

INDIAN COMMERCIAL VEHICLE INDUSTRY

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

AUGUST 2024



Agenda















Highlights



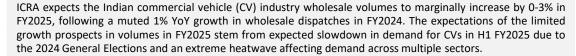


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ICRA expects the domestic CV industry volume growth to remain muted in FY2025, at 0-3% on a YoY basis.

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.







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.



Name	Designation	Email	Contact Number
Shamsher Dewan	Group Head	shamsherd@icraindia.com	0124 – 4545 328
Kinjal Shah	Co-Group Head	kinjal.shah@icraindia.com	022 – 6114 3442
Sahil Udani	Sector Head	sahil.udani@icraindia.com	022 – 6114 3465
Yashowardhan Swami	Senior Analyst	yashowardhan.swami@icraindia.com	020 – 6606 9923
Aditya Lade	Senior Associate Analyst	aditya.lade@icraindia.com	022 – 6114 3451

















ICRA Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860



















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