Commercial vehicle sales showing signs of recovery

Sales being fuelled by a pick-up in demand from agri, mining sectors

SHALLY SETH MOHILE Mumbai, 7 October

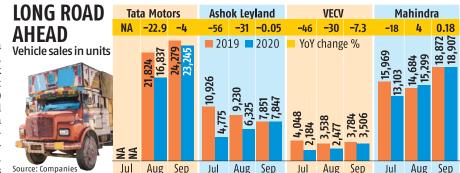
Commercial vehicles sales, a proxy for economic activity. are seeing a sequential uptick in volumes, holding out hopes of a year-on-year (YoY) recovery. It is being fuelled by a pickup in demand from the agri, mining and construction sectors, say transporters and manufacturers.

To some extent, the sales are also being led by an inventory push and discounting by companies, said analysts.

Cumulative sales of top four companies (based on monthly sales data) — Tata Motors, Ashok Leyland, Volvo Eicher Commercial Vehicles, and Mahindra and Mahindra — dropped 2.3 per cent to 53,505 units in September from a year ago. This is much lesser than the 17 per cent decline YoY these companies saw in August and far lesser than what it was in July and June.

Economic activity across India picked up in August and early September with high frequency indicators across mobility, logistics and electricity consumption showing improvement. However. it remains below pre-Covid levels, signaling that the economy could see double-digit contraction in FY21.

Bharat Benz, the fourth largest in the pecking order



industry according to sources, doesn't publish monthly numbers and only reports sales annually. Satyakam Arya, managing director and CEO and Daimler India Commercial Vehicles that sells trucks under the Bharat Benz brand, said he is encouraged by the recent uptick. The firm saw a 10 per cent YoY rise in retails in September.

Led by a severe contraction in economic activity, even before the pandemic. truck sales have been in decline for over a year. The fall for medium and heavy duty ones, typically the first to decline and last to recover in a down-cycle, has been sharper.

"The demand is coming back in line with economic activity. With unlocking and resumption of normalcy, we see demand for goods picking up," said Arya.

It's being driven by

mining and construction segments and e-commerce. While e-commerce has boosted sales of smaller and light trucks used for last-mile delivery, a bumper harvest has spurred demand for medium duty and heavy commercial trucks segment from the agri sector.

This has narrowed the decline for most firms. Arva expects the CV market to reach last year's volumes by the fourth quarter of the current fiscal.

Transport companies are seeking comfort from revival in economic activity. They are, however, skeptical as factory output continues to be sluggish and they aren't rushing to purchase new trucks just vet.

Says Jasjeet Sethi, CEO of TCI Supply Chain Solutions: "The capacity utilisation of our fleet has reached last vear's levels. But we haven't taken a call on buying new

trucks just yet as we are not sure whether the current trend will hold up."

On an average, TCI purchases 150 trucks every year. But this year has been different and the company had to defer plans after the Covid-19 outbreak.

Analysts share the skepticism, "It's the LCVs (light commercial vehicle) and SCVs that are driving sales momentum. I am not sure about a recovery in the MHCVs (trucks) vet. Whatever improvement we are seeing is largely due to an inventory push by manufacturers," says Ajav Srinivasan, director, industry research, CRISIL. Capacity utilisation for most fleet operators remains sub-optimal. he added.

CRISIL expects the CV market to end the year with a 25-30 per cent decline and MHCVs to close the year with a 45-60 per cent YoY drop.