

Commercial Vehicles

Industry Code (as per CMIE Prowess): 0101014502010500'

June 2022

Overall Industry Risk Score: **14/20 | Favourable**

Sample Size: 7 Companies

Median Rating Value of sample size: AA

Individual Parameters Contributing to the Score

Demand & Supply Balance  **12/20**

DS Equilibrium

Commercial Vehicle sales have seen a sharp decline over two years of FY20 & FY21 . The volumes shrank from over one million units in FY19 to around 0.57 million units in FY20 on account of the combined effect of transition to BS VI norms, revised axle load norms, slowing economy and the pandemic. As per SIAM data, Sales volumes of the industry grew by 26% on a year-on-year basis in the FY22, though it has not reached the pre-covid levels of FY20. Commercial vehicle exports surged by 83.4 per cent to 92,297 units in 2021-2022 as compared to 50,334 units in the year 2020-2021 on the back of a robust demand from our neighbouring countries such as Bangladesh, Nepal and other regions like Middle East, African and Latin American countries and Vietnam. The demand is likely to pickup furthermore in FY23 depending on the revival of the economic activity.

Extent of Competition  **16/20**

Low competition/ Entry Barriers

The top players like Tata Motors Ltd, Ashok Leyland Ltd & Mahindra & Mahindra Ltd. continue to be major players accounting for more than 70% market share. The other players such as Eicher Motors, Swaraj Mazda, Bharat Benz etc. also have been establishing their presence in the market.

Regulatory Risk



12/20

Predictable Regulatory environment

Key changes in regulatory environment in the recent past pertain to transition to Bharat VI Norms & axle load norms. Recently announced, Vehicle scrappage policy is also expected to have an impact on the sector, though the magnitude and nature of impact depends on the actual implementation of the policy.

Input Related Risk



16/20

No supply disruptions / very narrow price band or fluctuations

Supply chain is partly impacted due to pandemic but no major production constraints. Commodity price hikes of ferrous and non ferrous metals will result in increase in input costs. Semi conductor supply shortage, increase in diesel and metal prices are expected to be transient which could impact output over short term till the supplies stabilise.