

# Car dealer inventories pile up

## FADA initiates talks with OEMs on recalibrating production plans

SOHINI DAS

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Even as retail sales of passenger vehicles (PVs) grew 4 per cent year-on-year (Y-o-Y) in May, inventory levels have risen to 40-45 days, according to dealer sources.

Dealers have initiated talks with carmakers on recalibrating production plans in order to get models for which there is greater demand.

“This could mean a drop in volumes for original equipment makers (OEMs) for a few months. But we have initiated talks with OEMs on this. Since interest rates are high, any inventory beyond 21 days pinches the dealer,” said Manish Raj Singhanian, president, Federation of Automobile Dealers Associations (FADA).

According to the FADA data, inventory days for PVs have been inching up slowly, from 37-39 days in March to 39-41 days in April and 40-45 days in May. PV retail sales in April were down by 1 per cent Y-o-Y after growing for eight months.

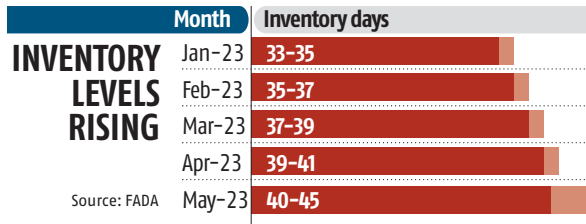
Singhanian said dealers were concerned about the increasing PV stocks. “It is a tale of two cities — dealers have healthy order books also, with wait periods ranging from two months to one year. On the other hand, some models are getting piled up at dealerships — customers are not getting the right vehicle at the right time.”

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## PAIN POINTS

- Dealers concerned as retail fails to catch up with wholesales
  - There's also a demand-availability mismatch as customers are not getting the right vehicle at the right time
  - Chip woes continue, hurting supply of SUVs and high-end models
- Maruti says inventory levels not as high as 45 days across all models



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He added since some high-demand models (mainly sport utility vehicles) were selling well, these compensated for the low-selling models in a way. But, rising inventories can clog the supply chain and the dealers' ability to absorb more. The country's largest passenger carmaker, Maruti Suzuki India (MSIL), agrees inventory levels are going up. Shashank Srivastava, senior executive officer (marketing and sales), said those had risen in recent months from 204,000 units as of April 1 to 250,000 units as of May 1 to 262,000 units as of June 1 because wholesales had grown faster than retail.

He, however, added inventory levels across all models were not as high as 45 days. "The industry average would be less than 30 days. Some models may have a higher inventory level of above 40 days. This is because average retail sales are around 320,000 units per month," Srivastava said. An MSIL spokesperson said the company routinely shut operations for 10 days in June, and for that reason it was important to supply excess cars in May. "We have reduced the production of some entry-level models, depending on market demand," the spokesperson said. The data from the Society of Indian Automobile Manufacturers

## IN HIGH GEAR

Automotive retail sales grew 10 per cent year-on-year in May, riding primarily on three-wheelers.

For instance, while two-wheelers and three-wheelers saw a growth of 9 per cent and 79 per cent respectively, passenger vehicles and commercial vehicles grew by 4 per cent and 7 per cent, respectively.

"While there has been a minus 2 per cent decline, compared to pre-pandemic levels, the overall retail figures have shown improvement," said Manish Raj Singhania, president, FADA.

Electric vehicles contributed 8 per cent of the total vehicle retail. Electric three-wheeler sales contributed a substantial 56 per cent of their respective total sales.

(SIAM) shows in April Maruti had produced 16,918 units of the Alto and Spresso, as against 22,655 in April 2022. Sales of these models were also down 21.4 per cent Y-o-Y in April.

In comparison, the production of models like the Baleno, Celerio, Dzire, Ignis, and Swift had grown 8.15 per cent in April, while sales grew 26 per cent. Sales of models like the Brezza, Fronx, and Jimny (MSIL's UV models) have, in turn, grown 75 per cent while their production has remained stagnant. Auto OEMs are trying to increase the production

of high-demand models, but the supply of semiconductors is holding back the desired ramp-up. MSIL Chairman R C Bhargava had said during the company's Q4FY23 earnings call that the shortage of semiconductor chips would remain in FY24. Q1FY24 has been worse than Q4FY23 in chip supply. Semiconductor chip supplies are easing, however. Srivastava said the inventory levels too would ease in the coming quarters. A dealer who sells cars of firms such as Maruti and Honda said the inventories for Maruti's Arena range of outlets were high, but in the Nexa range (which sells premium cars) they were below 30 days. Honda inventory levels too have been high, he said, but did not give numbers. "Whenever the inventory of certain models goes above 30 days, firms start retail schemes to compensate dealers for rising interest cost. This has been happening for four-five months now," he said. A Tata dealer said in the past two months the inventory racked up despite popular models like the Nexon doing well.

## Scindia...

RBDs refer to fare buckets or slabs used by airlines as part of their revenue management practice. When domestic operations resumed in May 2020 after two months of nationwide lockdown in view of the Covid-19 pandemic, the civil aviation ministry had capped