

Sales of CVs May Exceed 2011 High of 2.4 L Units

Replacement demand and pickup in movement of bulk cargo to help drive sales of heavy-duty trucks

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New Delhi: India's market for medium and heavy commercial vehicles – a barometer of economic activity – is set to create a new benchmark. Sales in the segment in 2016 are projected to surpass the earlier peak of 240,000 units registered in 2011, helped by an expected improvement in infrastructure spending.

Sales of heavy-duty trucks grew 36% to 210,000 units in 2015, driven largely by replacement demand and a pickup in movement of bulk cargo like coal, even as sales in the construction segment increased at a tepid pace of 5%. VE Commercial Vehicles chief executive Vinod Aggarwal said. "With the infrastructure story likely to fall in place in the coming fiscal (year), we should be able to surpass the earlier annual record of 240,000 units."

The improvement in the market is happening after most large fleet operators, hurt by economic slowdown, put on hold expansion plans. With suboptimal purchases between 2012 and 2014 beginning to strain the operational capabilities of transporters – especially those catering to industries like petroleum-oil-lubricants, logistics and LPG – on back of increased consumption, they commenced



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replacing older vehicles and rebuilding their fleet last year.

"Construction and infrastructure, contributing 68% of the tipper industry, have seen a late surge in the last two quarters and are expected to be a major driver going forward, on account of asset mobilisation by contractors, as more and more road and infrastructure projects gets clearance and start operation," said Rajesh Kaul, business head (intermediate, medium & heavy trucks) at Tata Motors.

While the noise over safety and pollution has put the automobile industry in a tight spot over the past few months, rules mandating incorporation of anti-lock braking system and speed limiters in commercial vehicles and the ban on commercial vehicles older than 10 years in the national capital have proved to be

a boon for commercial vehicle makers, as these developments triggered demand for new vehicles.

The strong demand that the MHCV segment witnessed last year was also due to "pre-buying ahead of changes in emission norms", said Nalin Mehta, chief executive of the Mahindra Truck and Bus Division of Mahindra & Mahindra. With the northern markets shifting to BS IV from October 15, there was strong demand pull in September.

"Major drivers for industry-wide HDT (heavy-duty trucks) growth included government efforts to reduce overloading, leading to new buys recreating corresponding capacities," said Sominder Singh, vice president of domestic sales, product management and network at Daimler India Commercial Vehicles.