

High stock, low demand drive car sales down 2-3%

Domestic car wholesales saw a decline for a second straight month in August

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Sales of domestic passenger vehicles (PVs) by automobile companies in August dropped 2-3 per cent year-on-year (Y-o-Y) to about 355,000 units owing to low demand and firms reducing production to ease pressure on dealers who hold high unsold inventories.

This is the second consecutive month when PV wholesales have dropped due to low demand and high dealer stocks. In July, PV sales were down 2.5 per cent Y-o-Y to 341,510 units.

Partho Banerjee, senior executive officer (marketing and sales), Maruti Suzuki India (MSIL), said the company had reduced its dispatches to dealers by about 13,000 units in August. The wholesales of MSIL, India's largest carmaker, stood at 143,075 units, which was a drop of 8.4 per cent Y-o-Y. He said MSIL's dealers at the beginning of August held the stocks to cover sales of up to 38 days. This has been reduced to 36 days now.

"Our channel partners (dealers) have reasonably healthy stocks. We are trying to bring them down," Banerjee added.

"Since the festival season is coming, it is not prudent to reduce the dealer stocks any further. Our dealers have an average of 36 days of stocks, which is all right. As Navratri will start at the beginning of October, we do not want to further correct our dealer stocks," he said.

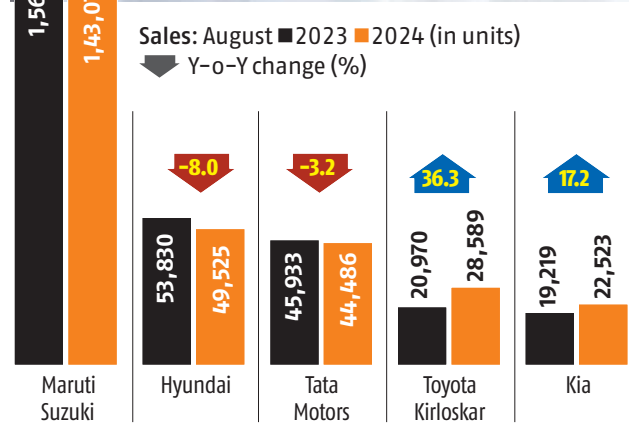
He said it was difficult to give wholesale numbers for the PV industry on a Sunday. However, he added: "We feel the domestic wholesales of the PV industry should be 350,000-355,000 units."

In August last year, domestic wholesales stood at about 361,000 units.

As car demand slowed in India, dealer stocks have surged to alarming heights. The situation is so critical that the Federation of Automobile Dealers Associations (Fada) has written two letters to the Society of Indian Automobile Manufacturers (Siam) in the past few months to resolve this matter.

According to Fada, its members are holding around 730,000 units — enough to cover over two months' sales. Siam, on the other hand, says the stocks with dealers are about 400,000 units.

Hyundai, India's second-largest carmaker, recorded a decrease of 8 per cent Y-o-Y in domestic whole-



Source: Companies

sales at 49,525 units.

Tarun Garg, chief operating officer, Hyundai Motor India, expressed hope the updated Alcazar sport utility vehicle (SUV), which would soon be launched, would help

the company drive "strong festive season" growth.

SUVs continue to remain popular among customers. Their share in the industry's PV sales was 54.9 per cent in August.