The Automobile Industry in India – Challenges Ahead

Presentation Outline

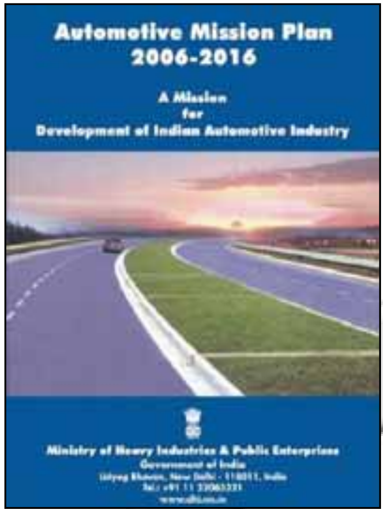
Automobile Industry in India

- Growth Trajectory
- Recent Trends
- Driving Factors
- Exports Performance
- Challenges

Indian Automotive Industry

- Estimated industry turnover 2008-09: € 36 bn
  - Vehicles € 28 bn, rest components and after market
  - Accounts for about 22% of manufacturing GDP
  - One of the highest contributors to State and Central Government finances
- Investments till FY06 : € 8.2 bn
- Investments announced : € 11 bn (FY 07-12)
- Employment: 600,000 direct + 12.5 mn indirect
- Presence of strong local OEMs
  - Building brand India
- Highly competitive: Presence of most global MNCs and also establishing engineering and sourcing centres

Indian Auto Industry to Double its contribution to GDP by 2016



€27 bn
In
2006

€115 bn
by
2016

Vision 2016

"By 2016, India will emerge as the destination of choice in Asia for the design & manufacture of automobiles and automotive components. The output of the India's automotive sector will be € 115 billion by 2016, contributing to 10% of India's Gross Domestic Product and providing employment to 25 million persons additionally."

Source : SIAM & AMP 2006-16

Evolution of Indian Auto Industry

Protection

- Closed economy (till 80s)
- Mfg licensed, QR on import
- High duties & sales tax
- PSUs, Basic Industries
- HML, PAL, Tata, M&M, Bajaj
- Oil Shock (70s) & Rupee devaluation

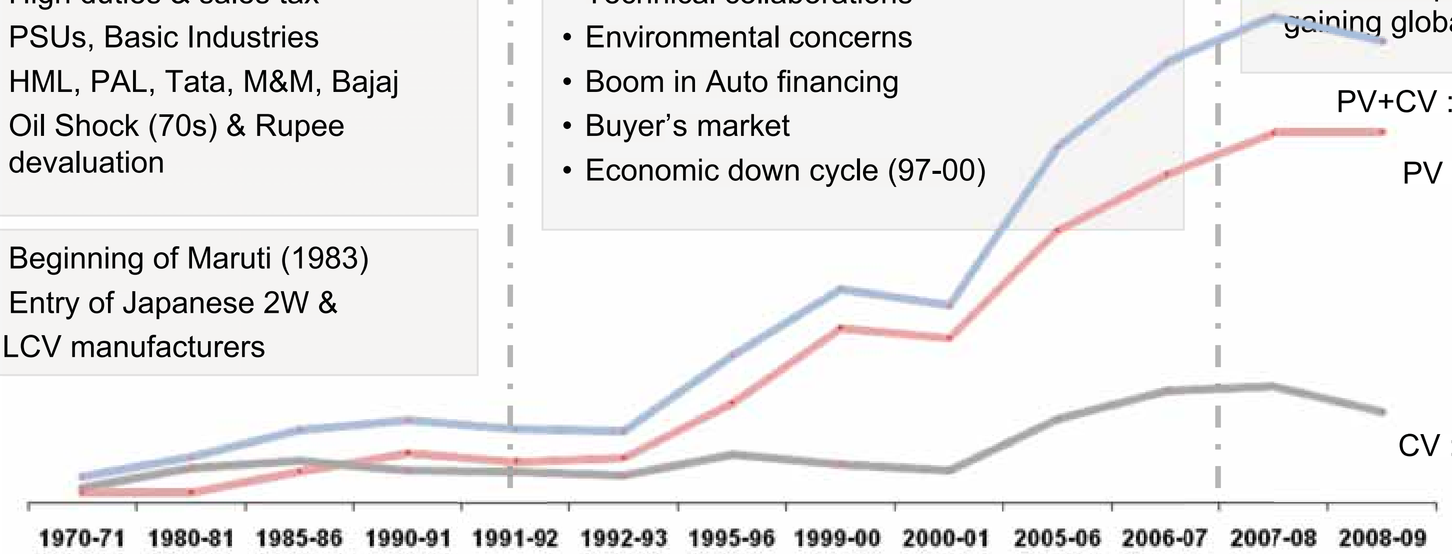
- Beginning of Maruti (1983)
- Entry of Japanese 2W & LCV manufacturers

Liberalisation

- Delicensing (93), QR removal
- Entry of foreign players (OEM)
- Technical collaborations
- Environmental concerns
- Boom in Auto financing
- Buyer's market
- Economic down cycle (97-00)

Globalisation

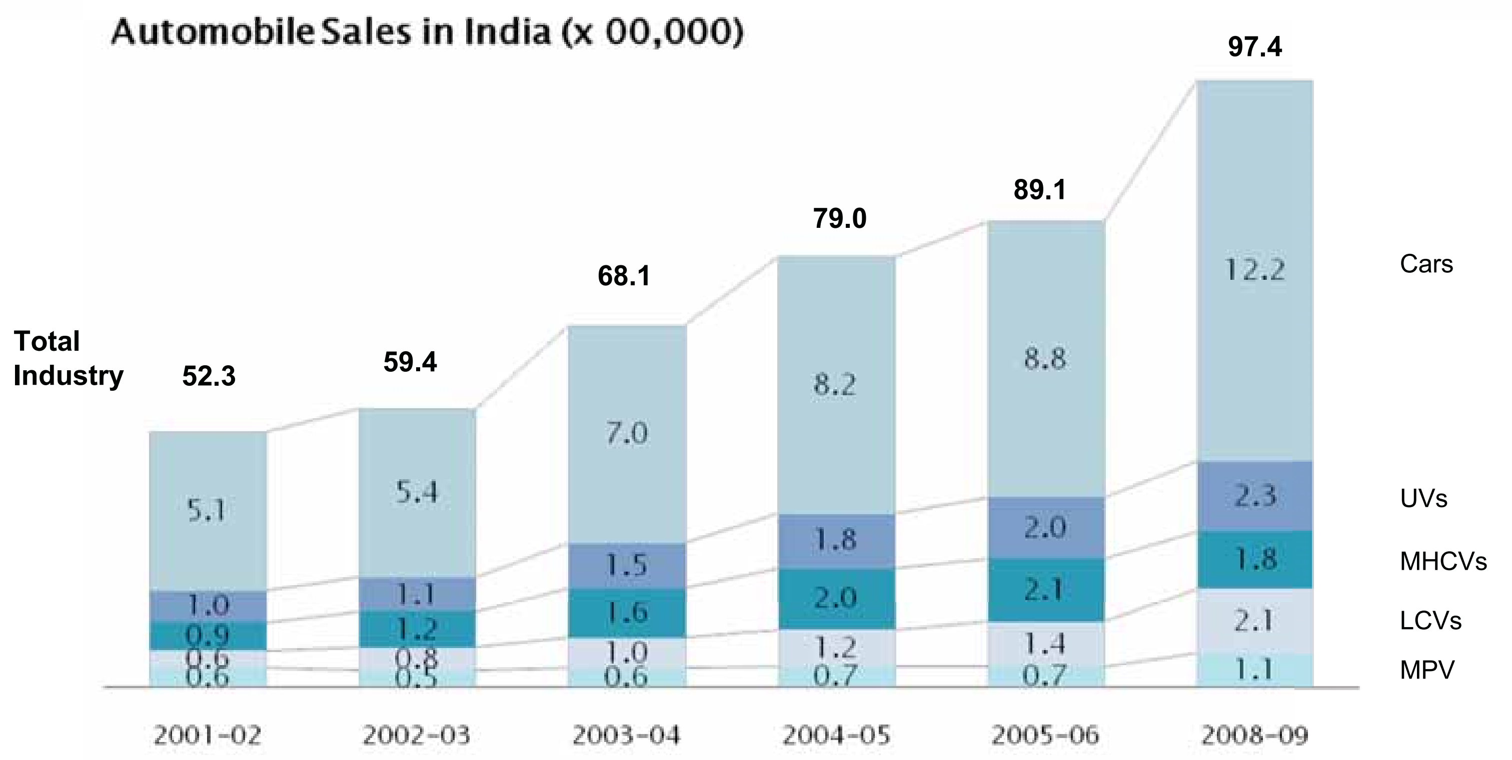
- Removal of most import controls
- Indian companies gaining global identity



PV	**47,000**	**208,000**	**690,000**	**1,143,000**	**1,552,000**
CV	**145,000**	**136,000**	**137,000**	**350,000**	**384,000**
3W	**13,000**	**84,000**	**182,000**	**360,000**	**350,000**
2W	**213,000**	**178,000**	**3,634,000**	**7,056,000**	**7,438,000**
Total	**418,000**	**606,000**	**4,643,000**	**8,909,000**	**9,723,000**

Source : SIAM

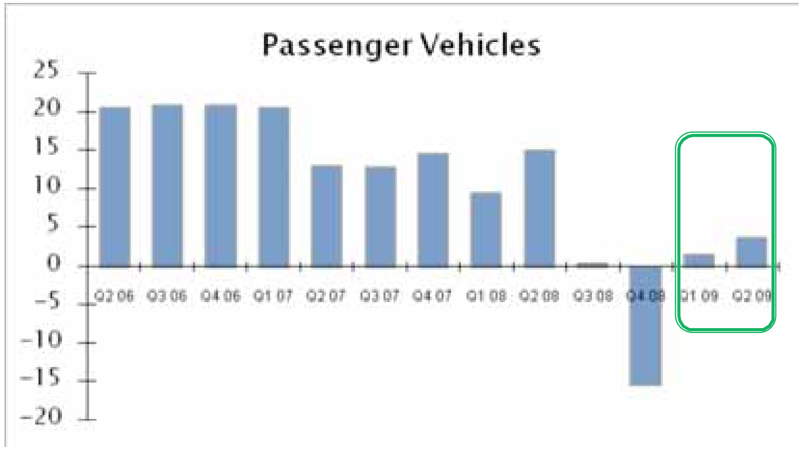
14% CAGR Growth in 5 Years

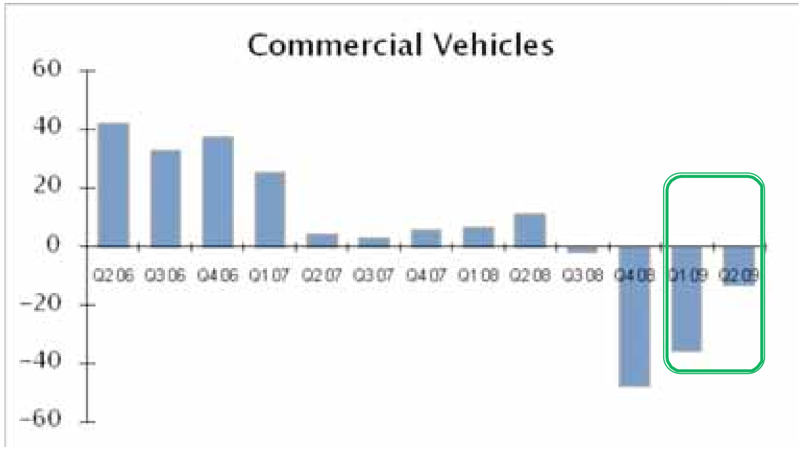


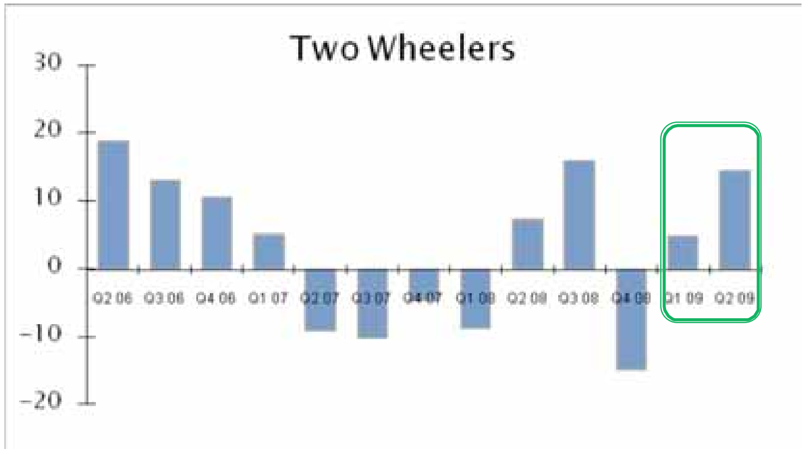
2.0	2.3	2.8	3.1	3.6	3.5	3W
42.0	48.1	53.6	62.1	70.6	74.4	2W

Source : SIAM & AMP 2006-16

Recent Growth Trends







On the Way to Recovery
After a Downturn

Source : SIAM

Driving Factors: Initiatives Taken

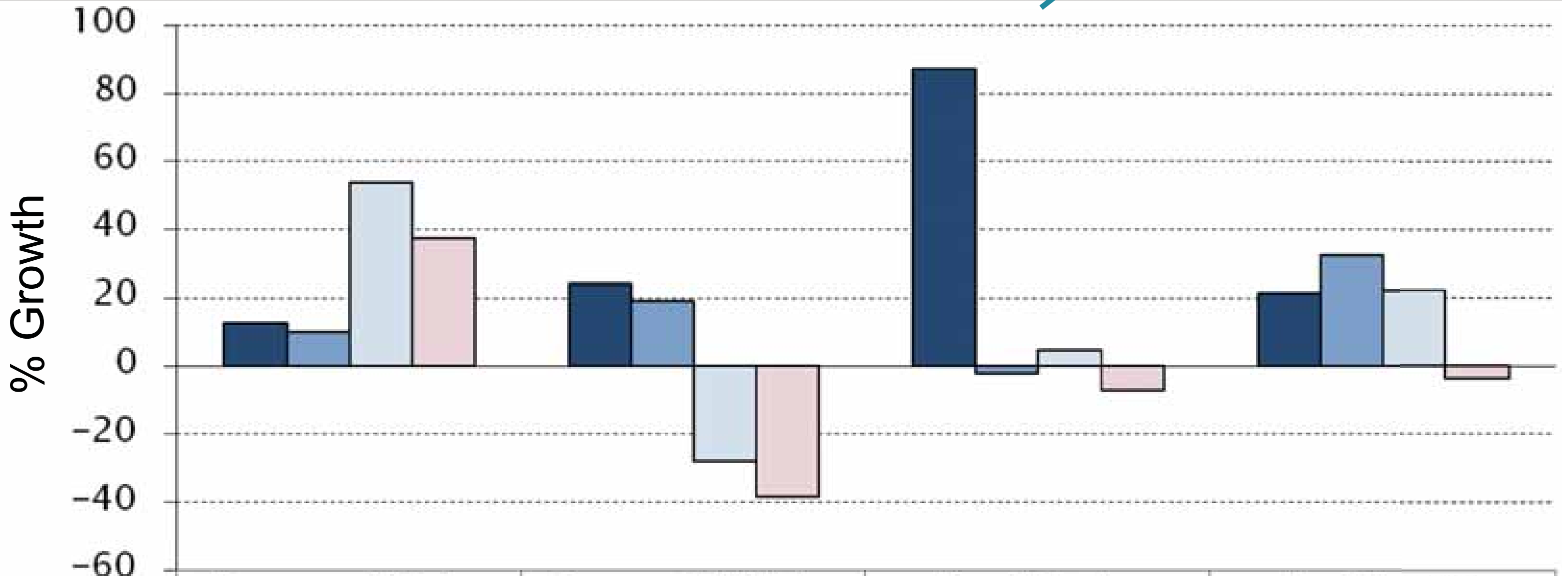
- Tax Reductions
- Accelerated Depreciation
- Improved liquidity
- Reduced interest rates
- Pay Commission announcements
- Lower commodity prices
- Cost reductions by OEMs
- New Launches

9 New Launches and over 5 Facelifts / Variants (Oct 08-Sep 09)

Source : SIAM

Export Performance

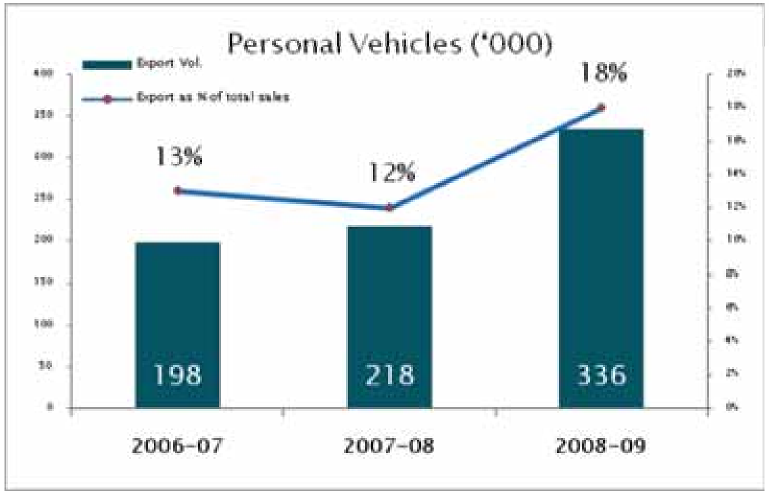
Mixed Result

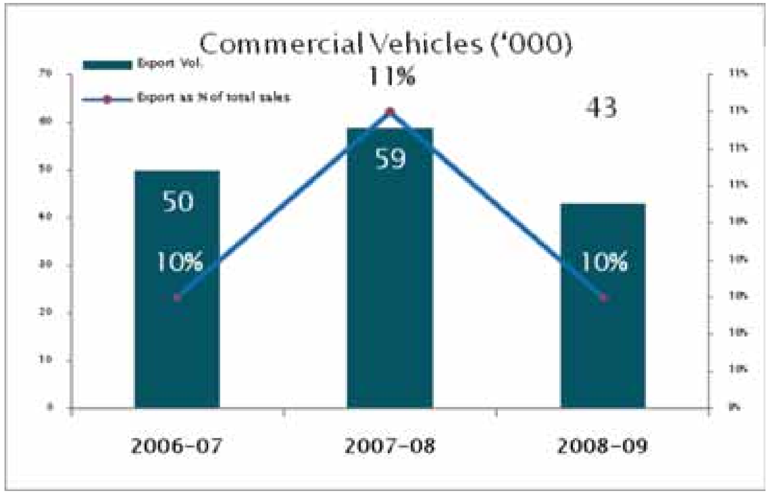


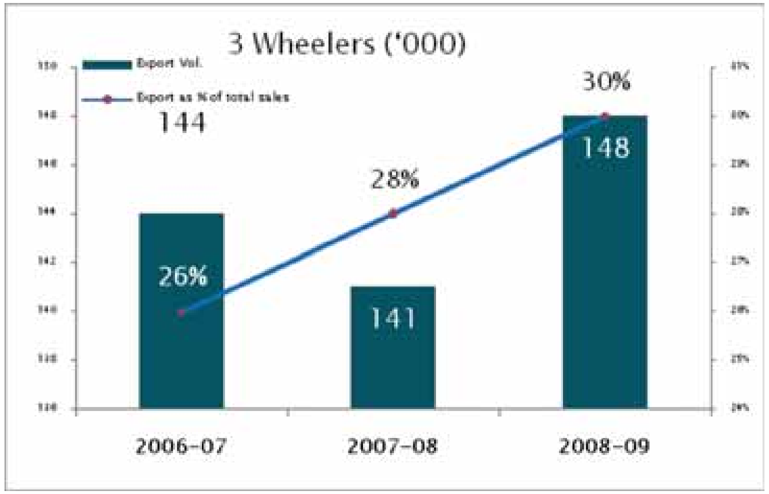
	Passenger Vehicles	Commercial Vehicles	Three Wheelers	Two Wheelers
2006-07	12.7	24.22	87.2	21.61
2007-08	10.06	19.1	-1.85	32.31
2008-09	53.73	-27.67	4.85	22.5
Apr-Aug 09	37.52	-38.26	-7.12	-3.36

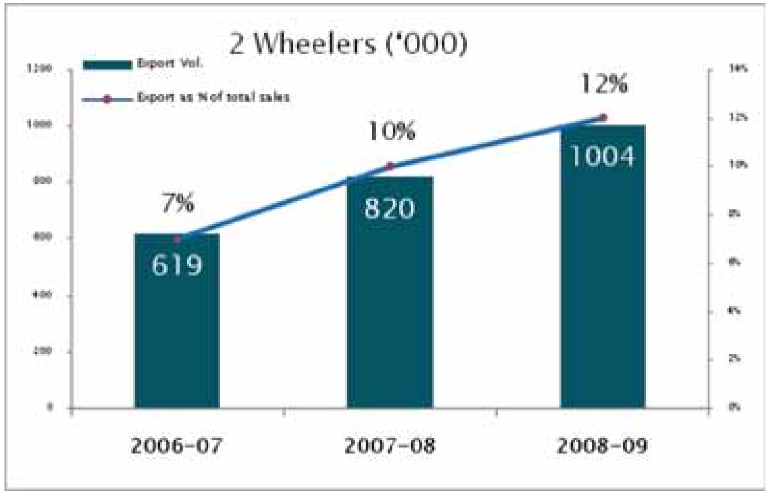
Source : SIAM

Export Volumes







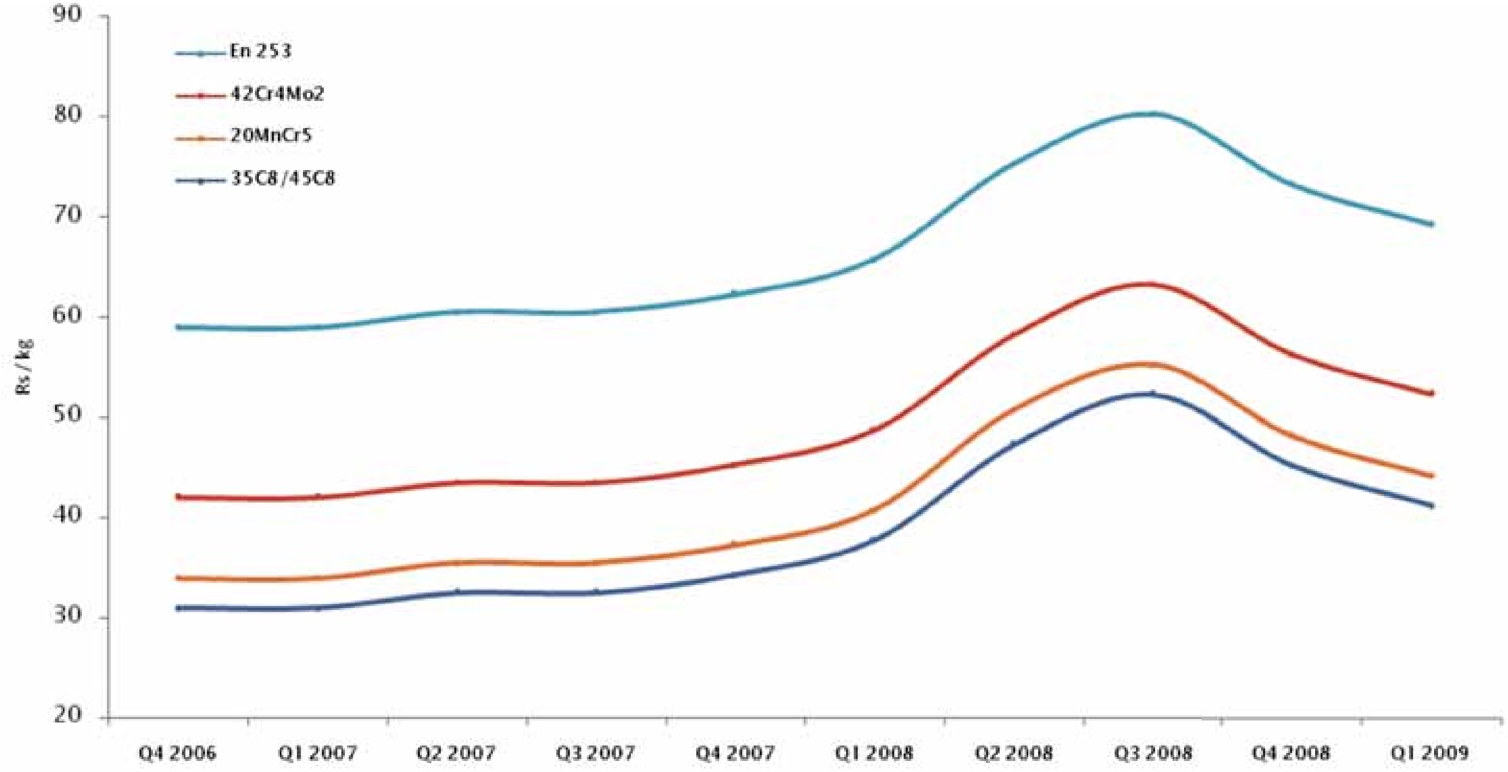


Source : SIAM

Current Challenges

‘Creating Demand’ would be the key to manage growth and achieve objectives of the Automotive Mission Plan

Material Cost Reduction



After peaking, material costs showing downward trend

New Products and Segments

Manufacturers can broaden their market base, increase market share, Improve capacity utilization, pre-empt competitor's entry & lower costs

Products Shown are only Indicative

Investment by Manufacturers

Company Name	*mn Euro*	*Company Name*	*mn Euro*
Ashok Leyland	147	ICML	32
Ashok Leyland - Nissan	325	Mahindra & Mahindra	706
Asia Motor Works	162	Maruti Udyog	1,145
Audi	19	Mercedes Benz India	47
Bajaj Auto	273	MLR Motors	353
BMW	16	Renault-Nissan	508
Force Motors Ltd.	71	Piaggio	53
Ford India	282	SkodaAuto India	85
General Motors India	680	Tata Motors	2,189
Hero Honda	304	Tata Motors - Fiat	494
Daimler-Hero	621	Toyota Kirloskar Motor	452
Honda Motorcycle & Scooters	56	TVS Motor	73
Honda Siel	184	Volkswagen	339
Hyundai Motor India	1,353	Volvo Buses	11

Total Investment of about € 11 bn

(More than 50% committed)

Source : SIAM

Other Challenges

- Finance Availability at Reasonable Interest Rate
- Infrastructure Development
- Human Capital
- Introduction of New Emission Regulations and Safety Standards From 2010

Thank You