



INDIAN AUTOMOBILE INDUSTRY – COMMERCIAL VEHICLES

**Domestic CV volumes continue on
steady trajectory**

MARCH 2023



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Demand sentiment for CV to remain healthy post the significant allocation towards infrastructure development in the Union Budget 2023-24

Going forward, some element of pre-buying before the phase 2 of BS6 emission norms kick in from April 2023 is likely to support retail sales in March 2023.



The Indian commercial vehicle (CV) industry registered a growth of 11% on a YoY basis in wholesale dispatches during February 2023. This was supported by replacement demand and pick-up in mining, infrastructure and construction activities, resulting in healthy fleet utilisation levels and demand.



In the Medium & Heavy Commercial Vehicle (M&HCV) segment, retail volumes during February 2023 witnessed a YoY growth of 21% supported by healthy economic activity and steady replacement demand.



With regard to the Light Commercial Vehicle (LCV) segment, volumes continue to be supported by demand for last-mile transportation from the e-commerce segment and demand from agricultural and allied sectors. The segment witnessed a YoY growth of 12% in retail sales in February 2023.



Given the Government's push towards infrastructure creation, coupled with replacement demand, retail CV sales registered a healthy growth of 17% during February 2023 to 79,027 units; this was slightly lower than the wholesale dispatches of 80,865 units during the month.



ICRA expects the CV industry volumes to grow by 7-10% in FY2024, post witnessing a growth of 24-26% in FY2023, supported by steady freight demand, economic recovery, the Government's focus on infra spending in line with the latest budget and boom in e-commerce. However, inflation concerns, driven by hike in interest rates and continued high fuel prices and its impact on the viability of fleet operators, would remain monitorable.



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