



Month	M&HCVs	LCVs	CVs
Nov '11	18.9	48.0	35.0
Dec '11	8.9	19.1	14.5
Jan '12	12.6	14.3	13.5
Feb '12	5.5	31.0	18.7
Mar '12	-1.1	31.6	14.8
Apr '12	-11.6	18.0	5.5

Source: SIAM, Bloomberg

Truck lane seen slow for some time to come

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The slowdown in the heavy-duty commercial vehicle (CV) segment is expected to continue for up to six months.

Experts said that sales had peaked in early March when some prospective buyers, encouraged by higher discounts but fearful of Budget-related price hikes, went ahead with their purchases.

As vehicle prices rose post-Budget due to excise hike, other large fleet operators and individual buyers have been delaying their purchases, said analysts and transporters.

The drop in freight rates led to a further drop in heavy truck sales in April. According to the Society of Indian Automobile Manufacturers (SIAM), the CV segment grew 4.37% on year in April. In contrast, medium and heavy commercial vehicles (M&HCVs) de-grew 11.60%.

A similar story obtains elsewhere. The Indian Foundation of Transport Research and Training (IFTRT) said truck chassis sales were down 15.3% on-year in March 2012 due to withdrawal of excise stimulus from CVs.

More importantly, the heavy CV / trailer segment (16-40 tonne range) witnessed 24.3-34.6% drop in sales during April 2012.

An IFTRT report attributed this decline to the "5% drop in truck freight rentals on trunk routes" and "indiscriminate fleet expansion of high tonnage multi-axle trucks" during the last quarter to March.

Again, heavy buying in the truck chassis segment preceded the much-anticipated excise hike in the Budget. The subsequent 5% excise hike pushed prices up by ₹60,000-80,000 on different variants.

"M&HCV truck sales in April have been sluggish as a result of slowing macro indicators," said a Tata Motors spokesperson. GDP, industrial production, 3-5% rise in vehicle prices, pre-Budget buying in March, the market taking time to transition to new prices... all these factors played a part, he said.

Although April generally tends to be slack for truck-makers, this year proved worse than previous years.

"The sales are expected to remain under pressure at least for the next four or six months till segments like infrastructure and agri commodities revive. Pre-Budget buying during the first quarter of this calendar year has taken care of the demand for the next six months at least," said Surjit Singh Arora, analyst with Prabhudas Lilladher, a Mumbai-based brokerage.

To somehow overcome sluggish sales, truck-makers have been offering discounts. "We see more discounts from various manufacturers going ahead. However, we are conservative as far as discounts in the medium and heavy truck segments are concerned. In the heavy duty segment, we are also participating with other players and offering larger discounts," said an Eicher Motors official during an earnings call.

Supply chain firms and large fleet operators are still bullish about the industry and hopeful that sales will revive after September-October, when industrial activity reaches its peak.

Vineet Agarwal, joint MD of the Transport Corporation of India (TCI), one of the major supply chain players, said: "The decline in industrial growth has definitely affected business and thus movement across the country. At the industry level, as business volumes are sluggish, purchases are being postponed due to factors like rising interest rates. We expect some significant growth in volumes only after there is some improvement in industrial growth, which is expected only post August-September."

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TCI, however, is still positive about the market and will continue to maintain its investment to last year's level.

Lars Sorensen, CEO-South Asia of Damco, a freight forwarding and supply chain company belonging to the APMoller Maersk Group, said: "We are still very bullish and going ahead with our expansion plans chalked out three years back. People are still concerned about the European and US markets. The Indian market is also a concern. There is no clear trend. Some companies are in a wait-and-watch mode."