

Car dealers stare at inventory pileup of 650,000 in new year

SHINE JACOB

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The passenger-vehicle segment is facing heat because it is going to start 2024 with an inventory of 650,000 at dealer level though last year was good in terms of retail sales.

“The only cause for concern (in a good year) is the stock in passenger vehicles. The bad part about the auto retail business is that things are happening fine but wholesales are happening even better. They need to cut on this,” said Manish Raj Singhania, president, Federation of Automobile Dealers Associations (Fada).

“We have around 750,000 in stock, which is a huge number, extending to more than two months. We are going to enter the year with an opening stock of 650,000-700,000 for the year. All these vehicles may attract huge discounts,” he added.

In a sign of annual sales of vehicles picking up to the pre-Covid level, the data available on the Vahan portal (of the Ministry of Road Transport and Highways) showed registrations were up more than 11 per cent in calendar year 2023 to around 23.9 million.

This was marginally down by 1 per cent compared to 24.17 million in the pre-Covid year 2019.

The 2023 numbers are based on



the Vahan data updated till 3.00 pm as on December 31. During 2022, it was 21.5 million units, and during 2021 18.9 million.

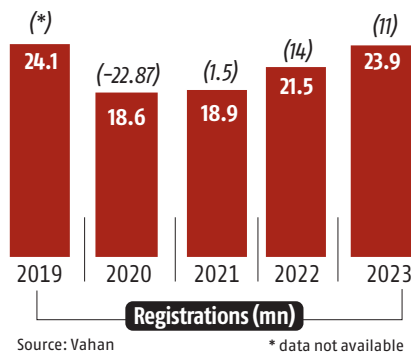
“We saw the best of records every month. We are entering 2024 on a high note for the industry. The fourth quarter of the financial year is always expected to be good,” said Singhania.

He is expecting single-digit growth in the passenger vehicle segment next financial year as well.

In terms of registration, Uttar Pradesh, Maharashtra, Tamil Nadu, Karnataka, and Gujarat are the top five states. Among fuel types, electric

NEAR PRE-COVID LEVELS

Auto sales (in brackets: % Y-o-Y chg)



vehicles saw the highest rate of growth — 49 per cent — to 1.53 million versus 1.025 million in 2022. Compressed natural gas also saw a 40 per cent rise during the year from 297,506 units in 2022 to 416,975 units in 2023.

Petrol-driven cars too were up 5 per cent and diesel-driven ones 8 per cent.

According to Vahan numbers, it was November that saw the highest sales during CY23 — 2.87 million — owing to the wedding and festival season. Based on Fada numbers, monthly domestic automobile retail sales in November this year touched

a new high of 2.85 million, surpassing the previous record of 2.57 million in March 2020, when the industry was transitioning from BS-IV to BS-VI emission norms.

“The Indian passenger vehicle market witnessed high single-digit volume growth, aided by SUV (sport utility vehicles) launches and competitive financing rates. Sustaining this momentum would be challenging in 2024, especially with the downturn in small-car sales and impending retail price hikes affecting demand dynamics. Commercial vehicle sales are anticipated to continue their upward journey, led by superior HCV (heavy commercial vehicle) launches and demand for electric buses,” said a report by StoxBox.

It added that sales of two-wheelers are anticipated to see further traction, supported by new launches, rural income revival, and increased exports. Looking ahead, expectations include softening raw material costs, an effective pass-on of higher input costs, and a focus on profitability and premiumisation by OEMs (original equipment manufacturers). “The outlook for the automobile sector in 2024 suggests low to mid-single-digit volume growth across most segments, with challenges in the small car segment,” it added.