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INDIAN COMMERCIAL VEHICLE INDUSTRY

Domestic CV industry to witness a decline of 4-7% in wholesale volumes in FY2025 on a high base

MAY 2024

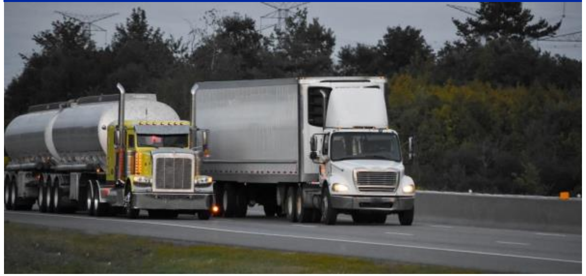
Agenda

1 Industry Outlook

2 Domestic & Export Industry Trends

3 Trend in Economic Indicators & Underlying Demand Drivers

4 Key Takeaways from Channel Check & Financing Environment



5 Financing Trends

6 ESG, Peer Comparison & ICRA Ratings

Highlights

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ICRA expects the domestic CV industry volumes to decline in FY2025, with a marginal YoY de-growth of 4-7%.

Prospects of rural economy, which depend on monsoon conditions, remain critical for the segment, especially for the LCV sub-segment.

ICRA expects the Indian commercial vehicle (CV) industry volumes to marginally decline in FY2025, with a marginal decline of 4-7%, post a muted 1% YoY growth in wholesale dispatches in FY2024. The expectations of the decline in volumes in FY2025 stem from perceived slowdown in demand for commercial vehicles in H1 FY2025 (H1) due to Model Code of Conduct and General Elections 2024.

The domestic medium and heavy commercial vehicle (M&HCV) volumes in FY2025 are expected to marginally contract by 4-7% YoY following high base effect and the impact of the General Elections on infrastructure activities in H1. The M&HCV (Goods) segment ended FY2024 at 4% YoY growth (7% decline in Q4 FY2024) supported by improved macroeconomic environment, healthy demand from construction and mining sectors and consequent higher freight availability in the early months of the fiscal, which was offset by muted demand seen in the latter months.

Domestic light commercial vehicles (LCV) wholesale volumes are likely to decline by 5-8% in FY2025 due to factors such as high base effect, a sustained slowdown in e-commerce and cannibalisation from e3Ws. The LCV (Goods) segment reported wholesale dispatches of 142,946 units in Q4 FY2024, witnessing a marginal decline of 3% on a YoY basis, primarily due to the high base effect. The segment witnessed a YoY volume decline of 3% in FY2024 compared to the previous fiscal.

Bus segment volumes gained considerable traction in FY2024, with annual volumes reaching 104,886 units, thus exceeding the pre-Covid levels. Volume growth stood at 23% in Q4 FY2024 and 27% in FY2024, supported by the low base. Further, scrappage of older Government vehicles along with improving e-bus penetration is expected to drive replacement demand from SRTUs in FY2025, supporting a growth of 2-5% on an overall basis.

In terms of powertrain mix, conventional fuels (primarily diesel) continue to dominate the domestic CV industry with a penetration of over 90%, with alternate fuels (CNG, LNG and electric) contributing ~9% in FY2024. Relatively higher penetration of EVs has been witnessed in buses, followed by LCV goods, with a penetration of 7% and 1%, respectively, in FY2024.

ICRA expects the OPM to contract marginally in FY2025 to 8.5%-9.5% on the back of lower volumes and higher competitive pricing pressures. The OPM in FY2024 is estimated to have improved by 250-300 bps to 10.0%-11.0% as the industry volumes were at a five-year high. In addition, lower discounting by OEMs and benign commodity prices aided in the margin expansion.

** FY2024 financials are derived from the results published for Ashok Leyland Limited, SML Isuzu Limited, Tata Motors Limited (standalone), whereas estimated for VE Commercial Vehicles Limited*

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Thank You!