

Truckmakers in a deep ditch

Yuga Chaudhari ● @Yugac

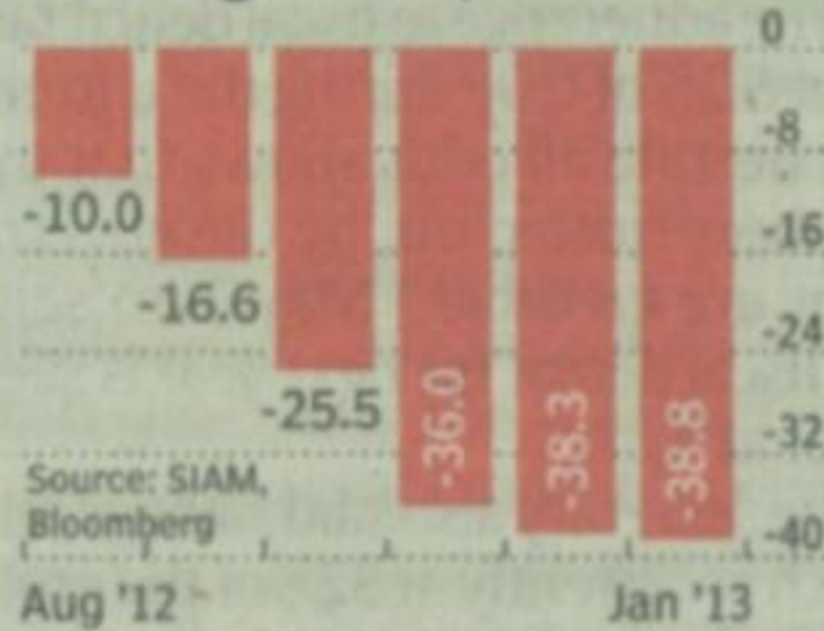
Mumbai: Truck makers do not expect a revival in sales for at least six more months.

According to the Indian Foundation of Transport Research and Training, February sales of trucks (5-49 tonne range) dropped 36.68% on-year, bucking the trend of peak sales in the last two quarters of a fiscal.

Both economic growth and industrial output are key to demand for trucks. Factors like lower GDP growth, ban on mining in certain states and slowdown in infrastructure projects have all slowed sales.

Worse, the rise in overall fuel prices as well as operational costs has made truck owners

► Medium & heavy truck sales growth, YoY in %



sceptical on bulk purchases.

"Whatever uptick we will see this months would be because of the purchases on account of depreciation benefits. However, I don't see any sustained interest in new fleet addition by operators," said Vineet Agarwal, joint MD of Transport Corporation of

India (TCI), one of the biggest fleet operators in India.

"Several costs, including finance, toll rates and fuel prices, have also gone up and affected the profitability of truckers, which has in turn affected the industry sentiment," said Agarwal.

Truckmakers such as Tata Motors and Ashok Leyland have already said the slowdown will continue for a while. Also, there was nothing in the February 28 Budget to immediately change the industry's fortunes. But the revival of the Jawaharlal Nehru National Urban Renewal Mission could help revive sales of buses in the medium-to-long term.

"Industry sales have not been

very good in the first two months of this year. The drop in sales was much deeper than the previous quarter," said Vinod Aggarwal, CEO, VE Commercial Vehicles.

The capacity utilisation has also dropped sharply at truckmakers due to slowdown. According to experts, the average utilisation is around 70% now.

"The CV industry's revival depends a lot on macroeconomic factors. Interest rates need to come down and activity in the infrastructure segment needs to pick up," said Aggarwal.

The industry is, however, hopeful that the seasonality factor would bring some relief to the CV industry in the second half (of next fiscal).