

Big truck sales up, smaller ones' lag

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Chennai: There is a lot of cheer at the top-end and gloom at the bottom of the pyramid. We're talking about the truck and the bus market.

A market that started limping out of its worst slowdown in a decade mid-last year, is now more or less out of the woods.

According to senior auto industry experts, the top-end of the commercial vehicle industry - comprising heavy duty trucks and tractor trailers - are now cruising in top gear with a Volvo Eicher Commercial Vehicles in the first four months of calendar 2015. Medium and light commercial vehicles are still flat but the segment has left the degrowth behind. But at the bottom of the chain, the super light category comprising 2 tonne and below vehicles are still stuck in first gear.

Reason: the industry is

back on track but it's the big fleet operators that are fuelling this replacement demand spurt. The crippling discounts haven't gone away and the small operators are still too badly scarred to think of buying new vehicles. "This seg-



ment is still recovering from the very aggressive growth it went through two years ago which led to overbuying and a resultant glut in the market. There is still not enough load volume to justify those numbers and people are cautious. There are more second hand buys," said Pawan Goenka, director and president of Mahin-

dra & Mahindra's automotive and farm equipment division.

Add to that the lag that normally creeps in between turnaround at the top-end and its trickle effect at the bottom and no one expects the bottom of the pyramid to vroom back any time

Big fleet operators are fuelling the spurt in replacement demand. The crippling discounts haven't gone away and the small operators are still too badly scarred to think of buying new vehicles

soon. "The 5-15 tonne light & medium commercial vehicle segment is still working with capacity utilization that's 60% of the 2011 peak. The degrowth has stopped but the volumes continue to be flat. In the January-April 2015 period, this segment clocked 21,200 units compared to 21,150 in the year-ago period. The average monthly sales are now

around 5000 per month down from a peak of 8000 per month during the 2012 peak," said Vinod Aggarwal, MD, Volvo Eicher Commercial Vehicles.

Commercial vehicle makers though are cheering the turnaround at the top-end where the last quarter of calendar 2014 saw 62% growth. "This January-April 2015 volumes are up to 67,500 units from 49,400 last year," said Agarwal. The monthly average sales at 16,500 units is still lower than the 2011 peak of 22,000 units but that can improve if infrastructure projects kick off. "Mining has seen significant improvement but the road construction sector is not growing as infrastructure projects are yet to take off," said Agarwal. "That's why the tipper market has dropped by 3% in the first four months but if infrastructure projects take off and continue to grow like this we will hit the 2011 peak in 12-24 months," he said.