

GENERAL MOTORS INDIA PRIVATE LIMITED



Background

Founded in 1908, General Motors Corporation is the worldwide leader in car manufacture, with a 15 per cent share in the world auto market. It employs about 325,000 people globally. In 2003, GM sold nearly 8.6 million cars and trucks. GM's global headquarters are at the GM Renaissance Centre in Detroit. The GM Group of global partners includes Fiat Auto SpA of Italy, Fuji Heavy Industries Ltd., Isuzu Motors Ltd. and Suzuki Motor Corp. of Japan, which are involved in various product, powertrain and purchasing collaborations. In addition, GM is the largest shareholder in GM Daewoo Auto & Technology Co. of South Korea. GM also has technology collaborations with BMW AG of Germany and Toyota Motor Corp. of Japan, and vehicle manufacturing ventures with several automakers around the world, including Toyota, Suzuki, Shanghai Automotive Industry Corp. of China, AUTOVAZ of Russia and Renault SA of France. GM has had a long association with India – from 1928 till 1954, it used to assemble Chevrolet cars, trucks, buses and batteries for the domestic market as well as for exports. Since then, it has been involved, through an association with Hindustan Motors, in the production of trucks, cars, automatic gearboxes (Allison) and off-highway equipment. General Motors India was formed in 1994 as a 50:50 joint venture between General Motors Corporation and the C.K. Birla Group of Companies. Its manufacturing plant is located at Halol, 40 km north of Vadodara in Gujarat. The Halol plant has received ISO 9002 certification in 1998, ISO 14001 in environment management systems in 1999, ISO -9000 2000 in January 2002. In 1999, GM bought out its partner's shareholding and GM India became a fully-owned subsidiary of GM Corporation. The total investment in GMI as of today is approximately US\$ 252 million. GM India currently has a total workforce of 1,200 personnel excluding contract workers. GM India offers products under the Chevrolet and Opel brands in the country.

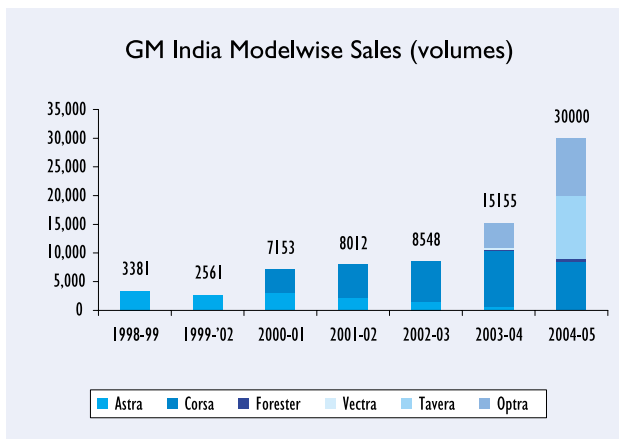
Expanding product range through regular new product launches

GM India launched its first car model, the Opel Astra, in 1996. The next model, Opel Corsa, was launched in 2000 and two variants of this model have been subsequently launched – Corsa Swing in 2001 and Corsa Sail in 2003.

In 2003, the company entered the MUV segment and

launched the Chevrolet brand in India through the Forester. It also launched the Opel Vectra and Chevrolet Optra. Vectra and Forester were imported as CBUs while Optra was assembled in the Halol plant. In 2004, the company has launched another MUV model, the Tavera.

The Vectra, Chevrolet Forester and Chevrolet Optra are positioned in the market place as premium



offerings. The Opel Corsa, Opel Swing and Corsa Sail are for the mainstream market. Production of Astra has been discontinued from June 2003.

Supported by network expansion in parallel

To support its growing product line-up, GM India has established 57 dealers and 25 authorised service outlets covering 82 locations across the country. The nationwide network is expected to grow to 120 locations by the end of the year.

Spurt in sales, powered by new models

The company had experienced moderate to reasonable growth from 2001 to 2003, as it operated with only two models. However, with the introduction of new models under the Chevrolet badge in 2003, sales have picked up. While final sales figures for 2004-05 are not available, it is estimated that the company has nearly doubled its volume over the previous year, thanks to the growing demand for Corsa and the newly-introduced Chevrolet models of Optra and Tavera.

Riding on the growth in volumes, the company also expects to post a higher turnover of nearly US\$ 400 million in 2004-05, as against US\$ 175 million in 2003-04. It also hopes to make, for the first time, positive operating profits this year.

Factors for success

The company is poised for a turnaround and expects quantum growth in volumes and turnover in the coming years. This confidence stems from several factors:

A global parent with a long-term view of the Indian market

GM entered India post-liberalisation with a long-term view; having sensed that future growth in the global auto market will come from this region. Its approach therefore was to establish a base in India and grow with the market as it matures.

The Indian market continues to be dominated by small cars. GM chose to enter the market with higher-end models that had lower volumes so that its initial investments were low and margins high. The company has slowly and steadily established a strong manufacturing and supplier base, as well as an efficient dealer network.

GM India has brought the latest manufacturing processes and human factor practices to its Halol plant and therefore is the benchmark for advanced technologies in the Indian automotive industry. India being one of the emerging and fastest growing markets in the region, GM is very serious about this market and is exploring various business options in automotive related fields. Though the company was continuously posting losses, it could afford to take a patient approach as it was supported well by the parent organisation, GM Corp. In fact, GM, through General Motors Asia Pacific Holdings LLC, has recently increased investments in GM India for new product development and capacity expansion.

Now, with the industry experiencing growth in the luxury car and MUV segments, the company is set to leverage its product range and grow at a much faster rate.

High levels of localisation

GM India has achieved significant localisation for all its products. Its suppliers include domestic and multinational companies located in various parts of India covering areas from Chandigarh in the north to the Cochin-Madras region in the south. The wide range of localised parts range from stampings to wiring harnesses. The stampings, radiators and other miscellaneous parts are sourced from and around Halol and Baroda. The Chevrolet Tavera was launched with

a localisation of 85 per cent. The localisation expected to go up to 92 per cent shortly.

Wide product range

GM India can draw from a wide range of global products not only from its parent, but also from associates of GM Corp such as Fuji, Daewoo, etc. This will enable the company to address all segments of the market and to quickly launch products in growing volume segments.

Large dealer network

GM India has upgraded and expanded its dealer network. Most facilities are adopting the state of the art 3S integrated facility norms. The company plans to have a presence in 120 Indian cities/towns by end 2005.

Building brand equity through customer loyalty programs

GMI has launched several industry first programs such as Opel Club Card facility, Opel Carnivals, Opel Autobahn newsletter, chauffeur training programmes, mobile road-show caravan, car exchange programme for Opel customers, OK 5-Star used car programme, two-year and four-year warranty schemes, 2 year service holiday etc. Such programmes have helped GM in building its brand equity and developing a loyal customer base.

Leveraging the India Advantage

Leveraging India's supplier base

The company has focused on increasing localisation levels and developing local suppliers, not only to reduce prices of its products, but also to eventually source parts from India.

GM India, which currently sources engines from its parent's subsidiaries worldwide, has signed a deal with the domestic automaker Hindustan Motors to locally produce engines for Chevrolet Tavera.

Research and development hub

GM has set up a technical centre at Bangalore and it

became fully operational in September 2003. GM has invested US\$ 21 million in the venture and as the project moves forward, more investments will be made depending upon the requirement. It is one of the four GM technical centres in Asia (GMDAT, GM China and Holden).

The Centre has two operational units: Research and Development (R&D) and engineering. R&D focuses on high-value work to complement current research programmes and undertakes new exploratory research projects. The initial focus falls into four areas: math-based tools, lightweight materials and robust manufacturing processes, automotive electronics and controls systems, and manufacturing enterprise and management science.

On the engineering side, the India team provides math-based tools for GM India, GM Asia Pacific and Global Engineering. It relies on computer-aided design, computer-aided engineering and computer-aided manufacturing work. The GMITC engineering team is working on product programmes for India, including the interiors/exterior of Tavera, and any future enhancements. It currently employs some 250 engineers and acts as a design centre for GM.

In addition, the GM technical centre also has tie-ups with a number of technical and academic institutions in India. These include institutions like the Indian Institutes of Technology, the Indian Institute of Science, Bangalore etc. These tie-ups are for research projects in various areas.

Future plans

- GM India has invested around over US\$ 111 million for expanding its production capacity from 25,000 units (the company is geared to sell 30,000 units in 2005) to 55,000 units per annum, (working on double shift). Much of that investment has gone into the production of Tavera on which GM India is banking.
- With the recent launch of its new car models and a few others in the pipeline, GM India is on the

road to breaking even and profitability this year. The company is targeting a turnover of US\$ 375 million during the year, up by US\$ 208 million from last year.

- The company plans to be present in every market segment. GM will soon roll out the small car, Chevrolet Spark (the relaunched version of Daewoo's Matiz). The company is also conducting a due diligence on Daewoo Motors India Limited and, as per plans, Chevrolet Spark will be rolled out from the company's Surajpur facility near Delhi.