

Demand for used trucks offers huge financing opportunities for NBFCs

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Financing for used commercial vehicles (CVs) continues to present a huge opportunity, and the segment offers a funding potential of ₹1.5-lakh crore per annum, according to the estimates of Indostar Capital Finance Ltd, an emerging player in the new and used CV financing.

While the sale of new commercial vehicles has been robust in the post-Covid period, the used or pre-owned CV market is also seeing strong traction.

The demand in the used commercial vehicle industry is robust, on the back of transition from BS4 to BS6, which resulted in a price differential of 25 to 30 per cent. For the past two years, there has been an increase in the price of used commercial vehicles, and this trend is ex-



HEAVY DUTY. There is robust demand for used commercial vehicles, on the back of transition from BS4 to BS6

pected to continue in the near term.

Indostar Capital has pegged the total asset value of the used commercial vehicle market at ₹2-lakh crore, based on the data on vehicles manufactured between 2011 and 2022 and new vehicle sales and used vehicle transactions. The funding value for these is estimated at ₹1.5-lakh crore.

“The demand for used CVs remains strong, driven by

first-time users and first-time buyers,” says Karthikeyan Srinivasan, Chief Executive Officer, IndoStar Capital Finance Ltd.

LOWER COSTS

He explained that buying a used truck is an attractive proposition because one can transport the same volume of goods at a lower per-tonne cost and experience reduced downtime. The maintenance costs of these vehicles have

also decreased, thanks to better engineered components in BS4 vehicles.

At present, the pre-owned commercial vehicle market is served largely by leading NBFCs such as Shriram Finance, Sundaram Finance, Cholamandalam Investment & Finance, and Mahindra & Mahindra Financial Services.

EXCHANGE PLATFORM

Meanwhile, leading commercial vehicle-makers have also strengthened their focus on the used CV segment. Ashok Leyland has an e-marketplace initiative for used trucks — Re-AL — to facilitate the exchange of old vehicles for new ones.

Daimler India Commercial Vehicles recently entered into the used truck market under the initiative BharatBenz Certified, which will undertake the refurbishment and sale of pre-owned BharatBenz trucks.