ICRA

INDIAN COMMERCIAL VEHICLE INDUSTRY

Industry volumes to grow by 3-5% YoY in FY2026 after a marginal decline in FY2025

MAY 2025

Agenda

ICRA

1 Industry Outlook

2 Domestic & Export Industry Trends

3 Trend in Economic Indicators & Underlying Demand Drivers

4 Key Takeaways from Channel Check & Financing Environment

5 Financing Trends

6 ESG, Peer Comparison & ICRA Ratings

Highlights

ICRA

Click to see full report

ICRA expects domestic CV industry volumes to register a 3-5% growth on a YoY basis in FY2026, following a couple of years of flattish volumes. An improving economic environment, coupled with resumption of construction and infrastructure activities after the General Elections, replacement demand due to ageing fleets and Government mandates are the key driving factors behind the projected volume growth in FY2026.

ICRA expects the Indian commercial vehicle (CV) industry wholesale volumes to see a modest YoY growth of 3-5% in FY2026, following a marginal 1% YoY decline in FY2025. Resumption of construction and infrastructure activities after the General Elections, steady rural demand along with replacement demand stemming from ageing fleets and Government mandates are the likely driving factors to propel the said volume growth in FY2026.

The domestic medium and heavy commercial vehicle (M&HCV) (trucks) wholesale volumes are expected to grow by 0-3% YoY in FY2026 after posting a 4% YoY decline in FY2025, as the high base effect and the impact of the elections on infrastructure activities in H1 FY2025 had some bearing on the volume offtake for the fiscal. The segment is likely to report a modest YoY growth in FY2026, 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 likely to grow by 3-5% YoY in FY2026, after posting a marginal 3% YoY contraction in FY2025 due to factors like a high base effect, sustained slowdown in e-commerce and cannibalisation from electric three-wheelers (e3Ws). Aided by a steady economic environment and ongoing recovery in the e-commerce segment, the domestic LCV wholesale volumes are likely to demonstrate a moderate YoY growth in FY2026.

The bus segment reported a decent 15% YoY growth in FY2025, aided by replacement demand. ICRA estimates the bus segment to post an 8-10% growth in FY2026, aided by the scrappage of older Government vehicles, which will drive replacement demand from the State Road Transport Undertakings (SRTUs), along with steady demand anticipations from schools and offices. The bus segment saw a sharp contraction in volumes during the pandemic period, and has since been posting robust YoY volume growth in recent fiscals (FY2022-FY2025).

Highlights

The credit metrics of domestic CV industry is expected to improve gradually over the near term, with a 20-40 bps improvement in operating profit margin envisaged for FY2026, aided by a growth in volume offtake coupled with price hikes undertaken by the CV original equipment manufacturers.

In terms of powertrain mix, conventional fuels (petrol and diesel) continue to dominate the domestic CV industry with a penetration of ~87% in FY2025, while alternative fuels (CNG, LNG and electric) contribute ~13%. Hydrogen internal combustion engine (ICE) and hydrogen fuel cells are upcoming technologies in this space. 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 FY2025.

ICRA expects credit metrics of the domestic CV industry to demonstrate a steady improvement over the near term, as indicated by Total Debt/ OPBDITA estimates of 1.0-1.2 times as on March 31, 2025, and 0.9-1.1 times as on March 31, 2026, with a 20-40 bps improvement in operating profit margin (OPM) anticipated in FY2026, aided by increase in volume offtake offering operating leverage coupled with price hikes undertaken by key original equipment manufacturers (OEMs) in the CV industry. OPM is estimated to have remained flattish in FY2025 vis-à-vis FY2024 level, as YoY volume decline had a bearing on profitability while benign commodity costs lent some support to margins.

Note: CNG – Compressed Natural Gas, LNG – Liquified Natural Gas

Analytical Contact Details

Name	Designation	Email	Contact Number
Jitin Makkar	Senior Vice President & Group Head	jitinm@icraindia.com	0124 – 4545 368
Kinjal Shah	Senior Vice President & Co-Group Head	kinjal.shah@icraindia.com	022 – 6114 3442
Mythri Macherla	Vice President & Sector Head	Mythri.macherla@icraindia.com	022 – 6114 3435
Yashowardhan Swami	Senior Analyst	yashowardhan.swami@icraindia.com	020 – 6606 9923

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
Vinita Baid	Head Business Development – East	vinita.baid@icraindia.com	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	shivam.bhatia@icraindia.com	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	sanket.kulkarni@icraindia.com	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	communications@icraindia.com	0124-4545860

ICRA

Thank You!