

Auto dealers flag 'distress' if Diwali sales fail to dazzle



Higher prices and SUV migration have hit entry-level models, with inventory levels at an all-time high of 63-66 days

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Amid a dip in sales of passenger vehicles (PVs) by 1.4 per cent in October, dealers have shown the red flag to original equipment manufacturers (OEMs), citing that the inventory levels on PVs are at an all-time high, touching 63-66 days.

The Federation of Automobile Dealers' Associations (Fada) has urged OEMs to not only moderate vehicle dispatches but also introduce more attractive schemes promptly.

According to the industry body, if Diwali sales don't live up to expectations, the weight of unsold stock could lead to significant dealer distress, leading to potential industry-wide repercussions.

"The biggest worry for us is the stock of the four-wheeler industry, which is maintaining 66 days. OEMs need to cut the supply of vehicles which are adequately stocked at the dealer's end. They need to produce models that have demand. For a model with a stock of more than 30 days, dealers start losing money on it. Not having a healthy dealer will affect the company also," said Manish Raj Singhania, president, Fada.

Based on Fada's assessment, except Toyota, which is not able to produce the requisite numbers, every other lead OEM is facing the inventory issue in some model or

other. This current rise is compared to around 50 days in July. Industry sources are of the opinion that the current rise in stocks is mainly on the entry-level models.

Maruti Suzuki India (MSIL), the country's largest passenger carmaker, agrees inventory levels are inching up in some models.

"In an ideal situation OEMs' production will mirror the demand pattern with an optimal inventory. However, this has not been the case for the past few years due to supply disruption from Covid or the semiconductor crisis. As a result, some models have inventory levels beyond optimal and some below optimal. With the semiconductor components issue fading away, OEMs are modulating production to scale up for larger demand models and scaling down for the others," said Shashank Srivastava, senior executive officer, marketing and sales.

On the other hand, Hyundai Motor India, the second-largest player, said its inventory was not more than three weeks' now.

"All Hyundai dealers are geared up for deliveries of Hyundai cars to customers during Diwali and Dhanteras. Hyundai India is likely to end the calendar year with a growth rate of 8-9 per cent over last year, and that will be higher than the industry growth of 7-8 per cent," said Tarun Garg, chief operating officer, HMIL.