

INDIAN AUTOMOBILE INDUSTRY – PASSENGER VEHICLES

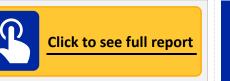
Inventory levels remain moderate; continuation of demand a key monitorable

JANUARY 2025



Highlights





Wholesale volumes improved on YoY basis in December 2024; inventory levels too improved, but remained elevated owing to slowdown in sales during the end of the calendar year. Expectation of demand from the ongoing wedding season is key to provide further liquidity cushion to dealers.

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



In December 2024, domestic wholesale sales volumes improved on a YoY basis to 3.1 lakh units. The supplies from original equipment manufacturers (OEMs) remained steady, which led to ~10% YoY growth in volumes. However, the volumes moderated from the highs of October and November 2024 as OEMs continued to rationalise their production levels to control inventory. Retail sales moderated by ~9% on a sequential basis, partly on account of slowdown in sales during the end of the calendar year.

Inventory levels moderated to 55-60 days; but remained elevated at the end of December 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 64-65% 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 improved at a healthy pace of 30% on sequential and YoY basis in December 2024. Overall, in 9M FY2025, export volumes grew by ~14% 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's outlook on industry volume growth is 0-2% for FY2025 (growth of ~2% in April-December FY2025) owing to elevated inventory level, which has partly impacted production and, thus, has curtailed the industry wholesale volumes.



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