

FMCG companies eye e-vehicles for last-mile distribution

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As last-mile distribution adds to greenhouse gas emissions, some fast-moving consumer goods (FMCG) companies are chalking out plans to replace their existing fleets with electric vehicles (EVs). Most firms are in early stages of such plans. But Dabur India has decided that in five years, EVs would account for 80-90% of its total last-mile distribution fleet across India. Dabur India currently has around 800 vehicles. The plan, which is part of the company's long-term vision to become a carbon-neutral enterprise by 2050, is to induct 100 EVs in the first year and keep adding 100 every year to replace the existing fossil fuel-driven vehicles. In four years, only EVs will be used on all routes that have the requisite infrastructure like charging stations, said Dabur India CEO Mohit Malhotra.

EVs ARE UP TO 20% EXPENSIVE

<p>➤ FMCG distribution ops can account for significant emissions as there are 12mn retail outlets countrywide with biz expected to grow 10-12% annually</p>	<p>up to 90% of its about 800 vehicles in 5 yrs with EVs</p>
<p>➤ While EVs are 20% more expensive than diesel-run carriers of similar capacity, they are cheaper to run and cut carbon emissions considerably</p>	<p>➤ HUL may deploy thousands of EVs as part of distribution infra, depending on budget & capacity capabilities</p>
<p>➤ Dabur India plans to replace</p>	<p>➤ Marico has started working with its logistics partners on use of EVs</p>
<p>➤ Nestle said it is also open to switching over to EVs to improve overall sustainability</p>	



"The initial cost of acquiring an EV is 10-20% more than a same-capacity normal diesel-run goods vehicle. However, the lower running cost makes up for this difference over a period of time. The benefits will be in terms of lower carbon emissions — both scope-2 and -3 emissions. We will be covering around 20 cities with EVs in the first phase," said Malhotra.

The cities that Dabur plans to cover in the first phase include Delhi-NCR, Mumbai, Pune, Ahmedabad, Kolkata, Chennai, Bengaluru, Hyderabad, Varanasi, Sonipat and Chandigarh.

A spokesperson of Hindustan Unilever (HUL), which has around 4,500 distributors and about 1,500 suppliers, said, "EVs are bringing in interesting propositions for both order capture as well as order fulfilment. In order capture, we are looking at evaluating ownership options for our market executives/salesmen who make use of two-wheelers to work the markets across the country. Similarly, our distributors are also evaluating the feasibility of using e-delivery vehicles which can carry a minimum payload of one tonne." The spokesperson added HUL believes that, over a period of time, thousands of EVs could get deployed as part of the company's distribution infrastructure, on the basis of commercial and capacity viability.

Marico's COO (India business) & CEO (new business) Sanjay Mishra said the company has been exploring avenues for the use of EVs for transportation, which has been gaining popularity recently. "We are working with our logistics partners to evaluate employing EVs as an option, considering the sustainable impact as well as commercial viability during our evaluation. This will align with our ESG (environmental, social, and governance.) framework and goals, thereby stimulating demand for responsible production and consumption practices," said Mishra.

A Nestle India spokesperson said, while the company hasn't started using EVs in its logistics as of now, it is exploring such options for the future as part of its endeavour towards sustainability across operations. An expert on sustainability said last-mile distribution through EVs by FMCG companies will contribute significantly to reduction in air pollution as also greenhouse gas emissions. "This is a pragmatic step given the limitations of EVs in managing long distance and heavy transportation. Similar attempts are being made in mining sites in India to use electrical earth-moving and transportation options. However, companies should ensure that electricity to charge is also renewable," the official said.

There are reportedly around 12 million retail distribution outlets in the country. With the FMCG sector expected to grow at 10-12% annually, distribution too would grow to account for greater emissions.

An analysis by Crisil states that EVs present an opportunity of almost Rs 3 lakh crore for various stakeholders in India in the five years through FY26. The opportunity includes potential revenue of about Rs 1.5 lakh crore across vehicle segments for original equipment manufacturers as well as component manufacturers and approximately Rs 90,000 crore in the form of disbursements for vehicle financiers. Shared mobility and insurance account for the balance.

Crisil director Hemal Thakkar said, "Considering the improving cost parity and the government's focus on electrification of vehicles, we should not be surprised if EV penetration reaches 15% in two-wheelers, 25-30% in three-wheelers, and 5% in cars & buses by FY26 in terms of vehicle sales."