PV sales growth may decline in FY25

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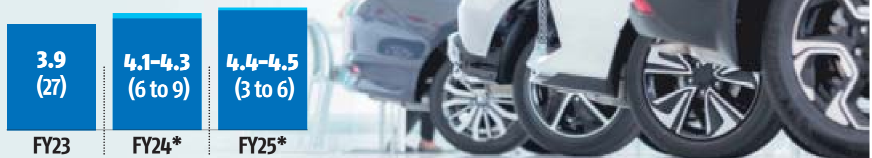
HITTING THE BRAKE

Passenger vehicle sales in mn



Sales in other segments	FY23	FY24*	FY25*
Two wheelers (in mn)	**16.3** (19)	**17.7-17.9** (8 to 11)	**19.4-19.6** (7 to 10)
Commercial vehicles (in '000)	**962** (34)	**980-985** (2 to 5)	**935-940** (-4 to -7)
Three wheelers (in '000)	**459** (84)	**675-680** (46 to 49)	**755-760** (10 to 13)

*Projection; Figures in brackets are Y-o-Y % change

Source: Siam, ICRA Research

Sales in India's passenger vehicle (PV) market are projected to slow to 3-6 per cent in 2024-25 (FY25) but on a higher base of three years, a group representing automakers has been told.

Sales in FY25 will hit 4.4-4.5 million vehicles compared to 4.1-4.3 million expected in FY24 and marking a growth of 6-9 per cent over FY23, said rating agency ICRA in a presentation before the 18th conclave of the Society of Indian Automobile Manufacturers (Siam).

PV sales in India increased from 2.7 million vehicles in FY21 to 3.1 million in FY22 after the pandemic. Sales hit 3.9 million in FY23. Exports are expected to improve from 690,000-695,000 in FY24 to 720,000 to 725,000 in FY25, a growth of 4-7 per cent.

After domestic sales, the other area of worry is the commercial vehicle market, which had good run for three years but is forecasted to fall sharply by 4-7 per cent in FY25. Sales are expected to slow down because of general elections in 2024 and their impact on awards for new infrastructure projects. Commercial vehicle sales in FY25 are projected to slow down to 935,000 to 940,000 units compared to an expected 980,000 to 985,000 in FY24. The good news is that the contribution of alternative power trains (electric, CNG and hybrids) in PVs is expected to go up from 4 per cent in calendar year 2023 to 15 per cent in 2028.

The domestic electric vehicles (EV) market is strongly placed. ICRA projected electric two-wheeler penetration to hit 6-8 per cent in FY25 (over 5 per cent in FY 23). For electric cars, it forecasted a penetration of 4-6 per cent in FY25 (over 1 per cent in FY23). For electric three-wheelers, it forecasted a penetration of 14-16 per cent (over 7 per cent in FY23) and for e-buses 11-13 per cent (over 6 per cent in FY23).

ICRA however made it clear that profitability in the EV segment would take time for various reasons including uncertainty about Phase-II of the government's FAME scheme fundraising and the competitiveness of startups.

ICRA points out that the payback time for an electric two-wheeler compared to a premium version in FAME 2 was three years, but with the sharp reduction in subsidy in June last year it has now become 5 years and without any subsidy will extend it to six years. The overall two-wheeler segment looks positive. ICRA forecasted domestic sales growth of 7-10 per cent in FY25 to hit 19.4-19.6 million vehicles.

In FY24, sales of 17.7-17.9 million are expected – a growth again of 8-11 per cent compared to FY23.