India Auto Sector To Commission Rs 703 bn By FY29

A Brickwork Ratings report said India's automobile and auto components sector is set to enter its next investment cycle with projects worth Rs 703 billion (Rs 703 bn) scheduled for commissioning between FY27 and FY29. The commissioning pipeline forms part of an outstanding portfolio of 184 projects worth Rs 4.76 trillion (Rs 4.76 tn), including 70 projects currently under implementation. The agency judged that a mix of capacity expansion, government incentives and rising exports will support a stable credit outlook through FY27. It noted that schemes such as the Production-Linked Incentive scheme and FAME?III, together with continued investment by original equipment manufacturers and Tier?I suppliers, are expected to drive long-term growth as companies increase spending on electrification. The report said healthy balance sheets and robust internal accruals should enable organised players to fund investments while maintaining stable credit profiles. Brickwork Ratings observed that the industry is shifting from a volume-driven market to a technology-led manufacturing ecosystem.

The agency estimated sector revenue would grow at a compound annual growth rate of seven point five per cent to nearly Rs 26 trillion (Rs 26 tn) over the coming years. It forecast operating revenue to rise by around eight per cent in FY27 and projected Ebitda margins to improve to about 14 per cent from around 13 per cent in FY26. Leverage metrics were expected to improve further as companies increasingly rely on internal accruals to fund capital expenditure.

The report estimated domestic vehicle sales at 30.2 million (30.2 mn) units and vehicle exports at 7.1 million (7.1 mn) units in FY26, and put electric vehicle penetration at eight point six per cent. It said India's supplier ecosystem of more than 40,000 component manufacturers is benefiting from demand for sport utility vehicles, faster EV adoption and improving export competitiveness across passenger vehicles and two?wheelers. The agency cautioned, however, that high investment requirements for EV platforms and battery technologies, volatile raw material prices, semiconductor constraints, uncertainty over US tariffs and slowing European demand for internal combustion engine vehicles could weigh on the sector.

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