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Axle norms may put brakes on demand for trucks in short-term

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The stellar run for trucks in the past one year is likely to be cut short over the next few weeks following a revised notification issued on Monday by the ministry of road transport and highways on the maximum safe axle weight for heavy commercial vehicles.

Apart from reducing the permissible weight that can be carried by a single axle with two tyres from 7.5 tonnes to 7 tonnes, the revised notification permitted current trucks plying on the roads to carry 12-25% higher payloads.

"The above maximum safe axle weight shall be considered for revising the gross vehicle weight (GVW) of the vehicles, subject to overall limits specified in paragraph 2 for the existing vehicle models, that are manufactured in accordance with the type approval certificate granted prior to 16 July 2018," the notification said. On 16 July, the MoRTH had increased the permissible GVW of heavy trucks (GVW higher than 16 tonnes) by about 12-25% across a combination of body types, axles and tyres. At the time, it was unclear if existing vehicles would be permitted to carry higher loads as per the new norms. With the revised notification, clarifying retrospective application, about 40-45% vehicles in the heavy trucks segment may be impacted.

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Demand for new trucks is likely to be impacted in the short-term owing to a number of reasons, analysts and industry executives said.

"As systemic capacity increases, wholesale and retail will certainly be impacted in the near term, as will production schedules, because fleet operators may defer purchases," said Shamsher Dewan, vice-president (corporate sector ratings) at Icria Ltd. He added that original equipment manufacturers may also indulge in higher discounting to clear existing inventory. In the heavy trucks segment, discounting is a norm rather than an exception. "The revised norms will cause some deferment (of purchases) until new trucks with higher tonnages

become available," said Pawan Goenka, managing director, Mahindra and Mahindra, during an analyst call on Tuesday. He added that retail sales of Mahindra's heavy-duty truck Blazo

slowed in the second half of July. Tata Motors Ltd, too, witnessed weak sales in the same period, Girish Wagh, president of the commercial vehicle division of the firm, told *Mint* in an interview last week. Complying with the new norms will have material cost implications, which manufacturers "must be prepared for", since the entire truck's design, including the brakes, steering, powertrain and suspension, will have to be reconsidered, said Wagh, adding that prices will rise as well.