



Indian Auto Industry and Tata Motors

Strategies for Growth & Global Competitiveness

Ravi Kant

10th November, 2008



Indian Automobile Industry

Tata Motors

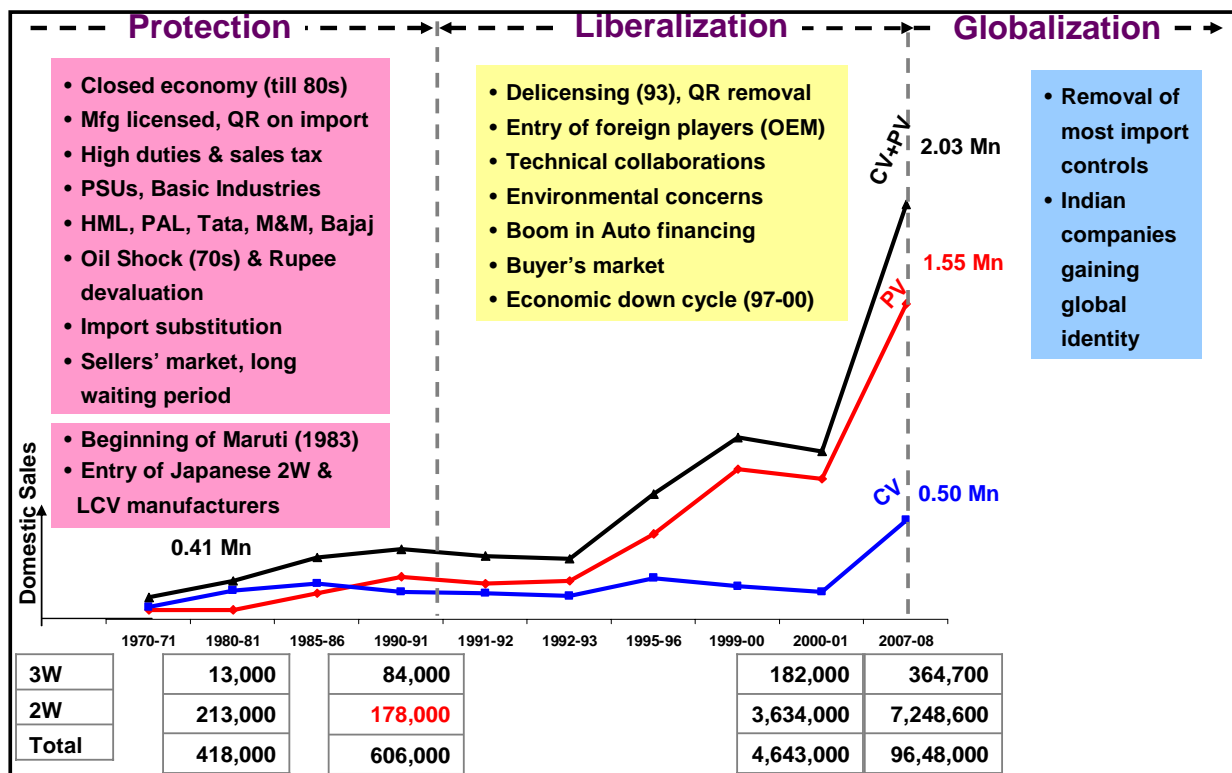
Principles of Innovation @ Tata Motors

Indian Automobile Industry

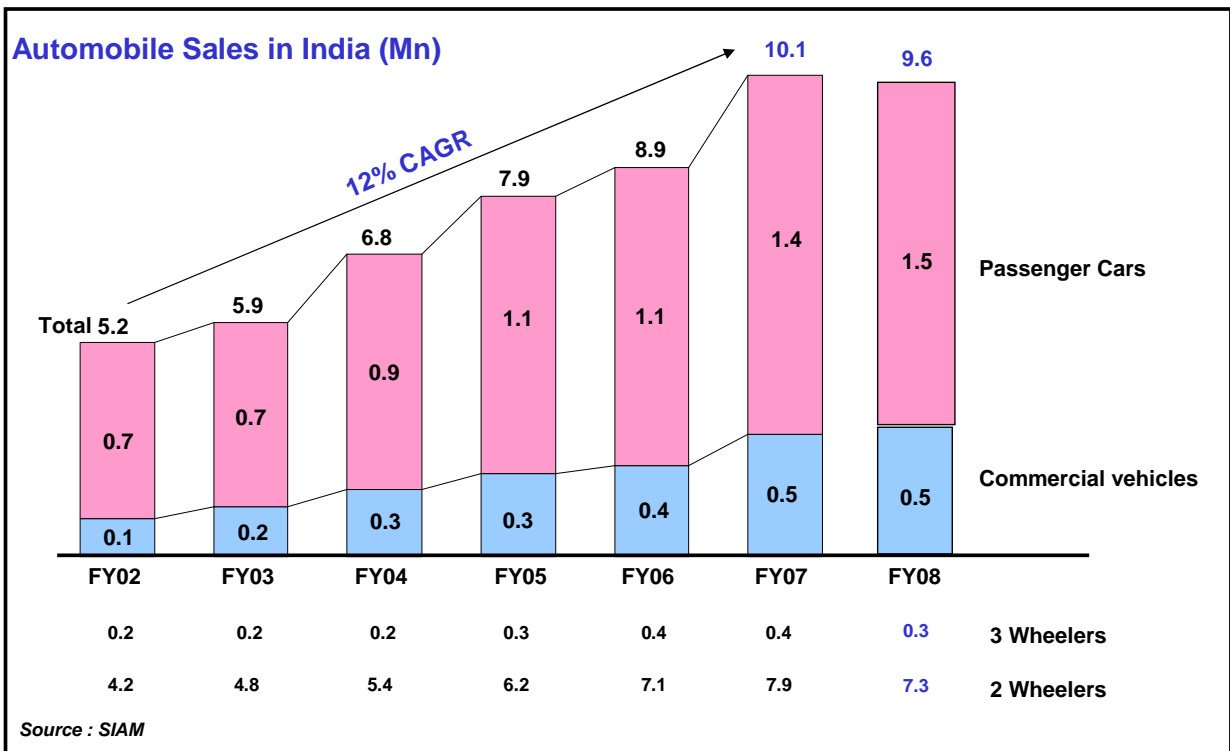
Tata Motors

Principles of Innovation @ Tata Motors

The Indian Automobile Industry has evolved in 3 phases



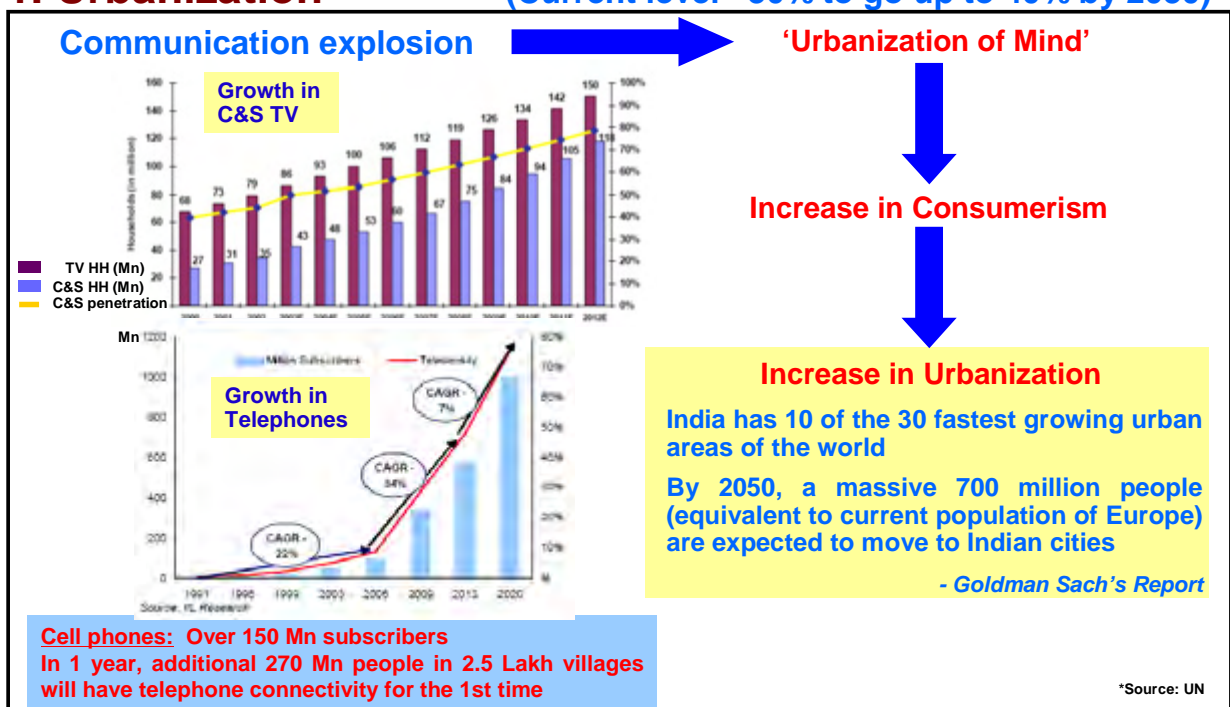
In the last 6 years, the Indian Automotive sales has grown by 12% CAGR



There are 5 key reasons for high growth

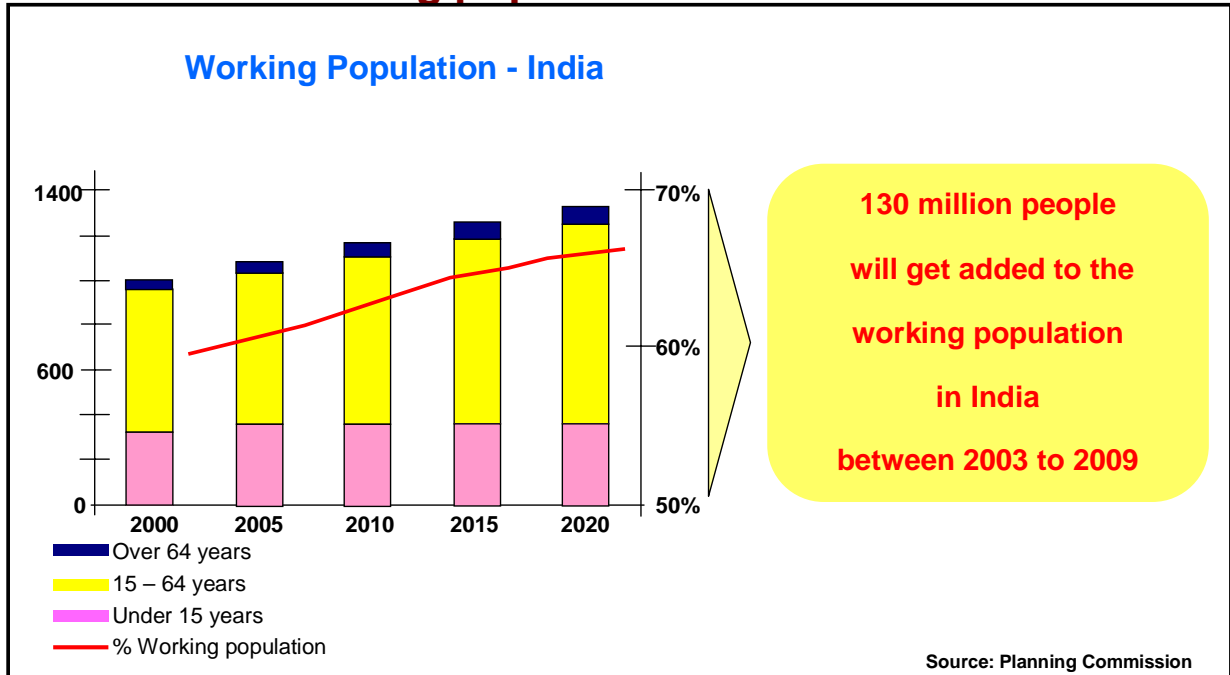
1. Urbanization

(Current level ~30% to go up to 40% by 2030)*



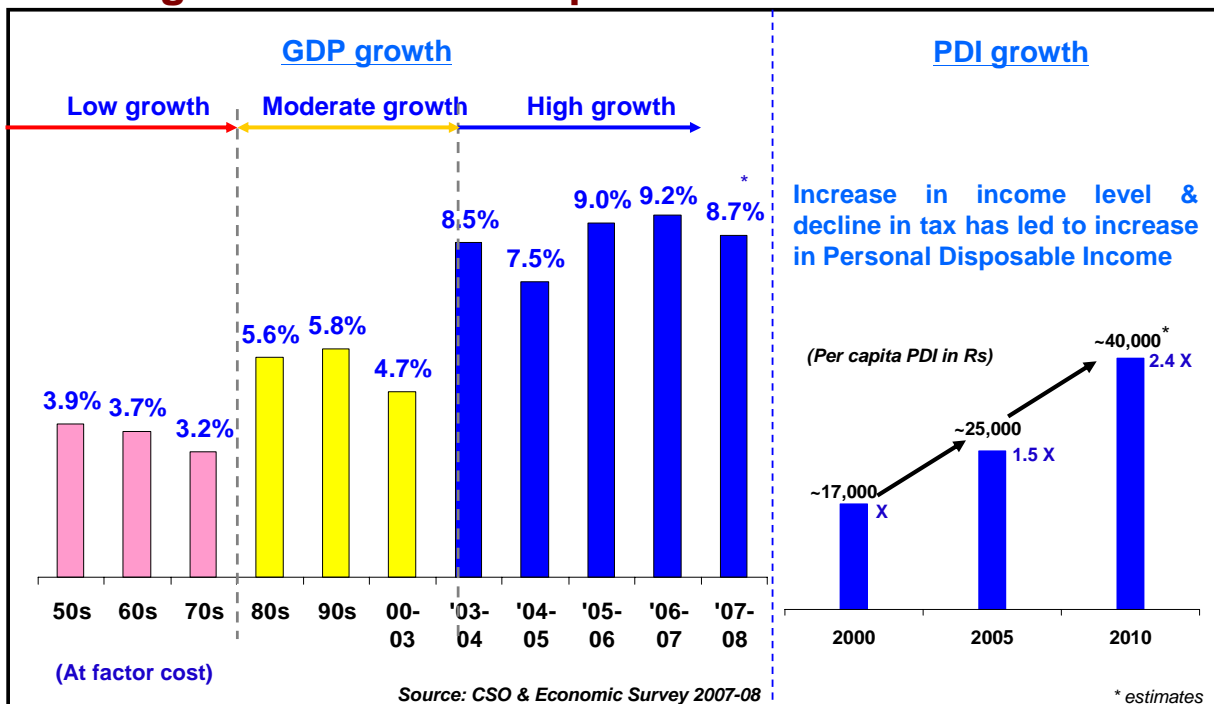
There are 5 key reasons for high growth

2. Growth in working population



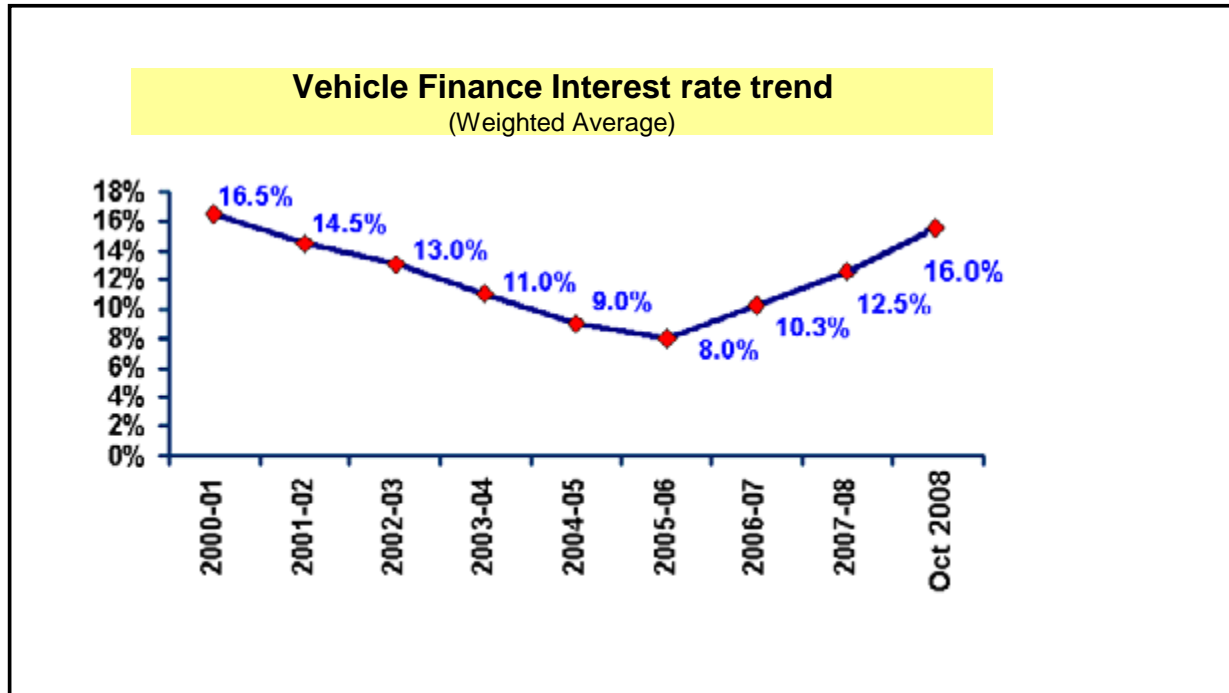
There are 5 key reasons for high growth

3. GDP growth & rise in disposable income



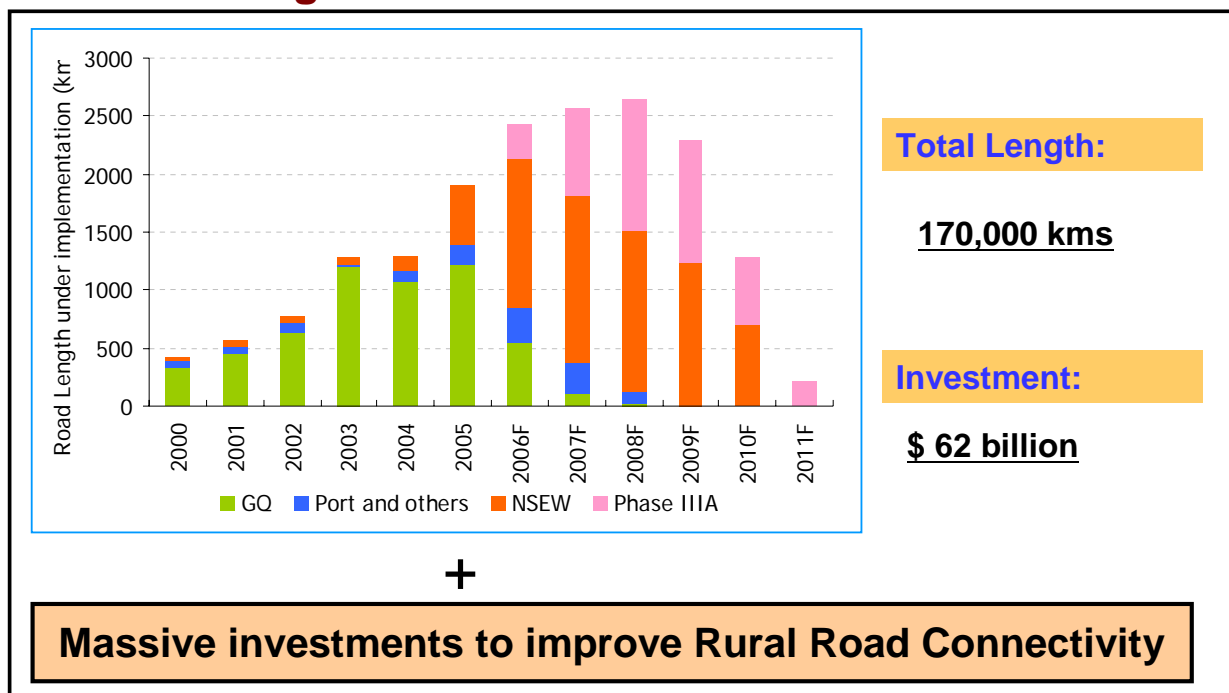
There are 5 key reasons for high growth

4. Availability of finance and the lending rates

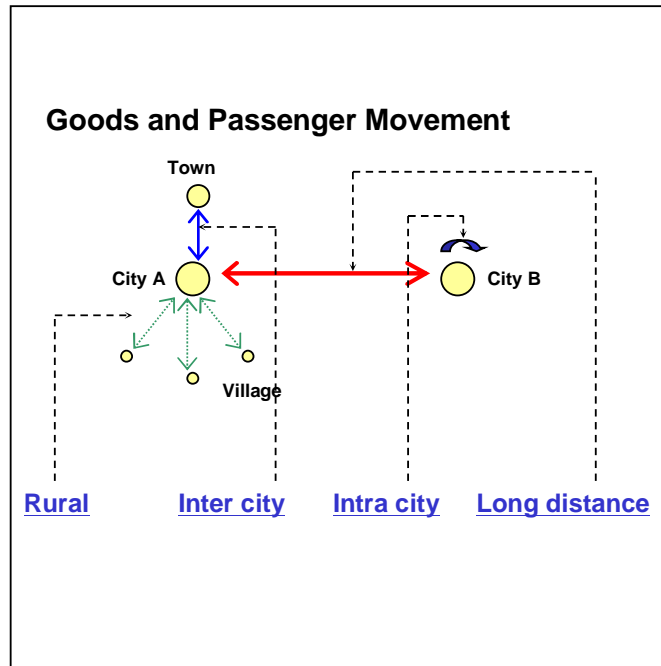
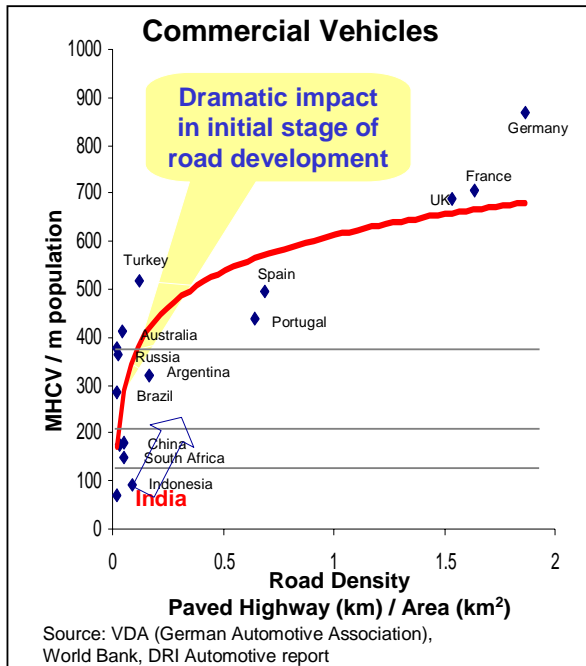


There are 5 key reasons for high growth

5. Continued growth in road infrastructure



Road infrastructure projects are bringing paradigm shift in the manner in which people travel and goods move.



The explosive growth of the Indian Automotive sector would double its contribution to the GDP by 2016

Automotive Mission Plan 2006-2016

“To emerge as the destination of choice in the world for design and manufacture of automobiles and auto components with output reaching a level of US\$ 145 billion accounting for more than 10% of GDP and providing additional employment to 25 million people by 2016”

	2005	2016
Total Turnover (Bn USD)	34	145
Contribution to GDP	5%	10%
Direct /Indirect employment (Mn)	13	39
Investment (Bn USD)	11	45 - 55

Worldwide, Transport sector has emerged as the biggest employer

Vehicle	Employment*
CV	13.3 units
Car	5.3 units
3 W	3.9 units
2 W	0.5 units

* direct & indirect

By 2016, India would emerge as the 7th largest manufacturer of passenger cars, while maintaining its position in other segments

Source: AMP 2006-16

The Challenge for Indian Automotive Industry is to create a robust 'Demand Creation' through innovation to benefit from the explosive opportunity

Income classes and spending power of Indians

Household (HH) Income class	Real annual HH income	No of HH	Major assets owned
Global India	More than \$11,000	2.5 Mn	1-2 bedroom house, Color TV, mobile phone, refrigerator, washing machine Car worth \$5,600 to \$11,000
Aspiring India	\$4,500 to \$11,000	40 Mn	Color TV, refrigerator, telephone, 2 Wheeler or Small Car worth \$4,500
Struggling India	\$1,700 to \$4,500	110 Mn	Bicycles, Radio, B/W TV
Destitute India	Less than \$1,700	40 Mn	Watch

IT's share of A+B segment car sales is about 16%

By 2025, 23 Mn Indians will be very rich, earning over \$25,000/ Yr

Average HH size in India is 5.4 persons Source: NCAER, NSSO, MOSPI, McKinsey, CLSA Asia-Pacific markets

Number of rural HH owning Cars/Jeeps has grown 4 times and Number of urban HH owning Cars/Jeeps has grown 3.8 times

- NSSO Report (Jul'04 – Jun'05) study period 1993-94 to 2003-04

By 2025, India's middle class will swell by over 10 times from current 50 Mn to 583 Mn. India would become 5th largest consumer market in the world.

- McKinsey's Report

However the global liquidity crisis coupled with other factors is likely to have an impact on the growth prospects of Indian Automobile Industry

Chain Effect of US Financial Crisis Anti-inflationary Measures in India

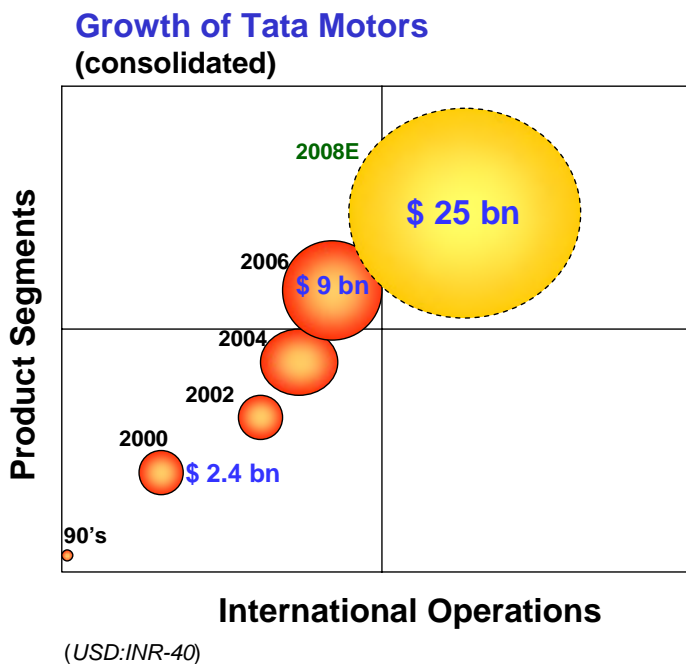
- ⊕ Non- availability of Vehicle finance
- ⊕ High lending rates
(exit rate in Oct'08 was ~16%)
- ⊕ Rise in input material costs
(35-40% rise in Steel, Aluminium, etc.in last 2 years)

Indian Automobile Industry

Tata Motors

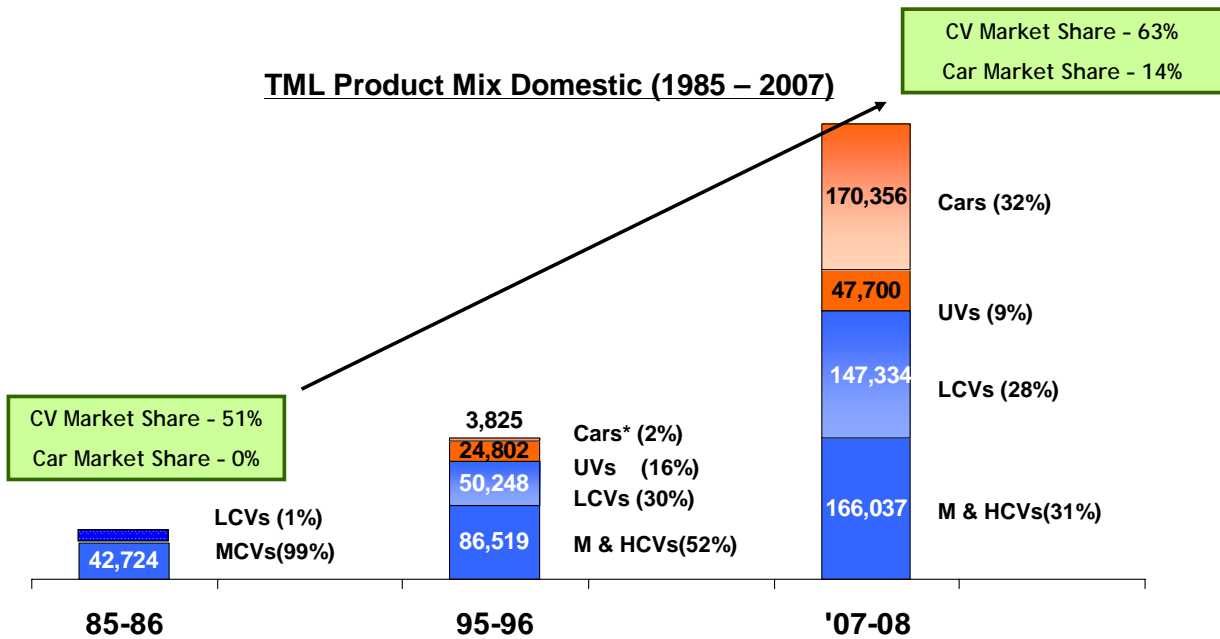
Principles of Innovation @ Tata Motors

Tata Motors, with its subsidiaries, has been growing in an aggressive but planned manner in the past one decade...



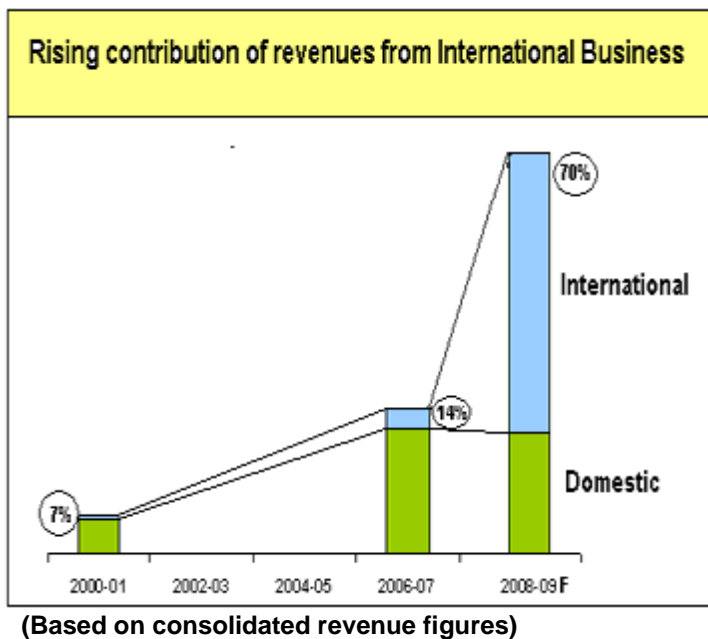
- ▶ Entry into new segments
- ▶ Creating new segments
- ▶ Overseas Acquisitions and Joint Ventures
- ▶ Entry into new geographies
- ▶ Development of World class products

The product mix has been changing considerably, especially in the last 2 decades, resulting in strong domestic market position



* TATA Sierra & TATA Estate

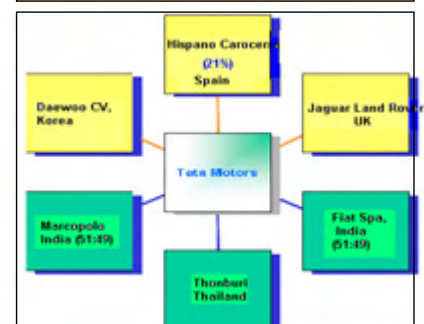
Tata Motors in the last 8-9 years has also been transforming itself from a predominantly domestic player to a multinational player



Organic Growth



Inorganic Growth



International business has helped in de-risking the business model from domestic cyclicity

Organic Growth

1 Market Attractiveness & Potential

High ←————→ Low

2 Regulatory Environment

Emission, Safety, Entry regulations

3 TML's ability to address markets

Based on Stage of Market development

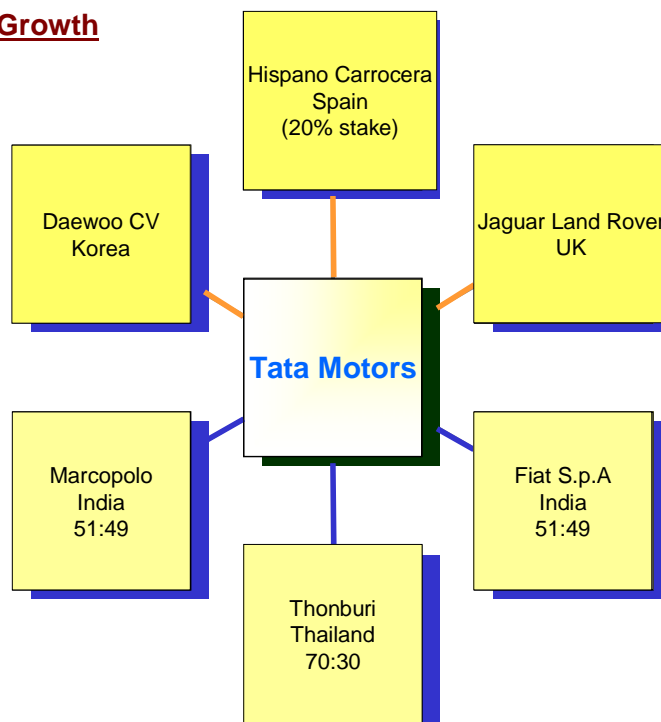
- South Africa
- South Korea
- Sri Lanka
- UK
- Italy
- Bangladesh
- Nepal
- Saudi Arabia
- Ukraine
- Malaysia
- & others...

- Cyclicity of these markets was out of phase with the Indian market
- Product offerings were developed/ customized as per market requirements
e.g. South African market required vehicles with Higher Power to Weight ratio as roads are highly developed



Inorganic growth has helped in acquisition of world class technologies and access to new markets

Inorganic Growth



Tata Motors – International Business Template

To be seen as a local Company in the country of operation

- As a South Korean Company in South Korea
- As a South African Company in South Africa
- As a Spanish Company in Spain

-
- Brand 'Japan' - Electronics, High Tech, Innovative, Efficient, Trendy, Process oriented
 - Brand 'Germany' - Automobiles, Engineering excellence, robust design, meticulous
 - Brand 'India' - ?

Indian Automobile Industry

Tata Motors

Principles of Innovation @ Tata Motors