

Results – M&HCV Fleet Operator Survey

A few weeks back, EMMAAA conducted a survey of fleet operators running Medium & Heavy Commercial Vehicles (M&HCVs). The motive was to gauge the mood of the industry and use the findings to develop a dependable, confident, and trustworthy forecast of the M&HCV sector.

The results even surprised us.

As the Indian freight industry matures, large fleet operators are increasing in number and size. This trend is very prevalent in the M&HCV segment where fleet operators now define the mood of the industry.

The Indian truck market has been going through some tough times. Over the last two years, the M&HCV market has been heading downwards. Numbers have only stabilised during July & August 2014 but the overall market has halved from the peak of 2011.

Why Survey?

With this in mind, we conducted an exercise to seek the opinion of fleet operators about the current truck market. We sought answers on what would pull the B&M&HCV market out of the deep gorge it has fallen into.

Fleet operators are the real deal – they are the guys on the ground; they are the guys running the trucks day in & out, **they are the ones who know the pulse of the industry** they are the industry. In short, fleet operators are the once who decide how many trucks would be sold next week, next month or next year.

Who better then to survey?

With the survey, EMMAAA / IAR wants to gauge the mood of the market. A survey of fleet operators is a good indicator of the mood of the market and an excellent pointer to near term vehicle sales.

While a summary of the survey results is presented in this analysis, EMMAAA uses the detailed insights gained from the survey in forming its M&HCV forecast for the Indian market.

The EMMAAA M&HCV forecast for the Indian market is a ten-year forecast covering all OEMs and brands. The forecast has segment / GVW level granularity and covers historical data of last five years and a future horizon of ten years.

Mail us at sales (at) emmaa (dot) com to get more details of the M&HCV forecast.

The Methodology

An objective questionnaire was administered to the prospective survey sample. The questionnaire comprised of nine questions, with some of them allowing the surveyed fleet owners to make more than one choices.

The survey was administered to the prospective respondents on the web through IndiaAutoReport. It was also followed by emailers and follow-ups through a call-center.

Further, the survey exercise was limited to two weeks so as to get a consistency in mood.

The Sample

Over the two-week exercise, we managed to get 92 fleet operators to respond to the survey. These 92 fleet operators were spread across India and had a mix of fleet sizes ranging from small (11-25 trucks) to very big (more than 1000 trucks).

Cumulatively, the 92 operators represented a fleet size of 8000 trucks as a conservative estimate.

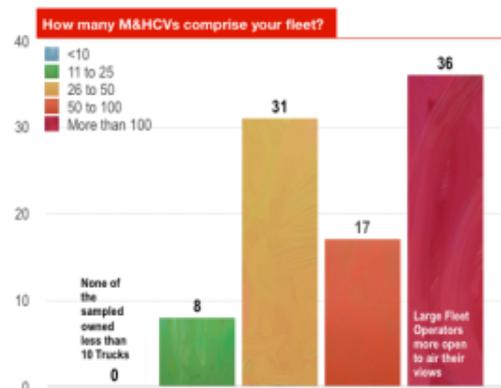
Results

The survey started with an assessment of the fleet sizes of respondents. Out of the 92 respondents, 36 fleet owners had fleet sizes of more than 100 vehicles. This represents 39.13% of fleet owners. In fact, some of the fleet owners had fleet sizes exceeding 1000 trucks. However, for calculating the overall fleet sizes, an average fleet size of 150 trucks has been taken.

1. How many Medium & Heavy Commercial vehicles do you currently have in your fleet?

Please only count trucks above nine-tonne GVW

- Less than 10
- 11-25
- 26-50
- 51-100
- More than 100



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A further 17 respondents, representing 18.5% of polled fleet owners, had fleet sizes between 50 and 100 vehicles. For calculating the overall fleet sizes, an average fleet size of 75 trucks has been taken.

31 respondents, representing 33.69% of the sample, had fleet sizes of 26 to 50 trucks each. For calculating the overall

fleet sizes, an average fleet size of 37 trucks has been taken.

The remaining eight fleet operators, representing 8.7% of the sample, had fleet sizes of 11 to 25 trucks. A median size of 18 trucks has been taken for calculating the total fleet size of the survey.

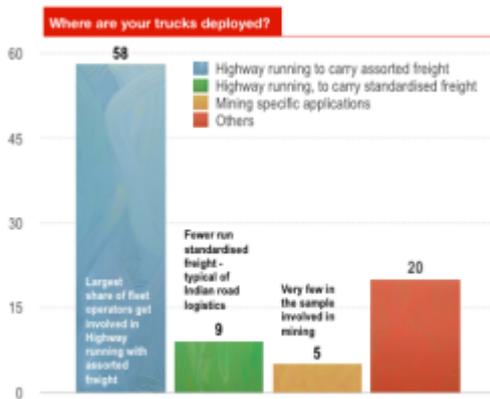
In the next question we asked respondents on the usage of their trucks. As many as 63% of the sample (58 respondents) said that their trucks were mainly used on highways to ferry assorted, non-standardised freight. The high percentage of survey participants carrying non-standardised freight is an indicator of the nature of the Indian road logistics sector where standardisation is still lacking.

2. Where are your trucks mostly deployed?

You may choose multiple options

- Highway running to carry assorted freight
- Highway running, to carry standardised freight like containers and cars etc.
- Construction specific applications like cement mixers
- Mining specific applications
- Other:

Only nine operators, representing 9.8% of the sample, reported that the majority of their fleet was being used for carrying standardised cargo (container-carriers, car-carriers).



Only five operators in our sample were in the Mining area and another twenty operators said that their fleet was being used in multiple areas.

Our most critical question was for judging the mood of the market. We asked fleet operators on when they planned to buy trucks next.

3. When do you plan to buy new trucks for your fleet?

Approximate time-frame

- Right now - we are finalising options
- Within 3 months
- 3-6 months
- 6-9 months
- No idea
- Other:

The answer was not surprising and reflected the glum mood of the industry. As many as 83 respondents, representing 90% of the sample, replied that they had no idea when they would be able to buy new trucks.



Only 10% of the respondents had plans to buy trucks within the next nine months.

4. Why do you want to buy new trucks?

Purpose of buying - fleet expansion or replacement?

- Expanding fleet to meet increased demand
- Re-aligning fleet portfolio to optimize operating costs and to meet customer's demand for specific truck requirements
- Replace existing trucks in the fleet
- Mix of the above
- Other:

On being asked why they would be buying new trucks, 27 fleet operators, representing 29.3% of the sample, responded that they wanted to expand their fleets. This hints of some optimism in the sector. Another 17% of the respondents would need to buy new trucks to replace their existing fleet.



A low number of respondents looking to replace their fleet is

quite worrying and hints that replacement demand may not be very strong. This in turn may see the recovery's strength moderated unlike previous instances of very strong recoveries following slowdowns.

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We then asked fleet operators if they had purchased any new trucks in the last one year.

5. Have you purchased any new trucks in the last one-year? If yes, how many?

- None
- Less than 5
- 6-10
- 11-25
- More than 25
- Other:

Considering that the last one year has seen a severe decline in industry sales, we were not very optimistic and the answers matched the mood in the market.



About 48% of the respondents replied in the negative – they had not purchased any trucks in the last twelve months. Another 21% reported that they had purchased less than five trucks in the last one year. These high numbers are indicators of the

slowdown in the industry over the last two years.

Please note that for some of the questions hereon, respondents could choose multiple options. The sum total of responses would no longer add up to 92.

Going deeper to understand the fleet operator's businesses, we quizzed them about the challenges they are facing in their business currently.

6. In your current business, what are the biggest challenges that you face?

You may select multiple options

- Low utilization of existing fleet
- Low resale values for used trucks
- High cost of finance for new trucks
- Adverse economic environment
- Uncertain political environment
- Slowdown in construction & mining sectors
- Slowdown in industrial output
- Freight rates are not improving
- Unable to pass increase in operating cost to customers
- Other:

We gave them ten choices of factors though in the end, a majority of them agreed that a combination of 2-3 factors is giving them the jitters.



As many as 59 respondents, representing 64% of the surveyed, admitted that adverse economic environment was the major factor affecting their business today.

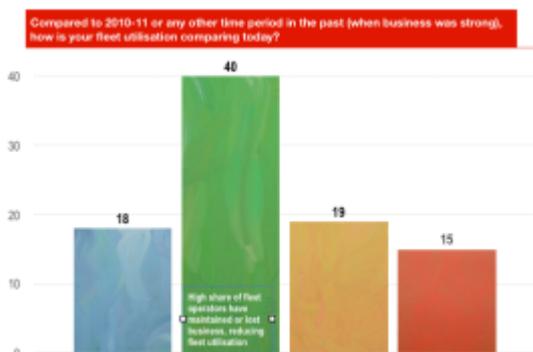
Surprisingly, Driver Shortage was cited as the next biggest factor. About 42% of the respondents said that Driver Shortage is affecting their business adversely.

While operating costs have been increasing, primarily due to the hike in diesel prices, fleet operators have been unable to pass off all of that to their customers. This is the next big factor affecting the industry and 32 respondents found this as a big challenge. A similar and linked freight – stagnant freight rates – was cited by 25 respondents as a major challenge for their business.

In our next question, we compared the state of the business today with that in 2010-11 when the industry was doing well.

7. Compared to 2010-11 or any other time period in the past (when business was strong), how is your fleet utilisation comparing today?

- It is 25% (or more) higher than peak utilisation in the past
- It is more or less the same
- It is around 25% lower than peak utilisation in the past
- It is lower than 25% compared to peak utilisation in the past
- Other:



Checking the health of the industry through fleet utilisation levels, we found that nearly 37% of the surveyed fleet operators were struggling with much lower fleet utilisation levels than 2010-11.

In comparison, only 18 respondents, representing 19.6% of the sample observed that their fleet utilization levels had gone up considerably.

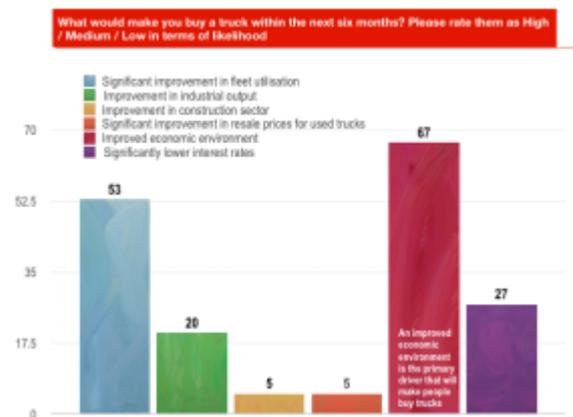
The remainder did not feel any change in their fleet utilization levels as compared to 2010-11.

With intent to pushing the industry, we asked fleet operators the factors that, if changed, will make them buy a truck today.

8. What would make you buy a truck within the next six months? Please rate them as High / Medium / Low in terms of likelihood

- Significantly lower interest rates (lower by at least 1.0% from present rates)
- Significant improvement in resale prices for used trucks (higher by at least 10% from present prices)
- Improved economic environment
- Improvement in construction sector
- Improvement in industrial output
- Significant improvement in fleet utilisation (higher by 10% or more)
- Other:

Multiple choices were permitted and 67 of the sampled fleet operators, representing 73% of the sample, said that an improved economic environment would be critical for the revival of the industry and to help them buy new trucks.



About 58% of the sampled operators wanted a significant improvement in their fleet utilization levels for them to commit to buy new trucks.

At the start of the survey we felt that the high interest rates would be a big dampener for the industry. However, it came out as a moderate factor only and only 27 operators said that a lower interest rates would make them buy new trucks.

About 22% of the sampled operators wanted an improvement in industrial output to start buying new trucks.

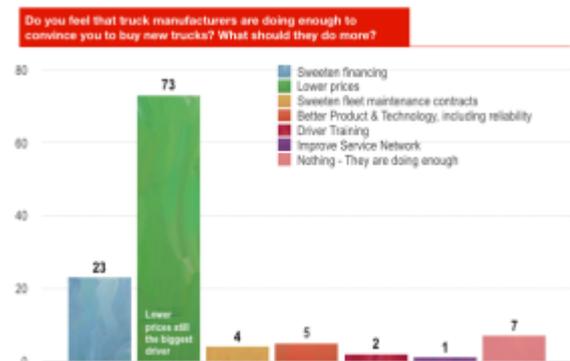
For the final question, we asked fleet operators desperately, if there are things that OEMs can do to make them buy new trucks.

9. Do you feel that truck manufacturers are doing enough to convince you to buy new trucks?

What can they do better

- Sweeten financing
- Lower prices
- Sweeten fleet maintenance contracts
- Other:

Not surprising, 73 operators, representing 79% of the sample, said that Lower prices of trucks would be the right sweetener.



One in four operator also wanted finance deals to be sweetened for them to start buying trucks.

Not surprisingly, only seven operators said that OEMs seem to be doing enough and things are fine.



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