Morgan Stanley India Summit
Keynote Address

Lead the Future..
Karl Slym
MD, Tata Motors
The story thus far..
The Auto industry in BRIC markets over the years..

<table>
<thead>
<tr>
<th>Then</th>
<th>Now</th>
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<tbody>
<tr>
<td><img src="image1.png" alt="Old cars and motorcycles" /></td>
<td><img src="image2.png" alt="New cars and trucks" /></td>
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<tr>
<td><img src="image3.png" alt="Older car" /></td>
<td><img src="image4.png" alt="Newer cars and trucks" /></td>
</tr>
<tr>
<td><img src="image5.png" alt="Historical scene" /></td>
<td><img src="image6.png" alt="Modern car" /></td>
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The new age saw the steady rise of the BRIC markets through the global economic crisis. Even then penetration remain low..

<table>
<thead>
<tr>
<th>GDP Growth rate (%)</th>
<th>Passenger car penetration per 1000 population¹</th>
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<tbody>
<tr>
<td></td>
<td>Brazil</td>
</tr>
<tr>
<td>2005 2006 2007 2008</td>
<td>3.2 4</td>
</tr>
<tr>
<td>2009 2010 2011</td>
<td>5.2 -0.3</td>
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<tr>
<td>Brazil</td>
<td>7.5 2.7</td>
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> BRIC Countries have seen substantial growth in their GDP even in the face of the global economic crisis

> India and China have shown exceptional growth

> India has the lowest passenger car penetration per 1000 of population among all the BRIC countries

> There exists a huge potential and India is viewed as a lucrative market by many

¹ 2010 figures
Source: World Bank
In India, the Automotive industry has not yet had the significant growth in contribution to GDP the AMP aspired to.

Sector wise contribution to GDP:

1) 2011-12 figures
2) 2004-05 figures
3) 2006 figures

Source: Ministry of Statistics & Programme Implementation
The Automotive Mission Plan 2006-16 was expected to lay down the rules of the industry

- Government to examine the tariff rate for commercial vehicles and MUVs
- Tax holiday for Automobile Industry for investment exceeding INR 500 crore
- State Government to be urged to offer Preferential allotment of land to automotive plants, Continuous uninterrupted power supply and promote Captive Generation
- Road infrastructure - Further road development; Developing urban transportation system, Flyovers, etc; ensuring better connectivity
- One-stop clearance for FDI proposals in automotive sector
- Deduction of 30% of net (total) income for 10 years for new industrial undertakings
- Road infrastructure - Further road development; Developing urban transportation system, Flyovers, etc; ensuring better connectivity
- One-stop clearance for FDI proposals in automotive sector
- Deduction of 30% of net (total) income for 10 years for new industrial undertakings
The Automotive Mission Plan 2006-16 was expected to lay down the rules of the industry

- Encouragement to fuel efficient vehicles
- Infrastructure for Testing, Certification and Homologation will be created under NATRIP in the three major auto hubs in the country
- Encourage collaboration of Industry with research and academic institutions. Lab facilities in IITs could be developed and modernized
- Working hours to be increased from 48 to 60 per week from 9 to 11 per day spread over from 10.5 to 13.0 hours per day to enhance competitiveness of the industry
- Ensure availability of trained manpower by creating Automotive Training Institute (ATI) for providing ‘Mechanics’ training to all segments
Great! All is well in the world, growth is guaranteed!..
..Or is it?

Three years from the end of the AMP, are we where we wanted to be?
Auto Industry Growth has tapered down. Both passenger and commercial sectors were flat in 2012-13.
SCV sales now contribute 40% of the industry as compared to 29% 5 years ago.
The UV+ MPV segment now contributes 26% of PV sales as compared to a consistent 20% over the last five years.
Indian passenger car exports are continuing to grow steadily
### So What happened?

<table>
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<th>Action</th>
<th>Impact</th>
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<tr>
<td>&gt; Excise duty on SUVs increased to 30% from 27%. All luxury vehicles to attract 100% import duty as against 75%</td>
<td>&gt; SUVs and luxury cars get costlier. Consumers unwilling to buy, leading to sluggish sales</td>
</tr>
<tr>
<td>&gt; High borrowing cost, higher fuel prices, slowdown in economy affecting automotive sales</td>
<td>&gt; April 2013 sales fell 10% from April 2012 figures to 150,789 cars</td>
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</tbody>
</table>
| > Ban on mining in Karnataka  
> Slow development of construction and developmental projects | > Passenger cars sales falling for 6 straight months  
> 10 out of 14 passenger car manufacturers in India have posted decline in sales in April  
> Medium and Heavy Commercial vehicles registered 6.7% decline in sales in April |
| > Slow implementation of Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Pradhan Mantri Gram Sadak Yojana (PGMGSY) and National Highways Development Project (NHDP) | > Ban on mining impacted 200 mines which employed 17000-20000 heavy trucks. Due to the ban, these vehicles remain idle impacting replacement demands  
> Slow infrastructural projects affecting commercial vehicles demand |
| > Government's reluctance to implement these schemes before 2014 General Elections impacting Commercial Vehicle market adversely  
> INR 14,873 crores allocated to JNNURM in Budget 2013, but implementation is the key |
The Organisation for Economic Cooperation and Development (OECD) has lowered its earlier projection of Gross Domestic Product (GDP) growth on India from 5.9% to 5.3% in 2013.

But OECD has pegged India’s growth at a higher 6.4% in 2014, a figure projected by the Prime Minister’s Economic Advisory Council (PMEAC) for 2012-13.

Large Infrastructural projects need to be approved fast.

India’s structural bottlenecks and slow policy implementation could constrain investment and growth potential.

Source: OECD
Outlook for auto industry in 2013-14

Passenger Vehicles

- Passenger Car segment is pegged to grow at a rate of 5-7% in 2013-14 according to SIAM estimates.

- Sales figures in Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>2012-13</th>
<th>2013-14</th>
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<tbody>
<tr>
<td>Passenger Car</td>
<td>2.7</td>
<td>2.83</td>
</tr>
<tr>
<td></td>
<td>2.88</td>
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Commercial Vehicles

- Commercial Vehicle segment is pegged to grow at a rate of 7-9% in 2013-14 according to SIAM estimates.

- Sales figures in Millions

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<th>Year</th>
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<th>2013-14</th>
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<tr>
<td>Commercial Car</td>
<td>0.80</td>
<td>0.85</td>
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<tr>
<td></td>
<td>0.87</td>
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Can we get back the explosive growth rates of the BRIC countries?
## Learnings from other BRIC markets

<table>
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<tr>
<th><strong>Facts</strong></th>
<th><strong>Trends</strong></th>
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<tbody>
<tr>
<td>&gt; BRIC Countries expected to account for 30% of global auto sales in 2014</td>
<td>&gt; Fuel efficient cars by using materials like carbon fiber, steel, aluminum, titanium, magnesium and plastics</td>
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<tr>
<td>&gt; China to increase its share in BRIC auto sales volume from 53% to 61% in 2014.</td>
<td>&gt; Better use of new technology by investing in module/platform strategies, lightweight materials, battery technologies and fuel cells</td>
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<td>&gt; Brazil – the most mature and stable of the BRIC markets to remain in second position</td>
<td>&gt; Competitive financing and financing of e-components</td>
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<td>&gt; Chinese exports cross 1 million for the first time in 2012.</td>
<td>&gt; Specific cars for specific markets reflecting the local markets' tastes</td>
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<td></td>
<td>&gt; Form industry consolidations / JVs for access to better technology</td>
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<tr>
<td></td>
<td>&gt; Form corporate partnerships</td>
</tr>
<tr>
<td></td>
<td>&gt; Multi – brand car dealerships</td>
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<td></td>
<td>&gt; Boosting demand – cash for clunkers, fleet replacement policies</td>
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<td>&gt; China – promoting exports has led to an increase in exports at a time when domestic demand has flagged, thus supporting the industry</td>
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What we need..

Key Enablers for the Automotive Industry

> A Mobility Roadmap for India

> A Technology Roadmap on what would work best for India – Electric / Hybrids / Fuel cells?

> National Electric Mobility Mission Plan was launched in India to put 6-7 mn EV’s on the roads by 2020. But will it achieve the objective of reducing dependence on fossil fuels?

> Technological readiness and financial market sophistication - impetus to local R&D..

> Strong government incentive for manufacturing and implementation of infrastructure projects..

> Policies on fleet replacement - Significant proportion of our vehicles running on Indian roads are more than 10 years old. A strong fleet replacement policy will ensure safety as well as reduce emissions while boosting demand.

> Pool of skilled labour - both direct and indirect (mechanics, drivers etc..) need to be available
TML Product portfolio – CNG, hybrids, EV’s, fuel cells.. which is the way to go?
135 ITI’s Adopted and 8 driver training institutes established. Still woefully short of requisite skills
The future of the auto-industry - which way do we take it?

- Mobility roadmap
- Technology roadmap
- Strong Government focus
- Pipeline of skilled workforce...

- Lack of clear direction
- Limited Government support
- Lack of skilled manpower
Lead the Future!
Thank You