

'Vehicle inventory to rise on weak demand'

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With muted rural recovery, inflationary pressures and a continued dip in demand for the entry-level vehicle segment, Indian automobile dealers could be staring at rising inventories. According to the Federation of Automobile Dealers Association (FADA), passenger vehicle inventories at the dealers' end could go up to 55-60 days.

In May, as per FADA, the passenger vehicle inventory was up to 45 days while the two-wheeler inventory was up to 20 days.

RURAL MARKET

"The inventory is expected to go up further. This is because of the low demand for the entry-, mid-level car segments and the rise in manufacturing by OEMs. The rural market continues to be a challenge and we are not



AUTOSPEAK. (From left) Amar Jatin Sheth, Treasurer, FADA; Sachin Mahajan, State Chairman (Maharashtra), FADA; HO Suri, MD & CEO, IFFCO TOKIO General Insurance Co. Ltd; CS Vigneshwar, V-P, FADA; Ramesh Iyer, V-C & MD, Mahindra Finance; and Manish Raj Singhanian, President, FADA, at the summit in Mumbai on Tuesday

seeing the demand pick up as anticipated. The impact will continue if the monsoons are not good this year," Manish Raj Singhanian, President, FADA, told *businessline*.

Despite OEMs offering up

to 10 per cent discount, the entry-level car segment continues to be under pressure. The two-wheeler segment also continues to remain under pressure with the market down by 18 per cent compared with the pre-

Covid level as rural contributes to 70 per cent of the sales.

PRESSURE ON MARGINS

Automobile dealers could see pressure on margins with first-time buyers holding on to vehicle purchases. "The working capital interest has to be super-efficient in terms of inventory and be planned with interests remaining high as the working capital interest will come on the balance sheet of the business. As margins continue to remain under pressure, customer experience costs will also be there.

"The only way cost will be covered is by penetrating deeper in volume. The dealers will have to be super productive in terms of control and contain cost," said Ramesh Iyer, Vice Chairman and MD of Mahindra Finance. He was speaking at the 2nd FADA Financial & Insurance Summit in Mumbai on Tuesday.