



INDIAN AUTOMOBILE INDUSTRY – PASSENGER VEHICLES

**Inventory at dealer level remains
elevated owing to subdued retails**

OCTOBER 2024





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Wholesale volumes remained steady in September 2024; inventory remained at elevated levels as retail continued to be subdued. Ongoing festive season expected to provide liquidity cushion to dealers.

In H1 FY2025, the retail and wholesale volumes grew by 0.5% on YoY basis owing to slowdown in demand. The industry is expected to grow at a modest pace of 3-6% in FY2025 on an all-time high base of FY2024.



In September 2024, domestic wholesale sales volumes remained steady at 3.6 lakh units, moderating marginally on a YoY basis. The supplies from original equipment manufacturers (OEMs) remained steady, which led to ~1% sequential growth in volumes. Retail sales moderated in September 2024 on a sequential basis by ~11%, despite discounts offered by OEMs and new model launches; on a YoY basis, retail sales moderated by 17%, with the traditional 'Shraddh' period (associated with slower retails) falling in September this year.



Inventory levels at dealers rose to an all-time high of 80-85 days at the end of September 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. Sport Utility vehicles (SUVs) continued to be the most preferred segment in the passenger vehicle (PV) industry, driving 63-64% of the overall PV volumes. UVs are likely to remain the key volume driver in the near term. Liquidation of inventory during the ongoing festival period will be a critical monitorable.



Monthly export volumes remain moderate; volumes in September 2024 improved by ~2% on a sequential basis and a healthy ~12% on a YoY basis. The trend needs to be monitored as a shortage of forex availability in certain African markets and inflationary pressures may hit 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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