

INDIAN AUTOMOBILE INDUSTRY – PASSENGER VEHICLES

Elevated inventory levels owing to
tepid retail volumes

JULY 2024





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Retail sales in June 2024 were impacted by prolonged extreme heat conditions across the country, which affected the walk-ins; inventory at heightened levels.

Industry is expected to grow at a modest pace of 3-6% in FY2025 on an all-time high base of FY2024.



In June 2024, domestic wholesale volumes remained steady at 3.4 lakh units, although moderating on a sequential basis over May 2024. The supplies from original equipment manufacturers (OEMs) remained steady, which led to ~3% YoY growth in volumes. Retail sales moderated in June 2024 on a sequential basis by 7% as continuous extreme heat conditions affected footfalls and walk-ins. Despite the discounts from OEMs across models, retail sales moderated by 7% on YoY basis.



Inventory levels rose to 62-67 days at the end of June 2024, as per the Federation of Automobile Dealers Association (FADA) because of steady production and a slowdown in retail sales over the past few months. Utility vehicles (UVs) continued to be the most preferred segment in the passenger vehicle (PV) industry, driving 63-64% of the overall PV volumes. UV is likely to remain the key volume drivers in the near term.



Monthly export volumes saw healthy improvement, aided by strong demand across regions. Export volumes in June 2024 grew sharply by ~32% on a YoY basis and ~41% sequentially. The trend needs to be monitored as a shortage of forex availability in certain African markets and inflationary pressures may impact demand.



ICRA expects the industry to grow by 3-6% in FY2025 after an 8% YoY growth in FY2024, backed by steady demand. The lower growth expectation for the current year partly stems from the waning pent-up replacement demand and a high base.



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