to train its sales and dealer management teams on the permissible boundaries of dealer pricing guidance, and to develop compliance monitoring systems to identify and address any individual dealer management practices that cross the line from permissible pricing recommendations to impermissible price coercion.

3.3 Vertical Restraints in Dealer Agreements: The Permissible Boundaries

While the CCI has been active in addressing specific abusive practices in automobile dealer agreements (RPM, territory restrictions that prevent cross-territorial supply, and tying arrangements that force dealers to stock or sell ancillary products from OEM-affiliated suppliers), a range of vertical restraints in dealer agreements remain permissible under the Competition Act's Section 3(4) framework when they are justified by pro-competitive rationales

that outweigh their restrictive effects. The Competition Act's approach to vertical restraints is a rule of reason analysis: Section 3(4) creates a presumption that agreements that cause appreciable adverse effects on competition (AAEC) are void, but the presumption can be rebutted by evidence that the procompetitive benefits of the arrangement outweigh the harm to competition. Pro-competitive justifications for vertical restraints in automobile dealer agreements typically include: territory exclusivity (which provides dealers with protection from intra-brand competition to support their investment in showrooms, service facilities, and customer relationship management); service standards requirements (which ensure consistent quality of customer service across the OEM's dealer network, supporting the OEM's brand value); minimum inventory requirements (which ensure customers can access a full range of models and trim levels from their nearest dealer); and training and certification requirements (which ensure that dealers and their service staff have the technical competence to service complex vehicles correctly).

The boundaries of permissible territory restrictions in automobile dealer agreements have been clarified through several CCI decisions: exclusive territory clauses (which prevent the OEM from appointing a second dealer in the same territory as an existing dealer) are generally permissible as pro-competitive incentives for dealer investment; but restrictions on dealers actively soliciting customers from outside their territory (through advertising or direct marketing) are more questionable and may constitute AAEC if they prevent cross-territorial price competition; and absolute prohibitions on dealers supplying to customers from outside their territory who proactively seek supply (the "passive sales" distinction from EU competition law) are considered more clearly restrictive of competition. The SERC competition decisions and the available guidance from the CCI suggest that a nuanced approach to territory restrictions — permitting passive sales while restricting active sales into other territories — is more likely to survive CCI scrutiny than absolute territorial exclusivity covering both active and passive sales.

3.4 Competition Law Compliance Programme for Automobile OEMs

The cumulative effect of the Shamsher Kataria decision, the RPM enforcement actions, and the CCI's ongoing monitoring of the automobile sector's compliance with earlier orders has created a strong imperative for OEMs to implement comprehensive competition law compliance programmes covering their dealership, aftermarket, and supply chain practices. The essential elements of an effective OEM competition compliance programme for India include: a documented competition law policy that sets out the prohibited and permitted practices for dealer management, pricing, supply chain management, and aftermarket operations, signed off by the OEM's board or senior management; a training programme for all commercial and legal staff who interact with dealers, distributors, suppliers, and competitors, covering the specific competition risks in each interaction type; a compliance review of all dealer agreement templates and operational instructions from headquarters to dealers, to identify and revise any

provisions that may conflict with the CCI's established case law; a monitoring mechanism that tracks CCI developments and proactively addresses any business practices that might attract CCI scrutiny before a formal investigation is opened; and a reporting and escalation mechanism that enables frontline commercial staff to report potential competition concerns to the legal and compliance team for assessment before the conduct in question becomes a pattern that attracts regulatory attention.

CHAPTER FOUR

Dealer Agreements: Legal Architecture and OEM Obligations

Dealer Appointment, Territory, Investment, Performance Targets, Termination Law and Dealer Protection

> *The automobile dealer agreement is the commercial and legal foundation of every OEM's retail distribution network. Understanding its legal nature, key provisions, and the remedies available to both parties is essential for counsel advising OEMs and dealers alike.*

4.1 Legal Nature of the Dealer Agreement

The automobile dealer agreement is a complex commercial contract that combines elements of: a sale of goods framework (the dealer purchases vehicles from the OEM at wholesale prices and resells them at retail prices); a services framework (the dealer provides sales, service, and customer relationship management services associated with the OEM's brand); a franchise framework (the dealer uses the OEM's brand, trademarks, and corporate identity standards in operating the dealership, creating a brand-associated commercial relationship); and a regulated commercial relationship (the dealer's operations are subject to SERC-approved standards, competition law constraints, and consumer protection requirements that affect the contractual provisions the OEM can lawfully impose). The contractual provisions of automobile dealer agreements must navigate this multi-dimensional legal landscape, ensuring that the commercial arrangements serve the OEM's legitimate business objectives while complying with the competition law restrictions on dealer pricing, territory, and exclusivity arrangements established through the CCI's enforcement practice.

The dealership investment made by an automobile dealer — in premium showroom facilities, workshop equipment, trained service staff, vehicle inventory, and spare parts stock — is typically several crores of rupees for a volume brand dealership and can exceed Rs. 50 crore for a premium or luxury brand dealership that requires branded showroom environments meeting the OEM's global design standards. This large upfront investment, which is largely brand-specific and has limited salvage value if the dealer agreement is terminated (the showroom fixtures and fittings may be brand-specific; the service equipment is brand-specific; and the goodwill in the customer base is associated with the brand, not the dealer entity), creates a significant power imbalance between the OEM and the dealer: the dealer is heavily "locked in" to the OEM relationship by its sunk investment and ongoing operational dependencies, while the OEM has the contractual power to threaten non-renewal or termination to discipline dealer behaviour. This power asymmetry — well-documented in the academic literature on franchising and in the regulatory frameworks for dealer protection in the United States, European Union,

and Australia — has been identified by the Automotive Component Manufacturers Association and FADA (Federation of Automobile Dealers Associations of India) as a significant structural concern in the Indian market, and has generated repeated advocacy for legislative dealer protection measures that would partially redress the balance.

The contractual provisions governing OEM product allocation — the mechanism by which the OEM determines how many vehicles of each model are allocated to each dealer — are among the most commercially significant (and least visible to outsiders) provisions of the dealer relationship. Vehicle allocation is typically at the OEM's discretion, guided by published criteria (historical sales performance, customer satisfaction scores, inventory management standards) but ultimately subject to the OEM's commercial judgment. Dealers who have relationships or commercial advantages that the OEM values — such as premium location, high customer satisfaction scores, or high-margin product sales mix — typically receive more generous allocations of popular models, creating a commercial incentive for dealer compliance with OEM standards that supplements the explicit contractual obligations. Dealers who dispute their allocation (claiming that the OEM has applied the criteria inconsistently or has used allocation as a retaliatory tool in response to a dealer's enforcement of its legal rights) face the challenge of proving OEM bad faith in a context where the OEM has broad discretion and the relevant information is largely in the OEM's possession.

4.2 Dealer Performance Standards and Remedies

Automobile dealer agreements typically specify detailed performance standards covering: minimum annual vehicle sales volumes (by model or segment); customer satisfaction index (CSI) scores from OEM-commissioned surveys; service quality scores (from mystery shopping and service quality audits); spare parts sales penetration (the percentage of the dealer's service revenue that comes from genuine OEM spare parts rather than non-OEM alternatives); facility standards compliance (maintaining the showroom and service facility to the OEM's current design standards); training completion rates (ensuring that all customer-facing and technical staff have completed the required OEM training programmes); and working capital and financial health indicators (maintaining adequate vehicle inventory levels, spare parts stockholding, and liquidity ratios). Dealers who fail to meet these performance standards face contractual consequences ranging from performance improvement notices and remediation plans, through reduction in vehicle allocation, to ultimate termination of the dealer agreement.

The legal enforceability of OEM performance requirements against dealers has generally been upheld by Indian courts, which treat dealer agreements as binding commercial contracts whose performance standards are legitimate business conditions. However, courts have scrutinised the reasonableness and consistency of OEM performance standard enforcement in cases where dealers have argued that the OEM applied performance criteria selectively or retroactively, or that the performance standards were commercially unreasonable in the prevailing market

conditions (for instance, requiring volume sales targets during a severe market downturn when all dealers were missing their targets). The principle of reasonableness — derived from Section 23 of the Contract Act (which voids agreements with considerations or objects opposed to public policy) and the developing doctrine of good faith in commercial contracts — provides a limited but growing judicial check on OEM performance standard enforcement that dealers have successfully invoked in specific circumstances.

4.3 Dealer Agreement Termination: Legal Framework

The termination of a dealer agreement — whether by notice expiry and non-renewal, by OEM termination for cause, or by dealer resignation — is the most commercially impactful event in the dealer relationship lifecycle and the most frequent source of dealer-OEM legal disputes in India. The grounds for termination by the OEM are typically specified in the dealer agreement itself, classifying causes as: immediate termination events (such as dealer insolvency, fraud, criminal conviction of the dealer's principals, material breach of the agreement, loss of required regulatory licences, or assignment of the dealer agreement without OEM consent); and remediable default events (such as persistent failure to meet sales targets, facility standards non-compliance, or CSI score underperformance) which give the dealer a specified cure period (typically 30–60 days) to remedy the default before termination may be effected. The distinction between these categories is commercially significant: an OEM who terminates for a non-immediate-termination cause without following the prescribed cure period and notice process has breached the dealer agreement's termination procedures, potentially giving the dealer a claim for wrongful termination damages regardless of the underlying performance failure that motivated the OEM's action.

The "goodwill" claim — the dealer's argument that the termination of the dealer agreement extinguishes the commercial value that the dealer has built through its investment, relationship development, and brand representation work, and that the OEM should compensate the dealer for this lost goodwill — is the most legally contested dimension of dealer termination disputes in India. Unlike the United Kingdom (where the Commercial Agents (Council Directive) Regulations 1993 provide commercial agents with a statutory right to compensation or indemnity on termination) or the United States (where state Automobile Dealer Day in Court Acts and Franchise Acts provide dealers with specific statutory termination protections), India currently has no legislation specifically addressing the dealer's right to goodwill compensation on termination. Indian courts have addressed goodwill compensation claims in automobile dealer termination cases primarily under general contract law principles: where the dealer agreement contains express goodwill compensation provisions, these are enforced; where the agreement is silent, the dealer must establish a common law basis for goodwill compensation, which typically requires proof of the dealer's specific investment in the OEM's brand, the causal connection between that investment and the value destroyed by the termination, and the unjust enrichment

of the OEM from the dealer's unrecompensated investment.

CHAPTER FIVE

Spare Parts, Aftermarket and Extended Warranties

Post-Shamsher Kataria Compliance, Genuine vs Non-Genuine Parts, Extended Warranty Legal Structure, and Multi-Brand Service Networks

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> *The automotive aftermarket — encompassing spare parts, service, accessories, tyres, batteries and extended warranties — is one of India's largest and most legally complex commercial sectors, generating intense regulatory scrutiny and frequent disputes between OEMs, independent operators, and consumers.*

5.1 Post-Shamsher Kataria Aftermarket Structure

The implementation of the Shamsher Kataria directions has changed the structural dynamics of India's automotive aftermarket in several ways, though the implementation has been uneven across different OEM brands and different types of parts and information. On the spare parts access dimension: most major OEMs now operate some form of independent spare parts wholesale channel — selling genuine OEM parts to independent spare parts distributors who resell to multi-brand garages and individual buyers — in addition to the exclusive authorised dealer channel. The pricing of genuine parts in the independent wholesale channel is typically at or near the pricing in the authorised dealer channel, with the OEM maintaining control over the maximum retail price to prevent independent distributors from underselling authorised dealers to a degree that threatens the authorised dealer network's service revenue. On the technical information access dimension: most OEMs now provide some level of technical service information (service manuals, wiring diagrams, fault code information) through commercial subscription portals accessible to independent repairers, though the depth, currency, and format of the information provided varies significantly between OEM brands, and the subscription fees charged by some OEMs for technical information access have been criticised as unreasonably high relative to the cost of providing the information and the scale of independent repairer businesses.

The "non-genuine" parts market — comprising parts manufactured by independent suppliers (not the OEM's authorised component manufacturers) and sold through multi-brand spare parts distributors and retail outlets at lower prices than genuine OEM parts — is a significant competitive force in the aftermarket, particularly for older vehicles where the OEM's genuine parts availability may have deteriorated as the vehicle platform is discontinued. Non-genuine parts range in quality from near-identical copies (manufactured by the same component supplier that makes the OEM's genuine parts, sold under the supplier's own brand for the aftermarket at lower margins than the OEM channel) to low-quality counterfeits (bearing unauthorised copies

of the OEM's part number or brand identity, sold at very low prices but with unreliable quality and safety performance). The legal framework for combating counterfeit parts — under the Trade Marks Act, 1999, the Copyright Act, 1957, and the Consumer Protection Act, 2019 — provides OEMs with actionable remedies against counterfeit manufacturers and distributors, but enforcement in the fragmented multi-tier distribution channels for automotive spare parts is practically challenging.

5.2 Extended Warranty: Legal and Tax Analysis

The extended warranty product — a service contract providing repair and replacement coverage for vehicle mechanical and electrical failures beyond the standard manufacturer's warranty period — is one of the highest-margin ancillary products in the automotive distribution chain, and its legal characterisation as insurance versus service contract has important tax and regulatory consequences. If an extended warranty is characterised as "insurance" under the Insurance Act, 1938 — because it involves a transfer of financial risk from the vehicle owner to the warranty provider in exchange for a premium — the warranty provider must be licensed by IRDAI to carry on insurance business, the warranty product must comply with IRDAI's product regulations for extended warranty insurance, and the premium is subject to GST on the insurance premium at 18%. If the extended warranty is characterised as a "maintenance service contract" — because the warranty provider undertakes to perform specified maintenance and repair services rather than to indemnify the vehicle owner for uncertain future losses — IRDAI regulation is not required and the contract is subject only to the Consumer Protection Act and general contract law, with GST at 18% applicable to the service component.

OEMs who provide extended warranty programmes funded by the OEM's own reserves (rather than through insurance mechanisms) are typically characterised as service contracts rather than insurance, since the OEM is undertaking to repair or replace vehicle components using its own service network rather than indemnifying the vehicle owner for loss. The legal risk in this characterisation is that the warranty fund (the reserve set aside to meet future warranty claims) is managed on an actuarial basis that resembles insurance, and a regulatory characterisation challenge by IRDAI could expose the OEM to retrospective insurance regulation obligations. Leading OEMs have typically obtained legal opinions from specialised insurance regulation counsel confirming the service contract characterisation of their extended warranty programmes, and have structured the warranty products (in terms of the obligations undertaken, the calculation of the warranty fee, and the administration of the warranty fund) to maintain a clear distinction from insurance.

5.3 Multi-Brand Service Networks and the Aftermarket Competition

The development of organised multi-brand service networks — chains of professional automobile service centres that work on multiple vehicle brands using trained technicians, genuine or

quality-equivalent parts, and standardised service processes — has been accelerated by the Shamsher Kataria direction mandating access to technical information and spare parts for independent repairers. Multi-brand service chains such as Mahindra First Choice Services, Carnation (erstwhile), Pro-Fit, and numerous regional chains serve customers whose vehicles are no longer under the OEM's authorised warranty coverage, offering lower service costs than authorised dealers (lower workshop overhead, lower parts margins) and the convenience of a single service provider for multi-brand household fleets. For OEMs, the growth of organised multi-brand service networks represents both a competitive threat (to the authorised dealer network's service revenue from out-of-warranty vehicles) and an opportunity (to supply genuine OEM parts and technical resources to multi-brand operators who will use them in preference to non-genuine alternatives if the supply terms are competitive).

The legal framework governing multi-brand service operations involves: compliance with the Motor Vehicles Act's provisions on vehicle workshops (including the licensing requirements for authorised service stations under certain state rules); consumer protection obligations under the CPA 2019 (including the obligation to inform customers of the parts used in their vehicles and to provide transparent pricing); and competition law compliance (including the obligation not to engage in exclusive dealing or tying arrangements that exploit market power in the service market). For OEMs who have specific contractual arrangements with multi-brand service operators (such as technical information licensing agreements, genuine parts supply agreements, or quality certification programmes for multi-brand operators), the competition law analysis of these arrangements must assess whether any exclusivity or preference provisions create competition concerns in the aftermarket service market, given the OEM's potential dominance in the aftermarket for its own brand's spare parts and technical information.

CHAPTER SIX

Consumer Protection, Product Liability and Redressal

CPA 2019 Framework, NCDRC Jurisprudence, CCPA Powers, Defect Categories, and Strategic Compliance for OEMs

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> *India's consumer protection framework for the automobile sector has been transformed by the Consumer Protection Act 2019, which introduced no-fault product liability, a new regulatory authority and substantially enhanced remedies. This chapter examines the complete legal landscape for automobile consumer disputes.*

6.1 Product Liability Under the Consumer Protection Act 2019

The Consumer Protection Act, 2019 introduced a dedicated product liability chapter (Sections 82–89) that creates a no-fault liability regime for manufacturers, sellers, and product service providers — eliminating the need for a consumer claimant to prove negligence (the demanding standard required under general tort law) and requiring instead only proof that the product was defective and that the defect caused harm. Section 83 defines three categories of product liability action: manufacturing defect (the product departs from its intended design or from the performance and safety standards of a reasonably expected comparable product); design defect (the product's design is inherently unreasonably dangerous, meaning that all units of that product design present the same risk regardless of production quality); and warning or instruction defect (the product lacks adequate warnings about known risks or adequate instructions for safe use that a reasonably prudent manufacturer would have provided). For each category, the burden of proof on the consumer plaintiff is defined with specificity: for manufacturing defects, the consumer must show that the product departs from the design or performance standard of the relevant category; for design defects, the consumer must show that the risk of harm could have been reduced or eliminated by a reasonable alternative design; for warning defects, the consumer must show that the warning or instruction provided was inadequate for the risk involved and that an adequate warning would have influenced the consumer's decision about whether and how to use the product.

The automobile sector presents all three categories of product liability claims in practice. Manufacturing defect claims typically arise from: specific component failures (brake master cylinder leaks, airbag non-deployment, electrical short circuits) that were caused by a deviation from the manufacturing specification of the component; assembly errors (incorrect torquing of fasteners, incorrect routing of fuel lines, incorrect connection of safety-critical wiring) that occurred at the assembly plant; or material substitutions (using a component material that did

not meet the specification due to supply chain quality failures). Design defect claims typically arise from: structural collapse in crashes that exceeds the risk level achievable through reasonable design modifications (the "alternative design" test); rollover instability that creates a disproportionate risk of occupant ejection; or pedal misapplication risks from ambiguous pedal spacing that could have been addressed through reasonable design changes. Warning defect claims typically arise from: failure to warn owners of known safety issues (such as fire risks or battery thermal runaway tendencies) in a timely and prominent manner; inadequate fuel efficiency disclosures (where the advertised ARAI-certified figure is significantly above real-world performance without adequate explanation of the laboratory-versus-real-world distinction); and misleading safety feature marketing that implies capabilities the vehicle does not actually have in the relevant conditions.

The defences available to automobile manufacturers in product liability proceedings under the CPA 2019 are specified in Section 87: the product was not defective at the time it was put into circulation (i.e., the defect arose from misuse, unauthorized modification, or inadequate maintenance by the consumer); the defect was due to compliance with a mandatory standard (though this defence is narrow — merely meeting a minimum regulatory standard does not provide immunity if a higher standard of care was reasonably practicable); the product was manufactured for development risk purposes and the defect was not discoverable at the state of knowledge at the time of manufacture (the "development risks" defence); or the defect was caused by the act of a third party. The development risks defence is particularly relevant for automobile OEMs who introduce new technology products — where a defect that is not discoverable at the time of the technology's introduction may later become apparent as in-use experience accumulates — but its application requires the manufacturer to demonstrate that the state of knowledge in the relevant field (not merely the manufacturer's own internal knowledge) was insufficient to identify the defect at the time of supply.

6.2 CCPA: Regulatory Powers and Automobile Sector Actions

The Central Consumer Protection Authority (CCPA), established under Section 10 of the CPA 2019, is an executive authority with investigation, enforcement, and adjudicatory powers over unfair trade practices and unsafe goods that supplements the consumer forum adjudicatory system. The CCPA's powers relevant to the automobile sector include: the power to investigate consumer complaints and initiate suo motu investigations into practices that affect a class of consumers; the power to issue safety notices and recall orders for unsafe goods; the power to issue directions to manufacturers and sellers to withdraw misleading advertisements; the power to impose penalties up to Rs. 10 lakh for first-time violations and Rs. 50 lakh for repeat violations; and the power to file class action complaints before consumer forums on behalf of a class of affected consumers. The CCPA's investigative capability is an important complement to the CCI's enforcement function: while the CCI addresses anti-competitive behaviour affecting

market structure and efficiency, the CCPA addresses unfair practices and consumer safety issues at the individual consumer harm level.

The CCPA has issued guidelines specifically relevant to the automobile sector on: the disclosure of fuel efficiency figures in vehicle advertising and at the point of sale (requiring clear disclosure that ARAI-certified figures are laboratory test results and that actual mileage may vary based on driving conditions, road quality, fuel quality, and vehicle condition); the use of safety rating claims in advertising (requiring that any NCAP rating claims specify the test protocol, the test date, and whether the India-market variant tested is identical to or different from the global market variant); and the treatment of pre-booking deposits and waiting list management for high-demand vehicles (requiring transparent communication of estimated delivery timelines and the conditions under which deposits are refundable). These CCPA guidelines do not have the formal status of statutory regulations but represent the authority's stated enforcement priorities, and OEM marketing and sales teams should treat compliance with these guidelines as a practical compliance obligation even where they are not formally binding.

6.3 NCDRC Jurisprudence on Automobile Defects

The National Consumer Disputes Redressal Commission (NCDRC) has developed an extensive body of jurisprudence on automobile consumer disputes over four decades, establishing important legal principles that guide the adjudication of vehicle defect and deficiency in service claims across India's consumer forum network. Key principles established in NCDRC decisions on automobile cases include: the principle that a vehicle with a persistent defect that cannot be remedied despite multiple workshop visits constitutes a "manufacturing defect" entitling the consumer to replacement or full refund, rather than merely repair at the manufacturer's cost (the "replacement or refund" remedy principle); the principle that the demonstrative vehicle displayed in a showroom (rather than delivered to the consumer) may constitute a "deficient service" if it is materially different from the production model delivered to the consumer; the principle that undue delay in delivery beyond the committed delivery date (without adequate explanation or force majeure justification) constitutes a deficiency in service entitling the consumer to compensation for the delay and the opportunity cost of the booking amount; and the principle that misleading advertising of vehicle features — including fuel efficiency, safety ratings, or technology capabilities — constitutes an "unfair trade practice" under Section 2(47) of the CPA 2019, entitling the consumer to rescind the purchase and recover the full amount paid.

The computation of compensation in automobile consumer cases follows a structured framework: the consumer is entitled to a full refund of the vehicle purchase price (or replacement of the vehicle with a new unit free of defect, at the consumer's election) where a manufacturing defect is established; and additionally to compensation for mental agony, harassment, and litigation costs at levels that have progressively increased in NCDRC decisions

to reflect the rising consumer expectations and the inflationary increase in transaction values. Recent NCDRC decisions in premium vehicle cases have awarded mental agony compensation in the range of Rs. 2–5 lakh per case for established manufacturing defects that required multiple workshop visits over extended periods, reflecting the Commission's view that consumers who pay premium prices for premium vehicles have a higher expectation of product quality and a greater degree of inconvenience when that expectation is not met. For OEM counsel advising on NCDRC complaint responses, the risk of a replacement order (particularly for recent model vehicles whose market value significantly exceeds the original purchase price) creates a strong commercial incentive for early, good-faith settlement of consumer complaints before they escalate to NCDRC adjudication.

Booklet V — Complete Coverage Summary: The GST, competition law, and consumer protection framework for India's automobile sector constitutes a demanding and dynamic regulatory environment that rewards proactive compliance investment. The GST rate structure — with its high combined burden on conventional vehicles, its transformative EV concession, and its complex classification and ITC architecture — requires systematic expertise from OEM tax and legal teams. The CCI's enforcement of competition principles in aftermarket access, dealer pricing, and vertical restraints has reshaped the legal boundaries of OEM commercial conduct. The dealer agreement framework — navigating the OEM-dealer power imbalance, the competition law boundaries on dealer restrictions, and the dealer's limited legal remedies on termination — is a commercially critical area for both OEM distribution counsel and dealer legal advisors. The CPA 2019's no-fault product liability regime, the CCPA's investigative authority, and the NCDRC's evolving jurisprudence on vehicle defect remedies collectively create a consumer-facing compliance environment that demands rigorous quality management and transparent, fair consumer communications as the foundation of every OEM's market presence in India.