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SMALL COMMERCIAL VEHICLES IN INDIA

ENABLING LAST-MILE MOBILITY AND URBAN LOGISTICS

Small Commercial Vehicles (SCVs) have emerged as a critical enabler of India's evolving mobility, logistics, and urban distribution ecosystem. Positioned at the intersection of transportation, commerce, and urban development, SCVs play a pivotal role in supporting last-mile connectivity across goods movement, services, and passenger-linked logistics. As India's economy expands and consumption becomes increasingly urban-centric and service-oriented, the importance of agile, cost-efficient, and city-compatible transport solutions has grown significantly. Typically characterised by their compact size, lower gross vehicle weight, and high manoeuvrability, SCVs have become indispensable for navigating congested urban environments, semi-urban markets, and rural hinterlands alike.

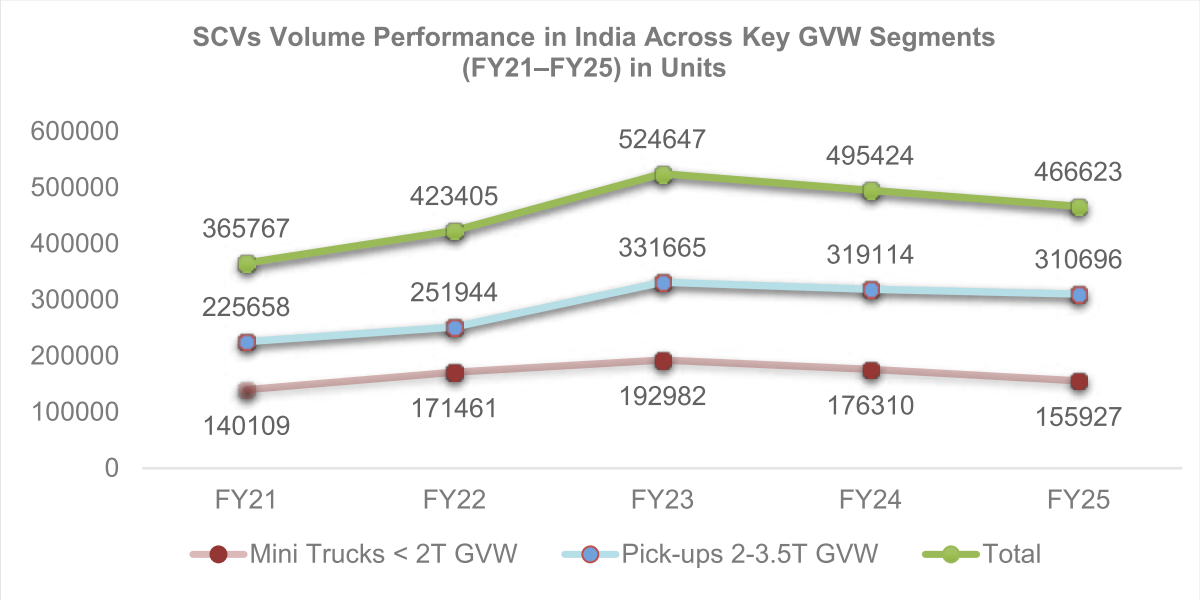
Within this context, the Small Commercial Vehicle segment in India represents a distinct engineering and regulatory category defined by its compact footprint and suitability for intra-city load-carrying applications. The segment bridges the gap between traditional three-wheelers and larger Light Commercial Vehicles (LCVs), and has emerged as the primary vehicle class supporting last-mile and short-haul logistics operations.

In the Indian regulatory and industrial framework, SCVs are generally classified as goods-carrying vehicles with a Gross Vehicle Weight (GVW) of up to 3.5 tonnes (3,500 kg). The GVW includes the unladen weight of the vehicle, maximum permissible payload, fuel, and occupants. From a legal standpoint, these vehicles typically fall under the N1 category, covering motor vehicles used for the carriage of goods with a maximum mass not exceeding 3.5 tonnes. The segment is further structured into multiple sub-niches to address varied logistical requirements, including mini-trucks with a GVW of up to 2 tonnes and pickup trucks in the 2–3.5 tonne range. The primary value proposition of SCVs lies in their ability to provide efficient door-to-door delivery in dense urban areas where larger commercial vehicles face access, size, or regulatory constraints.

The rapid growth of e-commerce, organised retail, food delivery, construction support services, and MSME-led trade has reshaped demand patterns within the commercial vehicle market. Unlike medium and heavy commercial vehicles, which primarily serve long-haul and bulk transportation needs, SCVs are optimised for high-frequency, short-distance delivery operations. Their operational flexibility, compliance with urban traffic regulations, and relatively lower total cost of ownership have made them the preferred choice for small businesses, self-employed operators, fleet owners, and logistics service providers. In addition, SCVs have contributed meaningfully to livelihood generation by enabling first-time vehicle ownership and entrepreneurial activity, particularly across Tier II, Tier III, and rural markets.

Urbanisation, rising disposable incomes, and the formalisation of trade have further strengthened the structural relevance of SCVs in India. Government initiatives focused on infrastructure development, urban mobility, and logistics efficiency alongside regulatory shifts related to emissions, safety, and electrification are reshaping the segment's technological and competitive landscape. At the same time, evolving customer expectations around reliability, payload optimisation, fuel efficiency, and access to financing are influencing product development and go-to-market strategies across the SCV ecosystem.

MARKET STRUCTURE AND VOLUME TRENDS



Source: Society of Indian Automobile Manufacturers (SIAM)

The Indian Small Commercial Vehicle (SCV) market has demonstrated strong structural growth over the past five years, despite short-term volume moderation observed in recent fiscal years. According to the data by Society of Indian Automobile Manufacturers (SIAM) domestic SCV sales expanded from approximately 0.37 million units in FY21 to a peak of over 0.52 million units in FY23, reflecting a robust post-pandemic recovery driven by the revival of economic activity, accelerated growth in e-commerce, and heightened demand for last-mile logistics soluions. The strong double-digit growth recorded in FY22 and FY23 underscores the segment's sensitivity to improvements in consumption, trade flows, and urban mobility requirements.

While aggregate SCV volumes moderated in FY24 and FY25, the decline has been relatively contained at around 6% year-on-year in each of these years. This moderation should be viewed in the context of a high base effect following the sharp rebound in FY22–FY23, as well as broader macroeconomic factors such as inflationary pressures, higher interest rates, and cautious capital expenditure by small fleet operators and self-employed buyers. Importantly, volumes in FY24 and FY25 remain significantly higher than pre-recovery levels, indicating that the market has stabilised at a structurally elevated base rather than reverting to earlier demand conditions.

Segments	9MFY26	9MFY25	FY25	FY24
Pick-ups 2-3.5T GVW	2,52,222	2,28,868	3,10,696	3,19,114
Mini Trucks < 2T GVW	1,17,571	1,16,326	1,55,927	1,76,310

Source: Society of Indian Automobile Manufacturers (SIAM)

In addition to full-year trends, nine-month data for FY26 indicates an encouraging rebound in SCV demand compared with the year-ago period. According to industry figures, SCV sales in the first nine months of FY26 reached approximately 369,793 units, up from 345,194 units in the corresponding period of FY25, representing an expansion in overall volumes after a period of moderation. Within this performance, the pick-up segment reported robust momentum, with 252,222 units sold, reflecting a double-digit year-on-year increase, while mini-truck sales also inched higher to 117,571 units year-on-year, underscoring sustained demand across sub-segments. The uptick in sales in the latter part of the fiscal has been supported by improved purchase sentiments during festive and rural demand cycles, expanding construction activity and logistics utilisation, as well as policy tailwinds such as the recent GST rate reduction for commercial vehicles and easing financing costs. This performance highlights a return to growth trajectory for the SCV market, strengthening the outlook for FY26 and reaffirming the segment's relevance in India's last-mile and urban logistics ecosystem.

From a segmental perspective, SCVs in the 2–3.5 tonne GVW category continue to account for the majority of volumes

around 65%, reflecting sustained demand for higher payload vehicles capable of serving organised logistics, construction support, and urban distribution networks. The sub-2 tonne segment, while more volatile, remains critical for dense urban and semi-urban operations, particularly among micro-entrepreneurs and MSME-led delivery models. The relative resilience of the higher GVW sub-segment highlights an ongoing shift towards improved asset utilisation, payload optimisation, and professionalisation of last-mile logistics.

Type of Vehicle	Domestic Sales in FY25
Medium and Heavy Commercial Vehicle (M&HCV)	3,73,819
Light Commercial Vehicle (LCV)	5,82,852
LCV Passenger	54,807
Mini Trucks < 2T GVW	1,55,927
Pick-ups 2-3.5T GVW	3,10,696
LCV Goods > 3.5T GVW	61,422
Total CV	**9,56,671**

Source: Society of Indian Automobile Manufacturers (SIAM)

In FY25, total domestic commercial vehicle (CV) sales in India stood at 9,56,671 units, reaffirming the scale and diversity of the country's freight and mobility ecosystem. Within this landscape, Small Commercial Vehicles (SCVs) comprising mini-trucks below 2 tonnes GVW and pick-ups in the 2–3.5 tonne GVW range accounted for 4,66,623 units, representing approximately 49% of total CV volumes. This highlights the outsized role of SCVs in India's commercial vehicle market, where high-frequency, short-haul and intra-city transportation requirements dominate freight movement. Furthermore, SCVs constituted around 80% of total LCV sales, underlining their position as the backbone of the light commercial vehicle segment. While Medium and Heavy Commercial Vehicles (MHCVs) contributed 3,73,819 units, reflecting demand from infrastructure, mining, and long-haul logistics, the higher share of SCVs indicates the growing importance of decentralised distribution, urban logistics, and MSME-led transportation activity. Passenger LCVs and LCV goods vehicles above 3.5 tonnes together accounted for a relatively smaller share of volumes, reinforcing the market's preference for compact, flexible, and cost-efficient freight solutions.

DEMAND DRIVERS SHAPING INDIA'S SCV MARKET

Rapid Urbanization and City Densification

India's accelerating urbanisation and the densification of city centres have fundamentally reshaped last-mile mobility requirements, significantly strengthening demand for Small Commercial Vehicles. As cities expand vertically rather than horizontally, road infrastructure within urban cores has become increasingly constrained, with narrow lanes, mixed traffic, and limited loading zones. SCVs, owing to their compact dimensions, superior manoeuvrability, and lower turning radius, are uniquely positioned to enable hyper-local and "front-door" deliveries in environments where larger commercial vehicles face physical and regulatory barriers. Additionally, most Indian metropolitan authorities impose time-based restrictions on the entry of medium and heavy commercial vehicles during daytime hours to manage congestion and emissions. These restrictions have structurally repositioned SCVs as the only legally permitted and operationally viable option for uninterrupted intra-day goods movement. As urban consumption intensifies and same-day replenishment cycles become the norm, SCVs have emerged as the arterial layer of urban freight transport.

The Quick Commerce Revolution

The rapid rise of quick commerce has emerged as one of the most powerful demand catalysts for the SCV segment. India's "instant gratification" consumption model driven by platforms offering 10–20 minute deliveries has created logistics requirements that are fundamentally different from traditional retail or e-commerce. The proliferation of dark stores and micro-fulfilment centres across urban neighbourhoods has increased the frequency of short-distance, high-density delivery routes, where SCVs are deployed to replenish inventory multiple times a day. With industry estimates suggesting the operation of 5,000–5,500 dark stores by FY26, the need for reliable, high-uptime vehicles capable of handling more than 100 stops per day has intensified. SCVs serve as the critical middle layer between regional warehouses and local fulfilment hubs, enabling predictable, time-bound replenishment cycles. Their role in quick commerce logistics has elevated them from low-cost transport assets to time-critical enablers of retail competitiveness.

MSME Expansion and First-Time Buyers

SCVs continue to serve as a cornerstone of entrepreneurship and self-employment across India, particularly among micro, small, and medium enterprises. For

millions of traders, distributors, and service providers, SCVs represent the lowest-cost entry point into organised logistics and commercial mobility. This role aligns closely with national employment and industrial objectives, including the Automotive Mission Plan 2026, which envisions large-scale job creation across manufacturing and allied services. Demand has been further reinforced by improving access to vehicle financing, especially in rural and semi-urban markets. The expansion of NBFC-led lending, coupled with government-backed credit schemes such as Mudra loans, has reduced entry barriers for first-time buyers. As formal supply chains increasingly require registered and compliant transport, SCV ownership has become not only an economic opportunity but also a prerequisite for participation in organised trade networks.

Infrastructure and Policy Catalysts

Government-led infrastructure expansion and policy reforms have played a decisive role in unlocking structural demand for SCVs. The reduction in GST on commercial vehicles from 28% to 18% significantly lowered acquisition costs, triggering the release of pent-up demand among cost-sensitive buyers. At the same time, large-scale infrastructure initiatives such as PM Gati Shakti have expanded highway connectivity and improved multimodal logistics integration, increasing freight movement intensity at regional and intra-city levels. Complementing this, the Vehicle Scrappage Policy is encouraging the replacement of ageing, inefficient vehicles with modern, compliant SCVs, improving fleet productivity and emissions performance. Together, these interventions have not only stimulated short-term demand but have also improved the long-term economics and efficiency of SCV operations across diverse end-use sectors.

Transition to Sustainable and Smart Logistics

The transition toward sustainable and technology-enabled logistics is redefining the SCV value proposition. Electrification initiatives, supported by schemes such as PM E-DRIVE, which provides incentives of up to Rs. 5,000 (US$ 56.2) per kWh or 10% of the factory price for electric trucks, are improving the total cost of ownership for urban freight operators. Beyond electrification, the integration of digital technologies has become a key demand enabler. Features such as real-time GPS tracking, telematics-based vehicle diagnostics, and AI-driven route optimisation are increasingly standard, even for small fleet owners. These tools help operators reduce fuel or energy consumption, minimise idle time, and lower empty-run ratios often by up to 20% thereby directly improving profitability. As logistics shifts from cost-centric to efficiency-centric operations, SCVs equipped with smart technologies are becoming essential assets rather than optional upgrades.

TECHNOLOGY TRENDS TRANSFORMING THE SCV ECOSYSTEM

Emergence of Electric SCVs in India's Urban Mobility Landscape

By 2026, last-mile delivery has emerged as the primary driver of commercial vehicle electrification in India, positioning electric Small Commercial Vehicles (e-SCVs) at the centre of urban logistics transformation. The rapid expansion of e-commerce and quick-commerce characterised by dense delivery clusters, predictable routes, and high-frequency trips has created operating conditions well suited to electric powertrains. Typical daily running distances of 80–120 km align effectively with current battery capabilities, while exemptions from daytime entry restrictions for diesel vehicles in major cities such as Delhi, Bengaluru, and Mumbai further enhance the operational attractiveness of e-SCVs. Although initial acquisition costs remain modestly higher than diesel models, lower energy costs, reduced maintenance requirements, and regenerative braking benefits are delivering compelling total cost of ownership advantages, making electrification an increasingly commercial decision rather than a purely environmental one.

AI-Driven Uptime, Routing, and Operational Efficiency

Artificial intelligence has shifted SCV fleet management from reactive to predictive operations. Predictive maintenance algorithms analyse sensor data to identify early signs of component wear or failure, enabling planned interventions and significantly reducing unplanned downtime. In parallel, AI-based route optimisation engines dynamically factor in real-time traffic conditions, weather, delivery density, and vehicle load to optimise routing decisions. For high-frequency urban delivery fleets, these tools are delivering measurable gains in energy

efficiency, improved delivery reliability, and higher daily trip productivity.

Innovative Financing Models and Battery-as-a-Service (BaaS)

To accelerate electric SCV adoption, the industry has increasingly separated vehicle ownership from battery ownership. Under Battery-as-a-Service models, operators purchase or lease the vehicle chassis while subscribing to the battery, substantially reducing upfront acquisition costs. This approach has proven particularly attractive for quick-commerce and high-utilisation fleets, where battery swapping completed within minutes has emerged as an alternative to plug-in charging. These models maximise vehicle uptime during peak demand windows and improve capital efficiency for fleet operators.

Digitisation Empowering MSME and Owner-Operator Participation

Technology adoption has also democratised access to organised logistics for small operators and MSMEs. Digital freight platforms enable independent SCV owners to secure consistent loads, improve route planning, and reduce empty return trips. Telematics-based performance data allows owner-operators to demonstrate safe driving behaviour and predictable service levels, improving access to lower insurance premiums and better financing terms. Together, these developments are strengthening the economic viability of small fleet ownership while integrating informal operators into formal, technology-driven supply chains.

COMPETITIVE LANDSCAPE AND INDUSTRY ECOSYSTEM

The Indian Small Commercial Vehicle (SCV) ecosystem has matured into a highly stratified market, defined by an intense rivalry between established legacy giants and a new wave of electric-first entrants. This competition is supported by a rapidly digitizing infrastructure of dealers, financiers, and technology partners that have collectively turned the vehicle into a service-led asset.

Multi-Polar Leadership and Market Structure

The competitive field has shifted from a single-player stronghold to a multi-polar landscape. Mahindra & Mahindra has consolidated its lead in the sub-3.5-tonne category with a 60% market share in the pickup segment, driven by the Bolero Maxx and Jeeto range. Tata Motors continues to dominate the mini-truck (under 2 tonnes) sub-segment with a 52% share, primarily through the iconic Tata Ace and its growing Ace EV portfolio. Ashok Leyland maintains a strong 20% share in pickups with the Dost series, while Maruti Suzuki has successfully captured 24% of the mini-truck market with the Super Carry.

Evolution of Service and Dealer Networks

The "battle for the customer" has moved to the service bay, with OEMs establishing 24/7 Digital Command Centers that monitor millions of data points per hour for real-time diagnostics and "uptime guarantees". To support the e-commerce boom in semi-urban areas, manufacturers have expanded their "3S" (Sales, Service, and Spares) facilities into Tier-2 and Tier-3 cities, ensuring that no SCV is more than 50km from a service touchpoint.

Financial Innovation as a Sales Catalyst

Financial models are the "fuel" for SCV sales in 2026. NBFCs like Mahindra Finance and Shriram Finance lead the market, while a significant shift toward leasing and "Opex-models" is seen in the EV space, where nearly half of all fleet operators now prefer renting over ownership. Lenders are increasingly using telematics-based "driving scores" to offer lower interest rates and insurance premiums to safer, more efficient drivers.

The Tripartite Collaborative Model

The SCV is now the center of a collaborative "triad" involving Logistics Platforms (e.g., Porter, Delhivery) that

guarantee demand, Tech Firms (e.g., Euler, Taabi) providing AI for routing, and OEMs providing purpose-built hardware. Data-sharing alliances between these players have enabled "automated lending," where loan repayments are deducted directly from driver earnings on digital freight platforms, significantly lowering default risks.

POLICY, REGULATION, AND INSTITUTIONAL SUPPORT

The Small Commercial Vehicle (SCV) market is governed by a stringent regulatory framework designed to align India's transport sector with its Net-Zero

2070 commitments. Institutional support has shifted from purely subsidizing vehicles to building a comprehensive ecosystem of safety, efficiency, and infrastructure.

Motor Vehicle Regulations and Emission Standards

The regulatory landscape for SCVs (N1 category) is defined by heightened safety and environmental accountability. All SCVs manufactured in 2026 comply with BS-VI Phase 2 standards, featuring Real Driving Emissions (RDE) monitoring and mandatory OBD-II diagnostics to ensure lifelong emission control. Furthermore, CAFE 3 norms (scheduled for April 2027) have pushed OEMs to achieve a 30% improvement in fleet-wide fuel efficiency. Notably, the Bharat NCAP has expanded to rate commercial vehicles on a 5-pillar safety framework, making crash protection a new competitive differentiator in the segment.

PM E-DRIVE Scheme and Financial Incentives

Government support is anchored by the PM E-DRIVE Scheme outlay of Rs. 10,900 crore (US$ 1.2 billion), which succeeded FAME-II in late 2024. As of January 2026, while the primary subsidy for e-3W cargo vehicles is phasing out due to high penetration (reaching 32%), a dedicated Rs. 500 crore (US$ 56 million) fund remains for electric trucks, provided they are paired with a valid scrapping certificate. To eliminate disbursement delays, the government introduced an Aadhaar-authenticated e-voucher system, allowing buyers to receive instant digital proof of subsidy at the point of purchase.

Urban Transport and Decarbonization Objectives

SCVs are the primary tool for achieving India's "30@30" objective (30% EV penetration by 2030). Major metros have introduced Low Emission Zones (LEZs) where only electric or CNG-powered SCVs are permitted for daytime deliveries to mitigate urban smog. To support this, Rs. 2,000 crore (US$ 225 million) is being deployed under PM E-DRIVE to install a network of 22,100 fast chargers for 4-wheelers and 48,400 chargers for 2/3-wheelers across high-traffic freight corridors.

Public-Private Scaling and Standardization

The market expansion is driven by innovative Public-Private Partnerships (PPPs). State governments are developing "Logistics Parks" on city outskirts that feature shared charging and automated sorting specifically for SCVs. To protect private operators from payment delays by public agencies, the government is expanding the Payment Security Mechanism (PSM) model originally designed for e-buses. Additionally, a collaboration between private players and the Bureau of Indian Standards (BIS) has

standardized battery-swapping protocols, ensuring cross-brand interoperability and reducing range anxiety for the quick-commerce sector.

INVESTMENT TRENDS AND CAPACITY EXPANSION

The Small Commercial Vehicle (SCV) segment has emerged as a magnet for domestic capital and Foreign Direct Investment (FDI), driven by India's pivot toward high-tech, green logistics and its US$ 5 trillion economic ambition. The industry is witnessing a structural shift from traditional assembly to advanced, localized manufacturing ecosystems.

Manufacturing Investments and Capacity Augmentation

Major OEMs are aggressively expanding their footprints, with annual production capacity targeted to exceed 1.1 million units to serve the booming last-mile segment. Mahindra & Mahindra has scaled its monthly production to 85,000 units (over 1 million units annually), while Tata Motors is in the final stages of its Rs. 38,000 crore (US$ 4.27 billion) acquisition of Iveco, positioning it as the world's 4th largest CV player by diversifying its portfolio and technology access. Furthermore, the PLI Scheme for Auto has realized over Rs. 35,657 crore (US$ 4 billion) in capital expenditure, focusing on localizing Advanced Automotive Technology (AAT).

Entry of New Players and Startup Vitality

The ecosystem is being disrupted by a wave of electric-first entrants. Montra Electric (Murugappa Group) is expanding its SCV line-up with a new sub-3.5-tonne electric truck launched in early 2026, while startups like BillionE Mobility recently raised $25 million to deploy a fleet of 500 electric trucks. With over 399 EV startups currently active, the focus has shifted toward vertical integration, where players develop proprietary Battery Management Systems (BMS) and software layers to gain a data-driven advantage in urban logistics.

Infrastructure Development and Connectivity

Investment is flowing heavily into enabling infrastructure to reduce range anxiety. Under the PM E-DRIVE scheme, Rs. 2,000 crore (US$ 225 million) is being deployed to install over 72,300 chargers, including high-capacity fast-chargers at 20 high-density freight corridors. To ensure national reach, manufacturers are expanding "3S" (Sales, Service, and Spares) facilities into Tier-2 and Tier-3 cities, while Common Engineering Facility Centres (CEFCs) are helping small component makers upgrade to global quality standards.

Global Investor Interest and Financing

India has become a global "hot spot" for automotive investment, with Q3 2025 recording 238 VC deals worth over $5.7 billion, much of it directed toward "Deep

Tech" in logistics. The Union Budget 2025-26 further catalyzed this growth by raising the credit guarantee cover for MSME startups to Rs. 20 crore (US$ 2.25 million), drastically lowering the risk for banks to lend to first-time SCV buyers and small fleet operators.

SUMMING UP

Small Commercial Vehicles have established themselves as a foundational pillar of India's commercial vehicle and logistics ecosystem. Their ability to efficiently serve last-mile and short-haul transportation needs has positioned SCVs at the centre of urban distribution, MSME-led trade, and decentralised consumption patterns. Accounting for a dominant share of LCV volumes and nearly half of total commercial vehicle sales, the segment reflects the structural shift toward high-frequency, intra-city freight movement. While the market has experienced short-term volume moderation following a strong post-pandemic rebound, underlying fundamentals remain robust. Replacement demand, formalisation of trade under GST, infrastructure expansion, and improved access to financing continue to support a stable demand base. The growing preference for higher-payload pick-ups alongside the sustained relevance of mini-trucks highlights increasing professionalisation and right-sizing within last-mile logistics. Technology and policy are jointly reshaping the SCV landscape. Electrification, telematics, AI-driven route optimisation, and innovative ownership models are improving total cost of ownership and fleet uptime, particularly in dense urban operations. At the same time, supportive regulatory frameworks, targeted incentives, and investments in charging and logistics infrastructure are lowering transition barriers and strengthening long-term market confidence.

Overall, the SCV segment is evolving beyond a cost-driven transport solution into a productivity-led, technology-enabled logistics asset. As India continues to urbanise and formalise its supply chains, Small Commercial Vehicles are expected to remain central to economic activity, employment generation, and sustainable urban mobility, reinforcing their role as the backbone of India's last-mile logistics ecosystem.