

INDIAN PASSENGER VEHICLE INDUSTRY

Industry wholesale volume growth to
moderate in FY2025 on a high base

MARCH 2024



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Steady demand to help the industry record all-time high volumes of ~4.2 million units in the current fiscal; dealer inventory holding remains high despite strong retails. The pace of growth is expected to taper-off in FY2025.

Credit profile of PV OEMs to remain healthy, supported by improved profitability levels, low leverage, strong liquidity and/or strong parentage.



The domestic passenger vehicle (PV) industry is estimated to reach all-time high volumes of ~4.2 million units in FY2024 (representing a growth of 6-9% over FY2023). Even as the underlying demand drivers remain supportive, the volume growth for the segment is likely to moderate to 3-6% (from an elevated base). Lower growth expectation for next year partly stems from waning pent-up replacement demand, which supported the industry over the past couple of years.



Retail sales remain healthy; during the recently-concluded festive season retails represented a YoY growth of ~6% (despite a high base). Despite strong growth, the inventory levels in the industry remained high at 50-55 days (as of end of January 2024) as per the Federation of Automobile Dealers Association estimates.



UV segment continues to expand its share in the overall industry sales, led by shift in customer preferences and slew of new model launches. The demand for entry-car segment remains muted. The penetration of alternative fuels such as CNG, electric etc. is steadily on the rise aided by introduction of new models and an expanding network.



The capex outlay for OEMs is estimated to remain heightened with an estimated outlay of ~Rs. 200-250 billion per annum over the next few fiscals, with OEMs budgeting for substantial outlay towards new product development, including development of capabilities/platforms for electric vehicles.



Healthy operating leverage, coupled with softening in commodity prices is expected to aid in margin expansion going forward. The credit profile of PV OEMs will remain healthy, supported by low leverage, strong liquidity and/or strong parentage.



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Analytical Contact Details

Name	Designation	Email	Contact Number
Shamsher Dewan	Group Head	shamsherd@icraindia.com	0124 – 4545 328
K. Srikumar	Co-Group Head	ksrikumar@icraindia.com	044 – 4596 4318
Rohan Gupta	Sector Head	rohan.kanwar@icraindia.com	0124 – 4545 808
Akshay Dangi	Analyst	akshay.dangi@icraindia.com	0124 – 4545 396





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
Vipin Saboo	Head Business Development – Corporate Sector - West & East	vipin.saboo@icraindia.com	022-61693348
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head – Media & Communications	communications@icraindia.com	0124-4545860





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