

INDIAN AUTOMOBILE
INDUSTRY – PASSENGER
VEHICLES

Inventory levels remain high despite healthy festive season; wholesale volumes remain steady

DECEMBER 2024



Highlights



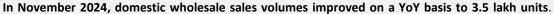


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Wholesale volumes remained steady on a YoY basis in November 2024; inventory remained at elevated levels despite some moderation after a strong festive season. Expectation of demand from the next wedding season is key to provide liquidity cushion to dealers.

ICRA maintain its outlook on the PV industry to grow at 0-2% in FY2025 due to elevated inventory, which has curtailed wholesale volume growth.





The supplies from original equipment manufacturers (OEMs) remained steady, which led to $^{\sim}4\%$ YoY growth in volumes. However, the volumes moderated from the high of October 2024 with OEMs rationalising production to control inventory. Retail sales saw a moderation of $^{\sim}33\%$ on a sequential basis from the record high of October 2024 following a strong festive season. With a demand push towards October 2024 due to the festive season, retail volumes moderated $^{\sim}14\%$ YoY.



Inventory levels moderated to 65-68 days; but remained elevated at the end of November 2024, as per the Federation of Automobile Dealers Association (FADA). 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. Utility vehicles (UVs) are likely to remain the key volume drivers in the near term. Continuation of demand in the ongoing wedding season remains key to keep inventory levels under check and provide liquidity cushion to dealers.



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



ICRA's outlook on industry volume growth is 0-2% for FY2025 (growth of ~1% in April-November FY2025), owing to elevated inventory level, which has partly impacted production and, thus, has curtailed the industry wholesale volumes.



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