

# Status quo on repo rate to impact car sales: Fada

But says govt spending, expected good monsoon may support demand

SOHINI DAS  
Mumbai, 8 April

The Reserve Bank of India's (RBI's) decision to keep the repo rate unchanged for 14 straight months will "badly impact" retail auto sales, the Federation of Automobile Dealers Associations (Fada) said on Monday.

Especially in the case of entry-level vehicles, buyers are highly price sensitive. Given the continued inflationary trend, they may continue to hesitate without any relief in finance rates, Fada said.

Quoting Centre for Monitoring Indian Economy (CMIE) data, the dealers' body said there was a notable decline in consumer sentiment among urban Indians and the automotive sector faced a "nuanced challenge".

"In this scenario, the decision of the MPC (Monetary Policy Committee) of the RBI to keep lending rates unchanged at 6.5 per cent would continue to badly impact the retail sales of all vehicles, especially entry-level vehicles, as these buyers are extremely price sensitive," Fada said.

While Fada said these challenges, coupled with the forthcoming elections, would potentially curb vehicle sales across all segments, the FY25 outlook for the industry was of growth amid a mix of optimism and challenges.

Manish Raj Singhania, president, Fada, said that favourable government policies coupled with government spending and expected good monsoon was expected to fuel demand, especially in rural areas.

Fada also declared that auto sales climbed a new sales peak in FY24 with sport utility vehicles (SUVs) driving passenger vehicle (PV) demand, and now command a 50 per cent share of the PV market.

But, retail auto sales grew only 3.14 per cent Y-o-Y in March.

Two-wheeler and three-wheeler sales rose 5 per cent and 17 per cent, respectively, while (PV), tractor and commercial vehicle sales declined 6 per cent, 3 per cent, and 6 per cent respectively, in the month.

"Two-wheelers showed resilience, with EV (electric vehicle) sales surging in March thanks to expiration of the FAME II subsidy on March 31. This led to a notable boost in the 2W EV market share to 9.12



## PV RETAIL SALES HIT NEW HIGH IN FY24

	March '24	% chg Y-o-Y	FY24	% chg Y-o-Y
Two-wheeler	1,529,875	5.44	17,517,173	9.3
Three-wheeler	105,222	17.13	1,165,699	48.8
Passenger vehicle	322,345	-6.17	3,948,143	8.45
Tractor	78,446	-3.33	892,313	7.5
Commercial vehicle	91,289	-5.87	1,007,006	4.8

Source: Fada

## IndoEdge to hold 8% in MG Motor India

China's SAIC Motor Corp Ltd said its MG brand would be bringing in local investors in India to create a more favourable operating environment in the world's third-largest auto market. JSW Ventures, part of the JSW conglomerate, plans to buy a 35 per cent stake in MG Motor India for ₹3,580 crore (\$430 million).

IndoEdge India Fund will buy an 8 per cent stake, a dealer trust will take a 3 per cent stake and an employee stock ownership plan will own 5 per cent.

The Indian government has sought to limit investments from Chinese companies amid geopolitical and trade tensions. "As MG Motor India aims to continue to increase MG brand's market share in India and effectively prevent operating risks, the unit plans to introduce local Indian investors to create more favourable conditions for sustainable and healthy development," SAIC said in statement late on Sunday.

REUTERS

per cent," Singhania said.

Three-wheelers did well in March, hitting an all-time high retail sales figure of 105,222 units. The passenger vehicle (PV) sector encountered challenges with 2 per cent month-on-month decline and a Y-o-Y fall of 6 per cent.

It was a different story for the

full-year numbers.

Overall auto retail sales clocked double-digit growth of 10 per cent Y-o-Y, with two-wheelers, three-wheelers, passenger vehicles, tractors, and commercial vehicles all registering growth. PV, tractors and three-wheelers set new record highs in retail sales, Fada said.