

INDIAN AUTOMOBILE INDUSTRY – COMMERCIAL VEHICLES

**Volumes continue to recover;
expected to maintain steady
trajectory for the rest of the year**

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Demand for CVs was healthy in October 2023 and is expected to sustain in the coming months, driven by the Government's push towards infrastructure development and the overall healthy macroeconomic improvement.



The Indian commercial vehicle (CV) industry registered a growth of 10% in retail sales volumes on a YoY basis and similar growth sequentially in October 2023, with volumes continuing to improve for the third consecutive month after the initial sluggishness following the transition to BS6 2.0 emission norms from April 1, 2023. Attractive financing schemes during the festive period also boosted monthly volumes.



In the medium and heavy commercial vehicle (M&HCV) segment, retail volumes grew by 13% sequentially in October 2023 and by 20% on a YoY basis, supported by replacement demand and healthy traction from mining, infrastructure and construction activities. Going forward, the momentum is expected to sustain, driven by the increased freight movement during the festive period and healthy construction activity expected prior to the implementation of the Model Code of Conduct before the General Elections in 2024, following which M&HCV volumes may witness some slowdown.



In the light commercial vehicle (LCV) segment, retail volumes grew by 7% sequentially; however, remained largely flattish on a YoY basis in October 2023 due to the high base effect, slowdown in e-commerce demand and some cannibalisation from electric three-wheelers (e3Ws). The sequential growth was supported by progress into the seasonally strong festive period.



Overall, the domestic CV industry has reported growth of 4% YoY in 7M FY2024 in retail volumes and similar growth in wholesale volumes, in line with ICRA estimates of 2-4% growth for the full year FY2024.



Despite the lacklustre volumes in the first few months of the fiscal, volumes have now gained traction and are likely to continue as the healthy allocation for capital spending in the Union Budget 2023-24 will continue to support infrastructure development in segments like roads, metros, railways, etc, which augurs well for CV industry volumes. Further, the focus on replacement of old vehicles and green mobility also bodes well for the sector. ICRA expects the domestic CV industry volumes to grow by 2-4% in FY2024.



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