



INDIAN AUTOMOBILE INDUSTRY – PASSENGER VEHICLES

Industry volumes remain steady

JANUARY 2024



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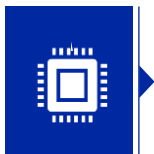
Domestic wholesale volumes remained at healthy levels in December aided by steady demand; however, the wholesales represented a decline on a sequential basis, with the OEMs curtailing production towards the end of the calendar year.



Domestic wholesale volumes in December 2023 remained strong at 2.9 lakh units, representing a YoY growth of ~4%. The offtake, however, represented a decline on a sequential basis, with the OEMs curtailing production towards the end of the calendar year. The offtake over the past few months was also supported to an extent by inventory build-up for the festive season.



Retail sales remained at healthy levels in December 2023, representing a growth of ~3% on a YoY basis. Retail sales during the recently-concluded festive season represented a YoY growth of ~6% (despite a high base). Despite strong retail sales, the inventory levels in the industry remained high at 55-58 days (as of end of December 2023) as per the Federation of Automobile Dealers Association estimates.



Even as the OEMs have been operating at high-capacity utilisation levels, the availability of semiconductor chips to support their desired production levels remains monitorable. Maruti Suzuki India Limited (MSIL), the market leader, has continued to indicate a shortage of electronic components, which continues to constrain its production levels to an extent.



Monthly export volumes continued to be steady, aided by steady demand across geographies. Export volumes in December 2023 reported a growth of ~12% on a sequential basis. The trend needs to be monitored, with shortage of US dollars in some African markets and inflationary pressures, which may impact demand.



ICRA expects the industry to grow by 6-9% in FY2024, aided by steady industry demand. Supply chain disruptions and impact of increase in cost of ownership on retail sales, however, are monitorable.



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