

Indian Autos

Festive demand expected to moderate on fuel, interest rate hikes - ALERT

- **Festive demand expected to be weak:** The Indian Car market is expected to witness sedate demand in this festive season given weaker consumer sentiments driven by higher interest rates and fuel prices.
- **We reiterate our view that Maruti (MRTLBO, Neutral) will face headwinds** over the near term as growth rates moderate and competition intensifies.
- As per P Balendran, Vice-president of GM India (as per Economic Times) said "Carmakers generally see a growth of 20% or more in volumes during the festival season. However, now with unprecedented hike in interest rates, hike in petrol prices, high inflation, and negative market sentiments we are not expecting incremental volume of more than 5% during this festive season."
- **Since Jul'09, petrol prices have risen by 60% in India** and interest rates have moved up by c 300 bps. This is already impacting demand for automobiles and we expect sales to be impacted further. Growth rates for passenger cars have moderated to just 2% yoy given the rising cost of ownership. Last week's fuel price and interest rate hike has dampened sentiments further.

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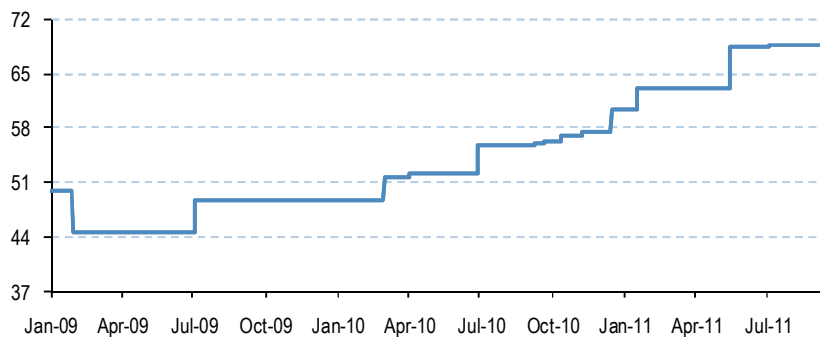
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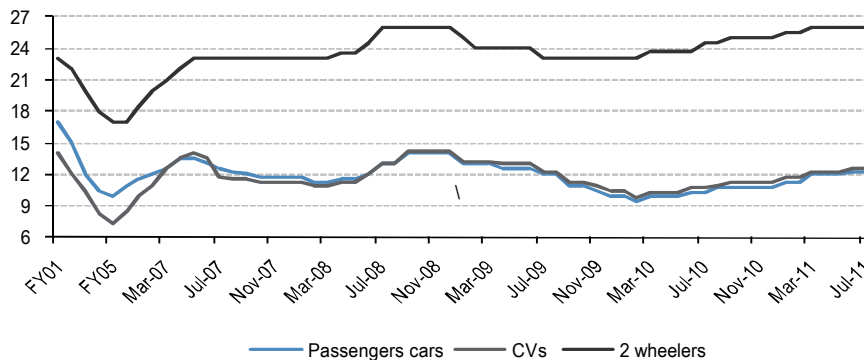
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Figure 1: Gasoline Price in India (Rs/litre)



Source: Bloomberg

Figure 2: Vehicle Financing Rate (%)



Source: Companies, J.P. Morgan.

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