

Truck sales accelerating on clean-tech thrust, infra pick-up

Vehicles set to get costlier after 2017, when new fuel norms kick in

MURALI GOPALAN
N RAMAKRISHNAN

Mumbai/Chennai, February 16

Truck makers have more than one reason to celebrate. Apart from the fact that sales of medium and heavy commercial vehicles (M/HCVs) are now back on track, manufacturers have got a boost in the form of clean air regulations. Sales are growing at a healthy double-digit in the last six months.

Not just clean fuel norms, construction and infrastructure activity picking up in the last few months have also contributed to the revival of M/HCV sales. Till September 2015, much of the growth came from cargo vehicles but, today, sales of tippers is also on the rise, which clearly means that infrastructure-led activity is growing. According to Vinod Aggarwal, CEO of VE Commercial Vehicles (the joint venture of Volvo and Eicher Motors), growth in M/HCVs was fuelled by haulage trucks in 2014-15, while construction trucks took up only five per cent. "This component is now changing as infrastructure activity is picking up

Shifting gears

Medium and heavy commercial vehicle sales

(in numbers)

Company	Jan'16	Dec'15	Nov'15	Oct'15	Sept'15	Aug'15
Tata Motors	14,693	12,673	11,524	12,504	15,915	12,017
Ashok Leyland	11,208	9,703	6,296	7,177	12,146	8,903
Eicher Volvo	768	1,033	716	834	933	669
M&M	611	528	454	581	511	341

Reasons for optimism

- Investment in infrastructure expected to rise during the current decade
- Road construction target of 30 km/day from 2016
- Thrust on cement roads to improve life of roads
- Planned increase in coal production to 1 billion tonnes by 2020 from about 600 million tonnes now
- Traffic at ports projected to grow at 11 per cent CAGR during 2011-20



coupled with pre-buying and replacements," he says.

Bharat Stage IV norms

From April 1, 2017, Bharat Stage IV emissions will be implemented across the country. Consequently, no BS III-fuel vehicle can be sold. The new BS IV options will, however, be dearer since automakers need to recover their cost of investments in technology. In the case of M/HCVs, the increase in price could be upwards of ₹1 lakh.

Today, less than 10 per cent of M/HCVs are BS IV compliant, with only a large part of the North covered by this norm. Much of the South will follow from April 1, but this will not make a big impact as all-India permit operators can still use vehicles running on BS III fuel.

"The regulations regime will actually kick-start vehicle sales," says Ravindra Pisharody, Executive Director (Commercial Vehicles), Tata Motors. Moving from BS III to BS IV will be an "expensive shift" follow-

ing a big step-up in technology.

Simply put, the 2017 deadline is expected to boost sales of BS III trucks over the next 14 months.

"I believe there will be good growth in 2016-17 as a result of the BS IV transition. Low diesel prices have also left more cash with fleet operators and allowed them to buy trucks," says Rajjive Saharia, President (Trucks), Ashok Leyland. Diesel accounts for over 50 per cent of a fleet operator's costs.

Uptick visible

Sharing the optimism of truck manufacturers is TT Srinivasaraghavan, Managing Director, Sundaram Finance, a leading truck financier, who says an uptick in sales is definitely visible, especially since the surge in September.

In the case of tipper-trucks which are used in large infrastructure and construction projects, there is a lot of advance buying happening; fleet operators anticipate that the Centre's promises on infrastructure projects will shortly translate into action on the ground and they are buying ahead of the demand.

"Long-run transportation is increasing with cargo operators busier than before, and this goes beyond replacements alone," says Tata's Pisharody.

Also read p3