

Rural demand drives auto retail sales to 2 mn in Feb

Two-wheeler growth at 13%, PV sales up 12%

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LED BY GROWTH in two-wheeler sales, domestic automotive retail volumes crossed the two-million mark for the second consecutive month in February as demand from the rural sector remained strong. The growth was also aided by new launches across segments.

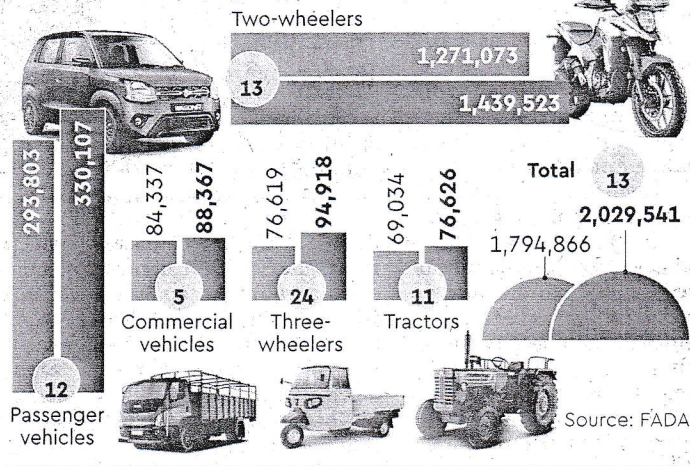
Two-wheeler volumes grew 13% year-on-year (y-o-y) to 1.43 million units, while passenger vehicle (PV) volumes comprising cars and sports utility vehicles grew by 12% to 330,000 units, as per data shared by the Federation of Automobile Dealers Association (FADA).

The PV segment's total during the month was higher than the February figure in any previous year. Commercial vehicle volumes grew by 5%, tractors by 11%, and three-wheelers by 24%. The numbers represent actual vehicle registrations, sourced from regional transport offices.

Manish Raj Singhania, president, FADA, said, "Tailwinds like rural demand and new launches have helped sustain retail volume pick-up." Factors such as the wedding season and improved economic conditions contributed to the growth, he added.

Singhania, however, said the

(Units) ■ Feb 2023 ■ Feb 2024 % change



elevated level of PV inventory is a point of concern. Dealers are asking PV makers to reduce stock further. By the start of March, the inventory days for PVs stood at 50-55, a slight reduction from nearly 60 days in December.

According to estimates provided by Maruti Suzuki, the PV segment saw dispatches of 335,000 for February, the third-highest monthly total ever. The high levels of inventory have also forced dealers and carmakers to dole out discounts to liquidate stocks.

Carmakers are offering discounts of 5-12% of the value of the vehicle, and 20-25% on unsold models built in 2023. "Banks will be reluctant in providing loans to the old stock. These need to be liq-

uidated quickly," Singhania added.

Inventories of motorcycles and scooters, however, remained at 10-15 days in February, the same as in January. Going ahead, according to Singhania, improved customer sentiment due to factors like lower fuel prices and crop payments to farmers, are likely to drive demand.

The industry expects improvement in volumes, especially in the CV, tractor and two-wheeler segments, in the run-up to the general elections. At the wholesale level, the PV industry is hoping to close FY24 at just over four million units.

Retail sales in the April-February period have grown 10% y-o-y to 22 million units. Retail volumes in FY24 are expected to breach 24 million units.