

# Indian truckers caught on a pot-holed road to growth aspirations

The trucking market is presently set on a bumpy road that desperately needs to be paved with concrete plans for an overhaul of the industry



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India transports 70% of its domestic freight by road, which accounts for ~4.6 billion tonnes, involving a spend of Rs 9.5 lakh crore, according to a 2022 Niti Aayog report. This present demand pegged at 2.2 trillion tonne-km is expected to more than quadruple to 9.6 trillion tonne-km by 2050. Likewise, the reports also see the number of trucks negotiating Indian roads going from 4 million in 2022 to 17 million by 2050. But how the industry capitalises on these projections hinges on its ability to address the elephant in the room - its highly fragmented and unorganised structure.

According to estimates by the credit rating agency - ICRA Ltd, in FY 2023, the heavy and medium truck segment grew by 40% on the back of demand from the mining, construction, and infrastructure sectors, while the light-duty truck segment saw 23% growth owing to the increased requirement for last-mile transportation, especially from the e-commerce segment. This burgeoning market is presently set on a bumpy road that desperately needs to be paved with concrete plans for an overhaul of the industry.

## Structural problems

The NITI Aayog report pointed out that over 75% of road transportation is made up of small owner-operators who own fewer than five commercial goods carriers. Worse, only 10% of the operators own more than 10 trucks. "These small players are dependent on intermediaries - a pool of 1-2 lakh brokers," explained Mohammad Imthiaz, chief executive officer and co-founder, of Raaho, a trucking management company.

"The mindset of such small players makes for heavy dependence on the spot market or 'mandi' (in colloquial terms)," added Pirojshaw Sarkari, CEO, Gati Ltd, one of the largest logistics players in the country.

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Ironically, the fact that this is a highly regulated industry, juggling variant rules of different states, has contributed to its remaining unorganised and fragmented, say stakeholders. So much so, though tech-backed aggregators have entered the fray in the past 7-8 years, they make up barely 2-3% of the market, impacting just a quarter of the trucks in play.

This, in turn, has impacted the scalability of operations and the competitiveness of pricing thereof. Over 25% of trucks are doing dry runs or dead miles (where a truck is loaded under its full capacity or carrying

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goods only one way and returning empty).

### Cold to technology

Live tracking and asset management of trucks has been initiated by a few truckers. "As the tech platform will bring more transparency, many truckers don't wish to build a transparent model which will enhance the accountability," argued Rahul Pillai, a moving, relocation, and logistics expert.

Lack of education amongst the truckers and their pursuit of "short-term direct benefit solutions" have also curtailed investments in expensive tech solutions, said others.

"The continued reliance on traditional methods of communication and tracking by most truck owners and drivers lead to inefficiencies and delays," pointed out Rajesh Kapase, CEO, Trackon Logistics.

Others, like Imthiaz, believe that the smartphone penetration, digital payments, GST + eWay Bill have opened truckers to being on platforms for bidding for offers and accepting payments. The pandemic fuelled this adoption.

"Technological upgradation has been lagging, as the margins have traditionally been thin. But investment into aggregation is now happening," cheered Venu Kondur, the founder and CEO of Lobb Logistics, a tech truck aggregator.

### Paucity of drivers

"Since formalisation in this sector is still not at mature levels, availability of quality drivers for optimum capacity utilisation of trucking has also been plaguing the sector in the recent past," said Suprio Banerjee, Vice President & Sector Head - Corporate Ratings, ICRA Ltd.

The driver-to-truck ratio in India is still below 750 per 1000, implying around 25% to 30% of India's trucks stay idle at any given point in time.

Experts observe that poor compensation makes it difficult to attract and retain skilled drivers. According to industry players, the average salary of truck drivers is in the range of Rs 15,000- Rs 25,000 a month. Mayank Dwivedi, Vice President- Sales, Trackon Logistics, further revealed that the fixed salary is as low as Rs 10,000- 12,000 while an additional variable component is based on the fuel savings done by drivers.

Frustrated truck drivers are switching to driving cars or cranes, industry watchers added.

"What can significantly bring a change is better wages, better social security, in terms of insurance cover for drivers and a support system for the driver community in terms of medical expenses assistance and accident trauma/care assistance," suggested Jagadish R, Head, CABT Surface, a full truckload -logistics service provider.

### Lasting solutions

"The demand for trucks moves in tandem with economic growth. Encouraging investments that support macroeconomic growth, manufacturing, consumption, industrial and infrastructure activities would ultimately support the growth of the sector," suggested Sruthi Thomas, Assistant Vice President & Sector Head - Corporate Ratings, ICRA Ltd.

Some are optimistic that the entry of new players bringing in technology to manage the business may propel existing players to upgrade their systems too. Others see a long and arduous road ahead, requiring a multi-pronged approach to reforming the sector. "While the demand is spiking for quality drivers, it will take another 20-30 years to make an organised industry," Jagadish predicted.

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