

Clip: 1 of 1

# After 15-month uptrend, truck rentals are heading south

Fell 3-5% in January; robust demand expected in the last quarter

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Truck rentals in the country's highly unorganised trucking sector witnessed a dip in January after a 15-month-long run-up.

According to a report by industry body Indian Foundation of Transport Research and Training (IFRT), truck rentals fell 3-5% in January due to resistance from manufacturing sector and lower availability of cargo offerings in certain sectors.

Moving forward, though, rentals are expected to improve given that companies typically ramp up sales in the last quarter of the fiscal.

SP Singh, senior fellow & coordinator, IFRT said the prices of raw materials such as rubber, steel and plastics have shot up over the last few months, resulting in increased pressure on the margins of manufacturing companies.

"With truck rentals going up for almost 15 months, the manufacturing companies begun to show resistance," he said, adding, "We were expecting this correction to happen."

The report says the trucking

## Rough ride

Round trip/ 9 ton pay load	Rental in ₹ per round trip		% chg
	Jan 3, 11	Feb 2, 11	
Delhi - Chennai-Delhi	84500	80300	-4.97
Delhi - Bangalore-Delhi	82500	78400	-4.97
Delhi - Guwahati-Delhi	95500	91700	-3.98
Delhi - Hyderabad-Delhi	71000	68200	-3.94
Delhi - Kolkata-Delhi	53500	51400	-3.93
Delhi - Mumbai-Delhi	54000	52300	-3.15

Source: IFRT



business has been on the road to recovery post-recession, since October-November 2009. The uptrend till December 2010 had resulted in a cumulative increase of 24.1-39.6% in truck rentals, depending on trunk routes.

Interestingly, a number of organised players deny any dip in truck rentals last month.

Vineet Agarwal, executive director, Transport Corporation of India (TCI), said, "TCI's Indian Road Freight Index has been stable at around 175 points both in December 2010 and January 2011. The index tracks around 50 routes and hence the dip is definitely not across a large scale of routes."

Kiran Salunke, managing director, Siesta Logistics, says

the dip has mainly been experienced in the unorganised sector or those with traditional cargo trucks. "There has been a steep improvement in infrastructure, which requires more specialised or higher capacity trucks for cargo movement against the traditional trucks. In addition, states like Andhra Pradesh and Gujarat have also come down strictly on truckers flouting RTO rules. Both of these states started the initiative in November and December and the remaining states are to pick up the trend soon," said Salunke.

Around 80% of India's trucking segment is unorganised, which leaves open the possibility that entire fleets may be short of the required

standards for cargo transportation.

"There could be a slight dip in rentals in few sectors, more from the places where some infrastructure projects got delayed due to shortage of raw materials like bricks, sand and steel. Transportation of essential commodities were seen unaffected. We see truck rentals stabilising," said R Sridhar, managing director, Shriram Transport Finance Company, an important player in the truck financing segment.

Going forward, demand is expected to improve, it being the last quarter of the current financial year. Typically, most companies are expected to increase their sales activity in the last quarter of the financial year. Most players are positive that demand will increase owing to these ramped-up sales activities. "In a given year, there are specific seasons which witness major activity and demand. These are months before a festive season, months before the end of the calendar year, as foreign companies ramp up sales and months before the end of the fiscal," said Agarwal.