ICRA

INDIAN COMMERCIAL VEHICLE INDUSTRY

CV volumes continue on path of steady recovery

FEBRUARY 2023

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 Peer Comparison & ICRA Ratings

Highlights

Demand sentiment remains healthy aided by improved fleet utilisation on the back of healthy macroeconomic activity.

Mandatory scrappage of older Government vehicles from April 2023 to provide further fillip to bus volumes going forward.

The Indian commercial vehicle (CV) industry registered a healthy growth of 16% on a YoY basis in wholesale dispatches and 28% in retail sales in Q3 FY2023, supported by replacement demand, pick-up in mining, infrastructure and construction activities, improvement in the overall macroeconomic environment and overall healthy fleet utilisation levels resulting in healthy demand.

The M&HCV (Goods) segment reported wholesale dispatches of 77,291 units in Q3 FY2023, with a YoY growth of 28%, supported by an improved macroeconomic environment and the consequent higher freight availability. ICRA expects M&HCV volumes to grow by 8-10% in FY2024 after increasing by 25-30% in FY2023, driven by pick-up in construction and mining, and steady macroeconomic growth.

The LCV segment reported wholesale dispatches of 133,037 units in Q3 FY2023, witnessing a growth of 5% on a YoY basis. The growth drivers remain largely favourable, especially the increased requirement for last-mile transportation from the e-commerce segment. However, with base effect catching up, the growth is expected to slow down to 4-6% in FY2024, after 15-17% growth in FY2023.

The bus segment has also gained traction post the opening of educational institutions and offices with the quarterly volumes in 9M FY2023 at 16-19,000 units, similar to the pre-Covid levels. ICRA expects volume growth of 120-130% in FY2023 supported by the low base and opening up of offices and educational institutes. Further, scrappage of older Government vehicles is expected to drive replacement demand from SRTUs in FY2024, supporting a growth of 12-15% on an overall basis.

The healthy allocation for capital spending in the Union Budget 2023-24 is expected to lead to infrastructure development in segments like roads, metros, railways etc. which would in turn drive volumes for the CV industry. Furthermore, the increased focus on replacement of old vehicles and on green mobility also augurs well for the sector.

ICRA expects the overall CV industry volumes to grow by 7-10% in FY2024 post witnessing a growth of 24-26% in FY2023 supported by the aforementioned factors. Further, credit metrics and profitability of CV OEMs are expected to witness improvement over the near to medium term as the clout of factors which were constraining demand over the past couple of years have largely eased.

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Thank You!