Bus manufacturers put capex on hold, focus on electric models

Nandini.Sengupta
@timesgroup.com

**Chennai**: The bus market, which shrank from its usual 80,000 units per year to just 15,000 in FY21 and 5,000 units in Q1FY22, is looking at capex freeze and electric push to get out of its current slump.

Bus marketers are expecting the current dismal run to continue through to Q4 of this year with big companies like Ashok Leyland and Tata Motors waiting for things to improve before they kickstart investments.

"Since the existing capacity is not being used up, fresh investments will be on hold for two years at least. The only OEMs to invest will be those building their EV line up," said Rohan Gupta, VP, ICRA.

Take Ashok Leyland for example. The company’s bus factory in Andhra Pradesh was commissioned in March but domestic bus volumes are down so sharply there’s been no urgency to add additional capacity. But the company has, on the other hand, already put in the ‘predominant part’ of the Rs130 million investment in its UK-headquartered EV entity Switch and will launch electric light vans and make electric buses for India.

As for Tata Motors, CFO P Balaji admits that "demand is extremely tepid" and the company “will need to wait for a while” before things look up. “We are still not looking for expansion of capacity in buses at all and we are phasing out the investments on new products because we need to wait for the right time,” he added.

The good news is bus companies are looking at the bus upgrade push in the budget to help demand once the third wave threat eases out. "The electric eco-system will take time to pick up speed and in inter-state and semi-urban/rural areas it will still be a combination of diesel and LNG/CNG usage,” said Vinod Sondhi, MD & CEO, Ashok Leyland. Bus companies say most of the capacity investments are already in place so there is no real need for fresh factori es. “We already have capacity already on the ground as a group and there is no need for additions till the market picks up,” said Kamal Bali, president & MD, Volvo Group.

Experts say that the market will improve as vaccination drive picks up speed.