Ravindra Pisharody, Executive Director, Commercial Vehicles, told FE’s Malyaban Ghosh that the volume growth in the M&HCVs will be between 0% and 5% this fiscal, and the pre-buying before implementation of ABS from April will be impacted if GST is implemented with an 18% cap as vehicle prices will come down by 8-9%. Excerpts:

When do you see volumes in the M&HCV segment recovering, and what were the reasons behind the sudden fall in volumes?

The decline is mainly in the M&HCV trucks, otherwise in the bus and light commercial vehicle (LCV) segments, volumes have been increasing. In fact, in September, LCV volumes for increased by 19% year on year. In the M&HCV segment, there has been some interruption in recovery that has been continuing for two years and in April-May this fiscal volumes started softening. Last year in September, volumes were high as a result of pre-ABS buying.

I think the next three months are going to be crucial and the base also is not that high. I don’t think there will be a decline in volumes in the next three months because the pipeline is very strong. I am keeping my fingers crossed as it is an unpredictable market. This year, the base was high and some states witnessed excess rainfall. As a result, body building for trucks slowed down. For construction tippers, July and August are the worst months. Infrastructure spending has gone up and the rainfall has also been good this year. Increased cargo will definitely lead to some growth. I am expecting a growth of 0-5% in the M&HCV segment this year. If there is pre-buying, it will go up to 10%.

What will be the impact of GST?

There is some uncertainty regarding the impact of the GST. The second half of the year is expected to be strong because of healthy pre-buying before the implementation of the BS 4 emission norms. Now the uncertainty is whether that is going to happen or not, because if the GST is implemented with a cap of 18%, vehicles will be cheaper by 8-9% compared to excise duty plus value added tax (VAT). So, the cost increase which would have happened will be compensated by tax reduction. In such a scenario, pre-buying will also be pretty muted because the customer may get a BS 4 vehicles at an affordable price, so he may not buy beforehand. We will get to know that by November because by that month if they don't decide the tax rates and notification, the implementation may not be from April 1. If it gets pushed to October, there will be pre-buying as six months is a long enough period.

Can lack of availability of cargo from the agriculture, infrastructure and manufacturing sectors dissuade fleet owners from adding more vehicles?
Availability of freight from manufacturing has definitely fallen, but agriculture should pick up now. The implementation of the pay commission recommendations will boost demand for consumer durable and cars. Heavy trucks will be required for transporting those vehicles and consumer goods. So agri is looking positive after good monsoon, mining is also coming back. We have already seen some pick-up in construction-related commodities such as iron and steel. So, I would say we are somewhere in the middle. Diesel prices have not risen so much but the freight rates have fallen because of lack of freight and increased competition.

Are you confident of maintaining 50% market share in the M&HCV segment in light of increased competition?
In the 16 tonne and above segment, we still have 55-56% market share and hope to gain this year because of two or three products that we have introduced. We will be the only company to have two products in the 37-tonne segment. In the 49-tonne segment, we have 59-60% market share. So, in the 16 tonne and above, we are confident of coming back to a position of having more than 60% market share over the next two years. In the last two months, we saw some improvement in market share. The market is not in a very steady state, especially in the last two months with some downturn. In this non-steady state, we are not going to go for increase in market share at any cost. We believe to

be in the 55-60% ball park and we will keep trying to inch back. Now there are eight players in the market and if we can maintain 55% market share, I think that is something to be proud of.

What about market share loss in the LCV segment and whether the recovery in volumes will continue?

Mahindra's Jeeto was not there a year back and if they sell some units our market share will come down. The market is also moving a little bit towards pick-ups. There was a huge gap between three-wheeler and four-wheeler light commercial vehicles and we saw volume picking up with ACE even during the downturn of the last four years as we have moved from one million to one-and-a-half million units. We have been able to claw back with ACE mega. The first time we saw the growth in volumes was in January, so the last quarter of FY16 was good. I would say that LCV still has to play out. The freight is not very high as the demand for last-mile connectivity is not that great. Some of the owners are still struggling to pay their loans and financiers were struggling to cope with non-performing loans. Instead of 90%, they are now proving 80% financing. This is a problem.

How is the bus business doing for Tata Motors?

The bus segment will do well in next few years. There is a lot of push for modernisation of buses by state governments and state transportation units (STUs). We are getting more STU purchases and in the Budget there was announcement regarding more bus permits to be given. The ratio of buses to trucks is 1:5 in favour of trucks in India, whereas the same in China is 1:2. STUs are looking for fully built buses. In buses which are 9 tonne or below, the share of fully built buses is 80%. For STUs, 25% of the buses are fully built. This year we have seen 15% Y-o-Y increase in volumes of buses, largely driven by bigger ones.