

Master Dealer Lessor (MDL) **Business Model**

Problem Statements : at partners & customers



OEM

- Low volume order = higher cost per vehicle
- Too many sub-dealers to manage
- Scaling service network is difficult on its own
- Consistent order book is difficult to achieve
- Underutilised factory
- Difficult to develop dealer network



Leasing Business

- Very hard to find qualified clients
- Low IRR due long recovery period
- High risk on OEM support
- Expensive maintenance of fleet assets
- Limited cross market exposure , either B2B or B2C
- Poor rate of asset deployment
- Risk for idle assets



Dealership

- High setup cost 40 lac - 10 Cr
- Seasonal sales cycle
- Only one revenue stream sales for sub dealers & two for Dealers - Sales & service
- Limited business scale potential
- High risk of unsold inventory
- High IRR theoretically but in real low due to seasonal sales



Customer / User

- Difficult to get loan(delivery boys)
- Very few dealers / service centers near residence.
- Long wait period for parts
- Expensive service & parts
- Poor quality of service & root cause analysis
- Longer TAT

Solution - Merging leasing business with vehicle dealing business model

OEM

- Consistent orderbook ensures optimal production
- Higher volume order brings cost down which is passed down to MDLs in special prices.
- Service quality is high as lesser touchpoints for OEM engineering team to interact with.
- Lower AMC costs passed on to MDLs

Master Dealer & Lessor (MDL)

- MDL is single B2B entity which does both selling and leasing of vehicles.
- MDL purchased vehicles at bulk from OEM & stores it in warehouses for distribution either for selling via sub dealers or deploying to 3PLs for lease.
- MDL raises capital via equity / venture debt initially later to also raise capital via franchises.
- MDL controls service , spares and other after sales services centrally for both B2B & B2C
- MDL enjoys potential 40-80% IRR via sales cycles & 20-30% IRR via leasing
- Revenue Streams : Sale, Rent, Annual lease , Lease to own, servicing & parts / AMC
- MDL rapidly grows sub-dealers many existing dealers of troubled OEMs who have experience in retailing vehicles but not capital to invest in inventory.

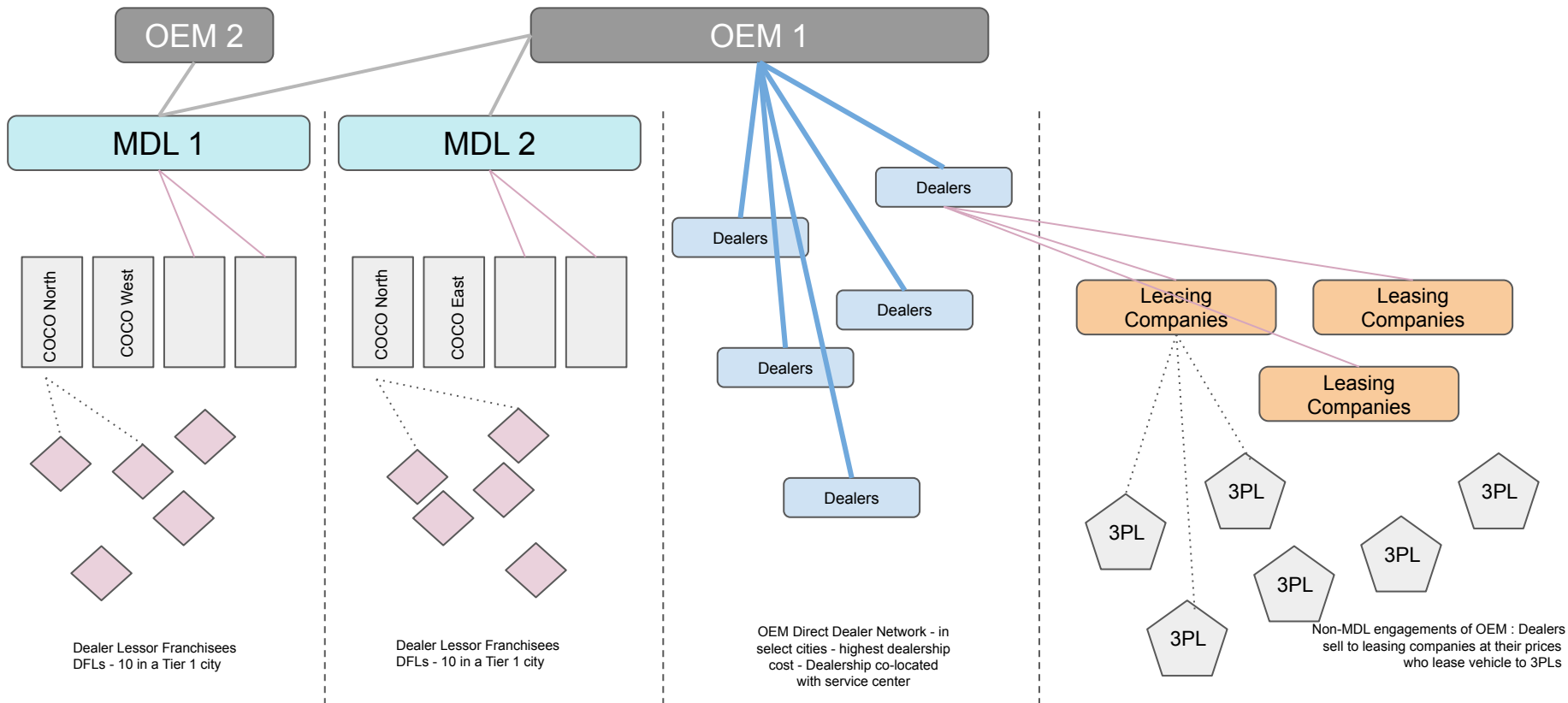
B2B Customer / User

- B2B Leasing - to 3PL / LMD companies seeking vehicles
- B2B Sales - as authorised dealer , OEM directs any B2B sales opportunity to MDL in that region
- MDL can have best of both worlds , starting leasing / renting to 3PLs and when they decided to buy pre-owned / new vehicles - capture that opportunity too.

B2C Customer / User

- B2C Renting - Directly to delivery executives (preferred by ECom apps companies like Swiggy)
- B2C / Retail Sales - centrally financing vehicles to sub-dealers aka "Dealer Lessor Franchisees"(DLFs)
- OEM sub-dealer showroom can be touch point for rental clients too. MDL can have a corner in showroom for processing incoming clients
- MDLs can run larger service centers / inventory warehouse , decoupling sub dealers / DLFs to have service staff or facility.

Master Dealer Lessor - Growing together



Terms of Engagement - OEM <> MDLs

1. OEM to ensure pricing lower than Direct Dealers for both vehicles and spare parts. (upto 5% less per vehicle)
2. All B2B 3PL/corporate leads forwarded to MDLs for sales / lease as per location of customers
3. Special terms on support from OEMs
 - a. 72 hr response /TAT on any critical issue raised by MDL tech team
 - b. AMC costing to be 5% of vehicle cost per yr for 1st 3 yr and 10% for remaining 3 yr for MDL's leasing business
 - c. Inventory stores on credit (not billed unless used)
 - d. Priority R&D support on root cause analysis to decide on warranty claims etc
4. Co-development of new products as per MDL market projections & ground customer requirements.
5. Export opportunities to be leveraged via MDLs for mutual growth
6. Integrated marketing - ATL by OEM and BTL by DFLs of MDL
7. Sharing of financing & other strategic partnerships via OEM to MDLs
8. MDL commitments :
 - a. Orders in batches of min 1,000 vehicles within a year.
 - b. Adhere to OEM policies & guidelines to enforce on DFLs
 - c. Ensure rapid sales growth at regional level via DFLs
 - d. Ensure capital / venture debt raised centrally at MDL is distributed to DFLs in form of inventory.
 - e. Training & supervision of DFLs





Thank you.

