



INDIAN AUTOMOBILE INDUSTRY – COMMERCIAL VEHICLES

Volumes in February 2024 witnessed marginal 5% growth on a YoY basis; expected to remain muted for March 2024

MARCH 2024



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Domestic CV volumes showed a marginal growth on a YoY basis in February 2024, although are expected to remain subdued in March 2024. This trend is driven by the pause in infrastructure activities and the enforcement of the Model Code of Conduct. The same will also be impacted by the high base of Q4 FY2023, resulting from pre-buying, prior to the implementation of BS VI 2.0 emission norms.



The Indian commercial vehicle (CV) industry reported a marginal 5% growth in retail sales volumes in February 2024 on a YoY basis, while experiencing a flattish trend on a sequential basis. The perceived slowdown in the infrastructure activities ahead of the implementation of the Model Code of Conduct for the General Elections in 2024 is expected to result in subdued volumes for the domestic CV industry in the coming months.



In the medium and heavy commercial vehicle (M&HCV) segment, retail sales in February 2024 witnessed flattish volumes on a sequential basis, while growing by 4% on a YoY basis. Going forward, volumes are expected to marginally contract, given the high base effect, and the impact on the momentum in the Government's capex in the first few months of the next fiscal (FY2025) with the onset of the General Elections.



In the light commercial vehicle (LCV) segment, retail volumes declined by 2% on a sequential basis due to continued slowdown in e-commerce demand and some cannibalisation from electric three-wheelers (e3Ws). Expectedly, the LCV retail volumes showed a nominal 2% growth on a YoY basis, as the high base effect catches up.



Overall, the domestic CV industry reported a YoY growth of 3.1% in retail volumes in 11M FY2024 and 2.1% YoY growth in wholesale volumes, which is in line with ICRA's estimates of 2-5% YoY growth for the full year FY2024.



During 11M FY2024, domestic CV volumes gained traction due to healthy infrastructure spending aided by the allocation for capital spending in the Union Budget 2023-24 and focus on the replacement of old vehicles under the green mobility policy. Despite the expected slowdown in March 2024, ICRA's estimates remain unchanged, with domestic CV wholesale volumes expected to grow by 2-5% in FY2024. ICRA expects the domestic CV industry's sharp upcycle to plateau in FY2025, with a marginal decline of 4-7% in volumes.



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