



INDIAN COMMERCIAL VEHICLE INDUSTRY

**FY2025 wholesale volumes to grow
at 0-3%, revised upwards from
earlier estimated decline of 4-7%**

AUGUST 2024



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





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ICRA expects the domestic CV industry volume growth to remain muted in FY2025, at 0-3% on a YoY basis.

ICRA has revised its volume growth estimates upwards for FY2025 against earlier expectations of 4-7% YoY decline owing to better-than-expected volume offtake seen in Q1 FY2025 and expectations of material recovery in demand in H2 FY2025.



ICRA expects the Indian commercial vehicle (CV) industry wholesale volumes to marginally increase by 0-3% in FY2025, following a muted 1% YoY growth in wholesale dispatches in FY2024. The expectations of the limited growth prospects in volumes in FY2025 stem from expected slowdown in demand for CVs in H1 FY2025 due to the 2024 General Elections and an extreme heatwave affecting demand across multiple sectors.



The domestic medium and heavy commercial vehicle (M&HCV) wholesale volumes in FY2025 are also expected to post a muted YoY increase of 0-3%, following a high base effect and the impact of the General Elections on infrastructure activities in H1. The segment is expected to recover somewhat in H2 FY2025, supported by an improved macroeconomic environment, healthy demand from construction and mining sectors, and consequent higher freight availability.



Domestic light commercial vehicle (LCV) wholesale volumes are likely to remain flattish in FY2025 with a (-1%) to 2% YoY growth due to factors such as a high base effect, sustained slowdown in e-commerce and cannibalisation from electric three-wheelers (e3Ws). Increased cost of ownership resulting in higher preference for pre-owned vehicles by fleet owners is also likely to affect demand for the remainder of the year.



Bus segment volumes gained considerable traction in FY2024, with annual volumes reaching 1,04,886 units, thus exceeding the pre-Covid levels. The volume growth momentum continued in Q1 FY2025 as well, with the segment reporting 28% YoY growth in wholesale volumes. ICRA estimates the bus segment to post a 8-11% growth in FY2025 aided by the scrappage of older Government vehicles and improving e-bus penetration, which will drive replacement demand from State Road Transport Undertakings (SRTUs).



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



ICRA expects credit metrics of the domestic CV industry to remain stable, with Debt/ OPBDITA of 1.2-1.4 times as on March 31, 2025, despite 40-60 bps moderation in operating profit margin (OPM) anticipated in FY2025 due to flattish volumes and competitive pressure on profitability.



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