


Top 10 trends in CV



December 2020

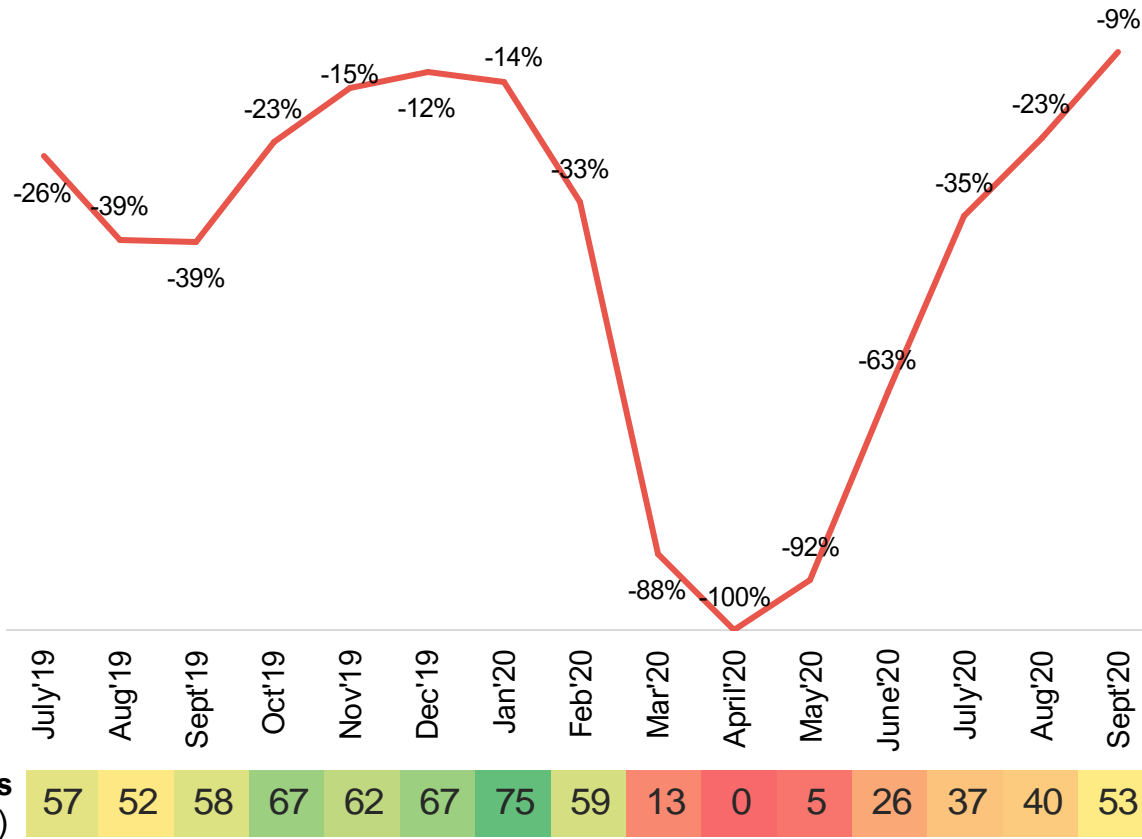
Top 10 trends in CV in 2020

-  **1 Green shoots of growth are visible in the CV market, but a long way before full recovery to FY19 peak**
 - CV sales are growing again MoM after bottoming put in April. Although YoY sales growth is still negative as of Sept'20
-  **2 Evolving regulations will alter the structure of the Indian CV market**
 - CV industry is being disrupted from new regulations on CVs like BS-VI, axle load regulation, and expected scrappage policy
-  **3 Indian CV market is moving towards heavy tonnage M&HCV segment**
 - MCV & HCV are recording a growth rate much higher than industry average
-  **4 E-commerce logistics emerging as critical segment for CV industry**
 - E-commerce transportation demand is on the rise with a projected CAGR of 28% for 2020-2025
-  **5 Usage of telematics for commercial vehicles is on the rise**
 - Multiple use-cases for telematics are already commercialized. New profit pools will emerge based on new offerings
-  **6 CV players are leveraging uptime centers in their services**
 - Uptime centers are changing the CV industry by optimizing the operation costs, thus becoming a popular service
-  **7 Public transportation segment is getting digitized**
 - Digitization has ushered a revolution in public transport industry, making it more efficient, safer and accessible
-  **8 Selling is becoming omnichannel with increasing share of digital**
 - Adoption of digital dealership is increasing due to the rising digital penetration and current pandemic
-  **9 Digital-first new business models are emerging in Indian logistics market which will disrupt demand dynamics for CVs**
 - Multiple new digital-fist business models have been established which are driving additional efficiency and utilization
-  **10 Recovery across different end use segments is markedly different**
 - Recovery of FMCG, mining and e-commerce end-use segments to its full capacity post-COVID is driving demand growth

1&2: Recovery signs are visible in Indian CV industry; regulatory landscape is changing





Green shoots of growth are visible

Y-o-Y change in domestic CV sales across countries



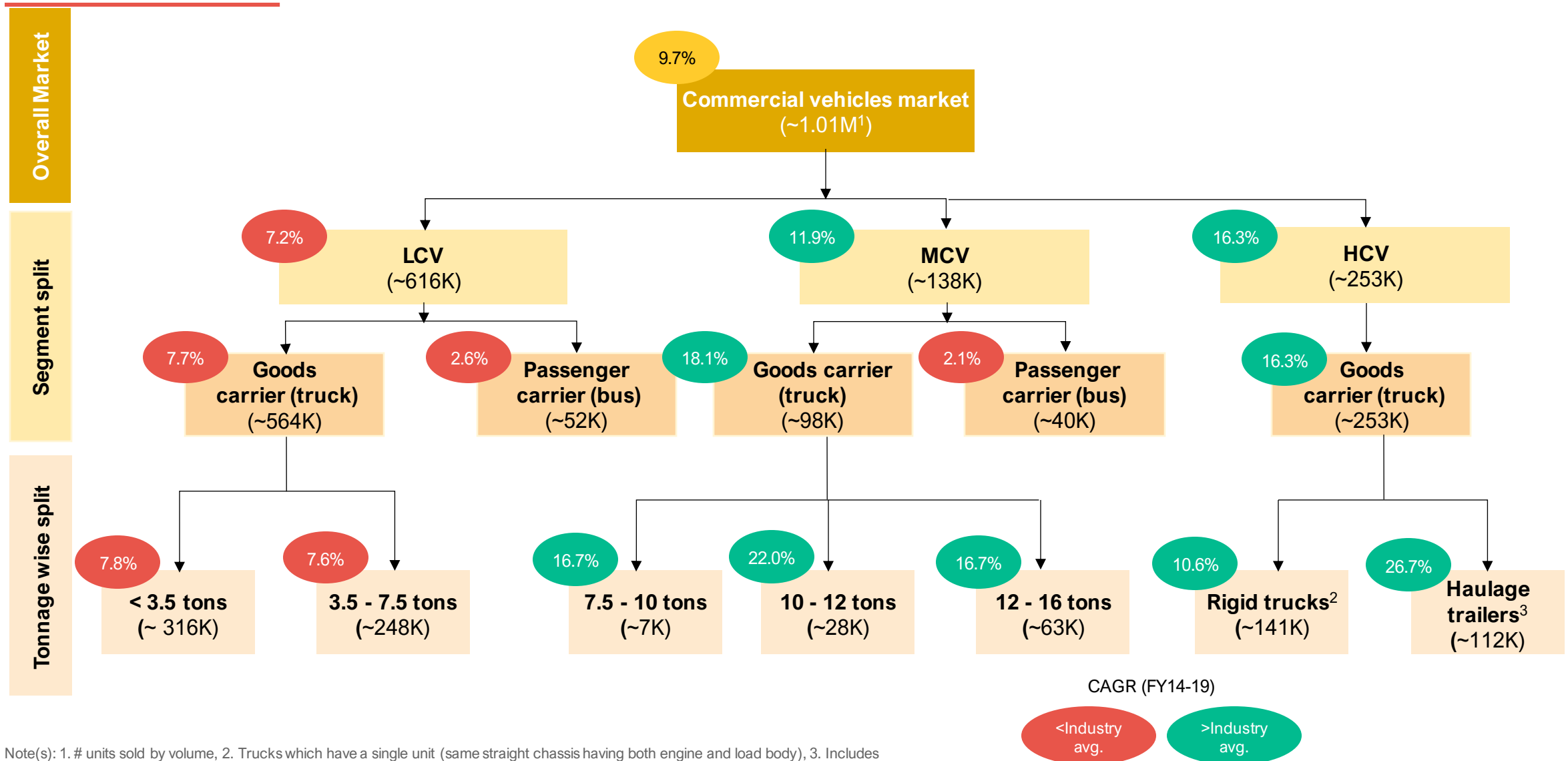
Regulatory landscape is changing

Key regulations affecting the CV market

Regulation	Description	Implication
 BS-VI implementation	BS-VI emission norms complying engines to be registered post April 2020	Slows demand for CVs as BS-VI is costlier than BS-IV
 Axle load regulation	Increased permissible load carrying capacity by 25%	Sales of goods carrier CVs severely declined
 GST tax regime	Tax levied on CVs is reduced to 28% from 30-33% before GST	Escalates the demand for commercial vehicles excluding buses
 Scrapping policy	Provision of financial incentives to scrap outdated models	Expedite recovery of CV sales by bumping up demand for new trucks

Note(s): *Motorization rate is defined as # vehicles per '000 population of country; **includes light trucks (pick-up trucks & SUVs) only
 Source(s): World Bank, OICA, CAAM, Secondary research, PGA Labs analysis

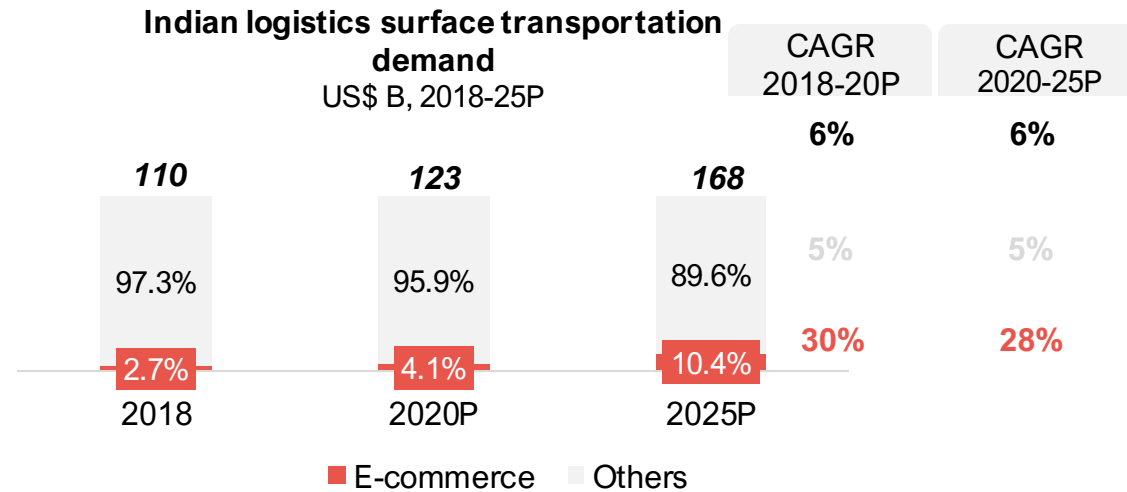
3: Indian CV market is moving towards heavy tonnage M&HCV segment



Note(s): 1. # units sold by volume, 2. Trucks which have a single unit (same straight chassis having both engine and load body), 3. Includes semi and full trailers attached to a motor vehicle / towing device and weight is borne by the haulage trailer
 Source(s): SIAM, Nirmal Bang Institutional equity research, ICICI direct research, ARAI India, PGA Labs analysis

4: E-commerce logistics emerging as a critical segment for CV industry

E-commerce demand is expected to grow at a rapid pace



Sub-segment of e-commerce

Type of CV demand

Groceries

- SCV and LCV demand
- Largely last-mile logistics served from in-city warehouse

Furniture & FMCD

- M&HCV demand
- Mid-mile and last-mile logistics from the warehouse of the E-commerce player / manufacturer

Others

- SCV and LCV demand for last mile and MCV for mid mile
- Mixed mode of fulfilment (in-city warehouse / hub and spoke / others)

Demand beyond metros and uniform taxation law are driving logistics (and CV) demand in E-commerce



Uniform taxation law

- **Uniform taxation law** across the country resulting in **centers spread across the country**
- Increased **zonal / local shipments**



Demand beyond metros

- **~52% of demand expected** to come from **T2 and below** by 2023



Larger / fast moving shipments

- Growing share of **larger shipments** (e.g. furniture, appliance)
- **Groceries** is expected to be the largest segment by FY25



Focus on lowering transport cost

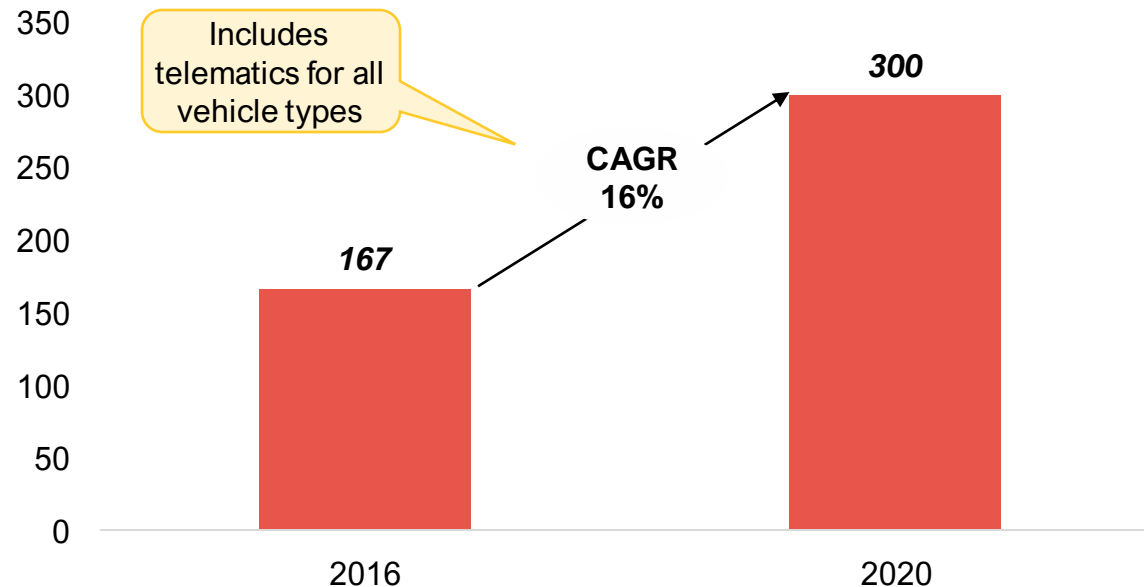
- **Focus shifting to cost** from delivery time
- Sustained demand for surface transport

5: Telematics for commercial vehicles is on the rise driving efficiency and new business models

Market size for telematics in India would grow from US\$ 167M in 2016 to US\$ 300M with a CAGR of ~16%

Telematics in commercial vehicles

Indian telematics market size for all vehicle types
US\$ M, 2016-20



Penetration of telematics for all vehicle types	0-1%	4-5%
# players in the market	>30	>50



Plug-and-play deployments have become common, with no requirement for professional installation even on heavy-duty trucks



Commercial vehicle telematics market in India to grow at a **CAGR of 15.73%** during the period 2016-2020.

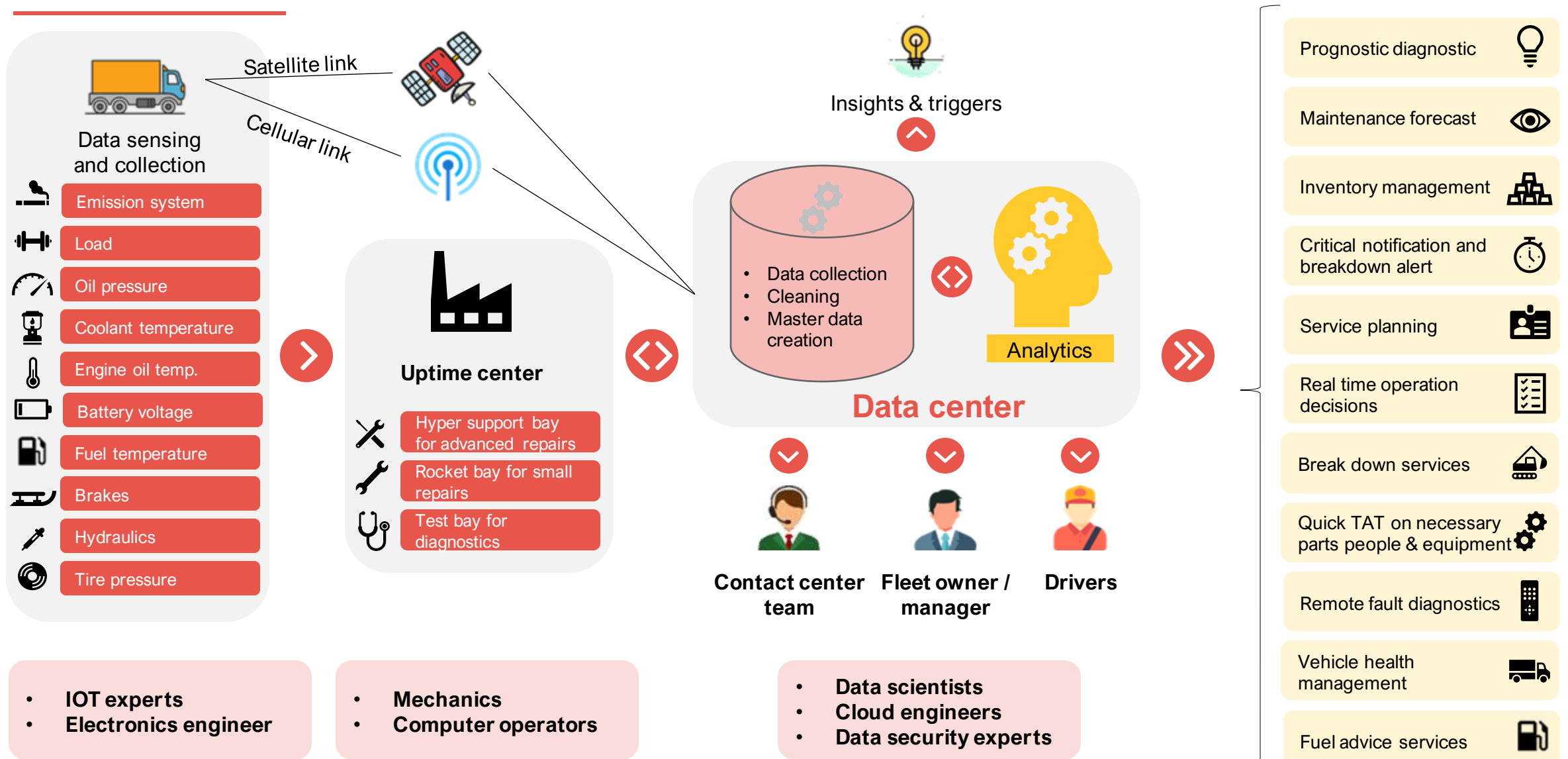


Telematic in CVs enables the creation of connected drivers' community which increases active safety and productivity

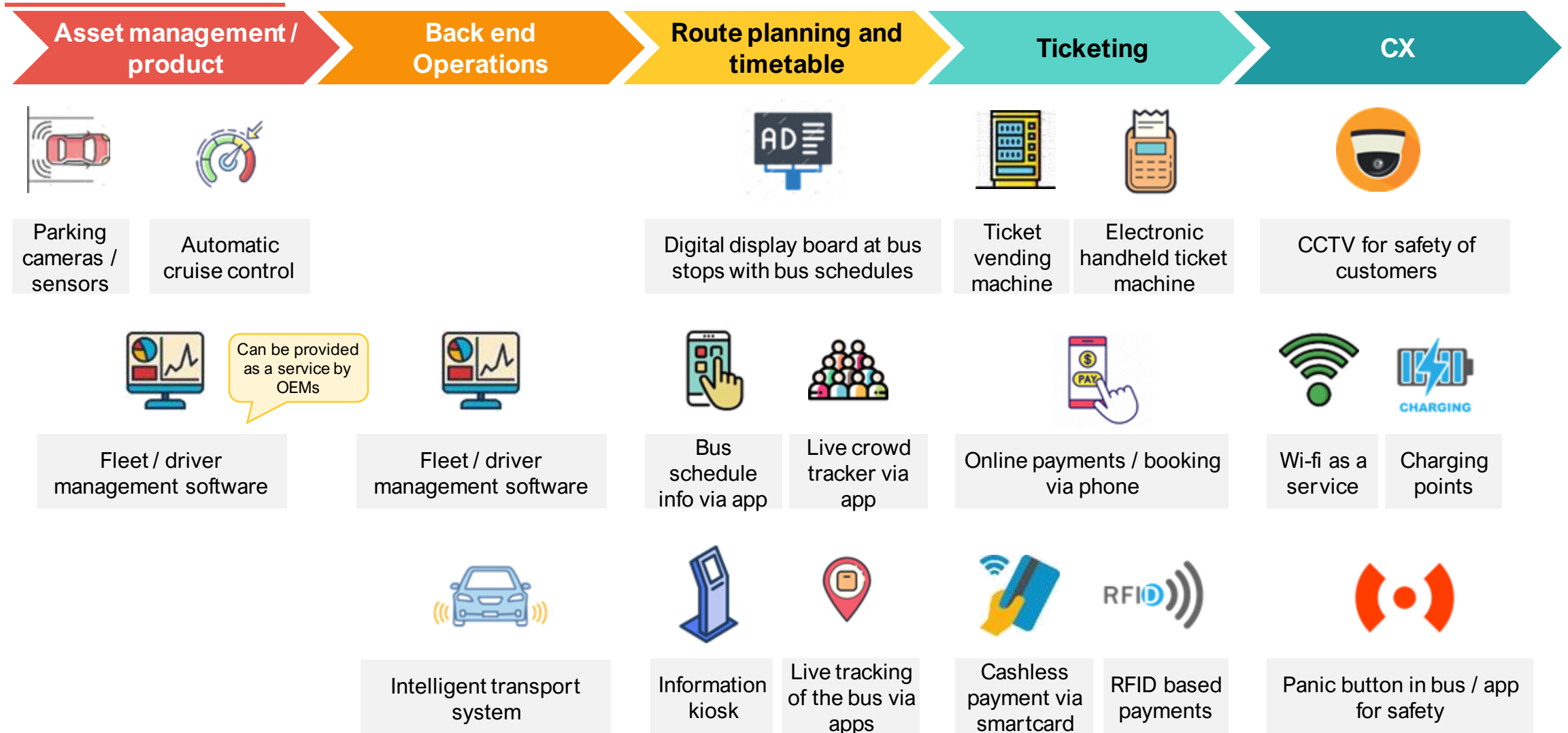


Telematics improves effectiveness of commercial vehicles by reducing operational costs, improving fuel efficiency and reducing exhaust emissions

6: CV players are leveraging uptime centers in their services



7: Public transportation segments are getting digitized



8: Omnichannel is the future of automotive selling

Outside the dealership

Within the store

Awareness

Consideration

Selling

Purchase and delivery

Aftermarket

- Accurate and comprehensive information on Internet forums and websites



- Geographical coverage not constraint: *Go-to-the-customer vs wait-for-walk-ins*

- Driver communities



- Brand communities



- Digital product exploration tools



- Solution selling suggest the model basis usage and cost
- Selling tools like TCO calculator / price comparator
- Address buyer and influencer concerns – mileage, speed management features, service / maintenance etc.

- Smoother experience
 - Less paper
 - Easy financing
- Quick Financing with shared risk underwriting
- Faster delivery

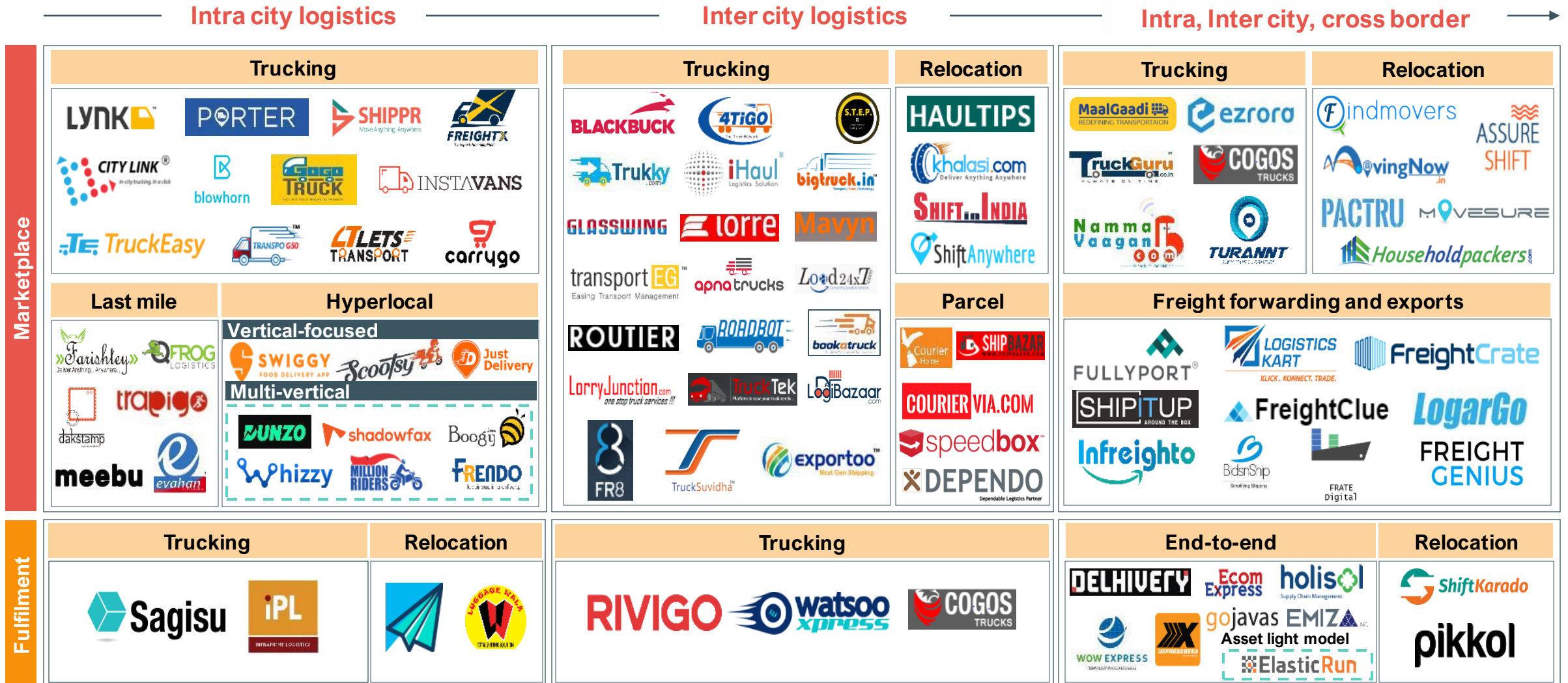


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- Real-time monitoring of truck performance based on sensors
- Connected service network to give consistent brand experience to the customer

9: Digital-first new business models are emerging in Indian logistics market fundamentally altering demand dynamics for the CV industry





Source(s): Secondary research, PGA Labs analysis

10: Recovery profile across end-use segments are markedly different


CV demand segment		Q1 – FY21	Q2 – FY21	Q3 – FY21	Q4 – FY21	Q1 – FY22	Q2 – FY22	Q3 – FY22	Q4 – FY22
	FMCG products	↘	▬	↗	↗	↗	↗	↗	↗
	eCommerce	↘	↗	↗	↗	↗	↗↗	↗↗	↗↗
	Pharmaceuticals	↗	↗	↗	↗	↗	↗↗	↗↗	↗↗
	Construction material	↘↘	↘↘	↘↘	↘	▬	▬	↗	↗
	Others	↘↘	↘↘	↘↘	↘	▬	▬	↗	↗
	Fruits, vegetables & perishables	↘	▬	↗	↗	↗	↗	↗↗	↗↗
	Tankers	↘↘	↘↘	↘	▬	↗	↗	↗	↗↗
	Industrial goods	↘↘	↘↘	↘	▬	▬	▬	↗	↗
	Automotive	↘↘	↘	↘	↗	↗	↗	↗↗	↗↗
	Mining	↘↘	↘	↘	▬	↗	↗	↗	↗
	Other parcel logistics	↘↘	↘↘	↘↘	↘	▬	↗	↗	↗↗
	Buses	↘↘	↘↘	↘	↘	▬	▬	↗	↗
	Interstate	↘↘	↘↘	↘↘	↘	↘	▬	↗	↗
	Carrier ambulances	↗↗	↗↗	↗	↗	▬	▬	▬	▬


Source(s): Secondary research, PGA Labs analysis

 Substantial increase in demand

 Moderate increase in demand

 About the same

 Moderate decline in demand

 Substantial decline in demand

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Full stack 'Knowledge services' provider:
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Unique 'expertise oriented' Domain Partner led model → scaling aggressively



We are thought leaders across



EVs



PVs



CVs



2Ws



Auto ancillaries



Mobility tech



Cutting-edge Automotive focused IP

Leadership



Sanjeev Garg

Automotive Practice Leader
Praxis Global Alliance



Aryaman Tandon

Automotive Practice Director
Praxis Global Alliance

How we help our Automotive clients



Strategy & Transformation

Go-To-Market strategy, Growth & Portfolio strategy, Digital Transformation



Growth & Scale up

Network Planning and Expansion, Dealer Effectiveness, Adjacency Expansion, Aftersales and VAS revenue



Cost & Performance Excellence

Dealer & Supplier Base Development, Rationalization & Audits



Customer & Loyalty Experience

Customer Loyalty and NPS Improvement, Digital Dealerships and CX, Dealer Loyalty Improvement



Organization Productivity

Organization Diagnostic & People Value Creation, Attrition Defence

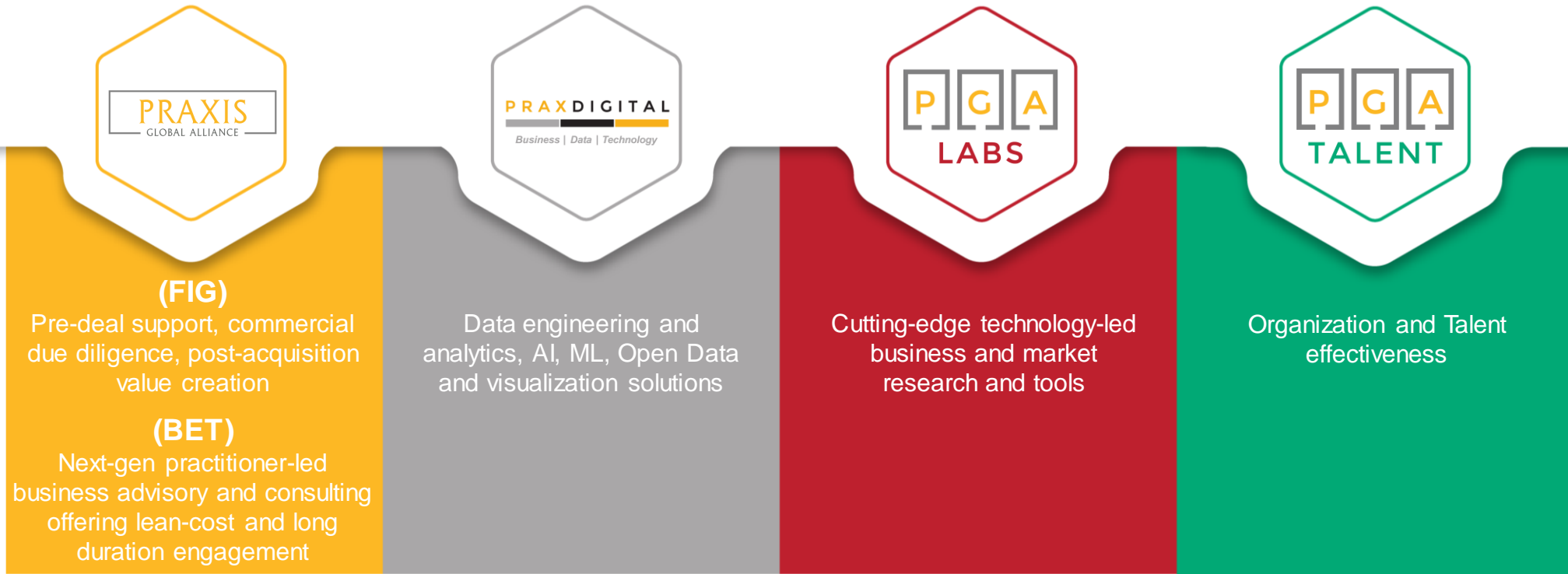


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Commercial Due Diligence, Post Deal Value Creation, Exit Thesis

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