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By 2020, India’s share in the global passenger vehicle market to touch 8 per cent from 2.40 per cent in 2015.

World’s second-largest two wheeler manufacturer.

Two wheeler production to rise from 18.8 million in FY16 to 34 million by FY20E.

Passenger vehicle production to nearly triple by 2020E.

Passenger vehicle production to increase from 3.4 million in FY16 to 10 million in FY20E.

Source: SIAM, NEMMP 2020 (National Electric Mobility Mission Plan), TechSci Research;
Note: E – Estimate
Domestic sales of passenger vehicles to grow from 2.8 million in 2016 to 9.4 - 13.4 million by 2026.

Domestic sales of commercial vehicles to grow from 0.7 million in 2016 to 2.0 - 3.9 million by 2026.

Domestic sales of three wheelers will grow from 0.4 million in 2010 to 0.5 million in 2016.

Domestic sales of passenger vehicles in India is expected to increase at a CAGR of 12.87 per cent during 2016-26.

Domestic sales of commercial vehicles in India is expected to increase at a CAGR of 11.07 per cent during 2016-26.

Domestic sale of three wheelers in India increased at a CAGR of 3.79 per cent during 2010-16.

Source: SIAM, NEMMP 2020 (National Electric Mobility Mission Plan), TechSci Research; Note: E – Estimate

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Domestic sales of two wheelers is the most growing segment, with domestic two wheeler sales expected to grow from 16.46 million in 2016 to 50.60 - 55.5 million by 2026.

CAGR: 11.9%

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Sales (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>16.46</td>
</tr>
<tr>
<td>2026</td>
<td>&gt;50.6</td>
</tr>
</tbody>
</table>

Automobile exports to grow at a CAGR of 3.05 per cent during 2016-2026.

CAGR: 3.05%

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Sales (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>3.6</td>
</tr>
<tr>
<td>2026</td>
<td>&gt;4.86</td>
</tr>
</tbody>
</table>

Production of passenger vehicles, commercial vehicles, three wheelers and two wheelers grew at a CAGR of 2.74 per cent, 0.57 per cent, 3.16 per cent and 7.12 per cent, respectively, during FY11-16.


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ADVANTAGE INDIA
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Growing demand

- Strong growth in demand due to rising income, middle class, and a young population is likely to propel India among the world’s top five auto manufacturers by 2015
- Growth in export demand is set to accelerate
- Government takes initiatives to set up manufacturing plants through Make in India
- Domestic sales of passenger vehicles in India is expected to increase at a CAGR of 12.87 per cent during 2016-26

Innovation opportunities

- Tata Nano and the upcoming Pixel have opened up the potentially large ultra-low-cost car segment
- Innovation is likely to intensify among engine technology and alternative fuels

Rising investments

- India has significant cost advantages; auto firms save 10-25 per cent on operations vis-à-vis Europe and Latin America
- A large pool of skilled manpower and a growing technology base would induce greater investments

Policy support

- The Automotive Mission Plan 2016-26 (AMP 2026) targets a fourfold growth in the automotive industry.
- The government aims to develop India as a global manufacturing as well as R&D hub
- There has been a wide array of policy support in the form of sops, taxes and FDI encouragement

Source: Automotive Mission Plan (2006–2026), Make in India
Notes: R&D – Research and Development; FDI – Foreign Direct Investment; FY – Indian Financial Year (April – March); FY26E – Estimated figure for Financial Year 2026

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MARKET OVERVIEW AND TRENDS
EVOLUTION OF THE INDIAN AUTOMOTIVES SECTOR

Before 1982
- Closed market
- Five players
- Long waiting periods and outdated models
- Seller’s market

0.4 million units (1982)

0.6 million units (1992)

1983–92
- Joint Venture (JV): Indian government and Suzuki formed Maruti Udyog; commenced production in 1983
- Component manufacturers entered the market via JV
- Buyer’s market

11 million units (2007)

1993–2007
- Sector de-licensed in 1993
- Major Original Equipment Manufacturers (OEMs) started assembly operations in India
- Imports permitted from April 2001
- Introduction of value-added tax in 2005

21.5 million units (FY14)

24 million units (FY16)

2008 onwards
- More than 35 market players
- Indian companies gaining acceptance on a global scale
- Setting up of National Automotive Board to act as facilitator between the government and industry
- Government has proposed GST to support lower raw material cost
- Launch of Automotive Mission Plan 2016-26 in 2015

Source: Tata Motors, Society of Indian Automobile Manufacturers (SIAM), TechSci Research
Notes: JV – Joint Venture, GST: Goods and Service Tax
AUTOMOBILES

THE AUTOMOTIVES MARKET IS SPLIT INTO FOUR SEGMENTS

- **Two-wheelers**
  - Mopeds
  - Scooters
  - Motorcycles
  - Electric two-wheelers

- **Passenger vehicles**
  - Passenger cars
  - Utility vehicles
  - Multi-purpose vehicles

- **Commercial vehicles**
  - Light commercial vehicles
  - Medium and heavy commercial vehicles

- **Three-wheelers**
  - Passenger carriers
  - Goods carriers
The gross turnover of automobile manufacturers in India expanded at a CAGR of 11.72 per cent over FY07-15.

The domestic Two Wheelers segment accounted for 80.4 per cent of the total domestic market share\(^1\) for the year 2015-16.

Gross Turnover over the past few years
(USD billion)

Source: SIAM, TechSci Research
Note: \(^1\) Does not include three wheelers
Production of automobiles increased at a CAGR of 9.4 per cent over FY06-16.

During FY06-16, passenger vehicle segment witnessed the fastest growth, at a CAGR of 10.09 per cent, followed by two wheeler segment, which grew at a CAGR of 9.48 per cent during the same time period.

During fiscal year 2016-17, passenger vehicle market in India is likely to cross the three million units milestone.

By February 2017, Suzuki Motors plans to commence production at its Gujarat plant.

**Total production of automobiles in India (million units)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Passenger Vehicle</th>
<th>Commercial Vehicle</th>
<th>Three Wheelers</th>
<th>Two Wheelers</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY06</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>FY07</td>
<td>0.5</td>
<td>0.6</td>
<td>0.4</td>
<td>0.5</td>
</tr>
<tr>
<td>FY08</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>FY09</td>
<td>0.8</td>
<td>0.5</td>
<td>0.6</td>
<td>0.8</td>
</tr>
<tr>
<td>FY10</td>
<td>0.8</td>
<td>0.6</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td>FY11</td>
<td>0.9</td>
<td>0.8</td>
<td>0.8</td>
<td>0.9</td>
</tr>
<tr>
<td>FY12</td>
<td>0.8</td>
<td>0.7</td>
<td>0.8</td>
<td>0.7</td>
</tr>
<tr>
<td>FY13</td>
<td>0.7</td>
<td>0.8</td>
<td>0.7</td>
<td>0.9</td>
</tr>
<tr>
<td>FY14</td>
<td>0.9</td>
<td>0.8</td>
<td>0.9</td>
<td>0.8</td>
</tr>
<tr>
<td>FY15</td>
<td>0.8</td>
<td>0.9</td>
<td>0.8</td>
<td>0.9</td>
</tr>
<tr>
<td>FY16</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
<td>0.9</td>
</tr>
</tbody>
</table>

**Source:** SIAM, TechSci Research

**Note:** CAGR – Compound Annual Growth Rate
Two wheelers dominate production volumes; in FY16, the segment accounted for about 78.6 per cent of the total automotive production in the country.

India is world’s sixth largest vehicles manufacturer globally. Further, India is the Asia’s second largest two wheeler manufacturer and fifth largest producer of commercial vehicles, fourth largest manufacturer of passenger car and the largest manufacturer of tractors.

The two-wheeler industry recorded sales of 1.42 million units (including exports) during the month of October 2016.

Source: SIAM, TechSci Research
MARKET BREAK-UP OF INDIVIDUAL SEGMENTS BY PRODUCTION VOLUME … (1/2)

Share in production of passenger vehicles (FY16)
- Passenger Cars: 6.36%
- Utility Vehicles (UVs): 21.03%
- Vans: 72.61%

Share in production of commercial vehicles (FY16)
- LCVs: 44.10%
- M&HCVs: 55.90%

Source: SIAM, TechSci Research
Notes: LCV – Light Commercial Vehicle; M&HCVs – Medium and Heavy Commercial Vehicles
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MARKET BREAK-UP OF INDIVIDUAL SEGMENTS BY PRODUCTION VOLUME … (2/2)

Share in production of three-wheelers (FY16)

- Passenger Carrier: 18.03%
- Load Carrier: 81.97%

Share in production of two-wheelers (FY16)

- Motor Cycles: 65.03%
- Scooters: 30.58%
- Mopeds: 4.40%

Source: SIAM, TechSci Research
During FY06-16, automobile exports from the country increased at a CAGR of 16.23 per cent.

Further, during FY06-16, two wheeler segment reported fastest growth of around 17.5 per cent, followed by three wheelers, which grew at a rate of 14.8 per cent during the same period.

The country’s largest carmaker Maruti Suzuki India recorded cumulative exports of 1500 thousand vehicles in September, 2016.

In January 2017, Suzuki India announced that it will begin exporting its Indian made motorcycle - Gixxer to Japan.

Automobile exports from India in 2016, declined by 5 per cent, in comparison with the previous year, due to declining sales of two and three wheelers in Latin America and Africa.

Exports of automobiles from India (million units)

Source: SIAM, TechSci Research
With a volume share of 68.14 per cent, two wheeler segment accounted for the largest share in overall automobile exports in FY16.

Passenger vehicle segment accounted for a sizeable share of 17.96 per cent in the overall automobile exports in FY16.

Exports of three wheeler vehicles registered a volume share of around 11.11 per cent in exports in FY16.

Source: SIAM, TechSci Research
**AUTOMOBILES**

**AUTOMOBILE MARKET RECOVERS AFTER A POOR SHOW IN FY14**

* Auto sales across categories domestically rose by 3.78 per cent in FY16 from 19.72 million units in FY15.

* Sale of passenger vehicles grew by 7.24 per cent in FY16, from 2.6 million units in FY15.
  * Sale of passenger cars increased by 7.87 per cent in FY16
  * In FY16, sale of UVs increased by 6.25 per cent
  * Sale of vans grew by 3.58 per cent in FY16

* Commercial vehicle sales expanded by 11.51 per cent in FY16
  * Sale of M&HCVs increased by 30 per cent in FY16

* In FY16, three wheeler sales grew by 1.03 per cent

* Two-wheelers registered a growth of 3.01 per cent during FY16

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## Growth of Volume Sales (Annual)

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10</td>
<td>27%</td>
</tr>
<tr>
<td>FY11</td>
<td>28%</td>
</tr>
<tr>
<td>FY12</td>
<td>12%</td>
</tr>
<tr>
<td>FY13</td>
<td>2%</td>
</tr>
<tr>
<td>FY14</td>
<td>4%</td>
</tr>
<tr>
<td>FY15</td>
<td>7%</td>
</tr>
<tr>
<td>FY16</td>
<td>4%</td>
</tr>
</tbody>
</table>

---

## Growth in sales of auto segment

<table>
<thead>
<tr>
<th>Year</th>
<th>Passenger Vehicle</th>
<th>Commercial Vehicle</th>
<th>Three Wheeler</th>
<th>Two Wheeler</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12</td>
<td>5%</td>
<td>18%</td>
<td>14%</td>
<td>-2%</td>
</tr>
<tr>
<td>FY13</td>
<td>1%</td>
<td>5%</td>
<td>3%</td>
<td>-2%</td>
</tr>
<tr>
<td>FY14</td>
<td>-20%</td>
<td>-11%</td>
<td>7%</td>
<td>-20%</td>
</tr>
<tr>
<td>FY15</td>
<td>-3%</td>
<td>11%</td>
<td>8%</td>
<td>-11%</td>
</tr>
<tr>
<td>FY16</td>
<td>-12%</td>
<td>7%</td>
<td>12%</td>
<td>-3%</td>
</tr>
</tbody>
</table>

---

*Source: SIAM, TechSci Research, News articles*

Notes: E – Estimate, UV – Utility Vehicle  
LCV – Light Commercial Vehicle  
M&HCV – Medium & Heavy Commercial Vehicle

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National Electric Mobility Mission Plan (NEMMP) 2020

Passenger vehicle production to increase at a CAGR of 31 per cent during FY16–20

Commercial vehicle production expected to register a CAGR of 35.5 per cent during FY16–20

Two and Three wheeler production projected to expand at a CAGR of 15.4 per cent during FY16–20

Source: SIAM, NEMMP 2020, TechSci Research
Note: Denomination - Million Units
For updated information, please visit www.ibef.org
The Indian luxury car market expanded at a CAGR of 37.12 per cent during FY07-15, with sale of 50,000 luxury car units in 2015. The market is dominated by players such as BMW, Mercedes, Audi, Jaguar, etc. In 2015, Audi sold 11,292 units, followed by Mercedes, which sold 11,213 units, while BMW sold 7,000 luxury car units during the same year. The Indian luxury car market is expected to grow from USD14.7 billion in 2015 to USD18.3 billion in 2016.

India has the world’s 12th-largest HNI population, with a growth of 20.8 per cent (highest among the top 12 countries)
With expansion in the education and realty sectors & increasing wealth of IT professionals, more consumers aspire to own luxury cars
Affluent class of the country is driving the demand of the luxury cars

The Indian luxury car market is estimated to expand at a CAGR of 25 per cent during 2012-20 and reach 150,000 units by 2020 (accounting for 4 per cent of the estimated 6.8 million unit domestic car market)
The luxury SUV segment is growing at about 50 per cent, while luxury sedans are increasing 25–30 per cent
Audi to launch Q7 SUV and new sports car TT by second half of 2017.
Volvo, which sold 1,423 models in India during 2015, is planning to launch six new luxury models in the country during 2016

Note: HNI - High Networth Individuals
The automotive industry is majorly commanded by domestic players, with an immense market share in the country during FY16\(^1\).

<table>
<thead>
<tr>
<th>Passenger Vehicles</th>
<th>Market leader</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Cars</td>
<td>Maruti Suzuki 52.8%</td>
<td>Hyundai 21.2%</td>
</tr>
<tr>
<td>Utility Vehicles</td>
<td>Mahindra 36.4%</td>
<td>Maruti Suzuki 14.7%</td>
</tr>
<tr>
<td>Vans</td>
<td>Maruti Suzuki 81.8%</td>
<td>Tata Motors 12.26%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commercial Vehicles</th>
<th>Market leader</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>M&amp;HCV</td>
<td>Tata Motors 52.9%</td>
<td>Ashok Leyland 31.7%</td>
</tr>
<tr>
<td>LCV</td>
<td>Mahindra 42.9%</td>
<td>Tata Motors 37%</td>
</tr>
</tbody>
</table>

Source: SIAM, Company annual report, TechSci Research
Note: \(^1\) Data is for April 2015 – November 2015
The automotive industry is majorly commanded by the dominance of domestic players, with an immense market share in the country during FY16\(^1\)

### Three Wheeler

<table>
<thead>
<tr>
<th></th>
<th>Market leader</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger Carrier</td>
<td><img src="#" alt="Bajaj" /> 55.3%</td>
<td><img src="#" alt="Piaggio" /> 25.8%</td>
</tr>
<tr>
<td>Load Carrier</td>
<td><img src="#" alt="Piaggio" /> 54.3%</td>
<td><img src="#" alt="Mahindra" /> 20.6%</td>
</tr>
</tbody>
</table>

### Two Wheeler

<table>
<thead>
<tr>
<th></th>
<th>Market leader</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two Wheelers(^2)</td>
<td><img src="#" alt="Hero" /> 38.6%</td>
<td><img src="#" alt="Honda" /> 26.7%</td>
</tr>
</tbody>
</table>

Source: SIAM, Company annual report, TechSci Research
Notes: \(^1\) Data is for April 2015 – November 2015
\(^2\) Two Wheelers include Scooter, Motorcycle and Moped
**NOTABLE TRENDS IN THE INDIAN AUTOMOTIVES SECTOR**

<table>
<thead>
<tr>
<th>New product launches</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Large number of products available to consumers across various segments; this has gathered pace with the entry of a number of foreign players</td>
</tr>
<tr>
<td>• Reduced overall product lifecycle have forced players to employ quick product launches</td>
</tr>
<tr>
<td>• After the success of Maruti S-Cross, Honda City, Hyundai Verna, Toyota Fortuner, Ford EcoSport in 2015, the companies have announced to launch upgraded versions of the same cars in late 2016 or early 2017 in Indian market</td>
</tr>
<tr>
<td>• In order to capture the growing market in the under 7 tonne segment, Ashok Leyland is planning to launch couple of light commercial vehicle variants, in every quarter of FY18</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Improving product-development capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increasing R&amp;D investments from both the government and the private sector</td>
</tr>
<tr>
<td>• Private sector innovation has been a key determinant of growth in the sector; 2 good examples are Tata Nano &amp; Tata Pixel; while the former has been a success in India, the latter is intended for foreign markets</td>
</tr>
<tr>
<td>• Volvo Group signed MoU with Indian Institute of Science to undertake R&amp;D of future automotive technologies. With the agreement, Volvo Group &amp; IISc will collaborate to strengthen the eco-system of innovation while undertaking important research in the automotive sector.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Alternative fuels</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The CNG distribution network in India is expected to increase due to the new geographical areas allocated through 5th and 6th round of CGD bidding by Petroleum and Natural Gas Regulatory Board(PNGRB)</td>
</tr>
<tr>
<td>• Number of CNG stations in India increased from 142 stations in 2005 to 1010 stations in FY15, which further increased to 1,081 stations in FY16, across 12 major states of the country.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New financing options</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Carmakers such as BMW, Audi, Toyota, Skoda, Volkswagen and Mercedes-Benz have started providing customised finance to customers through NBFCs</td>
</tr>
<tr>
<td>• Major MNC and Indian corporate houses are moving towards taking cars on operating lease instead of buying them</td>
</tr>
</tbody>
</table>
NOTABLE TRENDS IN THE INDIAN AUTOMOTIVES SECTOR

Investments

Between April 2000 to September 2016, Indian automobile industry attracted foreign direct investment (FDI) of around USD15.79 billion.

Japan based Suzuki Motor Corporation plans to invest USD 970.70 million in second vehicle production line at its new plant in Gujarat.

Honda Cars India Limited is planning to invest around USD59.24 million to increase its production capacity by 50 per cent (to 180,000 units). Also, Honda Motorcycle & Scooter India is planning to invest around USD91.2 million to expand production at the Karnataka plant, by the end of 2016.

In October 2016, under an initiative to promote sustainable manufacturing through green facilities, Hero MotoCorp Ltd., approved an investment of USD 30.62 million for acquiring a 26-30 per cent stake in Bengaluru based electric vehicle (EV) start-up, Ather Energy Pvt. Ltd.

General Motors announced plans to invest about USD1 billion for capacity expansion of Pune plant, with the production expected to increase from 130,000 units to 220,000 units annually, by the end of 2025.

Volvo Group signed MoU with Indian Institute of Science to undertake research and development of future automotive technologies. With the agreement, Volvo Group and IISc will collaborate to strengthen the eco-system of innovation while undertaking important research in the automotive sector.

Notable trends

Government of India heavily promotes foreign investment in the automobile industry by allowing 100 per cent FDI, under automatic route. The industry is delicensed and allows free import of automotive components. Also, the Indian government does not lay down any minimum investment criteria for this industry.

Under Union Budget 2016-17, the government has announced plans to make amendments in Motor Vehicle Act to enhance road transport sector, mainly in passenger segment.

The government plans to encourage use of eco friendly automobiles such as hybrid vehicles, electrical vehicles, CNG based vehicles in India.

Source: Department Of Industrial Policy & Promotion, News Articles

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PORTER FIVE FORCES ANALYSIS
AUTOMOBILES

PORTERS FIVE FORCES ANALYSIS

Competitive Rivalry
- Competitive rivalry has increased post liberalisation to a great extent
- The competition has turned more intense after the entry of foreign players like Volkswagen and Ford in low-priced hatchback segment
- Foreign firms have aggravated the competition by changing their traditional designs and substituting it to cater Indian needs

Threat of New Entrants
- The threat of new entrants is generally medium because of the brand equity and capital intensive nature of the business
- But, considering India, foreign firms (with capital) have done pretty well

Substitute Products
- The threat from substitute products continues to be low, with public transportation being underdeveloped even in cities
- Changing travel patterns and the convenience give it an edge

Bargaining Power of Suppliers
- Bargaining power of suppliers is low as most of the auto component manufacturers are specialised in some segments related to only one client
- Suppliers, in turn depend on them

Bargaining Power of Customers
- In a market, like India there is lot of bargaining power available to the customers as there are variety of products available in the same range, by different manufacturers
- It still depends on the markets
**STRATEGIES ADOPTED**

**Capacity addition**
- Considering low cost of production, prominent auto companies are increasing their production capacity in order to capture a dominant share in Indian automobile industry.
- Most of the automobile companies are eyeing India as an outsourcing hub.
- With the total investment of around USD163.7 million, Honda Motorcycle & Scooter India expanded its production of Activa in 3 variants at Ahmedabad plant.

**Launch of new models**
- In 2015-16, few of the newly launched cars were Volkswagen Ameo, Mahindra e-Verito, Toyota Land Cruiser 200, Maruti Baleno, Honda BR-V, Tata Tiago, Toyota Innova Crysta & Maruti Ciaz & under premium range Audi Q7, Audi S5 Sportback, Ford Mustang, Rolls-Royce Dawn & Porsche 911.
- Honda is planning to introduce bigger & premium car models in 2017 to uplift its sales & share in the market.
- In December 2016, Bajaj Auto launched its most powerful bike in the segment, ‘Bajaj Dominar 400’
- Fiat Chrysler Automobiles India, is planning to launch its new Jeep brand Compass by February 2017, which is going to be produced indigenously in Ranjangaon,, Maharashtra. India will be the 4th manufacturing hub, globally, for the brand.

**Marketing & advertisement**
- Each & every firm is now focusing on shelling out a chunk of their profits on advertisement
- The idea is to make the customers more brand conscious & increasing brand positioning
- This is giving the firms differential advantage. Success today lies in structuring & restructuring strategies

**Catering Indian needs**
- India boasts a large population of middle class
- Most of the firms including Ford & Volkswagen have adapted themselves to cater to this class by dropping their traditional structure and designs
- This allows them to compete directly with domestic firms making the sector highly competitive
AUTOMOBILES

GROWTH DRIVERS
AUTOMOBILES

CAPITALISING ON STRONG DEMAND AND PRODUCT INNOVATION

Growing demand

- Rising income, young population
- Greater availability of credit and financing options
- Strong growth in exports, Improved Infrastructure

Policy support

- Goal of establishing India as an auto-manufacturing hub
- R&D focus; GOI has set up a technology modernisation fund
- Policy sops, FDI encouragement

Increasing investments

- Rising investments from domestic and foreign players
- Greater product innovation; market segmentation
- Demand projected to remain strong, making returns attractive

Note: GOI – Government of India
RISING INCOME AND MIDDLE-CLASS POPULATION DRIVING GROWTH IN DOMESTIC DEMAND

Increasing income and middle-class population

- GDP per capita has grown from USD1,430.19 in 2010 to USD1,805.57 in 2015, & is expected to reach USD2,128.78 by 2018(E)

- Apart from the impact of rising incomes, widening of the consumer base will also be aided by expansion of the middle class, increasing urbanisation, and changing lifestyles

- A young population is boosting demand for cars

- Demand for commercial vehicles increased due to the development of roadways & greater market access

Changing income dynamics of India’s population

Note: E-Expected

<table>
<thead>
<tr>
<th>Million Household, 100%</th>
<th>2015</th>
<th>2020</th>
<th>2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>244</td>
<td>30%</td>
<td>26%</td>
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</tr>
<tr>
<td>273</td>
<td>43%</td>
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<tr>
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<td>1%</td>
<td>6%</td>
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<tr>
<td>3%</td>
<td>2%</td>
<td>3%</td>
<td>17%</td>
</tr>
<tr>
<td>7%</td>
<td>2%</td>
<td>6%</td>
<td>17%</td>
</tr>
</tbody>
</table>

- Globals(>22065.3)
- Strivers(11032.7-22065.3)
- Seekers(4413.1-11032.7)
- Aspirers(1985.9-4413.1)
- Deprived(<1985.9)

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EASIERS ACCESS TO CREDIT A KEY DETERMINANT OF GROWTH IN AUTOMOTIVES

- Greater access to credit eases the purchase of passenger and commercial vehicles
- The Indian car finance market is growing at a CAGR of 13.20 per cent from the year 2010-15 and it is expected to grow to USD30.43 billion by 2020.
- BMW, Audi, Toyota, Skoda, Volkswagen and Mercedes-Benz have started providing customised finance to customers, dealers and suppliers through dedicated Non-Banking Finance Companies (NBFCs)

Indian car finance market size

Source: Kotak Mahindra Prime, TechSci Research
Note: Greater distributional efficiencies, increasing demand (especially from rural areas) due to rising disposable incomes have created new markets for products within the country

mn – million; bn - billion
# INDIA HAS A SIGNIFICANT COMPETITIVE ADVANTAGE VIS-À-VIS PEERS (FY15)

<table>
<thead>
<tr>
<th>Region</th>
<th>Design and engineering skills</th>
<th>Manufacturing skills</th>
<th>Manpower costs</th>
<th>Supplier base</th>
<th>Raw materials</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>East Asia</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Korea</td>
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<td>Yellow</td>
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</tr>
<tr>
<td>China</td>
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<td>Yellow</td>
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<tr>
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<tr>
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<td>Yellow</td>
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<tr>
<td><strong>Central &amp; Eastern Europe</strong></td>
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<tr>
<td>Czech Republic</td>
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<tr>
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<tr>
<td><strong>Latin America</strong></td>
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<td>Blue</td>
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<td>Yellow</td>
<td>Blue</td>
<td>Blue</td>
<td>Blue</td>
</tr>
</tbody>
</table>

*Less competitive than India*  
*In competition with India*

Source: ACMA, TechSci Research
**AUTOMOBILES**

**STRONG POLICY SUPPORT HAS BEEN CRUCIAL IN DEVELOPING THE SECTOR**

<table>
<thead>
<tr>
<th>Policy/Programme</th>
<th>Initiatives/Outcomes</th>
</tr>
</thead>
</table>
| Auto Policy 2002 | • Automatic approval for foreign equity investment up to 100 per cent; no minimum investment criteria  
• Encourage R&D by offering rebates on R&D expenditure |
| NATRiP | • Setting up of R&D centers at a total cost of USD388.5 million to enable the industry to be on par with global standards  
• Nine R&D centers of excellence with focus on low-cost manufacturing and product development solutions  
• The government has extended the timeline of NATRiP from 2014 to 2017. |
| Dept. of Heavy Industries & Public Enterprises | • Worked towards reduction of excise duty on small cars and increase budgetary allocation for R&D  
• Weighted increase in R&D expenditure to 200 per cent from 150 per cent (in-house) and 175 per cent from 125 per cent (outsourced) |
| Union Budget FY16-17 | • Certain amendments in Motor Vehicle Act to enhance the passenger segment under road transport sector  
• Applicability of 1 per cent Infrastructure cess on small petrol, LPG, CNG cars; 2.5 per cent cess on diesel cars (to a certain capacity); 4 per cent cess on other higher engine capacity vehicles and SUVs. |
| The Automotive Mission Plan 2016-26 (AMP 2026) | • AMP 2026 targets a fourfold growth in the automobiles sector in India which includes the manufacturers of automobiles, auto components and tractor industry over the next ten years |
| FAME (April, 2015) | • Planning to implement Faster Adoption & Manufacturing Of Electric Hybrid Vehicles (FAME) till 2020 which would cover all vehicle segments, all forms of hybrid and pure electric vehicles |


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STRONG POLICY SUPPORT HAS BEEN CRUCIAL IN DEVELOPING THE SECTOR

Indian government is negotiating FTAs/PTAs with following countries:

- China, Korea, Japan
- Agreement on South Asian Trade Free Trade Area (SAFTA), Sri Lanka, Mauritius
- The Economic and Social Commission for Asia and the Pacific (ESCAP) / Generalized System of Preferences (GSP)
- Southern African Customs Union (SACU), Egypt
- India-Singapore Comprehensive Economic Cooperation Agreement (CECA)
- India-Sri Lanka Bilateral Free Trade Area and the Proposal for Comprehensive Economic Partnership Agreement
- Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) - FTA
- Thailand / Association of Southeast Asian Nations (ASEAN) / Singapore / Malaysia
- Framework Agreement on Comprehensive Economic Co-operation between the Association of South East Asian Nations (ASEAN) and India

Source: Society of Indian Automobile Manufactures (SIAM)

Notes: FTAs – Free Trade Agreements, PTAs – Preferential Trade Agreements, SAFTA – South Asian Trade Free Trade Area, ESCAP – Economic and Social Commission for Asia and the Pacific, GSP – Generalized System of Preferences, SACU – Southern African Customs Union, CECA – Comprehensive Economic Cooperation Agreement, BIMSTEC – Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, ASEAN – Association of Southeast Asian Nations

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### BOOST TO R&D IN THE AUTO COMPONENTS SECTOR - NATRIP CENTRES

<table>
<thead>
<tr>
<th>N ___T R I P _C E N T R E S</th>
<th><strong>Business description</strong></th>
</tr>
</thead>
</table>
| **Vehicles Research & Development Establishment (VRDE), Ahmednagar** | • Research, design, development and testing of vehicles  
 • Centre of excellence for photometry, Electromagnetic Compatibility (EMC) and test tracks |
| **Indore — National Automotive Test Tracks (NATRAX)** | • Complete testing facilities for all vehicle categories  
 • Centre of excellence for vehicle dynamics and tyre development  
 • In October 2014, Powertrain LAB facility has been inaugurated to support R&D |
| **Automotive Research Association of India (ARAI), Pune** | • Services for all vehicle categories  
 • Centre of excellence for power-train development and material |
| **Chennai Centre, Tamil Nadu** | • Complete homologation services for all vehicle categories  
 • Centre of excellence for infotronics, EMC and passive safety |
| **Rae Bareilly Centre** | • Services to agri-tractors, off-road vehicles and a driver training centre  
 • Centre of excellence for accident data analysis |
| **International Centre for Automotive Technology (iCAT), Manesar** | • Services to all vehicle categories  
 • Centre of excellence for component development, Noise Vibration and Harshness (NVH) testing  
 • Setting up of Vehicle and Engine Test Cells in 2015 |
| **Silchar Centre, Assam** | • Research, design, development and testing of vehicles  
 • Centre of excellence for photometry, EMC and test tracks  
 • First batch of driving training project has been completed in August, 2015 |
EMERGENCE OF LARGE AUTOMOTIVE CLUSTERS IN THE COUNTRY

Source: ACMA, TechSci Research
FDI trends over the past few years (USD billion)

- **FY11**: 1.30
- **FY12**: 0.92
- **FY13**: 1.54
- **FY14**: 1.52
- **FY15**: 2.73
- **FY16**: 2.53
- **FY17**: 0.72

Source: Department of Industrial Policy & Promotion (India), TechSci Research

**AUTOMOBILES**

**STRONG FDI EQUITY INFLOW IN THE AUTOMOTIVES SECTOR**

* FDI equity inflows in the automobile industry aggregated to USD15.79 billion over FY2010-16. Whereas, in FY16, FDI inflow automobile industry accounted for 5.09 per cent of total FDI equity inflow in country.
Global car majors have been ramping up investments in India to cater to the growing domestic demand. Also, these manufacturers plan to leverage India’s competitive advantage to set up export-oriented production hubs.

- Planning to double its current investment level of about USD2.5 billion over the next five years
- Aims to raise its market share from 1.5 per cent in FY13 to 10 per cent by FY19
- To increase the Chennai Plant capacity to 400,000 units a year in a few years time
- The company plans to launch 8 new car models in India by 2021

- On 10th September 2015, Ford has signed a MoU with the Tamil Nadu government for increasing the manufacturing capacity of its plant & for establishing new engineering & technology center at Chennai.
- As of November 2016, Ford announced its plans to invest USD193.36 million for setting up technical & business centre in India

- Volkswagen announced launch of its first Made-in-India & Made-for-India compact sedan, Ameo in June 2016
- The company plans to increase its production volume by 15 percent in 2016 over 123000 units in 2015 at Pune
- Plans to launch up to eight models over the next 5–6 years. The company plans to export over 70,000 vehicles this year to various markets.
- Honda is planning to invest USD160 million in India to expand its capacity for cars and bike by the end of 2016
- This will include a new diesel engine component production and a forging plant
- Toyota is planning invest USD165 million on its new engine plants and projects
- Expects to invest another USD163 million at Bidadi plant near Bengaluru

- Plans to invest USD552-737 million over the next two to three years to develop new products
- Increased the plant capacity of 20,000 units per year in Chakan Plant, which is the largest for any luxury car manufacturer in India.
- Expansion of MIDC and MoU, and to invest USD244 mn for capacity expansion in Chakan, Pune
- Mercedes-Benz will introduce 15 products in 2015, including products without any predecessors in India. These 15 new products are Mercedes-Benz India’s biggest product initiative till date.
India is fast emerging as a global R&D hub

- Strong support from the government; setting up of NATRiP centres
- Private players, such as Hyundai, Suzuki, GM, keen to set up R&D base in India
- Strong education base, large skilled English-speaking manpower
- Comparative advantage in terms of cost
- Firms both National and Foreign are increasing their footprints with over 1,165 R&D centers
- Indian automobile industries invest USD100 billion for R&D sector, annually

Opportunities for creating sizeable market segments through innovations

- Mahindra and Mahindra targeting on implementing digital technology in the business
- Bajaj Auto, Hero Honda & M&M plan to jointly develop a technology for 2-wheelers to run on natural gas
- Considering the potential of auto market, new models of hybrid & electric cars launched at Auto Expo 2016
- Tata Motors to launch MiniCAT, a car running on compressed air, thereby stepping into the next era where cars would not require any fossil fuel & emissions would be almost nil

Small-car manufacturing hub

- General Motors, Nissan and Toyota announced plans to make India their global hub for small cars
- Passenger vehicle market is expected to touch 10 million units by 2020
- Strong export potential in ultra low-cost cars segment (to developing and emerging markets)
- After the successful execution of Tata Nano, the company is testing the electric variant of the small car, Nano in India
- Maruti Suzuki launched facelift version of Alto 800, after the success of earlier model

Note: M&M – Mahindra & Mahindra
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MARUTI SUZUKI: CONTINUING TO REMAIN MARKET LEADER

- Continuing market leadership
- Product portfolio expansion
- Increased productivity
- Enhanced R&D capability
- Capacity expansion
- Roll-out of people’s car (Maruti 800)

1983
- Production of 1 millionth car

1994
- Roll-out of 1 millionth car
- Signed a manufacturing agreement with Suzuki Motor Gujarat Private Limited in October 2015

1997
- Product portfolio comprising 16 passenger vehicle models

2001
- In the process of establishing Suzuki’s largest R&D facility outside Japan

2004
- To launch six new models by the end of this year

2006
- Accounted for 45 per cent share in the Indian car market

2007
- Continued market leadership

2008
- Product portfolio comprising 16 passenger vehicle models

2009
- Accounted for 45 per cent share in the Indian car market

2010
- To launch six new models by the end of this year

2011
- Roll-out of 10 millionth car
- Signed a manufacturing agreement with Suzuki Motor Gujarat Private Limited in October 2015

2012
- Total sales crossed 0.13 million units

2013
- To commence production at its Gujarat plant

2015
- Sold 1,000,000 mild hybrid vehicles

2016
- Consolidated revenue was USD8.60 million

Source: Company website, TechSci Research
AUTOMOBILES

TATA MOTORS: LEADING IN TERMS OF INNOVATION AND GLOBAL PRESENCE

- Disruptive innovation
- Market expansion
- Product portfolio expansion
- Enhancing R&D capability
- Acquisitions
- Joint Ventures
- Revenue in 2015

**FEBRUARY 2017**

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Core 4-B, 5th Floor, India Habitat Centre
Lodhi Road, New Delhi – 110 003
India
Phone: 91 11 24647810–2
Fax: 91 11 24648222
E-mail: siam@siam.in
GLOSSARY ...

- **CAGR**: Compound Annual Growth Rate
- **CV**: Commercial Vehicle
- **FDI**: Foreign Direct Investment
- **FY**: Indian Financial Year (April to March)
  - So FY10 implies April 2009 to March 2010
- **GOI**: Government of India
- **HCV**: Heavy Commercial Vehicle
- **INR**: Indian Rupee
- **LCV**: Light Commercial Vehicle
- **OEM**: Original Equipment Manufacturers
- **PV**: Passenger Vehicle
- **SIAM**: Society of Indian Automobile Manufacturers

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GLOSSARY … (2/2)

* **ULCC**: Ultra Low Cost Car

* **USD**: US Dollar

* Wherever applicable, numbers have been rounded off to the nearest whole number
## Exchange Rates

### Exchange rates (Fiscal Year)

<table>
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<tr>
<th>Year</th>
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<td>2016-17 (E)</td>
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### Exchange rates (Calendar Year)

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<th>Year</th>
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<tr>
<td>2015</td>
<td>64.15</td>
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<tr>
<td>2016 (Expected)</td>
<td>67.22</td>
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</table>

Source: Reserve bank of India, Average for the year.
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