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Automobile Industry Monthly Update

5th August, 2010

Auto sales continued to rise unabated in July on the back of easier financing opportunities, new launches and refurbishments of existing models. Most domestic auto makers have reported sales growth in double digits in July. The strong demand environment in the sector has led to better pricing power with most of the automobile companies, and in the current month August, market leader Maruti has hiked product prices upto Rs 7,500 across all categories to protect its margins.

The mini trucks segment (Gio and Maximmo of M&M) within the commercial vehicle segment has shown the growth of about 100%. In the two wheeler space, Bajaj Auto recorded an impressive 65% growth and continues to outperform its peers in terms of volume growth. Car market leader Maruti Suzuki India Ltd also posted record local sales and for the second time clocked six-digit unit sales in a month (first was in May).

Outlook – Positive

The Passenger car and two wheeler segment has reported good numbers, signifying that auto companies continue to remain on fast-track. However, expected interest rates hikes could impact volume growth going forward. Aggressive lending and higher disposable income in the hands of individuals is expected to cushion the impact of rate hikes. Also predictions of a normal monsoon and rapid economic growth hold out the promise of higher sales. While volume increase is expected to continue, however, on account of base effect the percentage growth is likely to have tapering effect.



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Total motor vehicles sales and Total car sales for last 10 years

