

## India's CV Cycle: What a fleet operator tells us about the macro?

Note: We are releasing a three-part series under Fuel or Engines detailing the ongoing capex trends across public and private organizations. This is Part II of the series. [Click here to read Part I](#) published on 23rd Feb'26.

**Key highlights:**  
**Execution of India's investment cycle**

- Private capex is rotating decisively toward utilities, metals, auto, cap goods and logistics.
- Capital goods order books confirm strong project visibility.
- Freight movement and cement throughput validate real-economy execution.

- Spending an hour with a large Maharashtra fleet operator reveals more about the economy than several top-down datasets. The recent interaction reinforced a view we have been building for some time: India's commercial vehicle (CV) cycle is currently led by investments, not consumption.
- The most striking takeaway is composition. Roughly 40-45% of current CV demand is now directly or indirectly linked to infrastructure — cement, steel, clinker, coal movement. That is a meaningful shift in the demand mix. When nearly half of incremental truck purchases are tied to construction materials and power inputs, what you are witnessing is not consumption buoyancy but capital formation at work.
- A single data point captures the shift. Mumbai's cement offtake has moved from roughly 0.8-0.9 million tons per month in 2019 to about 1.3-1.5 million tons currently. More importantly, this is no longer confined to Mumbai. Highway corridors and Tier-2 markets across Maharashtra are participating. The infra impulse is broadening geographically.
- From a macro standpoint, this matters. Investment cycles are more durable than consumption spurts. They generate second-order demand (trucks, financing, tyres, fuel, labor) and they reinforce themselves as projects move from announcement to execution.



### Efficiency gains are quietly changing the economics

Two seemingly operational changes in trucking deserve macro attention: mandatory air-conditioned cabins and materially improved highways.

Logistics operators report a 15-20% improvement in running efficiency, with monthly utilization rising from roughly 6,000km to 7,500-8,000km in some cases. Industry claims are higher, but even the conservative estimate is meaningful.

This is effectively a productivity shock in road logistics. Higher asset utilization lowers cost per ton-km even if freight rates remain flat. That may partly explain why logistics inflation has not accelerated despite higher diesel intensity in cost structures.

Better highways reduce idling time. Air-conditioned cabins improve driver endurance and retention at the margin. These are incremental improvements individually, but together they meaningfully alter capital productivity.

### GST and interest rates: Behavior has changed

Contrary to popular assumption, GST changes did not materially lift freight rates or turnaround times. What they did alter was capex behavior (truck GST reduced from 28% to 18%; freight GST raised from 12% to 18%).

With GST on trucks rationalized and repo rates easing, fleet operators are accelerating purchases to lock in fixed EMIs. One operator highlighted that a three-year-old truck carries an EMI of INR12m, while a newly acquired truck's EMI is INR9.9m, which is not trivial in a thin-margin business.

What we are seeing is textbook rate-cycle transmission. When capital costs fall, asset purchases advance. The interesting nuance is that purchases are being front-loaded. **Operators who would typically stagger 10-15 vehicles over a year have compressed that into three months.**

Importantly, **operators are clear that fleet expansion has been driven by demand, and without demand, they would not have scaled purchases. Lower rates are an accelerator, not the driver.**

### **Rail is taking share — but not everywhere**

Autos (roughly 15% of freight demand) are seeing visible rail substitution, particularly with the Western Dedicated Freight Corridor (DFC) becoming operational.

However, in cement and steel, the picture is more nuanced. Rail can carry bulk over long distances (above 400km), but last-mile logistics remain dependent on trucks. Until terminal infrastructure and storage ecosystems fully evolve, trucks retain a structural role.

The takeaway is that rail integration will reshape the composition of road freight rather than displace it outright. The mix may change, but **aggregate CV demand tied to infrastructure appears intact.**

### **Margins are thin, operating leverage is high**

Notably, freight rates remain largely flat. Meanwhile, diesel now constitutes 40-45% of cost, up from 25-30% historically. When the expenses of diesel, driver and debt servicing together consume roughly 90% of revenue, profit is slim.

This is a high operating leverage business. Small improvements in utilization materially help cash flows, while small adverse fuel shocks can erode them quickly. Despite that, the cycle does not feel euphoric. Purchases appear calibrated. Asset lifespans have extended from 6-8 years to 8-10 years.

At the same time, **stricter enforcement against overloading since 2018 (removing roughly 25-30% of excess tonnage) has structurally increased the number of trucks needed to move freight legally. This is regulation-led formalization reinforcing demand.**

### **Labor constraint: The binding variable**

The clearest structural constraint is driver availability. Retention challenges persist despite improved cabin comfort. Regulatory thresholds (12th pass educational requirements for heavy vehicle licenses) further limit supply.

In economic terms, **the CV cycle is increasingly labor-constrained rather than capital-constrained. This is an important macro signal, as infrastructure expands, skilled labor shortages may emerge as a bottleneck.**

### **E-Commerce: The structural overlay**

Beyond infra, e-commerce remains a steady demand contributor, particularly in first- and last-mile logistics. Unlike bulk infra freight, this demand is consumption-linked and less volatile.

**The CV cycle today is therefore supported by two pillars:**

- 1. Public investment-led freight**
- 2. Digital consumption logistics**

**That diversification reduces vulnerability to a single demand shock.**

### **Where we stand?**

**Seasonality still matters. Monsoons distort quarterly profitability, like it did in FY26. But utilization since mid-November has reportedly been at peak operational efficiency. Vehicles are running at levels operators say they have rarely seen outside unusual periods (the current efficient gains were last made during May'20!).**

For us, the macro inference is straightforward:

- The CV cycle is investment-led and grounded in physical throughput.
- Monetary easing is transmitting into real capex.
- Productivity improvements are cushioning cost pressures.
- Labor constraints are emerging as the next bottleneck.
- Rail integration will change the shape, not the size, of road freight demand.

This does not resemble a speculative uptrend. It resembles an execution phase of India's capex cycle.

While the medium-term demand outlook would be supported by infrastructure momentum, the CV cycle remains cyclical and sensitive to funding flows, diesel prices, and labor dynamics. For now, demand visibility is firm, but volatility remains intrinsic to the sector.

The trucks, in other words, are telling us the investment story is real.

### **The structural pivot: Utilities take center stage**

India's private capex cycle has transitioned from a commodity and telecom-heavy expansion (FY23-25) to a utilities-led industrial reallocation phase (FY26-27E). The most significant structural shift is toward utilities. Over FY23-25, utilities accounted for 11.5% of private capex; in FY26-27E, their share nearly doubles to 22.8%, with average spending rising from INR1.6t to INR2.6t. This represents an 11.3pp gain in share—the largest move across all sectors. The capex cycle is therefore increasingly driven by energy transition, anchored by renewable capacity additions, transmission expansion, and grid strengthening (*Exhibits 1 and 2*).

**The micro evidence from freight movement aligns with the broader structural reallocation visible in private capex data.**

**Key findings from the data:**

- Total private capex is expected to increase to INR11.6t in FY27 from INR11.0t in FY26, up ~5% YoY. Note: FY27 capex is subject to change after 4QFY26 corporate earnings.
- Total private capex (ex-BFSI) declines from an average of INR13.7t (FY23-25) to INR11.3t (FY26-27E) — a ~17% moderation.
- The decline is not broad-based weakness but sectoral rotation.
- Utilities gain 11.3pp of share, the largest structural shift, followed by metals.
- Telecom and Oil & Gas lose share materially.
- Consumption-facing sectors (Real Estate, Retail, Consumer) see sharp contraction.
- Capital Goods and Logistics show gradual structural improvement.

**Strong order books back utilities-led capex shift**

The capital goods order book data reinforces this reallocation narrative. Despite the moderation in aggregate capex, order inflows remain robust. Aggregate order books rise from INR5,841b in 1QFY24 to INR9,637b in 3QFY26 (1.6x). They were up 23.9% YoY in 3QFY26. This stable growth indicates strong underlying project activity in power, transmission, and core industrial segments. In effect, while the size of private capex has normalized, the pipeline of infrastructure- and utilities-linked projects remains solid, supporting medium-term visibility for India's industrial investment cycle (*Exhibits 3 and 4*).

**A durable investment cycle takes shape**

Taken together, the micro signals from fleet operators, the surge in capital goods order backlogs, and the structural reallocation of private capex toward utilities and industrial sectors all point in the same direction. India's current cycle is being driven by investment and infrastructure execution. From a macro standpoint, this is significant. Investment-led cycles tend to be more durable than consumption spurts, generating second-order demand across transport, financing, fuel, and industrial supply chains, and reinforcing momentum as projects move from announcement to implementation.

## Story in charts

**Exhibit 1: Private Capex expected at INR11.6t in FY27 (BSE 500 companies ex BFSI)**

Private Capex by sectors	(INR b)					(% Share)				
	FY23	FY24	FY25	FY26E	FY27E	FY23	FY24	FY25	FY26E	FY27E
Oil & Gas	4,049	3,738	3,311	2,774	2,821	30.0	30.5	21.6	25.1	24.3
<b>Utilities</b>	<b>1,261</b>	<b>1,346</b>	<b>2,170</b>	<b>2,406</b>	<b>2,754</b>	<b>9.3</b>	<b>11.0</b>	<b>14.1</b>	<b>21.8</b>	<b>23.7</b>
<b>Metals</b>	<b>1,588</b>	<b>1,304</b>	<b>1,500</b>	<b>1,404</b>	<b>1,529</b>	<b>11.8</b>	<b>10.6</b>	<b>9.8</b>	<b>12.7</b>	<b>13.2</b>
<b>Automobiles</b>	<b>828</b>	<b>1,236</b>	<b>1,288</b>	<b>985</b>	<b>953</b>	<b>6.1</b>	<b>10.1</b>	<b>8.4</b>	<b>8.9</b>	<b>8.2</b>
Telecom	1,675	654	1,659	654	715	12.4	5.3	10.8	5.9	6.2
Cement	398	612	1,212	533	525	2.9	5.0	7.9	4.8	4.5
Others	856	771	975	444	455	6.3	6.3	6.3	4.0	3.9
Healthcare	699	391	840	415	348	5.2	3.2	5.5	3.8	3.0
<b>Capital Goods</b>	<b>209</b>	<b>199</b>	<b>396</b>	<b>264</b>	<b>307</b>	<b>1.6</b>	<b>1.6</b>	<b>2.6</b>	<b>2.4</b>	<b>2.7</b>
<b>Logistics</b>	<b>213</b>	<b>165</b>	<b>279</b>	<b>210</b>	<b>242</b>	<b>1.6</b>	<b>1.3</b>	<b>1.8</b>	<b>1.9</b>	<b>2.1</b>
Technology	390	269	449	220	235	2.9	2.2	2.9	2.0	2.0
Chemicals	272	310	311	197	198	2.0	2.5	2.0	1.8	1.7
Consumer	245	310	286	140	136	1.8	2.5	1.9	1.3	1.2
Real Estate	272	353	402	101	110	2.0	2.9	2.6	0.9	0.9
Retail	228	231	291	101	107	1.7	1.9	1.9	0.9	0.9
Infrastructure	88	79	65	75	64	0.7	0.6	0.4	0.7	0.6
Consumer Durables	50	73	82	58	49	0.4	0.6	0.5	0.5	0.4
EMS	21	38	62	36	41	0.2	0.3	0.4	0.3	0.4
Media	156	176	-224	18	13	1.2	1.4	-1.5	0.2	0.1
<b>Total Ex BFSI</b>	<b>13,499</b>	<b>12,255</b>	<b>15,354</b>	<b>11,035</b>	<b>11,599</b>					
<b>Total Ex BFSI (% YoY)</b>	<b>21.8</b>	<b>-9.2</b>	<b>25.3</b>	<b>-28.1</b>	<b>5.1</b>					

Source: Capitaline, MOFSL

**Exhibit 2: FY27 private capex expected to be driven by utilities, metals, automobiles, capital goods and logistics**

Private Capex by Sectors (INR b)	Average Capex (FY23-FY25)	Average Capex (FY26E-FY27E)	Average share (FY23-FY25)	Average share (FY26E-FY27E)	Difference in shares
Oil & Gas	3,699	2,797	27.4%	24.7%	-2.6%
<b>Utilities</b>	<b>1,592</b>	<b>2,580</b>	<b>11.5%</b>	<b>22.8%</b>	<b>11.3%</b>
<b>Metals</b>	<b>1,464</b>	<b>1,467</b>	<b>10.7%</b>	<b>13.0%</b>	<b>2.2%</b>
<b>Automobiles</b>	<b>1,117</b>	<b>969</b>	<b>8.2%</b>	<b>8.6%</b>	<b>0.4%</b>
Telecom	1,330	684	9.5%	6.0%	-3.5%
Cement	741	529	5.3%	4.7%	-0.6%
Others	867	450	6.3%	4.0%	-2.4%
Healthcare	643	381	4.6%	3.4%	-1.2%
<b>Capital Goods</b>	<b>268</b>	<b>286</b>	<b>1.9%</b>	<b>2.5%</b>	<b>0.6%</b>
<b>Logistics</b>	<b>219</b>	<b>226</b>	<b>1.6%</b>	<b>2.0%</b>	<b>0.4%</b>
Technology	370	227	2.7%	2.0%	-0.7%
Chemicals	298	197	2.2%	1.7%	-0.4%
Consumer	280	138	2.1%	1.2%	-0.8%
Real Estate	342	105	2.5%	0.9%	-1.6%
Retail	250	104	1.8%	0.9%	-0.9%
Infrastructure	77	70	0.6%	0.6%	0.0%
Consumer Durables	68	54	0.5%	0.5%	0.0%
EMS	40	38	0.3%	0.3%	0.0%
Media	36	15	0.4%	0.1%	-0.2%
<b>Total Ex BFSI</b>	<b>13,703</b>	<b>11,317</b>			

Source: Capitaline, MOFSL

**Exhibit 3: Order book inflow of capital goods companies remained strong**

Order book (INR b)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	3QFY26
	FY24	FY24	FY24	FY24	FY25	FY25	FY25	FY25	FY26	FY26	FY26	(% YoY)
Hitachi	70	76	76	72	85	89	190	192	291	294	299	57.3
BEL	654	687	762	759	767	746	711	717	749	745	730	2.7
L&T	4,126	4,507	4,698	4,758	4,909	5,104	5,642	5,791	6,128	6,670	7,332	29.9
KEC	301	313	302	296	327	341	374	334	344	393	367	-1.9
Triveni Turbine	14	15	16	16	17	18	18	19	21	22	20	9.2
Kalpataru	473	470	518	584	572	606	614	645	655	647	633	3.0
Thermax	105	103	107	101	107	116	114	107	114	123	126	11.1
ABB	77	80	84	89	95	100	94	100	101	99	105	11.6
Astra Microwave	19	23	22	23	24	23	23	23	22	22	26	10.0
<b>Order book</b>	<b>5,841</b>	<b>6,275</b>	<b>6,584</b>	<b>6,699</b>	<b>6,903</b>	<b>7,143</b>	<b>7,781</b>	<b>7,928</b>	<b>8,424</b>	<b>9,015</b>	<b>9,637</b>	<b>23.9</b>
<b>YoY growth (%)</b>	<b>24.8%</b>	<b>21.3%</b>	<b>23.3%</b>	<b>18.9%</b>	<b>18.2%</b>	<b>13.8%</b>	<b>18.2%</b>	<b>18.3%</b>	<b>22.0%</b>	<b>26.2%</b>	<b>23.9%</b>	

Source: Capitaline, MOFSL

**Exhibit 4: Order book inflow of capital goods companies (INR b)**


Source: Capitaline, MOFSL

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