

# Auto inventory piles up as heat, liquidity issues hit sales in May

**IN THE SLOW LANE.** PV sales saw a 9.48% month-on-month decline and 1% y-o-y dip

**Aroosa Ahmed**  
Mumbai

Passenger vehicle retail sales witnessed a 9.48 per cent month-on-month decline and a one per cent year-on-year dip in May. The decline in sales has increased the inventory levels between 55 and 60 days.

The overall automobile industry saw a decline of 5.28 per cent in May. The commercial vehicle industry faced challenges from wholesale pressures and negative market sentiment and registered an 8 per cent month-on-month decline with a 4 per cent y-o-y growth. The two-wheeler segment saw supply constraints during the month and registered a decline of 6.6 per cent month-on-month while it grew y-o-y by 2.5 per cent.

"In May 2024, the auto retail sector achieved a modest 2.61 per cent y-o-y growth. Dealers cited the impact of elections, extreme heat and market liquidity issues as major factors. Despite better supply, some pending bookings and discount schemes, the lack of new models, intense



**POOR SHOW.** Despite better supply, some pending bookings and discount schemes, the lack of new models, intense competition and poor marketing affected sales CV SUBRAHMANYAM

competition and poor marketing efforts by OEMs affected sales. Additionally, increased customer postponements and low enquiries contributed to the challenging market conditions. Due to the extreme heat, the number of walk-ins to showrooms dropped by around 18 per cent," said Manish Raj Singhanian, President of the Federation Of Automobile Dealers Association (FADA).

## **INVENTORY**

While the two-wheeler inventory in May remained between 10 and 15 days, the passenger vehicle inventories increased up to 60 days. FADA is expecting a reduction in inventory levels in June.

"The OEM is pumping stocks at the dealer's end without evaluating their own guidance. There were disruptions in May including heatwaves and elections and we are hopeful that in June the inventories will reduce. We will assess the situation after June end," added Singhanian.

## **GREEN SHOOTS**

*businessline* had earlier reported a decline in customer footfalls due to heatwave across the automobile, fast-moving consumer goods and retail sectors in May. A growth in rural demand is anticipated with good monsoon and improved finance availability. "Post-election results are ex-

pected to bring stability and improve market sentiment, while the formation of a continued government could boost infrastructure projects and economic activities. Dealers are hopeful for better supplies and positive movement in key sectors like cement, coal and iron ore.

"The India Meteorological Department (IMD) has forecast above-normal rains at 106 per cent of the long-period average (LPA) this year, which is expected to enhance rural demand and support economic activities. However, extreme weather phenomena such as heatwaves and heavy rains, along with the reopening of schools in July, might delay purchase decisions. Despite these positive indicators, challenges persist, including intense competition, lack of new model launches and poor marketing efforts by OEMs. Liquidity issues and high inventory levels continue to strain profitability for dealerships. Although discount schemes and good product availability are in place, low customer enquiries and postponements due to seasonal factors remain concerns," a statement from FADA said.