

'Commercial Vehicle Sales will Reach Previous Peak of 1m Units by FY24'

Rapid recovery in economic activity and resurgence in replacement demand to help: Fitch

Our Bureau

Mumbai: Sales of commercial vehicles will likely reach the previous peak of nearly a million units by FY24, Fitch Ratings said, aided by a rapid recovery in India's economic activity and resurgence in replacement demand.

The ratings agency expects commercial vehicle (CV) sales to expand at 14-19% over the coming few years.



Apart from a better macroeconomic environment, the CV industry will also benefit from better availability of financing, the report noted.

Meanwhile, higher fuel prices will nudge fleet operators to replace their older vehicles with newer, more efficient ones.

"Most fleet operators chose to defer the

purchase of new CVs in view of various challenges since 2018 that weighed on fleet utilisation rates and profitability," noted analysts at Fitch led by Snehdeep Bohra. "This caused a stagnant population of active CVs since FY19. The average age of vehicles also rose to multi-year highs, which is typically associated with lower fuel efficiency."

This will directly aid the business of companies such as Tata Motors, Ashok Leyland, Eicher Motors and Mahindra and Mahindra, which have reported muted commercial vehicle sales since FY19.

The medium and heavy commercial vehicles (MHCV) segment was particularly hit hard by macroeconomic headwinds even before the pandemic struck. Now, the recovery in the segment is expected to be sharper as well.