



Mahindra & Mahindra plays fuel efficiency card to push truck, bus sales

By [Ketan Thakkar](#), ET Bureau | Mar 11, 2016, 11.38 AM IST[Post a Comment](#)

MUMBAI: Mahindra & Mahindra is making a big and risky bet in the truck and bus business, a segment where the company entered over half a decade ago but remains on the fringes.

After showcasing the new [Blazo](#) range of trucks at the [Auto Expo 2016](#), the truck and bus division of the country's largest utility vehicle-maker came out with an audacious advertising campaign starring Bollywood actor [Ajay Devgan](#) - it offers customers the option to return the truck if it doesn't deliver higher fuel efficiency.

It took the bold move after correcting some issues the previous models had, such as higher weight, lower fuel efficiency and the resultant impact on the cost of operations - a key influencing factor on purchase decisions.

The re-engineered portfolio, backed by a growing market, helped the company double its market share to 3.4 per cent in the past 18 months. Monthly sales have crossed the 1,000-unit mark, and the division is aiming to grow it two-fold.

Considered as a drag on the overall Mahindra performance with accumulated losses of almost Rs 1,000 crore in fiscal 2013, the division is today operationally profitable.

This, in a way, is a relaunch of the Mahindra brand in the trucking space, said executive director Pawan Goenka. There is always a risk one takes (of guaranteeing fuel efficiency), but M&M will manage it, he said.

"There is a tremendous amount of confidence in the team. Post several months of testing and rigorous work on the back-end on the service front, we are confident of delivering on our promise. We are going out and ready to take off in the market place," said Goenka.

Interestingly, the company is now banking on fuel economy which was previously perceived as its weakness. Its new fuel smart technology allows the driver to get optimum fuel efficiency depending on the load and road condition by the switch of a button.

And, on the service front, Mahindra is giving a guarantee of repair within 48 hours - if the vehicle isn't delivered within that time, the company will pay compensation of Rs 1,000 per day.

"Mahindra's aggressive fuel efficiency push through product engineering is highly aligned to truckers' requirement. Operator margins are small and fuel constitutes a significant part of the operating cost, a variable that can be managed with better products," said VG Ramakrishnan, managing director of consultancy firm Avanteum Advisors.

Having entered the heavy duty trucks space in 2010, Mahindra Trucks & Buses division was expected to pose a significant threat to the country's top two players, Tata Motors and [Ashok Leyland](#). But over five years since, its marketshare has remained at 3-4 per cent, which is a far cry from Mahindra's internal plan of 10 per cent when it entered the trucking space.

The recent bounceback is not an aberration, but is based on strong fundamentals, said the company.

"Directionally we are there; our marketshare has gone back to 3.4 per cent. I am gunning for doubling it in the next two years," said Rajan Wadhwa, chairman of the Trucks & Buses division.

"Fortunately, industry is supporting us, as it is growing. The growth is at 35 per cent for the industry, but we are growing at over 60 per cent, which means we are gaining marketshare. Very soon, I will have a complete range from 3.5 tonnes to 49 tonnes. Very soon is two years."



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The new range of trucks offers 10 per cent better fuel efficiency than competition, Wadhera claimed. With strong demand in the market and more than Rs 700 crore of investment committed on the new range of trucks and buses in the intermediate commercial vehicle space, Mahindra is on its way to becoming an end-to-end player, he said.

Apart from addressing the core of the market with the Blazo range in the medium and heavy truck space, Mahindra will also have a range of intermediate commercial vehicles and buses in the 7.50-15 tonne range to offer incremental growth opportunity.

Wadhera said with the improved cost structure, Mahindra should be able to break even at 2,000 trucks a month. "With the growing market, I am sure, we are not too far from that point," he added.

Experts said the fact that Mahindra has already overtaken Tata Motors in the small commercial vehicle is a testimony that it isn't an also-ran.

About two decades ago, Mahindra was in the same position in the LCV business as it is HCV currently. It is just a matter of time when the company finds its own space, said Ramakrishnan of Avanteum Advisors.

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