ICRA

INDIAN COMMERCIAL VEHICLE INDUSTRY

Industry volumes remained flattish YoY in Q1 FY2026; gradual recovery expected in the near term

AUGUST 2025

Agenda

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 the domestic CV industry volumes to register a 3-5% growth on a YoY basis in FY2026, following a couple of years of flattish volumes. The industry volumes remained flattish YoY in Q1 FY2026; however, an improving economic environment, coupled with improved pace of construction and infrastructure activities, proposed GST rate cuts, replacement demand due to ageing fleets, and Government mandates are the key driving factors behind the projected volume growth in the subsequent quarters.

ICRA forecasts 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. The domestic wholesale CV volumes reported a marginal 0.6% YoY decline in Q1 FY2026, with early arrival of monsoons having some bearing on demand in the quarter. A steady recovery in volumes is anticipated in the subsequent quarters, aided by uptick in demand from rural and semi-urban regions.

The domestic medium and heavy commercial vehicle (M&HCV) (trucks) wholesale volumes reported a modest 4% YoY decline in Q1 FY2026 and are expected to grow by 0-3% YoY in FY2026 after posting a 4% YoY decline in FY2025. Early arrival of monsoons had some bearing on demand in Q1 FY2026. The segment is likely to report a modest YoY growth of 0-3% in FY2026, aided by an improved macroeconomic environment, increased demand from the construction and mining sectors, and consequently higher freight availability.

Domestic light commercial vehicle (LCV) wholesale volumes reported a marginal 1% YoY decline in Q1 FY2026 due to early arrival of monsoons weighing in on demand to an extent. 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 of 3-5% in FY2026.

The bus segment reported an 8% YoY growth in Q1 FY2026, aided by steady market sentiments. ICRA forecasts the bus segment to post an 8-10% growth in FY2026, supported by replacement demand and mandatory scrappage policy. The scrappage of older Government vehicles, which will drive replacement demand from the State Road Transport Undertakings (SRTUs), along with steady demand anticipation from schools and offices are expected to remain the key driving factors for the decent growth momentum for the segment, going forward.

Highlights

The credit metrics of the domestic CV industry is expected to improve gradually over the near term, with a limited improvement in OPM expected for FY2026, aided by a growth in volume offtake coupled with price hikes undertaken by CV OEMs.

In terms of powertrain mix, conventional fuels (petrol and diesel) continue to dominate the domestic CV industry with a penetration of around 88% in YTD FY2026*, while alternative fuels (CNG, LNG and electric) contribute around 12%. 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 YTD FY2026*.

ICRA expects credit metrics of the domestic CV industry to demonstrate a steady improvement over the near term. The Total Debt/ OPBDITA is projected to improve to 0.5-0.7 times as on March 31, 2026, as against of 0.7 times as on March 31, 2025, 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 improved moderately in FY2025 vis-à-vis FY2024, with benign commodity costs lending some support to margins. Operating margins may further improve in FY2026 if commodity costs continue to maintain softness.

*Note: CNG – Compressed Natural Gas, LNG – Liquified Natural Gas; *as of July 21, 2025*

ICRA 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	Assistant Vice President	yashowardhan.swami@icraindia.com	020 – 6606 9923
Tarang Bhambri	Lead Analyst	tarang.bhambri@icraindia.com	0124 – 4545 374

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Sai Krishna	Head - Research Sales and Investor Connect	sai.krishna1@icraindia.com	9840774883
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!