

INDIAN COMMERCIAL VEHICLE INDUSTRY

**Industry continues on recovery path;
sustainability amidst multiple
headwinds remains key**

JULY 2022



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Highlights



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Domestic CV industry volumes are on a recovery track as a result of gradual improvement in the macroeconomic environment and healthy demand from the end-user industries.

Headwinds such as hardening of interest rates, increase in commodity prices and elevated fuel prices remain. Further, geo-political issues can also constrain the pace of recovery.



The Indian Commercial Vehicle (CV) industry registered a healthy growth of 112% on a YoY basis in wholesale dispatches in Q1 FY2023, aided by the low base of the previous year, which had been impacted by the second wave of the pandemic.



This was visible across segments, but meaningful recovery in volumes was observed primarily in the goods carrier (truck) segment, both in the M&HCV as well as LCV sub-segments. The M&HCV segment has witnessed a gradual improvement in volumes post the pandemic supported by demand from the steel, cement and mining industries and pickup in economic activity. With these factors expected to remain favourable, ICRA expects M&HCV truck volumes to grow by 15-20% in FY2023.



The LCV segment started recovering earlier than the M&HCV segment, supported by healthy demand from the agricultural and the allied sectors. Furthermore, the upswing in the e-commerce sector since the start of the pandemic also spurred the demand for this segment. Going forward, the same is expected to continue to support the volume growth in this segment. Accordingly, ICRA expects LCV (truck) volumes to grow by 8-10% in FY2023.



Passenger carrier (bus) segment also reported sequential and YoY growth in volumes, on a low base. In Q1 FY2023, volumes were at 19,297 units, increasing by 258% on a YoY basis. ICRA expects the segment volume to grow by 30-35% in FY2023, as demand continues to improve gradually with opening up of educational institutes and offices post the impact of the pandemic waning off.



In FY2023, ICRA expects the CV sales volume to grow by 12-15% driven by improving freight demand, economic recovery and the Government's thrust on infra spending. However, inflation in commodity and fuel prices and hike in interest rates, resulting in an increase in the total cost of ownership, will remain a key challenge for the viability of fleet operators.



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