'Auto dealers' revenues to enter slow lane'

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Automobile dealers' revenues are expected to slow down between 7 and 9 per cent this fiscal. According to Crisil, after a healthy 14 per cent growth last fiscal, the revenues will enter a slow lane. Higher discounts and offers by Original Equipment Manufacturers (OEMs) and dealers over the past few months will bring down dealer profitability. Further, lower profitability and an increase in inventory will keep working capital debt elevated for dealers.

"Moderation in sales volume to 6-7 per cent this fiscal from 8 per cent last fiscal will be led by the PV and CV segments, while two-wheelers ride well. PV volume may grow slower at 3-5 per cent on a high base of the past three years. CV sales are seen flattish, again on an

increased base created by the volume growth momentum of the past 2-3 fiscals, amid healthy demand from the infrastructure sector.

FADA CONERNS

Two-wheelers may provide some respite growing by 8-10 per cent on a low base backed by recovery in the rural and semi-urban markets following a likely normal monsoon," said Mohit Makhija, Senior Director, CRISIL Ratings.

businessline had earlier reported the Federation of Automobile Dealers Association (FADA) flagging the increase in passenger vehicle inventory levels and approaching the Society Of Indian Automobile Manufacturers (SIAM) to assist in regularising the stocks.

With inventory up to 72 days and worth ₹70,000 crore, the body plans to approach financiers asking them to stop overfunding the dealers.

"We expect inventory to ease a bit in the second half as sales pick up in the festive season. Yet, it will end higher than normative levels this fiscal, too.

"The working capital cycle for two-wheeler and CV dealers is foreseen to be steady. Price increases will likely be muted at 1-2 per cent this fiscal, compared with 4-5 per cent last fiscal as dealers offer generous discounts to prevent further pile-up.," stated the Crisil report.