

Govt. pay raise to spur auto demand

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The implementation of the 7th Pay Commission recommendations, which will put more money in the hands of over one crore government employees and pensioners, augurs well for the consumer durables and the auto sectors, which are anticipating a pick-up in demand in both urban and rural areas.

"Seventh pay commission is one of the much needed cursors to boost the domestic demand, especially when the global economy is reeling under the Brexit phenomenon...with the rise in disposable income and scaling of e-commerce the consumer durable industry is expected to grow by 15 per cent in this fiscal," Manish Sharma, President of Consumer Electronics and Appliances Manufacturers Association said.

Shares climb

A spokesperson of the country's largest car maker Maruti Suzuki said: "Central and State government employees are a high potential segment for us contributing approximately 17 per cent to our volumes. With increase in disposable income ... we expect an impetus to car sales in this segment." The spokesperson added that last year the company sold over 2 lakh vehicles to such employees and with the implementation of 7th pay commission, expects to sell over 2.5 lakh vehicles in this segment.

The shares of automobile and consumer durables companies also rose by up to 4 per cent following the Cabinet's decision. Shares of Hero MotoCorp rose by 3.95 per cent, Tata Motors by 1.53 per cent, Maruti Suzuki India by 1.36 per cent, Bajaj Auto by 0.71 per cent and Mahindra & Mahindra by 0.62 per cent on the BSE.

The BSE auto index went up by 1.51 per cent to end at 19,473.01. Meanwhile, shares of companies in the consumer durables sector such as Blue Star rose by 3.56 per cent, Voltas by 1.87 per cent and Whirlpool by 1.38 per cent.

Consumer durables

South Korean manufacturer LG said it expects improvement in demand both in the urban as well as rural sales. "We now expect that people will upgrade their consumer durables post increase in disposable income," LG India Corporate Marketing Head Niladri Datta said.

C M Singh, COO at Videocon said the move favour a tilt in demand for premium products. Whirlpool of India Managing Director Sunil D'Souza added that this will definitely spur demand for "discretionary and aspirational products."

Welcoming the move, automobile industry body SIAM said: "For the past few months the automobile sector has been witnessing a gradual revival in almost all segments of the vehicle industry... The 7th Pay Commission will further boost this revival process, especially in the passenger car and two-wheeler segments."

The industry body added that automotive sector is now hoping for a much better performance in the coming months as compared to the last three years.