

INDIAN COMMERCIAL VEHICLE INDUSTRY

**Modest recovery in volumes
expected in H2 FY2025**

NOVEMBER 2024



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

After reporting a modest 3.3% YoY increase in wholesale volumes in Q1 FY2025, the domestic CV industry saw a 11.0% YoY decline in Q2 FY2025, in line with expectations. ICRA expects some recovery in domestic CV volumes in H2 FY2025, as already witnessed in October 2024, aided by resumption of construction and infrastructure activities, and low base of H2 FY2024.



ICRA expects the Indian commercial vehicle (CV) industry wholesale volumes to marginally increase by 0-3% in FY2025. The expectations of the limited growth prospects in volumes in FY2025 stem from the slowdown seen in demand for CVs in H1 FY2025 (YoY decline of 4.3% in wholesale volumes) due to the General Elections and an extreme heat wave and erratic rainfall affecting demand across multiple sectors. However, October 2024 volumes witnessed a 1% YoY growth, reversing the declining trend witnessed in the previous months.



The domestic medium and heavy commercial vehicle (M&HCV) (trucks) wholesale volumes in FY2025 are expected to post a flat or marginally negative growth, following a high base effect and the impact of the elections on infrastructure activities, resulting in a 7.6% YoY decline in volumes in H1 FY2025. The segment is expected to recover in H2 FY2025, supported by an improved macroeconomic environment, increased demand from construction and mining sectors, and consequently higher freight availability.



Domestic light commercial vehicle (LCV) wholesale volumes are also likely to remain flattish or witness marginally negative growth in FY2025 due to factors like high base effect, sustained slowdown in e-commerce and cannibalisation from electric three-wheelers (e3Ws). The domestic LCV (trucks) wholesale volumes, therefore, reported a 6.1% YoY decline in H1 FY2025.



Bus segment volumes gained considerable traction in FY2024, with annual volumes reaching 104,886 units, exceeding the pre-Covid levels. The growth momentum slowed down in Q2 FY2025, with the segment reporting a modest 2% YoY growth in wholesale volumes, thus reporting 15.0% YoY volume growth in H1 FY2025. ICRA estimates the bus segment to post an 8-11% growth in FY2025 aided by the scrappage of older Government vehicles, which will drive replacement demand from the 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 ~89%, while alternative fuels (CNG, LNG and electric) accounted for ~11% in YTD FY2025. Relatively higher penetration of electric vehicles (EVs) has been witnessed in buses, followed by LCV goods, with a penetration of 5% and 1%, respectively, in YTD FY2025*.



ICRA expects credit metrics of the domestic CV industry to remain stable, with Total 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.

**as on November 29, 2024*



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