



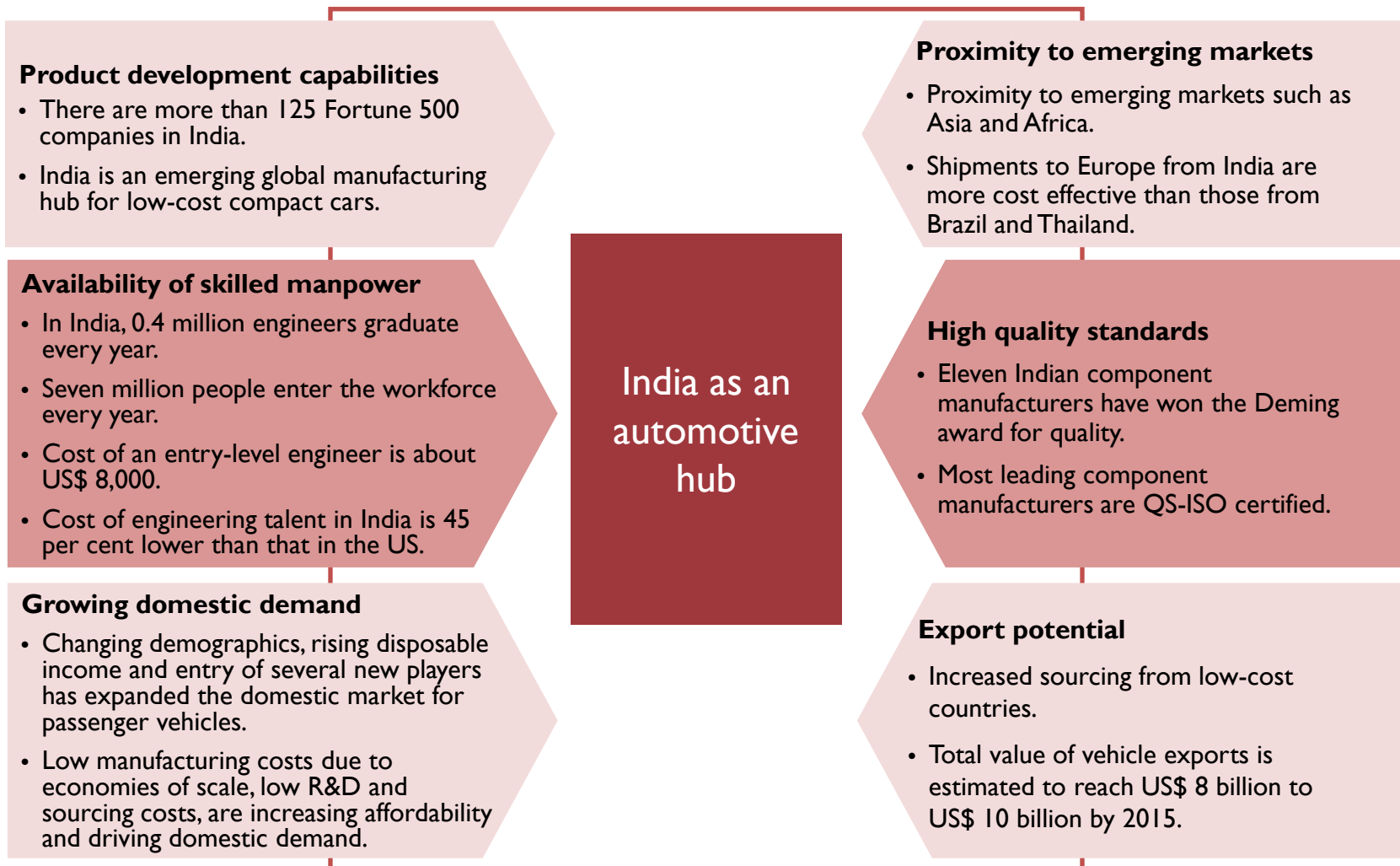
# AUTOMOTIVES

April 2010

## Contents

- ❖ **Advantage India**
- ❖ Market overview
- ❖ Industry infrastructure
- ❖ Investments
- ❖ Policy and regulatory framework
- ❖ Opportunities
- ❖ Industry associations

# Advantage India



Source: Ernst and Young research

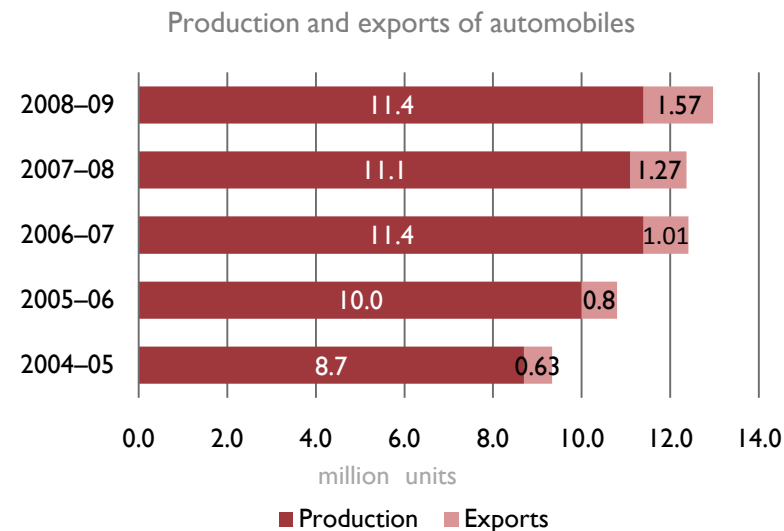
OEM: Original equipment manufacturers; ISO: International Organisation for Standardisation; QS: Quality System

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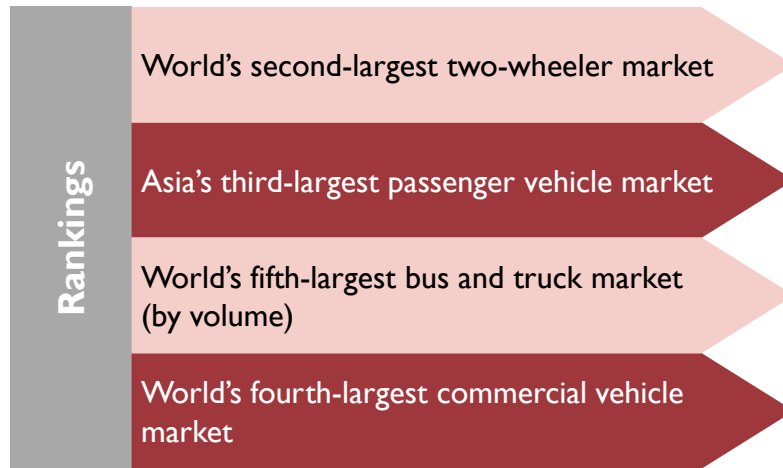
## Market overview ... (1/4)

- The industry turnover is estimated to reach a level of US\$ 155 billion by 2016.
- Overall production of automobiles increased from 8.7 million units in 2004–05 to 11.4 million units in 2008–09.
- Overall vehicle sales increased marginally from 9.65 million units in 2007–08 to 9.72 million units in 2008–09.
- Between 2000 and 2009, the industry witnessed a cumulative FDI flow worth US\$ 4.3 billion accounting for 4 per cent of the total FDI into the country.



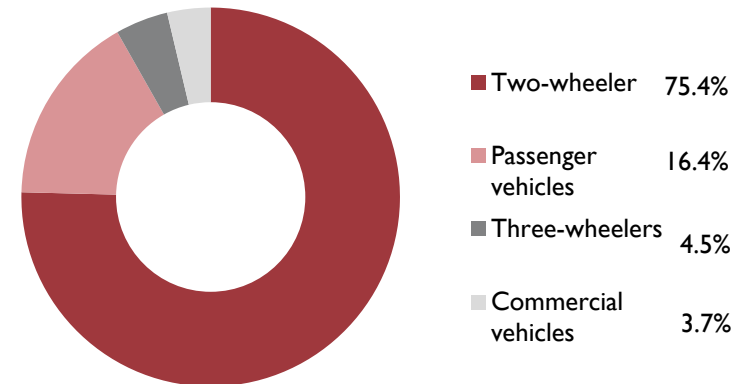
Source: Society of Indian Automobile Manufacturers (SIAM)

## Market overview ... (2/4)



Source: Industry sources

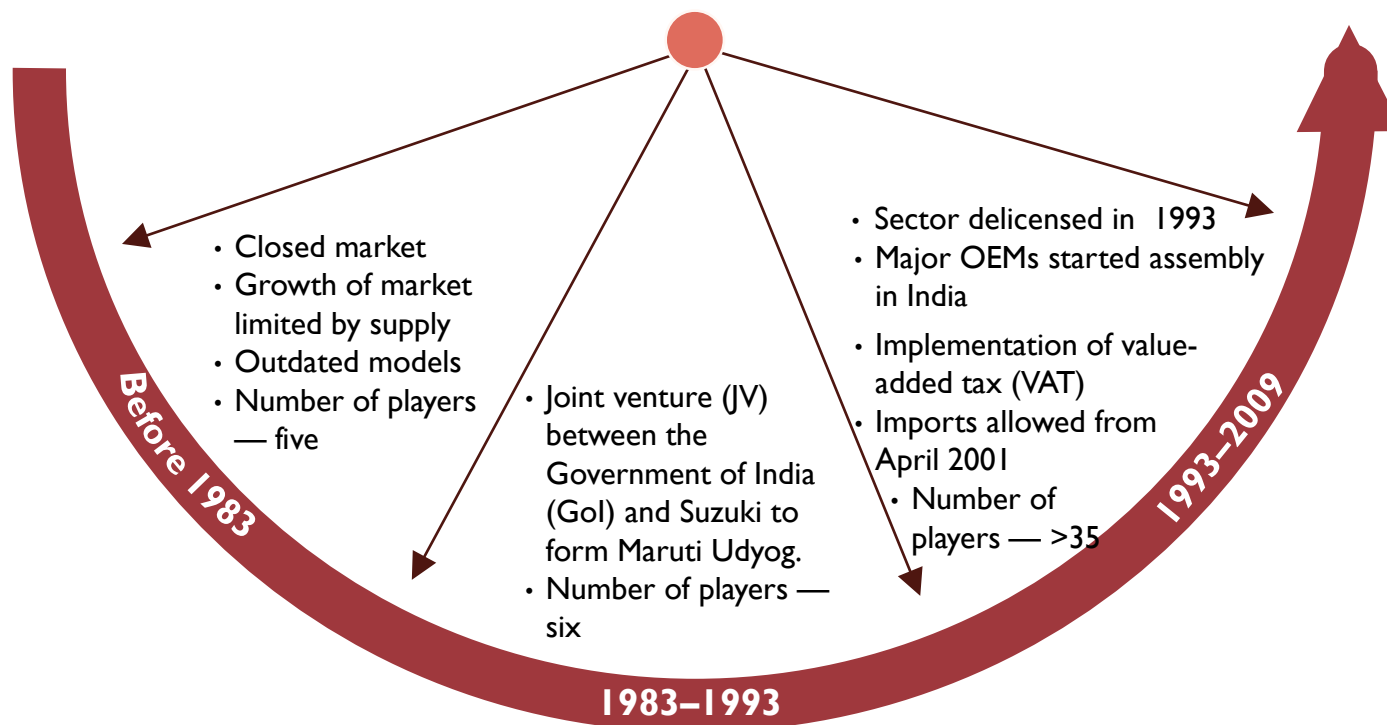
Segment share of automobiles in 2008–09  
(production)



Source: SIAM

## Market overview ... (3/4)

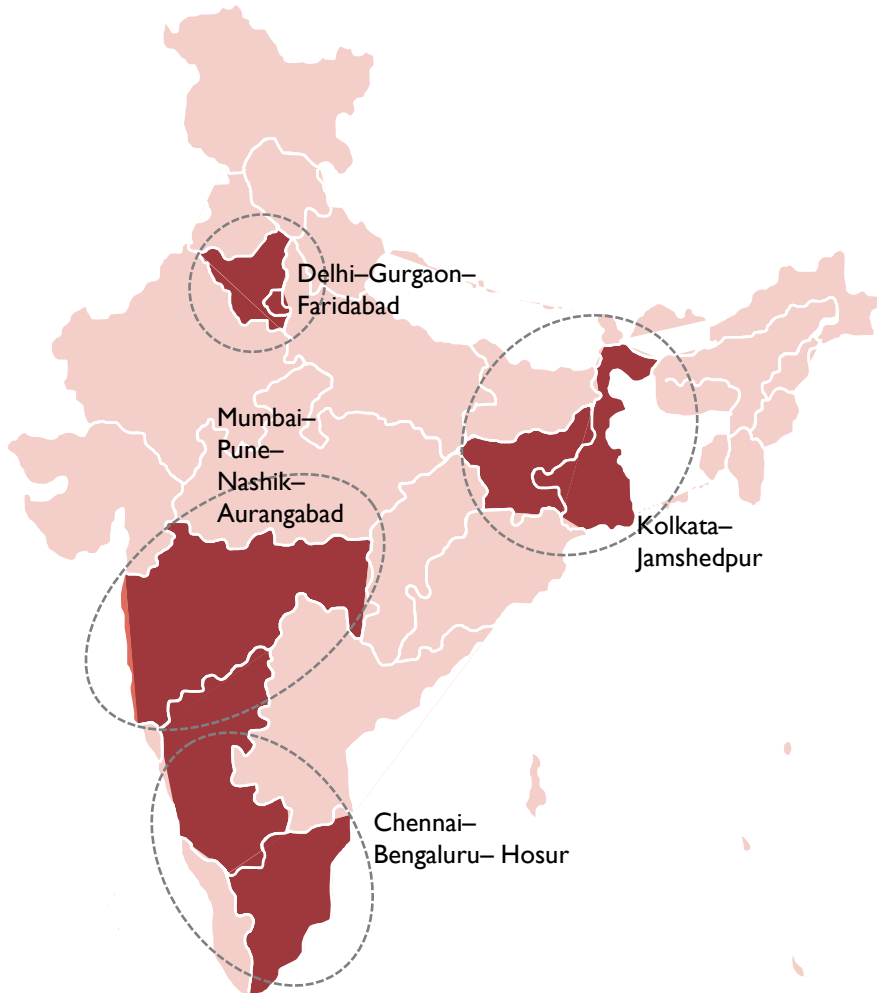
Evolution of automobile industry from five players to more than 35 players



## Market overview ... (4/4)

- Recent acquisition of Jaguar and Land Rover brands by Tata Motors and launch of world's cheapest car, Tata Nano, has placed the Indian automobile market on the global automotive map.
- Increasing availability of smaller and affordable cars has helped in the expansion of the passenger vehicles market in India.
- The Indian automotive industry is expected to be the world's seventh-largest automobile market by 2016 and the third largest by 2030, only behind China and the US.

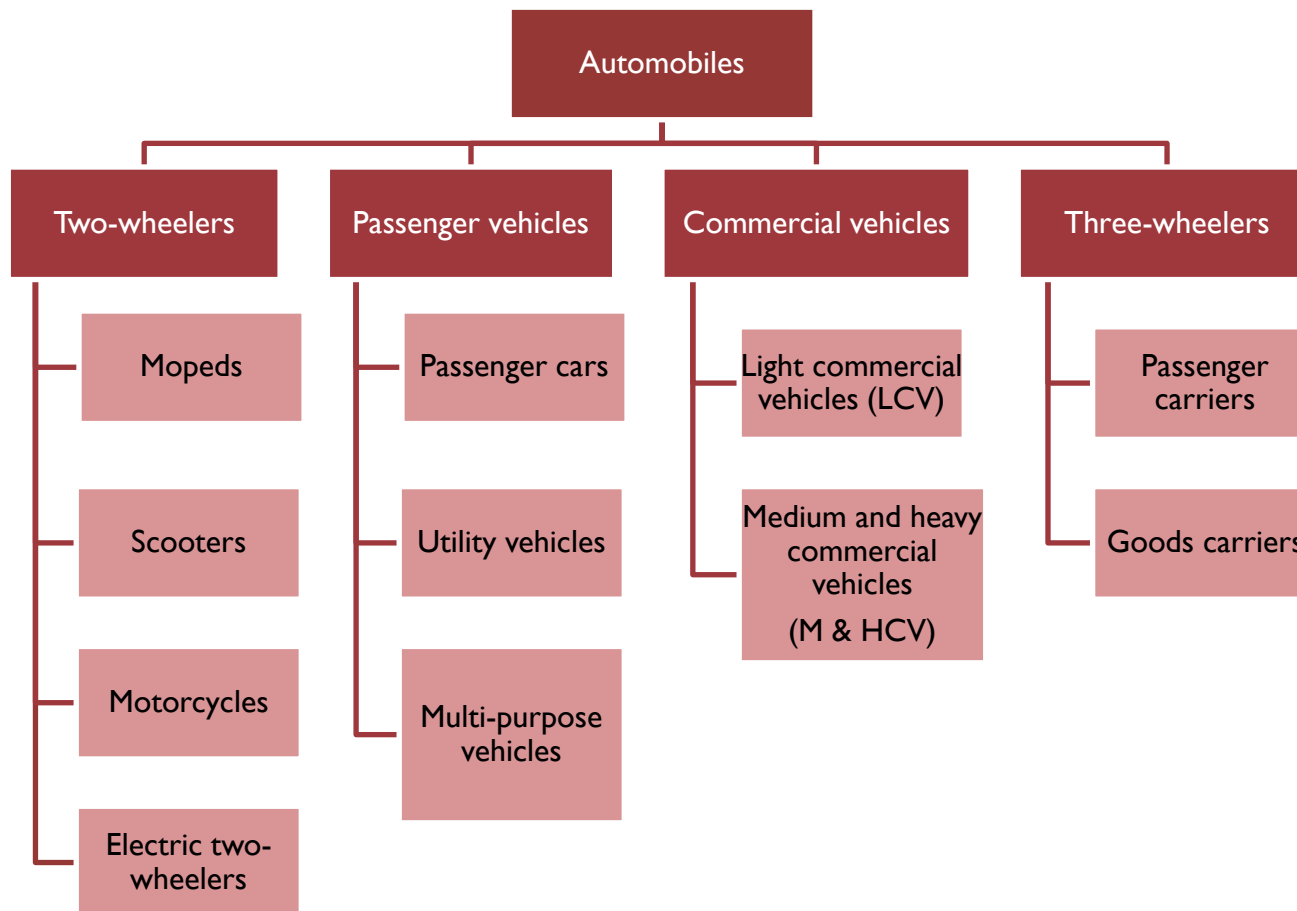
# Indian automotive clusters



North	<ul style="list-style-type: none"> <li>Ashok Leyland</li> <li>Force Motors</li> <li>Piaggio</li> </ul>	<ul style="list-style-type: none"> <li>Swaraj Mazda</li> <li>Amtek Auto</li> <li>Eicher</li> </ul>	<ul style="list-style-type: none"> <li>Honda SIEL</li> <li>Maruti Suzuki</li> <li>Tata</li> </ul>	<ul style="list-style-type: none"> <li>Motors Bajaj Auto</li> <li>Hero Group</li> </ul>
West	<ul style="list-style-type: none"> <li>Ashok Leyland</li> <li>Bajaj Auto</li> <li>FIAT</li> </ul>	<ul style="list-style-type: none"> <li>GM M&amp;M</li> <li>Eicher Skoda</li> <li>Bharat</li> </ul>	<ul style="list-style-type: none"> <li>Forge Tata Motors</li> <li>Volkswagen</li> </ul>	<ul style="list-style-type: none"> <li>Renault-Nissan</li> <li>M&amp;M</li> </ul>
East	<ul style="list-style-type: none"> <li>Tata Motors</li> <li>Hindustan Motors</li> <li>Simpson &amp; Co</li> <li>International Auto</li> </ul>	<ul style="list-style-type: none"> <li>Forgings JMT</li> <li>Exide</li> </ul>		
South	<ul style="list-style-type: none"> <li>Ashok Leyland</li> <li>Ford</li> <li>M&amp;M</li> <li>Toyota Kirloskar</li> </ul>	<ul style="list-style-type: none"> <li>Volvo Sundaram</li> <li>Fasteners</li> <li>Enfield</li> </ul>	<ul style="list-style-type: none"> <li>Hyundai</li> <li>BMW</li> <li>Bosch</li> <li>TVS</li> <li>Motor Compan</li> </ul>	<ul style="list-style-type: none"> <li>Renault-Nissan</li> </ul>

Source: Industry sources  
M&M: Mahindra & Mahindra

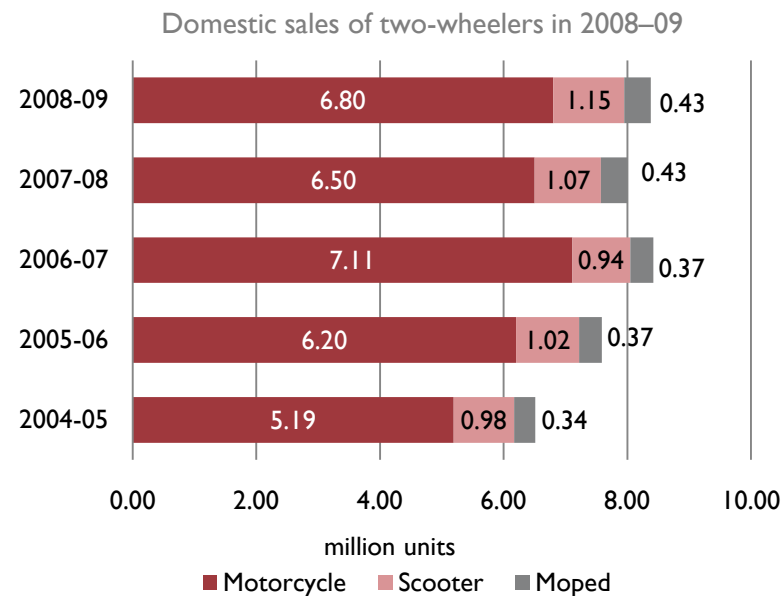
## Market segments



Source: Industry sources

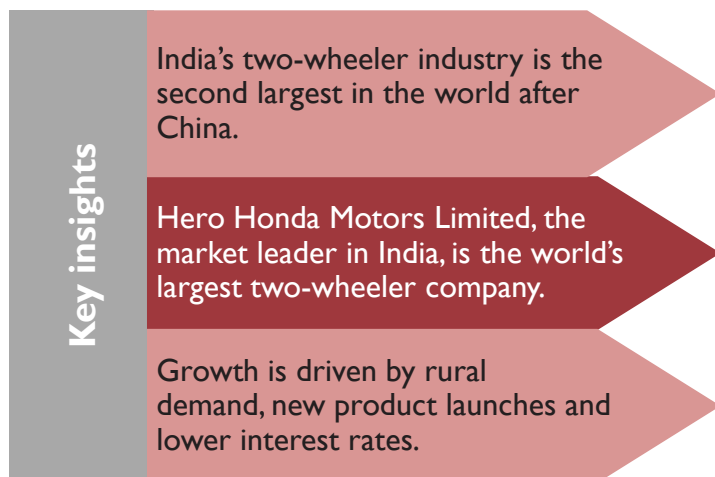
## Two-wheelers — market overview ... (1/2)

- Domestic sales of two-wheelers have grown steadily at a compound annual growth rate (CAGR) of about 7 per cent, from 6.5 million units in 2004–05 to 8.3 million units in 2008–09.
- The motorcycle segment constitutes more than 80 per cent of the two-wheeler market.
- Models with sub-125 cc engines account for up to 80 per cent of the market.
- Increase in scooter sales due to the launch of fuel-efficient gearless scooters.



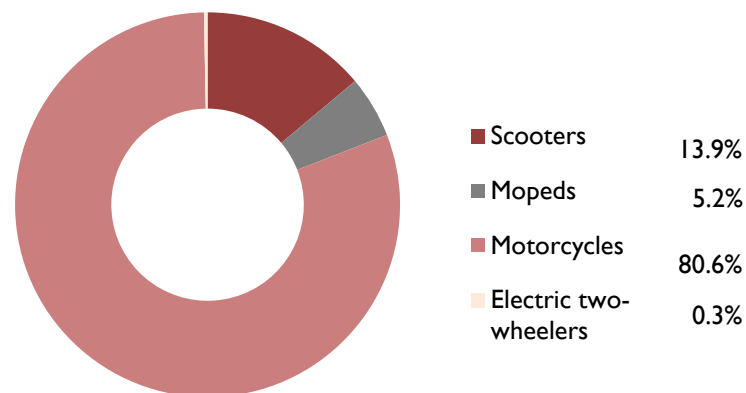
Source: SIAM

## Two-wheelers — market overview ... (2/2)



Source: Ernst and Young analysis

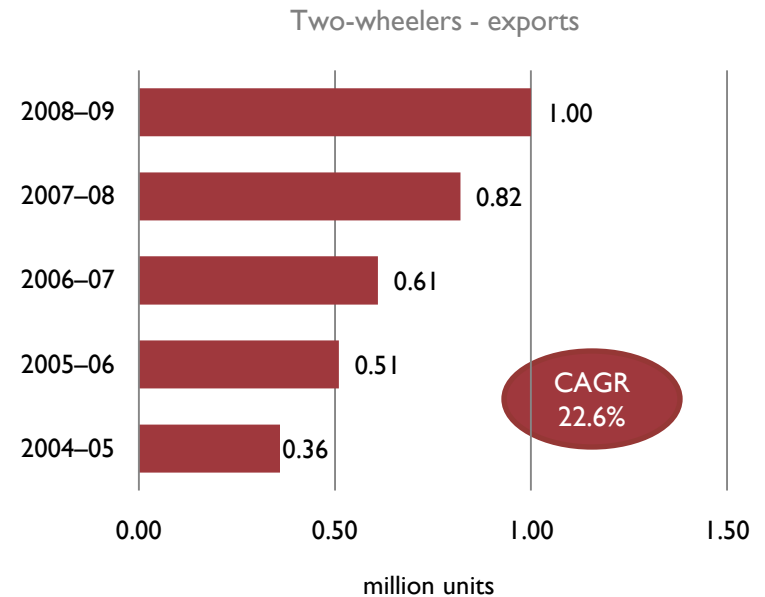
Two-wheelers – segment-wise share of production (2008–09)



Source: SIAM

## Two-wheelers — exports ... (1/2)

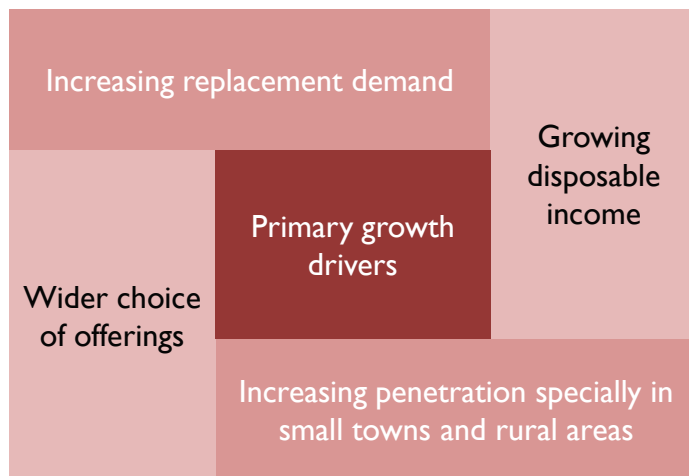
- The exports of two-wheelers from India have grown at a CAGR of about 22 per cent between 2004–05 and 2008–09, crossing the one-million mark in 2009.
- Motorcycles constitute 96.7 per cent of the total exports of two-wheelers.



Source: SIAM

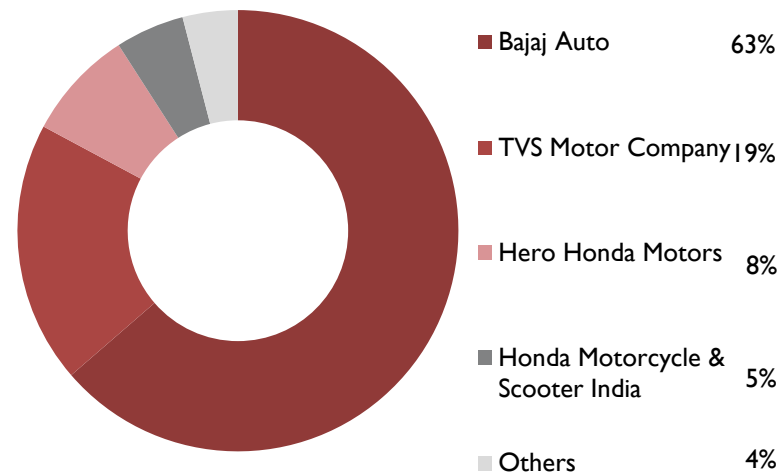
## Two-wheelers — exports ... (2/2)

- Principal export markets are the developing economies of South Asia and Latin America.
- Bajaj Auto is the market leader in exports with a share of 63 per cent, followed by TVS Motor Company and Hero Honda Motors Limited.



Source: Ernst and Young analysis

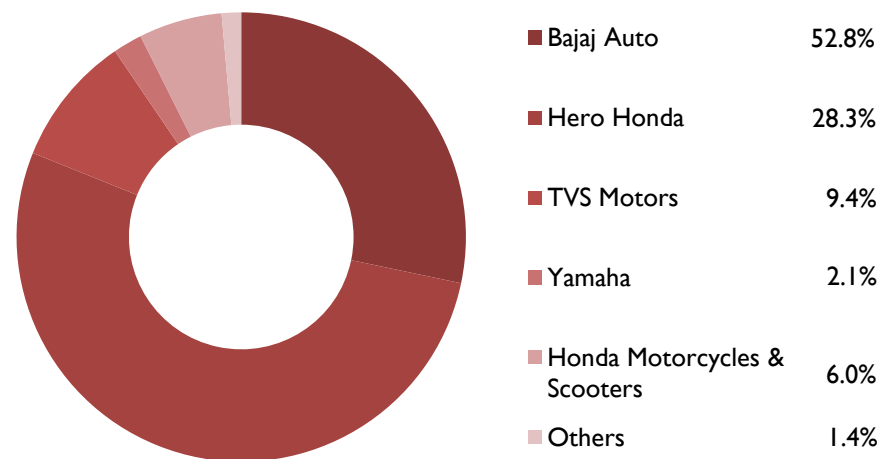
Two-wheelers — company-wise share of exports (2008–09)



## Two-wheelers — dominated by domestic players ... (1/2)

- Hero Honda Motors Limited is the largest two-wheeler manufacturer in the world.
- Bajaj Auto is the second-largest two-wheeler manufacturer in India.
- TVS Motor Company is the leading player in the moped segment and the third-largest two-wheeler manufacturer in India.

Motorcycle — market share in 2008–09  
(by volume)



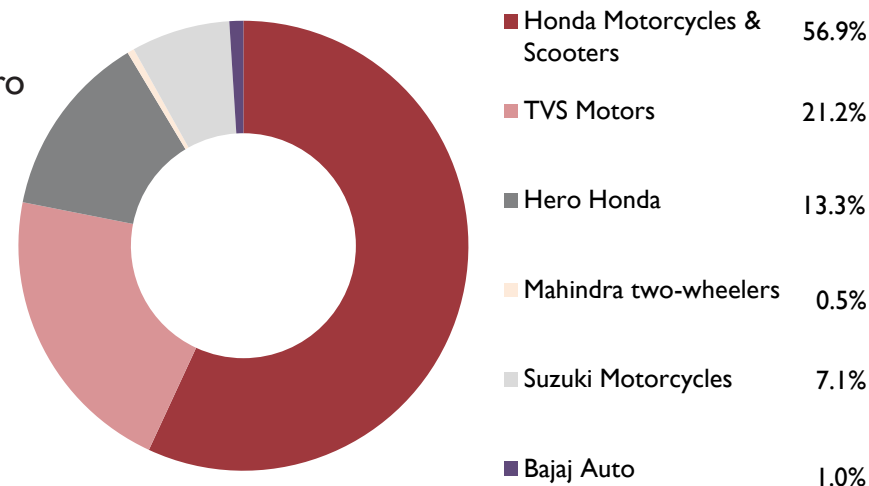
Source: SIAM

## Two-wheelers — dominated by domestic players ... (2/2)

### New entrants

- Honda Motors recently entered the motorcycle segment in addition to its joint venture (JV) with Hero Group.
- Mahindra & Mahindra is a recent entrant in the segment through its acquisition of Kinetic Motors.
- Foreign players such as BMW, Harley Davidson and Ducati have forayed into the Indian market with a range of high-end motorcycles.

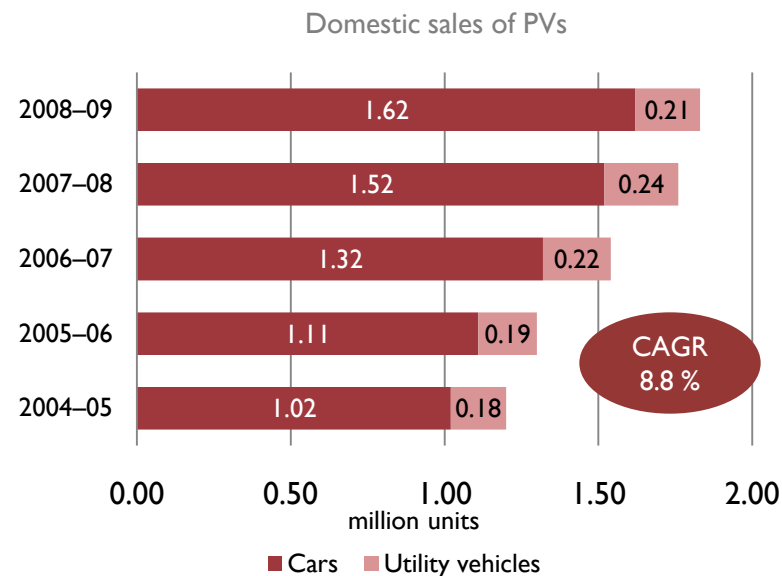
Scooter — market share in 2008–09  
(by volume)



Source: SIAM

## Passenger vehicles (PV) — market overview ... (1/2)

- Domestic sales of passenger vehicles have grown at a CAGR of 12.2 per cent from 1.2 million units in 2004–05 to 1.8 million units in 2008–09.
- Passenger cars, accounting for 78.6 per cent of the total PVs produced, grew at a CAGR of 15 per cent in 2008–09.
- This segment is expected to grow at 12 per cent annually over the next five years to touch 3.75 million units by 2014.



Source: SIAM

## Passenger vehicles (PV) — market overview ... (2/2)

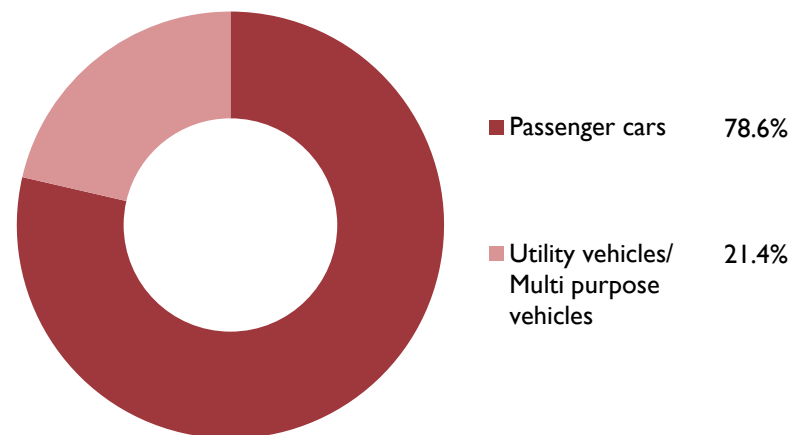
### Key insights

The production of PVs in India has grown more than threefold over the last decade.

India is primarily a small-car market, with small cars constituting about 75 per cent of the total production.

India is estimated to become the sixth-largest PV market and fifth-largest PV producer in the world by 2014.

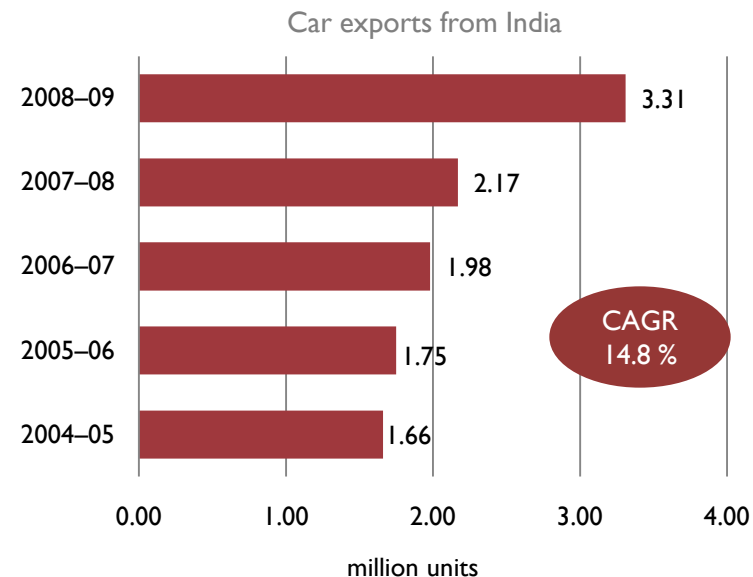
Segment share in passenger vehicle in 2008-2009



Source: SIAM

## Passenger vehicles — exports ... (1/2)

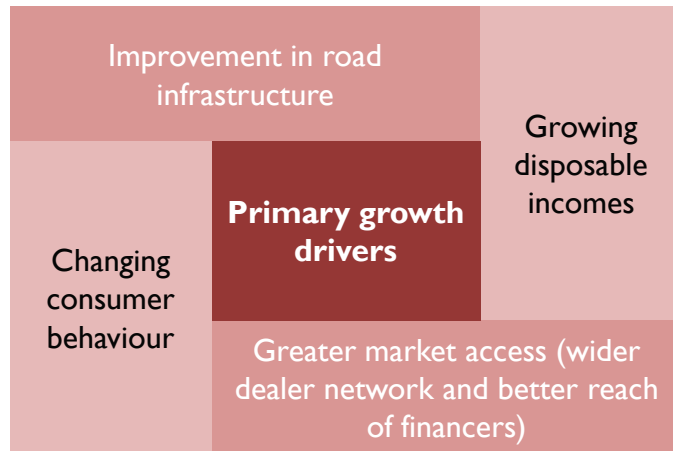
- In 2008–09, exports from this segment accounted for 17.8 per cent of the total PVs sold, compared to 9.2 per cent in 2003.
- Small cars constituted 90 per cent of the total passenger vehicle exports from India in 2008–09.
- Major export destinations include Algeria, Italy, Mexico, South Africa and Sri Lanka.



Source: SIAM

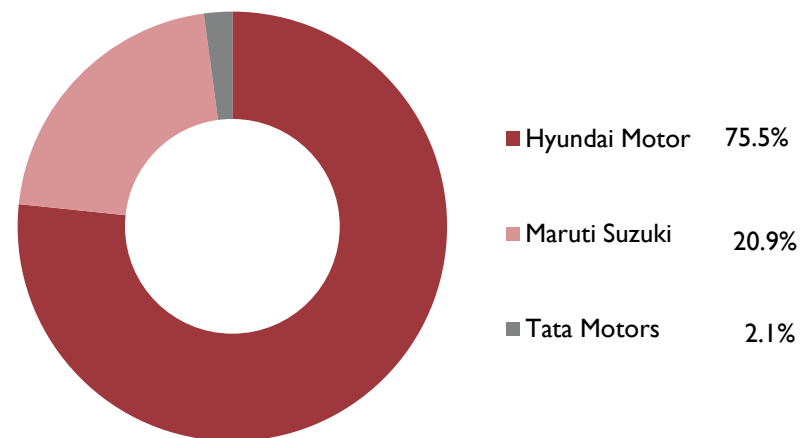
## Passenger vehicles — exports ... (2/2)

- Hyundai Motor India Ltd is the largest exporter with a 76 per cent share in 2009, compared to 66 per cent in 2008.



Source: Ernst and Young analysis

PV exports — market share of key players (2009)



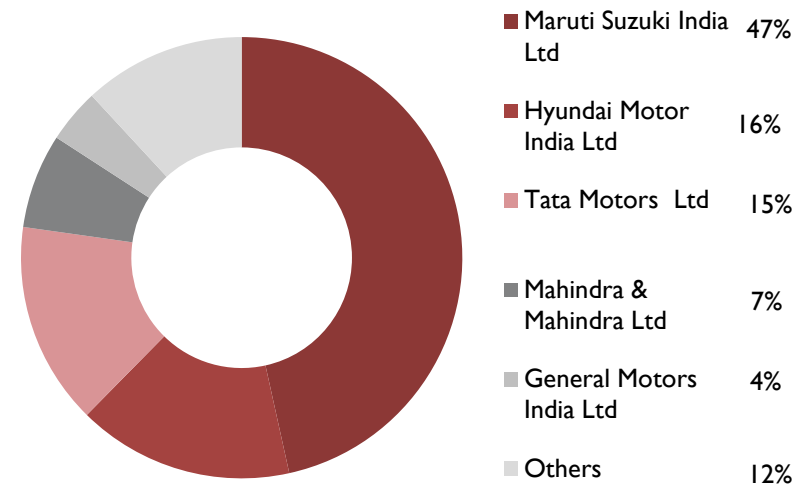
Source: SIAM

## Passenger vehicles — domestic and global players ... (1/2)

### Innovative capabilities

- Launch of the Tata Nano by Tata Motors revolutionised the industry by creating a new ultra low cost car (ULCC) segment.

Market share of key players in 2008–09



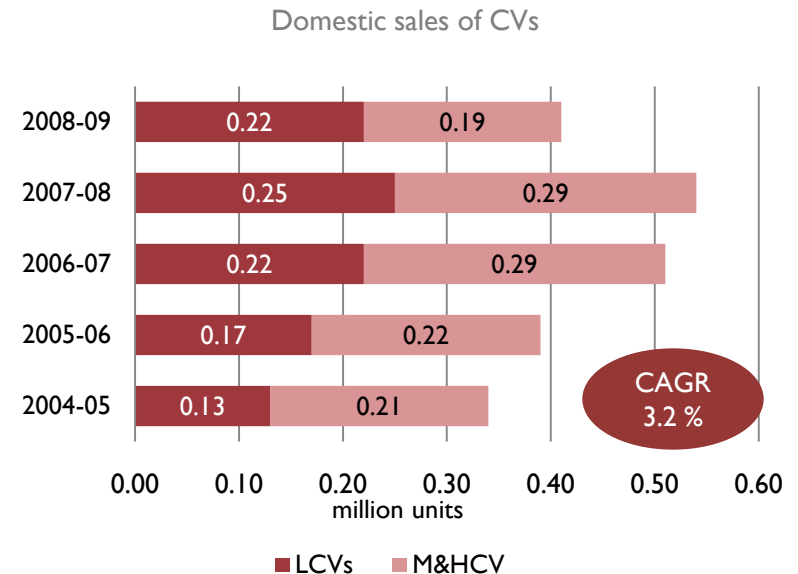
Source: SIAM

## Passenger vehicles — domestic and global players ... (2/2)

Key new entrants	
OEM/Tier I suppliers	Launches in India
Mahindra & Mahindra	Tied up with Renault for the manufacturing and marketing of Logan cars in India.
Tata Motors	Launched Tata Ace Magic and introduced iconic British brands — Jaguar and Land Rover.
Rolls Royce	Launched its top-most brands, Ghost and Phantom in 2009.
Volkswagen	Launched its most popular car, the Beetle in 2009.

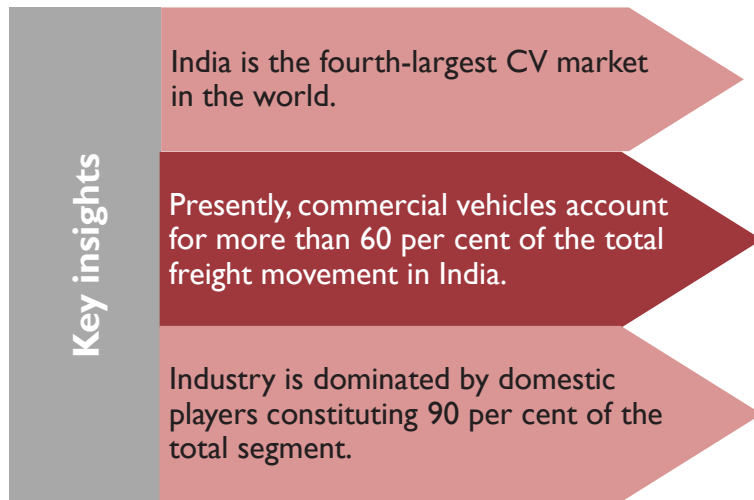
## Commercial vehicles (CV) — market overview ... (1/2)

- Domestic sales of CVs have grown at a CAGR of 3.22 per cent from 0.35 million units in 2004–05 to 0.41 million units in 2008–09.
- The industry is dominated by domestic players such as Tata Motors, Ashok Leyland, M&M and Eicher Motors.
- Growth in industrial activity and increasing road penetration are likely to increase the CV sales to one million units by 2020.



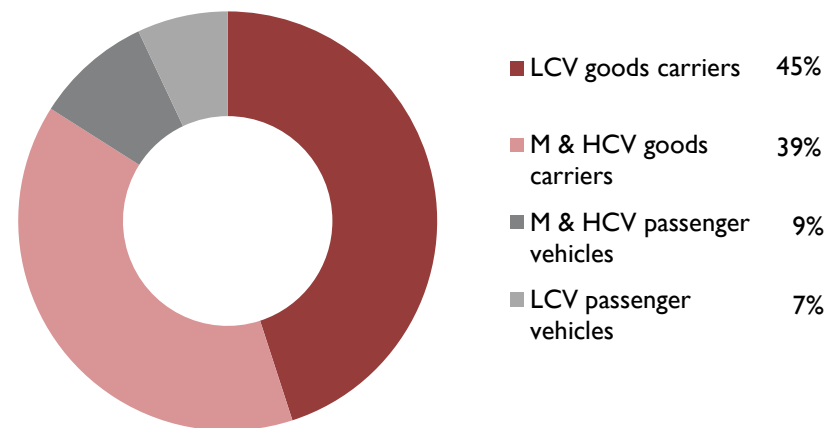
Source: SIAM

## Commercial vehicles (CV) — market overview ... (2/2)



Source: Ernst and Young analysis

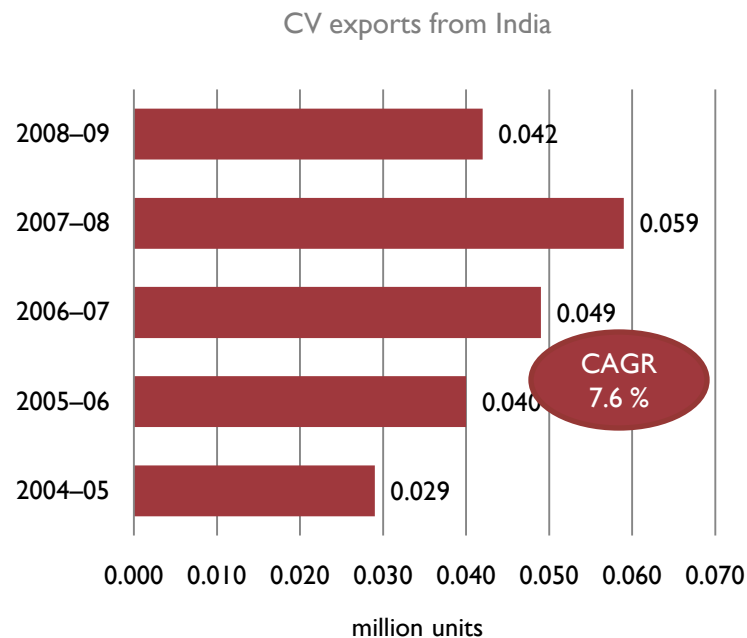
Industry break-up by segment (2008–09)



Source: SIAM

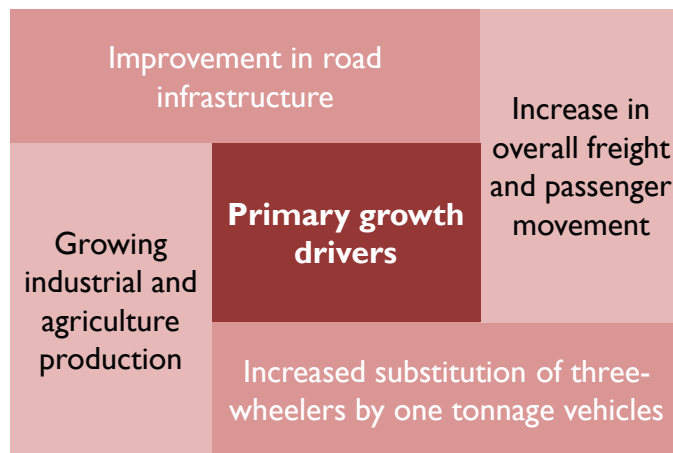
## Commercial vehicles — exports ... (1/2)

- In 2009, LCVs accounted for an export share of 60 per cent while M & HCVs accounted for 40 per cent of CV exports.
- Tata Motors accounts for 62 per cent of CV exports whereas Ashok Leyland and M&M account for a 38 per cent share.
- Major export destinations include Bangladesh, Mauritius, Nepal, South Africa, Sri Lanka and the Gulf countries.
- Trucks are mainly exported to Bangladesh, Nepal and Africa and passenger carriers to Sri Lanka and the Gulf countries.



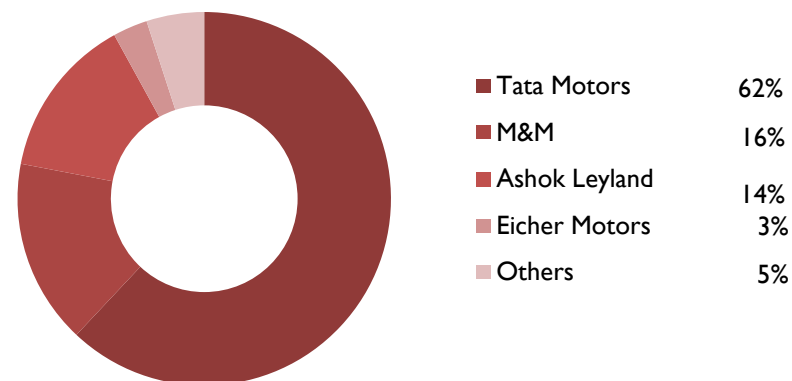
## Commercial vehicles — exports ... (2/2)

- Tata Motors accounts for 62 per cent of CV exports whereas Ashok Leyland and M&M account for a 38 per cent share.



Source: Ernst and Young analysis

Export share of key players in 2008–09

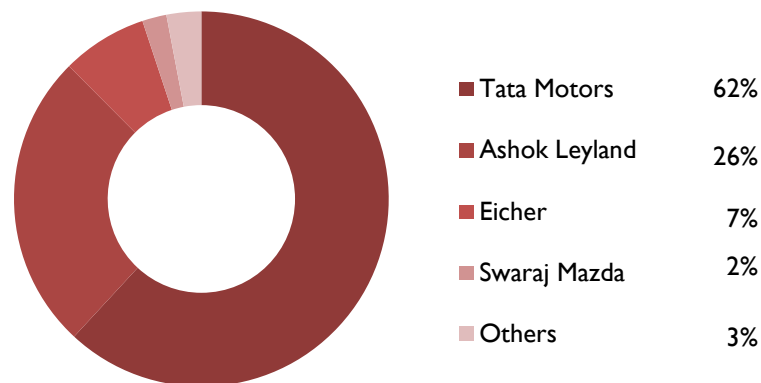


Source: SIAM

## Commercial vehicles — dominated by domestic manufacturers ... (1/2)

- Tata Motors, the market leader in both M & HCV and LCV segments, accounts for 62 per cent of the total production.
- Tata Motors entered the sub-one tonne segment through the launch of Tata Ace in 2006.
- Entry of global players is likely to drive the focus of domestic manufacturers on R&D initiatives and product development activities.
- Recently, new players such as Daimler, Piaggio, MAN AG and Hino have entered the CV segment.

M & HCVs — domestic market share (production) in 2009

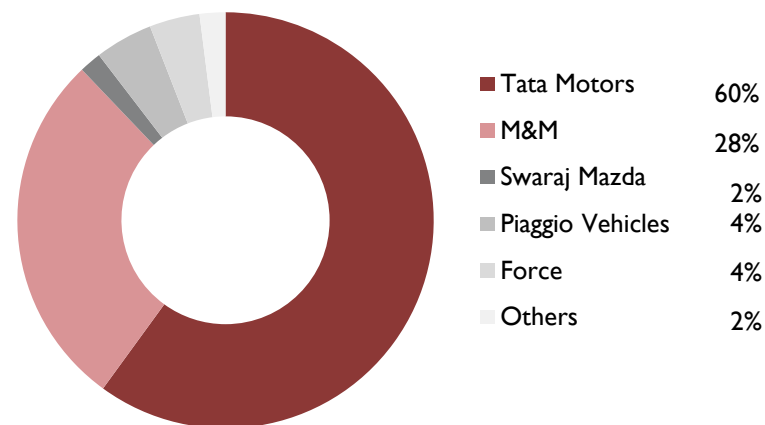


Source: SIAM

## Commercial vehicles — dominated by domestic manufacturers ... (2/2)

- Mahindra & Mahindra, the second-largest player in the LCV segment, is planning to enter the MHCV segment with Navistar.
- Ashok Leyland, the third-largest player in the CV segment, is planning to enter the LCV segment with Nissan.

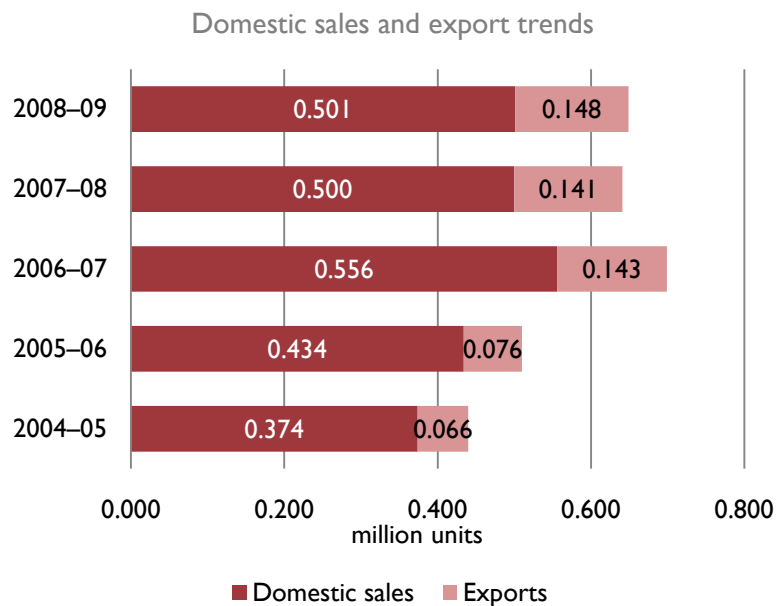
LCVs — domestic market share (production) in 2009



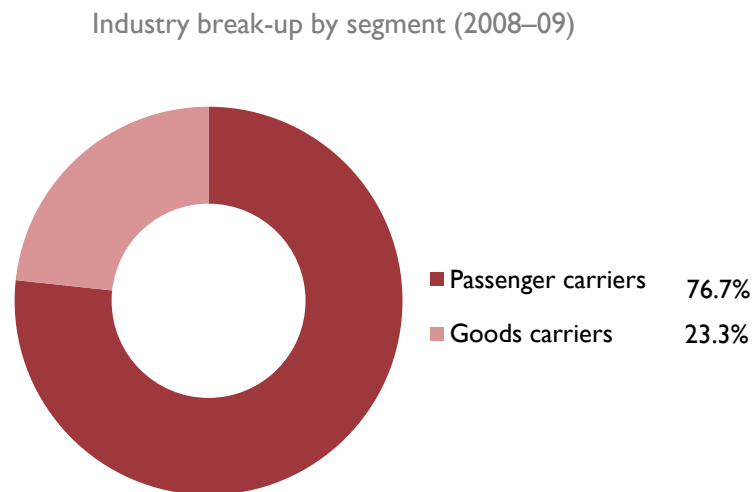
Source: SIAM

## Three-wheelers — market overview and exports

- Domestic sales of three-wheelers have grown at a CAGR of 6.2 per cent from 0.37 million units in 2004–05 to 0.50 million units in 2008–09.
- Exports of three-wheelers touched 0.148 million units in 2008–09, registering a CAGR of 17.5 per cent over the last five years.
- Bajaj Auto, market leader in the three-wheeler segment accounted for 94 per cent of exports in 2008–09. The company exports to Sri Lanka, Egypt, Nepal and Bangladesh, among other countries.



Source: SIAM

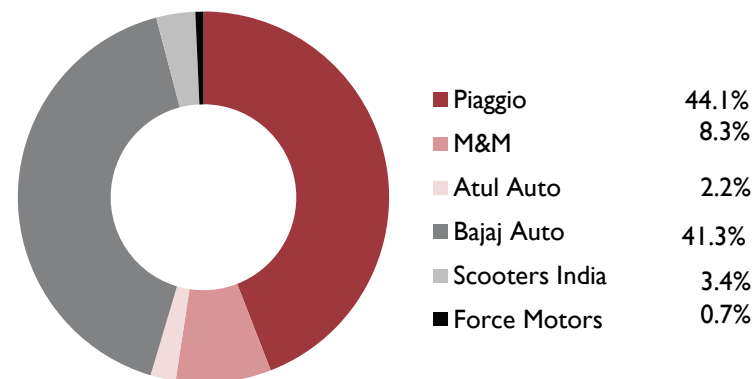


Source: SIAM

## Three-wheelers — investments by players

- Piaggio Vehicles, market leader in the three-wheeler segment launched its 1.3 tonne three-wheeler 'Ape' in India.
- Mahindra & Mahindra recently launched its three-wheeler passenger vehicle 'Alpha Passenger' in India.
- In addition, TVS Motor Company also launched one of India's first 200 cc two-stroke auto rickshaws 'TVS King' in 2008.
- Bajaj Auto has the second-largest market share in the three-wheeler segment.
- Force Motors, a joint venture between Bajaj Tempo and MANAG of Germany, is a leading player in the goods carrier segment.

Three-wheelers — domestic market share in CY 2009 (by volume)



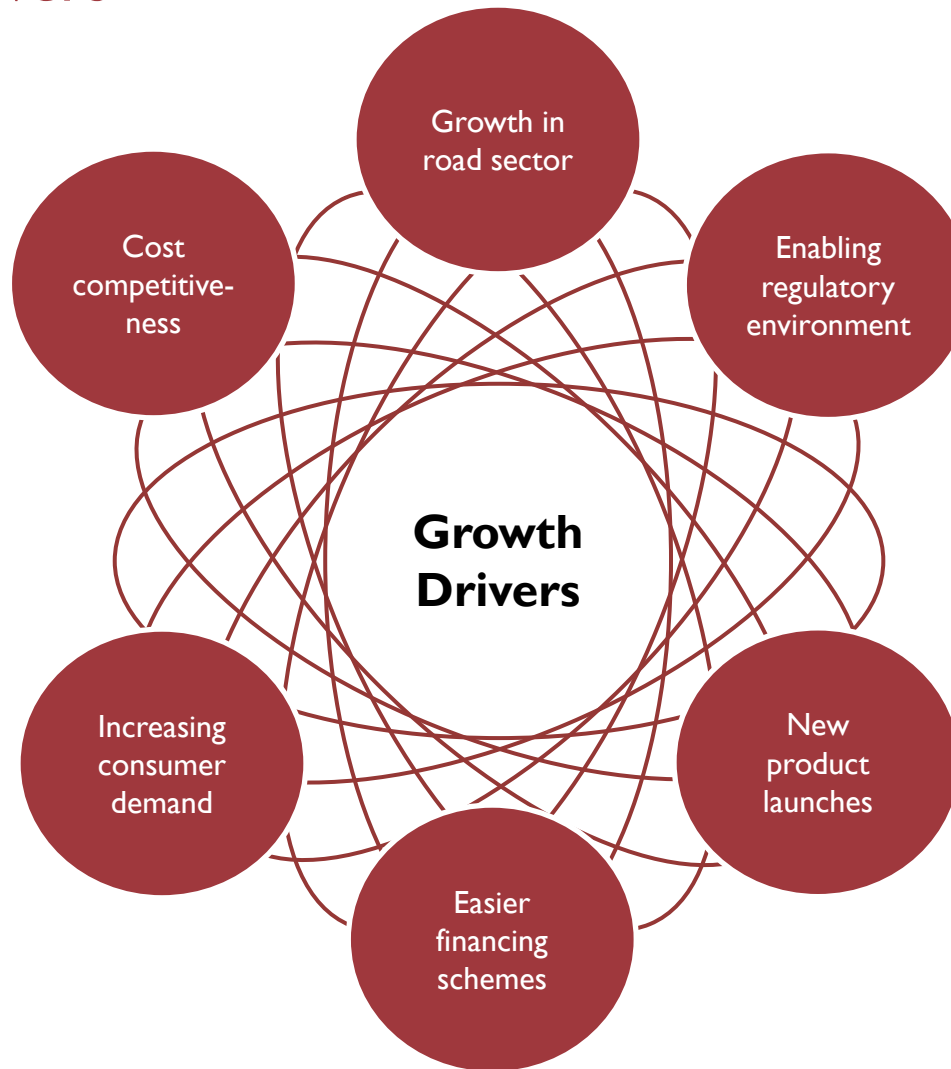
Source: SIAM

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## Growth drivers

- Increasing demand for Indian automobiles and auto components globally
- Availability of low-cost skilled manpower
- Increasing focus on R&D and product development
  - Design capability
- Increasing per capita income
  - Growing working population
  - Low penetration rate of vehicles
- Growing Indian middle class — estimated to grow from 50 million to 550 million in 2025
  - Increasing disposable income in rural agriculture sector



- Sustained overall economic growth
- Low taxes and duties
  - Infrastructure development — investment of US\$ 500 billion expected by 2013.
- Lower interest loans and increased access to credit.
- Entry of global players in the market offering large number of products in various segments.
- Reducing life cycle, quick product launches by the players.
- Focus on the small car segment by most Indian auto players.

## Key trends ... (1/2)

### Vehicle retailing

- The industry has about 30 two-wheeler and four-wheeler manufacturers offering a range of over 100 models across various segments.
- Exchange penetration ranges from 15 to 20 per cent in India. In some developed economies it is as high as 90 per cent.
- The organised sector of the Indian auto retail market comprises 6,500 automobile dealerships and their workshops, employing more than 0.4 million people directly.

### Alternative fuels

- The number of CNG vehicles has been growing at a CAGR of 60 per cent in the last two years.
- CNG distribution network in India is expected to increase to 250 cities by 2018 from 30 cities in 2009.

## Key trends ... (2/2)

### Improving product development capabilities

- There need to be increased investments in R&D operations and setting up of laboratories to carry out activities such as analysis and simulation, engineering animations, etc.

### Growth of auto financing activity in India

- There are more than 35 financiers in the market today, with the State Bank of India being the leader.
- Easy availability of finance has been one of the most important growth drivers for the auto industry since 2003.
- Reduction of policy rates by Reserve Bank of India is further expected to augment the growth of the industry.

## Key players — Indian

Company	Revenue (US\$ billion)	Segment	Manufacturing locations
Tata Motors	4.53	Passenger cars, utility vehicles, trucks, commercial passenger carriers and defence vehicles	Jamshedpur (1), Pune (1), Lucknow (1) and Uttarakhand (1)
Mahindra & Mahindra	0.91	Passenger cars, utility vehicles, two-wheelers and commercial passenger carriers	Mumbai (1), Nasik (1), Igatpuri (1) and Zaheerabad (1)
Bajaj Auto	1.83	Two-wheelers and commercial vehicles	Aurangabad (1), Chakan (1) and Pant Nagar (1)
Ashok Leyland	1.38	Commercial vehicles, engines, defence and special vehicles	Ennore (1), Hosur (2), Alwar (1), Bhandara (1)
Maruti Suzuki	4.4	Passenger vehicles	Gurgaon (1) and Manesar (1)
TVS Motor Company	0.7	Two-wheelers	Hosur (1), Mysore (1) and Himachal Pradesh (1)
Hindustan Motors	0.16	Passenger vehicles	Chennai (1) and Kolkata (1)
Eicher	0.4	Commercial vehicles and two-wheelers	Madhya Pradesh (1) and Chennai (1)
Force Motors	0.15	Commercial vehicles and three-wheelers	Pune (1) and Madhya Pradesh (1)

Sources: Industry sources; [www.siamindia.com](http://www.siamindia.com), members database, 2009

Note: This is an indicative list

## Key players — international

Company	Revenue (US\$ billion)	Segment	Manufacturing locations
Toyota Motors	4.3	Passenger vehicles	Bengaluru (1)
Volkswagen AG	3.3	Passenger vehicles	Pune (1)
General Motors	3.1	Passenger vehicles	Gujarat (1) and Pune (1)
Ford Motors	3	Passenger vehicles	Chennai (1)
Honda Motors	2.1	Passenger vehicles	Uttar Pradesh (1) and Rajasthan (1)
Daimler AG	1.67	Passenger and commercial vehicles	Pune (1) and Chennai (1)
Fiat	1.7	Passenger vehicles	Pune (1)
Hyundai Motors	1.3	Passenger vehicles	Chennai (2)
Renault	1.1	Passenger vehicles	Chennai (1) and Nashik (1)
Piaggio Vehicles	1	Two-wheelers and three-wheelers	Maharashtra (1)

Sources: industry sources; [www.siamindia.com](http://www.siamindia.com), members database, 2009

Note: This is an indicative list

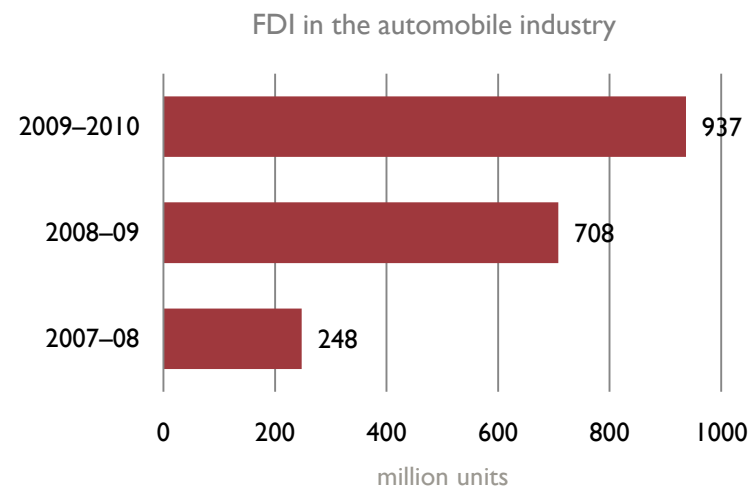
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## Investments ... (1/3)

- Tata Motors acquired Jaguar-Land Rover for US\$ 2.30 billion, while Mahindra & Mahindra acquired three Italian companies, GR Grafica Ricerca, Metalcastello and Engines Engineering in 2008.
- In 2009, in a major outbound deal, Tata Motors acquired Hispano Carrocera at a value of US\$ 3 million\*.
- The sector witnessed cumulative FDI worth US\$ 4.4 billion between April 2000 and January 2010 accounting for 4 per cent of the total FDI into the country in that period.
- The sector witnessed investments worth US\$ 1 billion between April 2009 and January 2010.
- Leading global carmakers such as Honda, Volkswagen, Mercedes and Ford are now shifting their manufacturing plants and units to India from China.

Source: \* Bloomberg, accessed 4 December 2009



Sources: Department of Industrial Policy and Promotion, [www.dipp.nic.in](http://www.dipp.nic.in), April – November, Economic Survey, 2009–10, <http://indiabudget.nic.in/es2009-10/esmain.htm>

## Investments ... (2/3)

### Global passenger car companies are taking advantage of India as a manufacturing base

Nissan has commenced production of its small car, Micra, at its Chennai plant in 2010.

Ford Motor is planning to invest US\$ 500 million to make India its manufacturing and export hub and develop a regional centre of excellence for small car development and production in the country.

Volkswagen has set up a US\$ 791 million production plant in Pune to manufacture B-plus segment cars specifically designed for India and expects to sell about 4,00,000 cars in 10 years in India.

Daimler AG is planning to invest US\$ 411 million in India through a JV with the Hero Group to manufacture CVs above 2 tonne.

## Investments ... (3/3)

### Global passenger car companies are taking advantage of India as a manufacturing base

Audi AG is planning to invest US\$ 29.37 million by 2015 in India and begin assembly of its A4 model.

Toyota is planning to start operations of its second plant in 2010, with an initial annual production capacity of around 1,00,000 vehicles.

General Motors has set up a US\$ 60 million technical centre in Bengaluru to develop future technologies and design new cars. It is also in the process of setting up an additional facility at Pune.

Hyundai Motors has shifted the entire production of Atos Prime to its Chennai plant and is also setting up a US\$ 40 million computer-aided design centre in Hyderabad. The company also plans to further invest US\$ 250 million in India by 2013, raising its cumulative investment in the country to about US\$ 1 billion.

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## Policy and regulatory framework — policy initiatives ... (1/4)

The National Strategy for Manufacturing, drawn by the National Manufacturing Competitiveness Council (NMCC), has identified the automobiles sector as one of the priority areas. The government has taken a number of initiatives to promote growth in the sector.

### **Auto Policy 2002**

- The emphasis is on low emission fuel auto technologies and availability of appropriate auto fuels.
- Its objective is to establish India as an international hub for manufacturing small, affordable passenger cars and a key centre for manufacturing tractors and two-wheelers in the world.
- It provides for automatic approval for foreign equity investment of up to 100 per cent for manufacturing of auto components.

## Policy and regulatory framework — policy initiatives ... (2/4)

### Automotive Mission Plan (AMP) 2006–2016

- AMP targets exports worth US\$ 40 billion to US\$ 45 billion in 2016, including US\$ 20 billion to US\$ 25 billion component exports and US\$ 2 billion to US\$ 2.5 billion outsourcing of engineering services. It also targets a total turnover of US\$ 155 billion by 2016.
- Recommendations of AMP
  - Setting up of a technology modernisation fund, with special emphasis on SMEs and encouragement to establish development centres for SMEs.
  - Increasing exports and related infrastructure and streamlining training/research institutions around auto hubs.
  - Setting up of automotive training institutes and auto design centres, special auto parks and auto component virtual SEZs.

## Policy and regulatory framework — policy initiatives ... (3/4)

### National Automotive Testing and R&D Infrastructure Project (NATRiP)

- NATRiP was set up at a total cost of US\$ 388.5 million to enhance and upgrade the testing and validation infrastructure and establish centres of excellence for automotive R&D.

### Department of Heavy Industries and Public Enterprise

- The department's activities include lowering of excise duty on small cars, increasing budgetary allocation for R&D activities and lowering duty regime in general.
- It announced the weighted increase in the in-house R&D expenditure from 150 per cent to 200 per cent and from 120 per cent to 175 per cent on outsourced R&D expenditure.

## Policy and regulatory framework — policy initiatives ... (4/4)

### Incentive regimes

- The Union Budget 2010–11 announced the implementation of new tariffs on vehicles
  - Ad valorem component of the excise duty is increased to 22 per cent on large cars, multi-utility vehicles and sports-utility vehicles.
  - The excise duty on electric cars is reduced from 8 to 4 per cent and customs duty is fully exempted.
- Promotion of automobile exports through focus market scheme (FMS) and focus product scheme (FPS) wherein automakers receive cash incentives of up to 5 per cent upon shipping of specified vehicles to specified countries such as Africa, Eastern Europe, Latin America and the Commonwealth of Independent States\*.
- Ensure that emission norms and environmental standards are in line with that of the developed world and enforce Euro IV and Bharat Stage IV emission norms and standards.

\* Commonwealth of Independent States (CIS) includes the former Soviet Republic (Russia, Ukraine, Kazakhstan, Belarus, Azerbaijan, Uzbekistan, Turkmenistan, Georgia, Armenia, Tajikistan, Kyrgyzstan and Moldova)

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## Opportunities ... (1/7)

- Government policies, including a weighted tax deduction of up to 200 per cent for in-house R&D activities in the country, have given a boost to investment in R&D.

### Drivers for international players setting up their R&D centre in India

- Increasing production costs, shorter product lifecycles and increasing trend of geographic expansions to derisk dependence on one market are key factors that influence companies to outsource.
- Availability of low-cost skilled and educated manpower, proven product development capabilities and location advantage due to India's proximity to emerging markets.

#### Examples of indigenous product development capability



- Design and development cost — US\$ 140 million
- Infrastructure and production facility — US\$ 200 million



- Design and development cost — US\$ 60 million
- Infrastructure and production facility — US\$ 60 million

## Opportunities ... (2/7)

Players in the automotive industry are increasingly strengthening their R&D capabilities through organic as well as inorganic route.

- Development of the Nano, a US\$ 2,250 car, and Reva, India's first electric car, showcased India's ability to innovate and design. Companies such as M&M and Hero Group are also planning to develop electric cars in India.
- Tata Daewoo, a subsidiary of Tata Motors, has recently developed an LPG-based MCV (4.5 tonne), the Novus, conforming to Euro V emission norms.
- Ashok Leyland has developed India's first six-cylinder CNG engine for buses, using the multipoint fuel injection system, which conforms to Euro IV emission standards.
- Two-wheeler manufacturers, Bajaj Auto, Hero Honda Motors Limited and Mahindra and Mahindra, are planning to develop a technology enabling two-wheelers to run on natural gas instead of gasoline.
- Dassault Systems, France, has tied up with Argentums Engineering Design's Centre for Excellence to train automobile engineers on designing, testing and validating and manufacturing vehicle models.

## Opportunities ... (3/7)

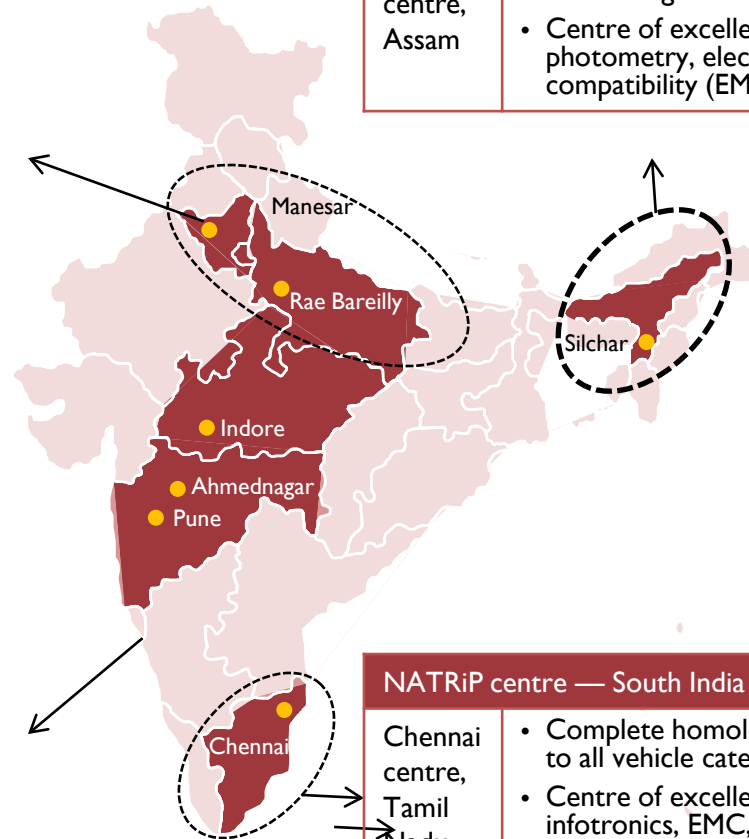
R&D plans of some foreign players	
OEM/Tier I suppliers	R&D plans in India
Hyundai	Plans to make its Indian R&D centre a hub for the development of small cars such as the i10 and the i20 for global markets at an investment of US\$ 50 million.
General Motors	Set up an R&D centre in Bengaluru, its first outside the US, at an investment of over US\$21 million. This will cater to the needs of countries in the Asia-Pacific region.
Volkswagen	Plans to set up its global R&D centre in India and produce vehicles for the global market in five to six years.
Suzuki Motorcycle India	Aims to set up its R&D facilities in the country and integrate its R&D activities with those of Maruti Suzuki.

Source: Ernst & Young analysis

# Opportunities ... (4/7)

NATRiP centre — North India	
Rae Bareilly centre	<ul style="list-style-type: none"> <li>• Services to agri-tractors, off-road vehicles and a driver training centre.</li> <li>• Centre of excellence for accident data analysis.</li> <li>• Scheduled completion in August 2010</li> </ul>
International Centre for Automotive Technology (iCAT), Manesar	<ul style="list-style-type: none"> <li>• Services to all vehicle categories.</li> <li>• Centre of excellence for component development, noise vibration and harshness (NVH) testing.</li> </ul>
NATRiP centre — West India	
Vehicles Research & Development Establishment (VRDE), Ahmednagar	<ul style="list-style-type: none"> <li>• Research, design, development and testing of vehicles.</li> <li>• Centre of excellence for photometry, electromagnetic compatibility (EMC), test tracks.</li> </ul>
Indore — National Automotive Test Tracks (NATRAX)	<ul style="list-style-type: none"> <li>• Complete testing facilities to all vehicle categories.</li> <li>• Centre of excellence for vehicle dynamics, tyre development.</li> <li>• Scheduled to be completed in December 2010.</li> </ul>
Automotive Research Association of India (ARAI), Pune	<ul style="list-style-type: none"> <li>• Services to all vehicle categories.</li> <li>• Centre of excellence for power train development and material.</li> </ul>

NATRiP centre — East India	
Silchar centre, Assam	<ul style="list-style-type: none"> <li>• Research, design, development and testing of vehicles.</li> <li>• Centre of excellence for photometry, electromagnetic compatibility (EMC), test tracks.</li> </ul>
NATRiP centre — South India	
Chennai centre, Tamil Nadu	<ul style="list-style-type: none"> <li>• Complete homologation services to all vehicle categories.</li> <li>• Centre of excellence for infotronics, EMC, passive safety.</li> </ul>



## Opportunities ... (5/7)

- There is an increase in the number of global players moving to India with 100 per cent foreign equity investments permitted by the Govt.
- The manufacturing sector accounts for two-thirds of the country's total exports.
- The export revenues are estimated to increase from US\$ 40 billion in 2002 to US\$ 300 billion in 2015, thereby increasing its share from 0.8 per cent to 3.5 per cent.
- Currently, small cars are the front-runners in the completely built units (CBUs) sourcing space in India with low cost of manufacturing.
- Hyundai currently exports 40 per cent of its small cars produced in India, including the Santro, which sells in 97 countries across the world and is produced only in India.

Source: Ernst & Young analysis

## Opportunities ... (6/7)

Examples of companies setting their manufacturing facilities in India	
Company	Sourcing plans
Renault - Nissan	<ul style="list-style-type: none"> <li>Is planning to set up a combined assembly line in Chennai for its two alliance companies, Nissan and Renault.</li> </ul>
Ford	<ul style="list-style-type: none"> <li>Seeks to expand the engine production capacity at its Chennai plant to 250,000 per annum by 2010.</li> <li>Plans to make India its manufacturing hub for engines for Asia-Pacific and Africa.</li> </ul>
Volkswagen	<ul style="list-style-type: none"> <li>Plans to set up a plant in Chakan in Maharashtra with an annual capacity of 110,000 cars at an investment of US\$ 730 million.</li> </ul>
Honda	<ul style="list-style-type: none"> <li>Set up a powertrain facility project in Rajasthan at an investment of US\$115 million.</li> <li>Is also planning to set up an injection-moulding plant to manufacture a range of plastic parts that are used in instrument panels and bumpers.</li> </ul>
Toyota Motors	<ul style="list-style-type: none"> <li>Plans to set up a plant to produce its compact cars for the Indian market. The plant will have an annual capacity of 100,000 cars at an investment of US\$ 32 billion.</li> </ul>

Source: Ernst & Young analysis

## Opportunities ... (7/7)

- Light vehicle sales in India are estimated to cross the three-million mark by 2012.
- Launch of the Tata Nano, India's first rear-engine, rear-wheel-drive car, revolutionised the industry by creating a new ultra low cost car (ULCC) segment.
- General Motors, Nissan and Toyota have also announced plans to make India the hub for new global small car platforms.

Some companies launching small car models in India		
Brand	Model	Estimated launch
Bajaj Auto/Renault/Nissan	Small car	Early 2011
Fiat	Low cost car	Early 2010
Ford	Small car	2010
General Motors	Mini car	2010
Hindustan Motors/Mitsubishi	I-Miev	2011
Hyundai Motors	Small car	2012

Source: Ernst & Young analysis

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## Industry associations

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## Note

Wherever applicable, numbers in the report have been rounded off to the nearest whole number.

Conversion rate used: US\$ 1 = INR 48.

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