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The recent sales figures have been positive for the CV industry. How do you look at the development after a long spell of downturn?

After two consecutive years of severe downturn and disruptions that saw the CV industry shrink by almost half (FY21 versus FY19), a 27 percent growth has been clocked in FY22 over FY21. The CV Industry has maintained a growth momentum and registered a growth of 114 percent in the first quarter of FY23 against a lower base of the first quarter of FY22. The growth has been broad-based and across regions as well as segments. While the M&HCV (Medium & Heavy Commercial Vehicles) and I&LCV (Intermediate & Light Commercial Vehicles) segments grew by 131 percent and 158 percent, respectively, in Q1 FY23 as against the Q1 FY22 performance on the back of increased activity in road construction, mining and agriculture and e-commerce growth, the SCV demand has remained robust. It is backed by continued consumer spending. The opening of schools and revival of staff and tourist movement has put the CV passenger segment growth at 280 percent in Q1 FY23 as against 57 percent in Q1 FY22. For us, the fuel price inflation and interest rates remain the key monitorables.

Freight rates have continued to lag behind the scale at which the fuel prices have grown. As a CV maker, how do you look at the situation?

While the CRISFrex index (CRISIL pan India freight index) remained higher in Q1 FY23 compared to the second half of FY22, on a month-on-month basis, a marginal dip in freight index was seen in May 2022 and June 2022 on account of the full effect of the excise duty cut on fuel being passed on. More than the freight rates, it is the transporters' profitability that is the key imperative for the CV industry. This has been largely stable in the current calendar year. The overall situation is better than in Q3 FY22. The rising of repo rates by 90 bps in Q1 FY23 and another 50 bps points recently by the Reserve Bank of India will have an impact on the lending rates and lead to higher interest outflows for transporters. In the upcoming festive seasons, the freight rates and utilisations are expected to improve. Fuel prices and interest rates, however, will remain key monitorables governing transporters' profitability.

How would that influence the CVs of the future or the fuel technologies associated with them? Whether CNG, hybrid or electric CV sales will overtake diesel or petrol CV sales?

Fuel prices have the biggest impact on the operating economics of transporters. It is therefore essential to look for cost-effective alternative fuel options. Since FY22, the CV industry has seen an increasing affinity towards CNG-powered vehicles due to its price advantage over diesel and the ensuing better operating economics. In addition, CNG vehicles enjoy benefits like exemptions on green tax/cess in a number of states and cities across the country. In the case of acquisition cost, the retail price difference between similar diesel-powered and CNG-powered vehicles has reduced post the BS VI emission norms transition. Seeing a sharp rise in FY22 due to the increasing differential between CNG and diesel prices, increasing availability and operating economics, CNG-powered commercial vehicles in I&LCV segment grew by 40 percent in FY22 as compared to 20 percent in the earlier fiscal. SCVs and pickups grew by 18 percent in FY22 as compared to the earlier fiscal when they grew by 5 percent. The increase in CNG price over the last two quarters has led to the tapering of demand in first quarter of FY23 in the I&LCV segment by 27 percent and in the SCV and PU segment by 17 percent. Going forward, the fuel preference in CVs is expected to shift towards natural gas. Similarly, in small and light commercial vehicles, there is a growing interest in EVs for intra-city and last-mile applications in particular. The industry, as a result, will provide a variety of fuel choices to meet application needs, switching to EVs eventually.

Tata Motors has been at the forefront of understanding and responding to market changes. What does the technology roadmap for the future look like?

Continuing to identify and develop leading technologies across our portfolio of products and services that would be beneficial to the customers and be of convenience too, an accelerated interest in connected and electric vehicles is being witnessed. Taking a cue from international and India-specific nuances, a comprehensive technology roadmap has been made to address key emerging trends and is being integrated into the upcoming vehicle programmes. We have already made substantial progress in mass mobility electric vehicles with more than 715 e-buses running on Indian roads. The cumulative running of these buses has been over 40 million kilometres. We have also recently forayed into the e-cargo-mobility with the launch of Ace EV in the last-mile delivery segment. In the case of connected vehicle technologies, there's the Tata Motors next-gen digital solution for optimal fleet management called Fleet Edge. It is found on more than 230,000 vehicles and enables customers to maximise their fleet utilisation and earning potential. With a priority to delivering best-in-class operating economics, superior comfort and convenience and enhanced connectivity to our customers, we are working on digitalisation within our operations with the use of Industry 4.0 and other technology domains.

What about the focus on safety?

Safety is one of the key product attributes and includes the driver, passenger, vehicle and cargo. We see safety in two aspects – active safety and passive safety. While active safety is driven through driver-assisted features, passive safety is driven by new technology in materials and safety systems onboard. Our products come with the choice of world-class driver safety features such as Electronic Stability Control (ESC), rear parking assist, rear-view camera, Hill Start Aid (HSA), electronic anti-fuel theft system, improved brakes, engine brake assist, air-conditioning with ambient air temperature sensor and more. Features like these have been developed to increase the driver's capabilities. They have been developed keeping in mind the longer driving distances.

Going by the participation of Tata Motors in the used CV business, what is the trend that you see vis-a-vis new CV sales?

Tata Motors' pre-owned CV brand 'Tata OK' works arduously to make profitability feasible on every certified vehicle. We now have India's largest network for pre-owned CVs. The volumes of 'Tata OK' have grown more than 10 times in the last four years. Through its franchises, 'Tata Ok' buys reliable and long-lasting Tata CVs, refurbishes them and resells them at market-driven prices in their subsequent ownership of the vehicles. Tata Motors supports seamless transaction of buyback of pre-owned vehicles and sale of new vehicles or 'Tata OK' certified vehicles.

What growth do you anticipate for the CV industry against the regulatory and economic shifts?

A strong drive on infrastructure spending by the government is expected to improve demand across segments and applications in FY23. Critical sectors including e-commerce, FMCG, FMCD, construction, mining, steel and cement will continue to drive demand in the M&HCV and I&LCV segments. Similarly, the SCV segment is expected to grow on the back of resilient demand from agriculture, dairy and e-commerce sectors. We expect a recovery for passenger CVs imminently with the reopening of offices and schools – also from increased activity in the tourism sector and from replacement demand for the old fleet, which is expected to increase volumes in this and the next fiscal. Government initiatives like the scrappage policy are expected to be critical for the entire commercial vehicle business, as are the 'Gati Shakti' project announced during Union Budget 2022 as well as the heightened focus on infrastructure projects. The fiscal support for capital expenditure to state governments will boost the demand for M&HCVs. The Performance-Linked Incentives (PLI) scheme by the government is another crucial element that will prove vital for the overall CV sector and its growth prospects.

Is it a matter of time for electric light, medium and heavy-duty CVs to arrive that the Ace EV has been introduced?

With increasing focus from the government on import substitution and energy security, transition to alternative fuels is imperative across all vehicle segments including CV. The government is keen to drive faster adoption of zero-emission electric vehicles in a number of segments in order to accelerate the transition towards sustainable transportation. With strong policy support and orchestration activities across multiple stakeholders, India has already made significant progress in deploying electric buses in many cities. Two-wheeler and three-wheeler segments are also witnessing a significant rise in penetration of EVs due to favourable customer benefits. In last-mile delivery segment, Niti Aayog has already launched the 'Shoonya' campaign to accelerate the adoption of electric vehicles in the urban deliveries segment and create consumer awareness about the benefits of zero-pollution delivery. Tata Motors is keen to accelerate this transition towards zero-emission EVs. In the mass transportation segment, we have already introduced e-buses and are working closely with the government to accelerate the deployment across multiple cities in India. We have also developed the Ace EV to address the last-mile segment and are engaging deeply with e-commerce companies and their logistics partners to facilitate their shift to zero-emission fleets. Going forward, we believe that EVs will have potential across segments in specific use cases that are amenable for electrification. In addition to product and technology development, this will also require continued policy support and ecosystem development to deliver hassle-free EV experience to the customers. At Tata Motors, we continuously evaluate opportunities for electrification in varied segments, including battery as well as hydrogen fuel cell technology, in order to offer the most suitable and profitable option for our customers. MT