

# Auto inventory at dealerships soars as demand slows down

**WHAT'S CAUSING THE JAM.** Entry-level segment cars are piling up and contributing to the buildup: dealers

**Aroosa Ahmed**  
Mumbai

Due to a dip in demand in the entry-level segment and inflationary pressures, passenger vehicle inventory has been on the rise.

According to data from the Federation of Automobile Dealers Associations (FADA), passenger vehicle inventory was at 39 days in March.

In January, the vehicle inventory was between 33 and 35 days, and in February, it was between 35 and 37 days.

Dealers have pointed out that a few car models, particularly in the entry-level segments, are piling up, which is contributing to the buildup of inventory.

"There are passenger car models that command a booking of two months to

## Piling up

	Passenger vehicles (in days)	Two-wheelers (in days)
Sept	40-45	45-50
Oct	35-40	40-45
Nov	35-40	30-35
Dec	35-40	25-30

Source: FADA

one year, whereas there are car models that are easily available at the dealer's end. Due to less demand, the inventory has been piling up," said an automobile dealer who did not want to be named.

Industry experts have asked Original Equipment Manufacturers (OEMs) to relook at their manufacturing plans.

"There are increased semiconductor constraints for higher models, and in March, the inventory has



gone up to 39 days. Increasing vehicle stock at the dealership level is not a solution for the semiconductor constraints that are coming for higher passenger vehicle models. We request the OEM restructure their manufacturing plan as entry- and mid-segment car inventories are increasing," said Manish Raj Singhania, president of FADA.

The decrease in the price of CNG could offer some respite to the entry-level segment.

"There is a slowdown in

retail, and discounts offered by OEMs in the entry-level car segment have gone up. This is because while inflation is pinching, the cost of financing has gone up along with fuel prices. There should be some respite in the lower-priced car segment with CNG prices coming down. The segment is expected to see headwinds for the next couple of months," said Hemal Thakkar, Director, of CRISIL Market Intelligence and Analytics

## TWO-WHEELERS

While the two-wheeler inventory in March is 20 days, dealers have pointed out that entry-level two-wheeler and 100 cc bike sales continue to be impacted.

"There are dealers who are carrying 60 to 70 days' inventory of two-wheelers

after the switch to OBD2. This is because the two-wheeler market is not responding as the stress in the rural economy continues," added Manish Raj Singhania.

The monsoon could bring respite to the two-wheeler domestic market, "The entry-level two-wheeler market is under tremendous pressure with the cost of acquisition increasing, the rise in running costs, and the increase in fuel prices. The 100-cc market has come down from 1 million units to 4,00,000 units, and with less price differentiation, customers preferring to purchase two-wheelers are opting for other segments. The impact will be reduced only with a good monsoon that is characterized by quantum rains and a wide spread of rain," added Thakkar.