



INDIAN AUTOMOBILE INDUSTRY – COMMERCIAL VEHICLES

Volumes in July 2024 declined by 10% YoY,
overall volumes for 4M FY2025 remain
flattish

AUGUST 2024



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Domestic CV wholesale volumes saw a decline of 10% YoY in July 2024, although retail sales saw a decent 10% YoY increase for the month, hinting at retail inventory clearance. While wholesale volumes may remain somewhat muted in the coming months, some recovery is anticipated in H2 FY2025 as construction and infrastructure-related activities resume in a full-fledged manner.



The Indian commercial vehicle (CV) industry reported a 10% YoY decline in wholesale volumes in July 2024, while reporting a 12% drop on a sequential basis. The CV retail volumes, however, showed a divergent sharp increase of 10% on a YoY as well as sequential basis for the month. Correlation between the wholesale and retail volume movements hints at retail inventory clearance at the dealership level.



In the medium and heavy commercial vehicle (M&HCV) segment, retail sales volumes in July 2024 witnessed a moderate increase of 11% on a YoY basis, while reporting a sequential increase of 10% for the month. M&HCV wholesale volumes in FY2025 are expected to marginally increase by 0-3% YoY, given the high base effect and the impact of the General Elections on infrastructure activities in the first few months of the year.



Retail volumes in the light commercial vehicle (LCV) segment in July 2024 increased by 11% on a sequential basis while reporting a 5% YoY expansion. Domestic LCV wholesale volumes are likely to remain flattish, with the growth likely to remain at (-1) to 2% YoY in FY2025 due to factors such as a high base effect, and cannibalisation from electric three-wheelers (e3Ws). Increasing preference for pre-owned vehicles over new vehicles in this segment is also expected to have a bearing on demand, going forward.



Overall, some recovery in demand is anticipated in the latter months of the fiscal as macroeconomic activities are restored, while the General Elections and its impact on infrastructure and construction activities have resulted in a muted demand scenario for the domestic CV industry in the early months of FY2025.



ICRA expects the domestic CV industry to register a marginal YoY growth of 0-3% in volumes in FY2025, given the high base effect (as the industry demonstrated a substantial YoY growth momentum in FY2022 and FY2023 before slowing down in FY2024). In the long run, demand prospects for the industry remain contingent upon a range of factors, such as the Government's push towards infrastructure spending, monsoon conditions and their impact on the rural economy, and scrappage policies, among others.



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