



INDIAN AUTOMOBILE INDUSTRY – COMMERCIAL VEHICLES

**Wholesale and retail volumes
remained subdued in December
2023; volumes expected to remain
muted for rest of the year**

JANUARY 2024



1 Trends in Domestic Commercial Vehicle Industry



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Demand for CVs slowed down in December 2023, following strong festive sales. Volumes are expected to remain subdued on a YoY basis in Q4 FY2024, driven by the pause in infrastructure activities as the model code of conduct kicks in. The same will also be impacted by the high base of Q4 FY2023 following pre-buying prior to the implementation of BS VI 2.0 emission norms.



The Indian commercial vehicle (CV) industry registered a marginal YoY growth of 1% in retail sales volumes and a sequential drop of 13% in December 2023. The sequential drop was on the back of a slowdown in rural sentiment exacerbated by unseasonal rains, which impacted the volumes following robust sales during the festive period.



In the medium and heavy commercial vehicle (M&HCV) segment, retail volumes saw a contraction of 13% sequentially in December 2023; however, on a YoY basis, it grew by 3%. The sequential decline was on the back of a high base during the festive period. Going forward, volumes are expected to marginally contract on a YoY basis, driven by a pause in construction activity after the implementation of the Model Code of Conduct before the General Elections in 2024.



In the light commercial vehicle (LCV) segment, retail volumes declined by 13% sequentially and 3% on YoY basis due to continued slowdown in e-commerce demand, and some cannibalisation from electric three-wheelers (e3Ws). The sequential decline was also due to the high festive sales in rural regions during October/November.



Overall, the domestic CV industry reported a YoY growth of 2.8% in retail volumes in 9M FY2024 and 3.2% YoY growth in wholesale volumes, in line with ICRA's estimates of 2-4% YoY growth for the full year FY2024.



During 9M FY2024, domestic CV volumes gained traction due to healthy infrastructure spending aided by the allocation for capital spending in the Union Budget 2023-24 and focus on replacement of old vehicles under the green mobility policy. Despite the expected slowdown in Q4 FY2024, ICRA estimates remain unchanged with the domestic CV wholesale volumes expected to grow by 2-4% in FY2024.



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