

Infrastructure activity nudging truck sales

Sustaining the boom is the real challenge

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Clean air regulations are only one part of the reason for the boom in sales of medium and heavy trucks.

It is now clearly evident that construction and infrastructure have picked up in the last few months and contributing to the revival. Till September 2015, most 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, 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 coupled with pre-buying and replacements," he says.

Nalin Mehta, Managing Director & CEO, Mahindra Trucks and Buses, says things are "clearly more positive in the trucking community" with huge demand coming in from replacement of vehicles.

Are good times then finally here to stay for truck makers? Ravindra Pisharody, ED (Commercial Vehicles), Tata Motors, cautions that the year following the boom (2017-18) is not



likely to be as brisk once BS IV norms are in place. "The first half will be slow but the state of the economy is the key," he says.

Banking sector crisis

Aggarwal admits that there are "some uncertainties coming from the banking sector" which is stressed as a result of lending to real estate and infrastructure companies. In addition, there are concerns on the fragile global environment. In his view, if the Centre is able to manage the banking sector crisis, the sky is the limit for truck makers.

There are other industry experts who strike a note of caution when they say that demand for haulage trucks, especially of higher capacity (37-40 tonnes) is not matched by ground reality; manufacturing activity is down and core sector industries such as cement and steel are yet to recover, while agriculture produce is also not sufficiently high. In this situation, they are worried

that excess capacity of haulage trucks is being built-up. Rajive Saharia, President (Trucks), Ashok Leyland, believes that tippers will be used more extensively as the economy picks up. In his view, further growth can also come by ensuring scrappage of 10-15 year-old trucks and imposing stricter regulations on overloading.

Additionally, restricting the length of trucks that carry cars and bikes could help the cause. For instance, where it should be 15 metres for car carriers, this is typically extended to 18.75 m and 15 m in the case of bikes when this ought to be 12 m. "Once restrictions are in place, there will be use of more trucks," says Saharia.

M&M's Mehta says there is still a "push-sales" exercise happening by all manufacturers which effectively translates into discounts. He is, however, reasonably certain that the overall optimism is back. "I expect growth to pick up in the future which augurs well for the industry," he says.