PV volume may cruise past 5 mn in FY26

SHINE JACOB
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India's passenger vehicle (PV) industry is set to scale a fresh high this financial year (FY26) with the cumulative domestic and export volume crossing 5 million units even as annual growth slows to 2-4 per cent, according to a Crisil Ratings report published on Friday.

PV capital expenditure (capex) is expected to stay elevated at ₹30,000 crore this financial year as original equipment manufacturers (OEMs) ramp up capacity, accelerate electric vehicle (EV) investments, and push localisation, and digital upgrades.

This is the fourth consecutive year of record sales, although momentum has significantly eased from the 25 per cent surge in 2022-23 after the Covid-19 pandemic. "Utility vehicles (UVs) will drive volume growth this financial year, aided by new launches, easing interest rates, rising compressed natural gas adoption, and rural tailwinds. That said, gains will be capped by weak adoption of EVs and sluggish sales of entry-level cars and sedans," the report said.

As volume growth slows, OEMs will rely on premiumisation and a better product mix to protect margins.

Softer input costs, better utilisation, and price hikes are likely to partly offset rising regulatory compliance costs, which will help maintain operating margin for the industry at 12-12.5 per cent this financial year, it added.

Healthy cash flows and a robust cash surplus will enable OEMs to fund their high capex comfortably, while keeping their balance sheets strong and credit profiles stable, a Crisil Ratings' analysis of six PV OEMs, accounting for 90 per cent of the market, indicates.

The domestic market accounted for 85 per cent of the volume last financial year, with exports accounting for the rest.

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