



INDIAN AUTOMOBILE INDUSTRY – COMMERCIAL VEHICLES

Volumes recovered in August 2023;
traction likely as the year progresses

SEPTEMBER 2023



1 Trends In Domestic Commercial Vehicle Industry



2 Segment-wise Domestic Sales Trend



3 Trends in Market Share



4 ICRA Ratings in the Sector



Demand for CVs picked up in August 2023, supported by healthy demand from fleet operators. Going forward, steady traction in volumes is expected to be driven by the Government's push towards infrastructure development and the overall healthy macroeconomic improvement.

While the introduction of the Scrapage Policy for Government vehicles w.e.f. April 01, 2023 is expected to provide a fillip to the bus segment, its impact on volumes is yet to reflect meaningfully.



The Indian commercial vehicle (CV) industry registered a growth of 3% in retail sales volumes on a YoY and sequential basis in August 2023, with volumes reporting some recovery after five months of sluggish demand, post the transition to BS6 2.0 emission norms from April 1, 2023.



In the medium & heavy commercial vehicle (M&HCV) segment, retail volumes grew by 5% sequentially and by 9% YoY in August 2023, supported by replacement demand and healthy traction from mining, infrastructure and construction activities. Going forward, the volumes are expected to pick up as the seasonally-weak monsoon period comes to a close and construction and mining activities pick up pace.



In the light commercial vehicle (LCV) segment, retail volumes grew by 2% sequentially, however, they contracted by 3% on a YoY basis due to the high base effect, slowdown in e-commerce demand and some cannibalization by e3Ws. Progress of the monsoons, and its impact on rural demand, remain a key monitorable.



Overall, the domestic CV industry has faced mixed dynamics so far in 5M FY2024, with a marginal growth of 3% YoY in retail volumes and 10% growth in wholesales, brought in by erratic rainfall, transition to tightened emission norms, supply chain issues and elevated interest rates on the one hand, and infrastructure development and replacement demand supporting volumes on the other hand.



Despite the sluggish demand in 5M FY2024, volumes are expected to gain traction as the year progresses as the healthy allocation for capital spending in the Union Budget 2023-24 is expected to continue to support infrastructure development in segments like roads, metros, railways etc. which augurs well for the CV industry volumes. Furthermore, the focus on replacement of old vehicles and on green mobility also bodes well for the industry. ICRA expects the domestic CV industry volumes to grow by 2-4% in FY2024.



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