



# **TATA MOTORS LIMITED**

**Investor Conference Presentation**

**22<sup>nd</sup> August 2011**

## Disclaimer

- Statements in this presentation describing the objectives, projections, estimates and expectations of the Company i.e. Tata Motors Ltd and its direct and indirect subsidiaries and its associates may be “forward looking statements” within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company’s operations include, among others, economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which the Company operates, changes in Government regulations, tax laws and other statutes and incidental factors
- FY 11 represents the period from 1st April 2010 to 31st March 2011
- FY 10 represents the period from 1st April 2009 to 31st March 2010
- Financials contained in the presentation are in Indian GAAP

## **Indian Automobile Industry**

# Growth in the past has been supported by factors expected to be sustainable in the coming years..... resulting in a strong domestic Automobile growth story

## Urbanization

'Urbanization of Mind'

Increase in Consumerism

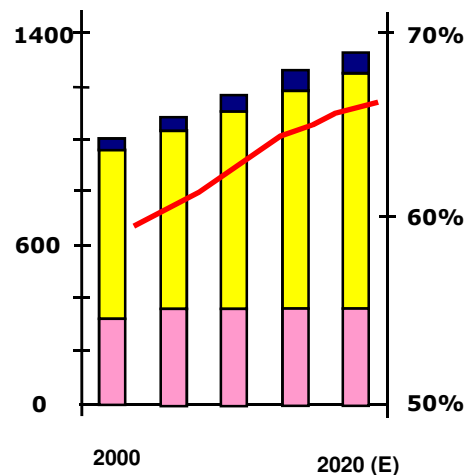
Increase in Urbanization

India has 10 of the 30 fastest growing urban areas of the world

By 2050, a massive 700 million people are expected to move to urban Indian cities

Source: Goldman Sach's Report

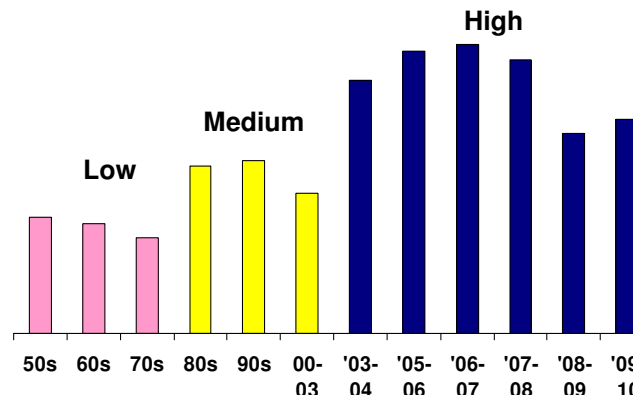
## Growth in working population



- Over 64 years
- 15 - 64 years
- Under 15 years
- % Working population

Source: Planning Commission

## GDP growth and rise in disposable incomes

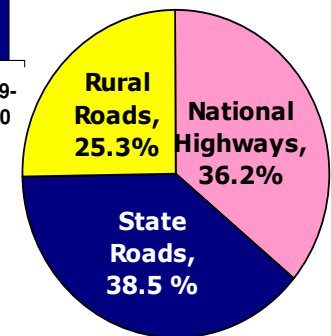


Increase in income level & decline in tax has led to increase in Personal Disposable Income

Source: CSO & Economic Survey 2008-09

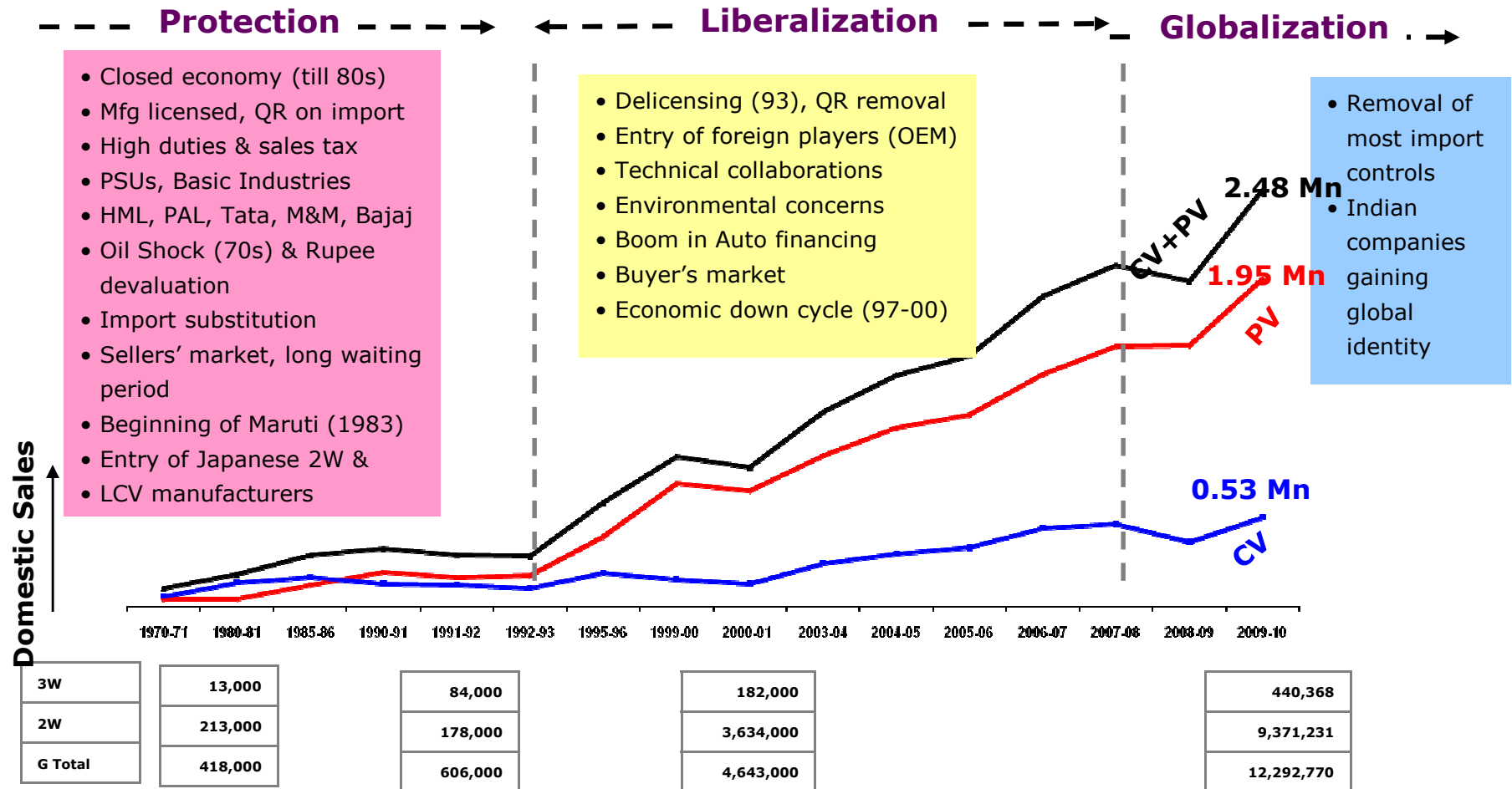
## Growth in road infrastructure

Crisil estimates that between 2010 and 2014 total investment potential in the roads sector - ~ Rs 5,216 billion. The breakup of investments as below -



Source: Crisil

## The Indian Automobile Industry has evolved in 3 phases



Source : SIAM & AMP 2006-16

**Between FY2002 to 2007 Indian Auto Industry grew at a CAGR of 12% before shrinking marginally in last two FYs due to recession, however retracing the growth story again**

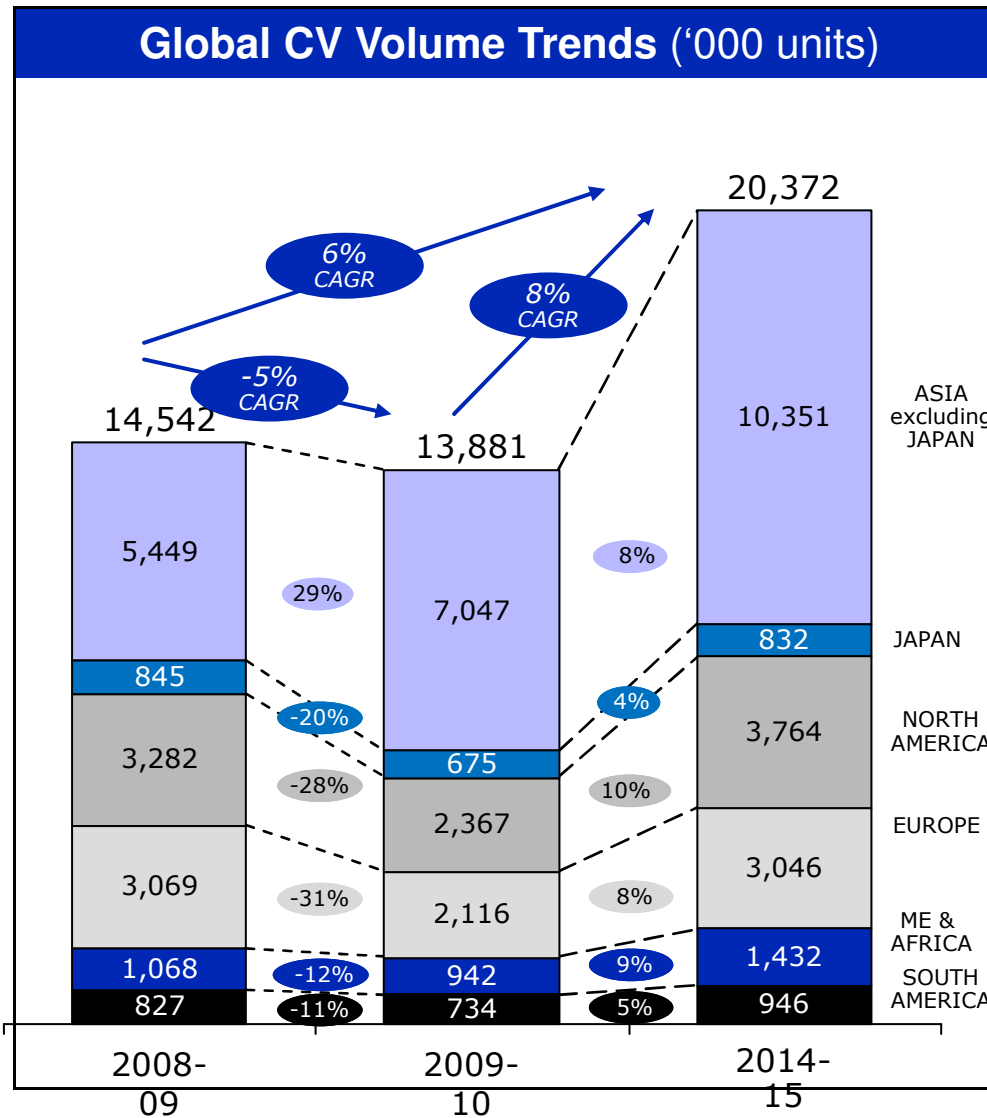


## **Commercial Vehicles**

## 2010 marks an inflection point for global CV industry with markets poised for recovery after a recession

- Global CV industry **emerging from recession** and expected to grow at 8%
- **Developed markets** like NA and Europe, which saw a **30% decline** in past one year, are expected to **recover their volumes only in the next 4-5 years**
- Emerging markets like **Brazil, Russia, India and China**, which are expected to show high growth momentum, are becoming the **focus of global players** for entry and expansion; there is increasing trend of JVs/cooperation between local and global players
  - Daimler planning aggressive expansion in various world markets – Brazil, India, Russia
  - MAN in alliance with Sinotruck in China
- Chinese players are scaling up to become global players in all categories of the CV Business.

## 2010 marks an inflection point for global CV industry with markets poised for recovery after a recession



Source: IHS Global Insights



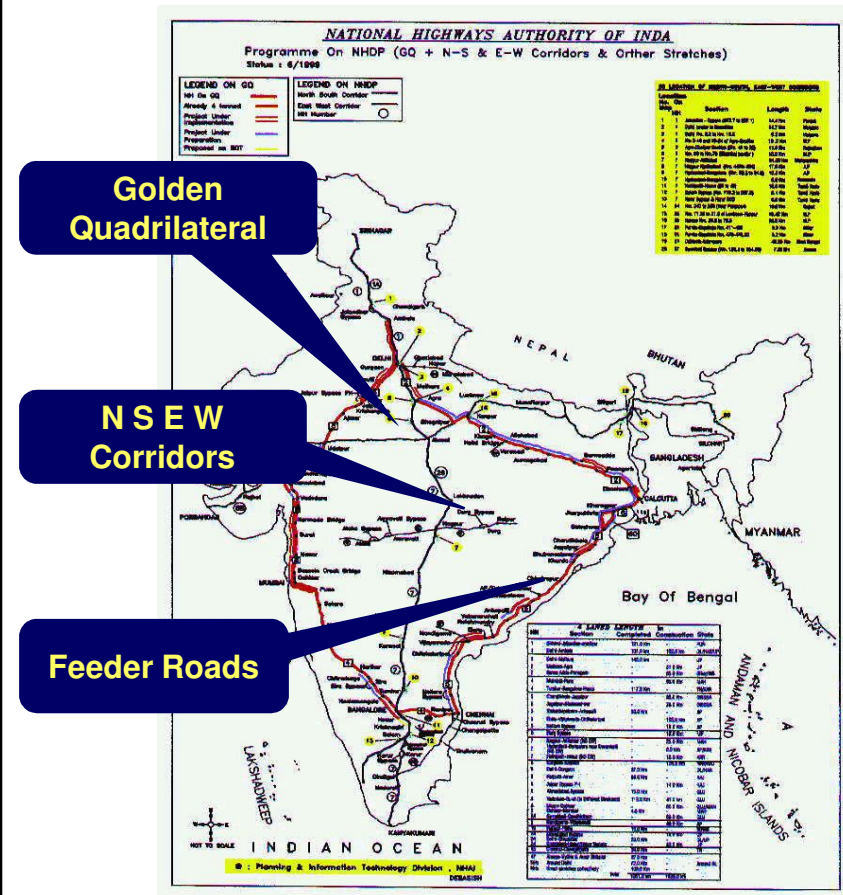
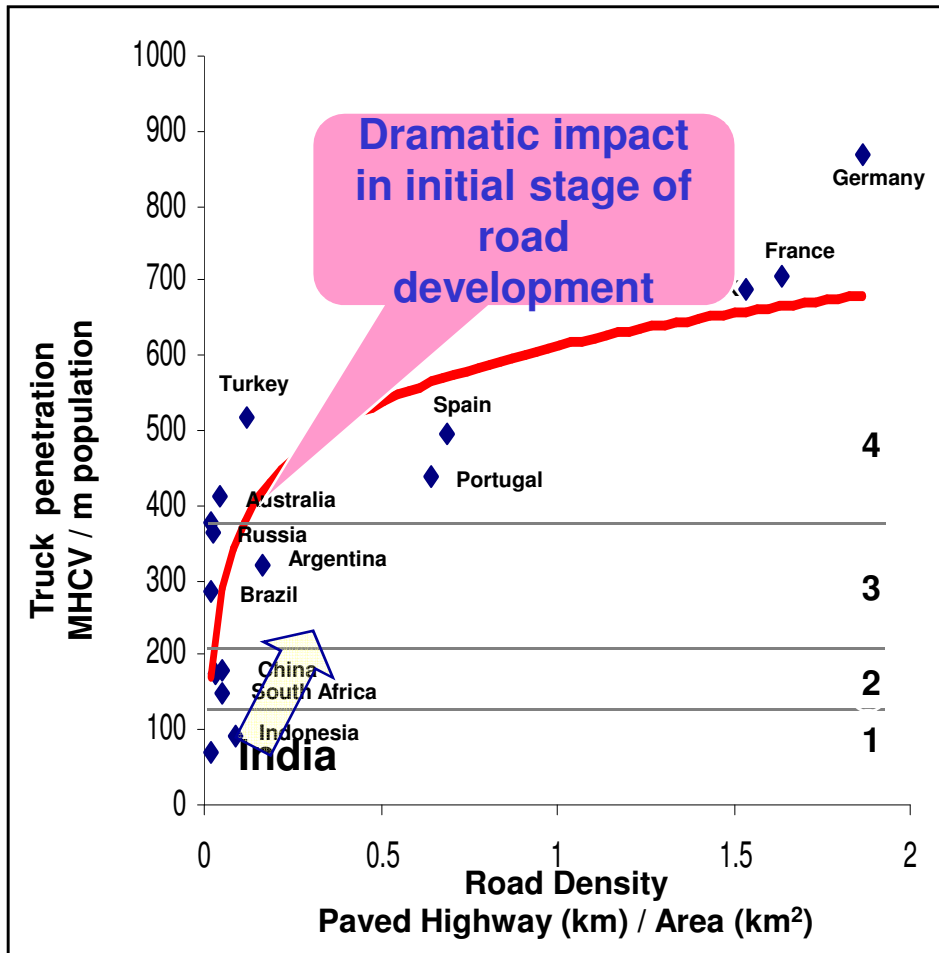
## Trends affecting CV industry in India

| Key Macro- economic / Infrastructural trend                                                                                                                                                        | Impact on Indian CV Industry                          |   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|---|
| Steady growth in GDP (7.5-8% yoy)                                                                                                                                                                  | Growth in overall truck demand                        | ● |
| Development of urban and rural road infrastructure (NHDP <sup>1</sup> and PGMSY <sup>2</sup> ) – 110,000 Km of National & State Highway and 410,500 Km of pucca rural roads to be built in 2009-14 | Demand for Buses, small goods/ passenger LCV's, SCV,s | ● |
| Growth of hub-and-spoke distribution model                                                                                                                                                         | Increase in SCV's                                     | ● |
| Growth of core industries (Construction, Mining, Steel, Organized Retailing)                                                                                                                       | Increase in Tipper segment                            | ● |
| Increasing participation of NBFCs, PSUs and cooperative banks driving finance enablement                                                                                                           | Increase in first time buyers –typically SCV's        | ● |
| Increasing fuel prices                                                                                                                                                                             | Focus on fuel efficient vehicles, alternate fuels     | ● |

**Note:** National Highways Development Project, (2) Pradhanmantri Gram Sadak Yojna, .  
Source: TML, analysis

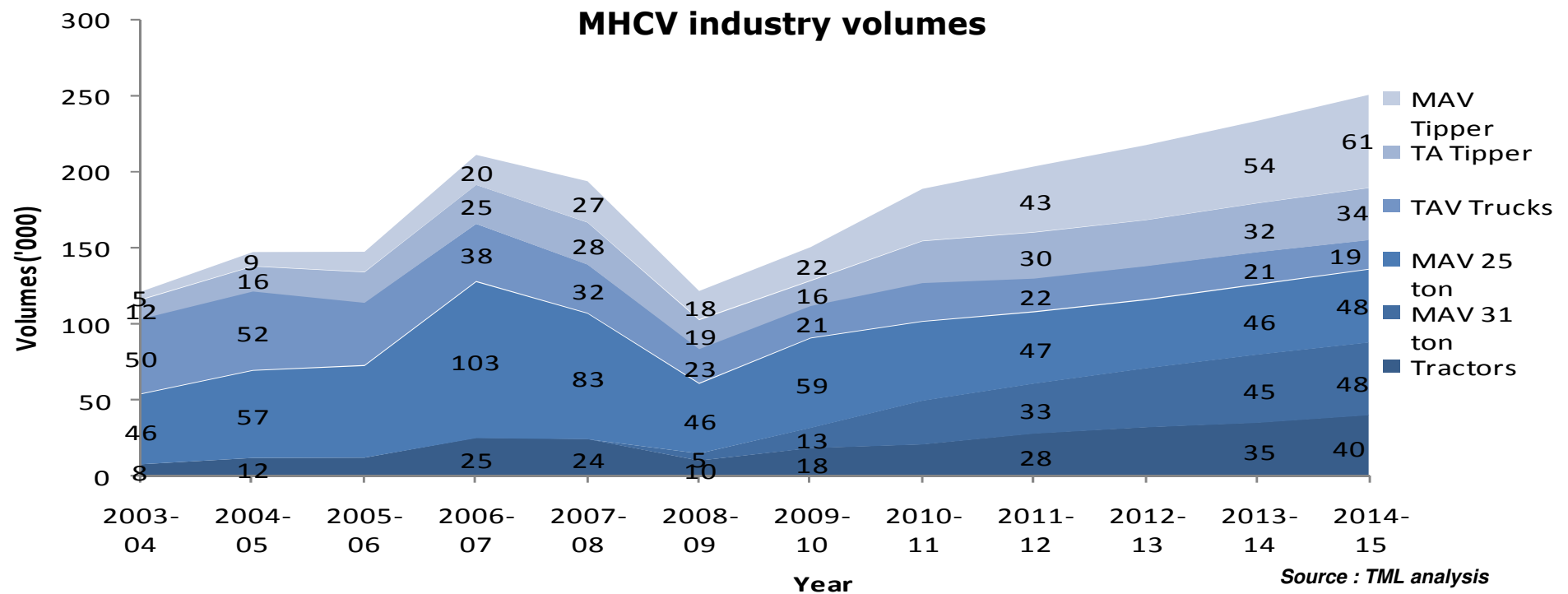
# The planned massive urban and rural road network development is poised to increase demand

**Impact on  
CV Sales**



Source: VDA (German Automotive Association), Worldbank, DRI Automotive report

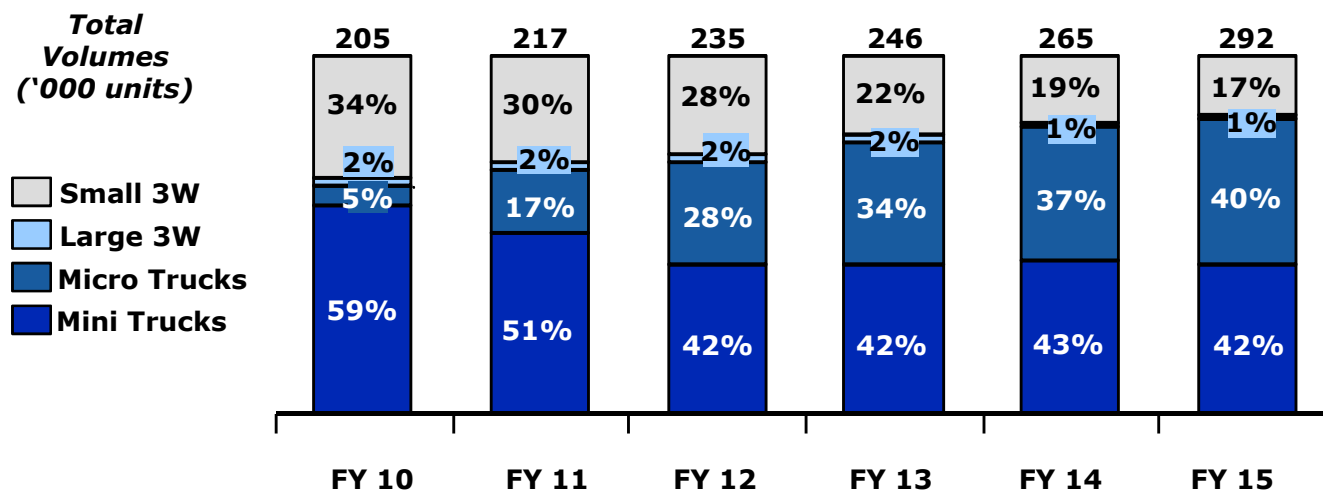
## CV industry in India continues its strong growth in the high volume segments



**There is a shift towards Higher tonnage tractors, 4-axle trucks. Tippers will continue to contribute significantly towards total sales.**

## CV industry in India continues its strong growth in the high volume segments

### SCV industry volumes

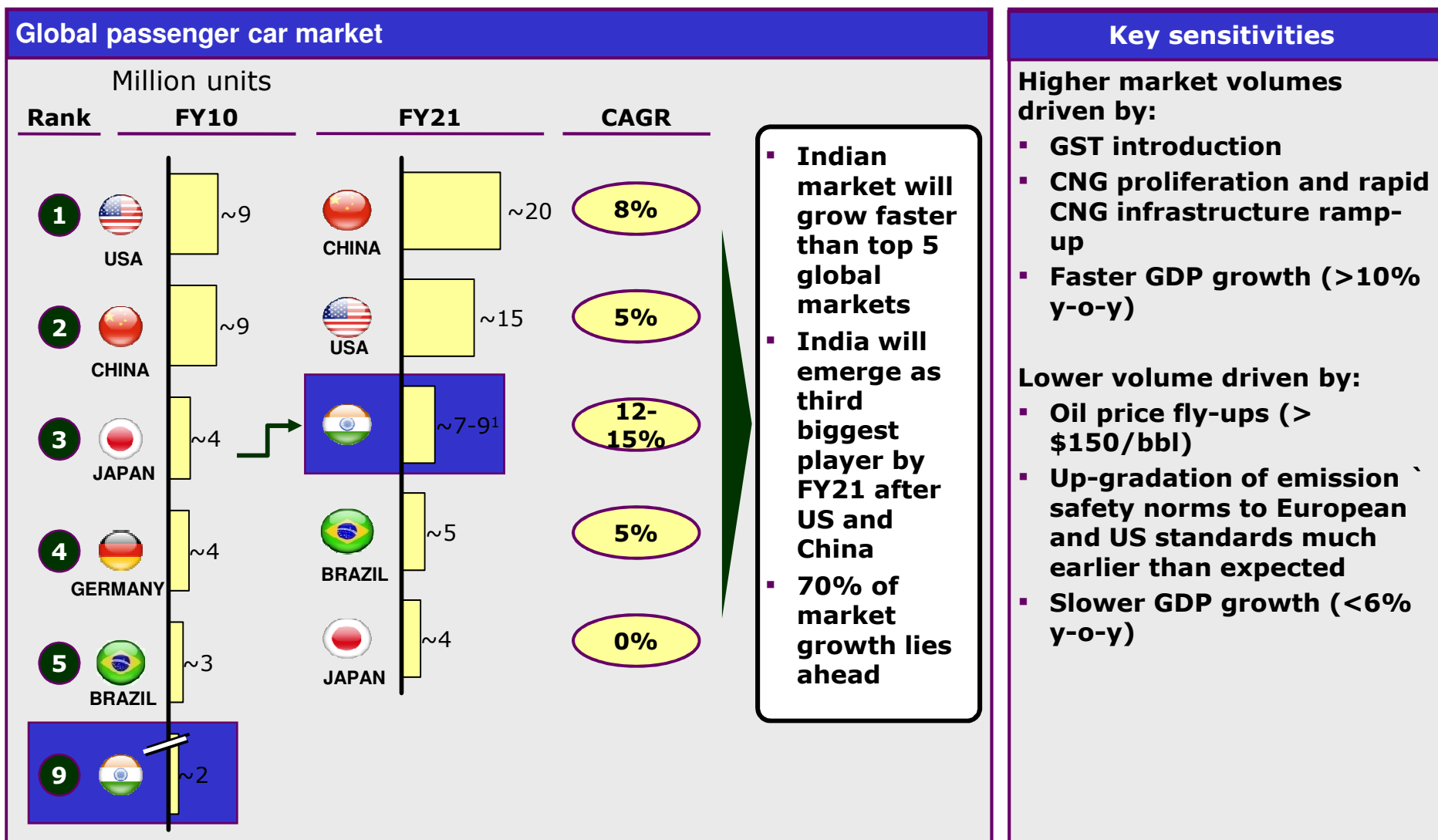


Source : TML analysis

**The 4W SCV segment continues to be strongly attractive**

## Passenger Cars

## Strong growth in Indian PC industry expected over next 10 years



SOURCE: IHS Global Insight; MGI India consumption model

## Trends affecting PC industry in India

| Key Macro- economic / Infrastructural trend                                                                                                                                                        | Impact on Indian PC Industry                                |   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|---|
| Favourable income demographics. Main buying class (4I -22L income) households projected to grow significantly                                                                                      | Growth in overall car demand                                | ● |
| Development of urban and rural road infrastructure (NHDP <sup>1</sup> and PGMSY <sup>2</sup> ) – 110,000 Km of National & State Highway and 410,500 Km of pucca rural roads to be built in 2009-14 | Demand for affordable value solutions for rural customers   | ● |
| Emergence of new customer categories – working women, youth                                                                                                                                        | Development of specific cars targeted at these segments     | ● |
| 2.5x increase in urban consumption; 1.7x increase in rural consumption                                                                                                                             | Need to increase touch points and reach deeper into markets | ● |
| Increasing fuel prices                                                                                                                                                                             | Focus on fuel efficient vehicles, alternate fuels           | ● |

Note: National Highways Development Project, (2) Pradhanmantri Gram Sadak Yojna

## A and B segment hatchbacks will continue to dominate the market in 2020

### A- Segment



### A Segment



### B Segment

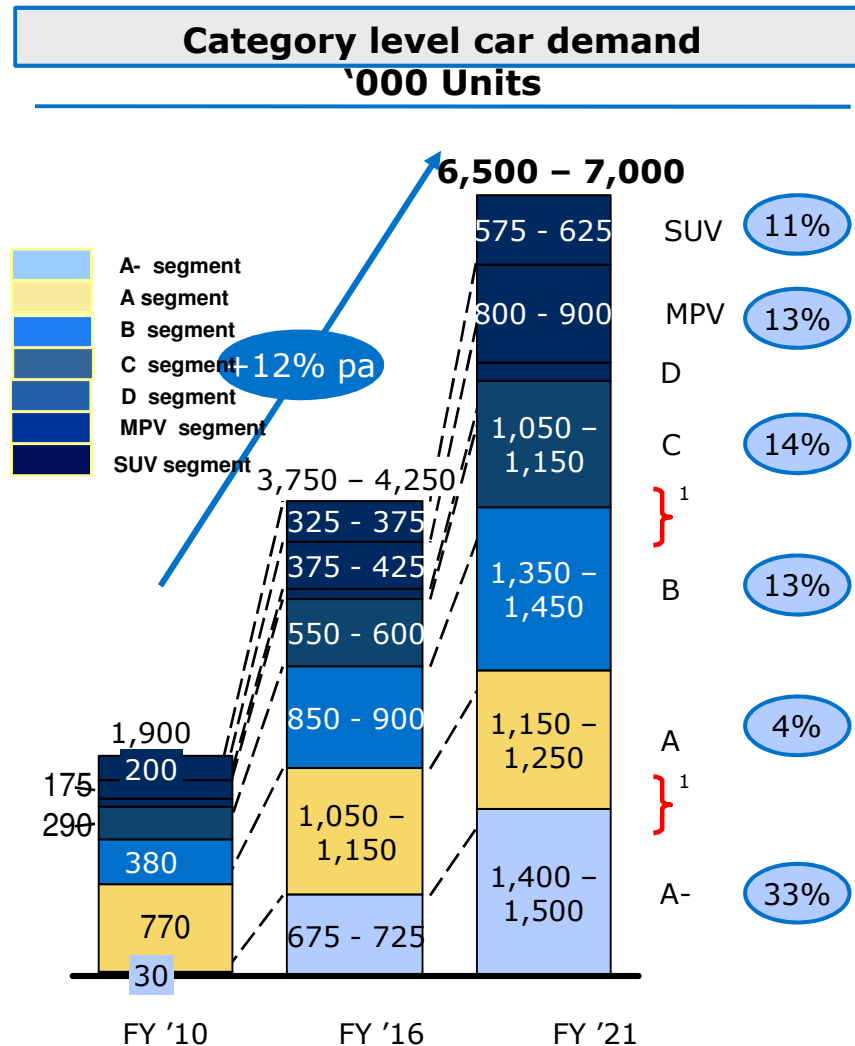


- Traditionally, A & B segment categories have been hatchbacks
- Hatchbacks will continue to dominate the market in 2020
  - Segment will increase in volume due to increased offering of models by international OEMs and due to a growing middle-class population
  - Price point is crucial in order to be successful in this segment
  - Introduction of low-cost cars will create a new segment of car buying customers



## Hatchbacks (A-, A and B segments) will occupy 60% of the market by 2020

CAGR FY '10-21



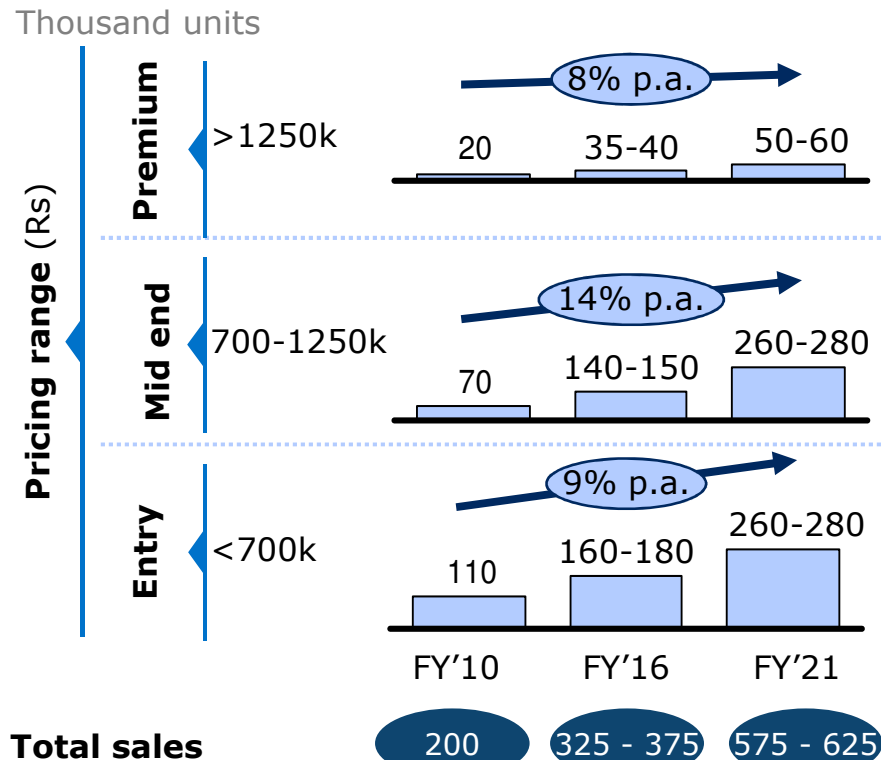
- A category remains the biggest contributors to sales till FY '16
- B & A- provide the maximum contribution to growth over next 5 years driven by 4x increase in number of the mid-income households (Rs. 5 -20 lakh per annum)
- C & D categories grow big post FY '16 driven by 5x growth in the number of high income households (> Rs 20 lakh per annum)
- MPVs contribute a big chunk of the growth over the 10 year period (~12%) due to increased inter-city travel

1 The boundaries could be diffused based on product price combinations available in the market

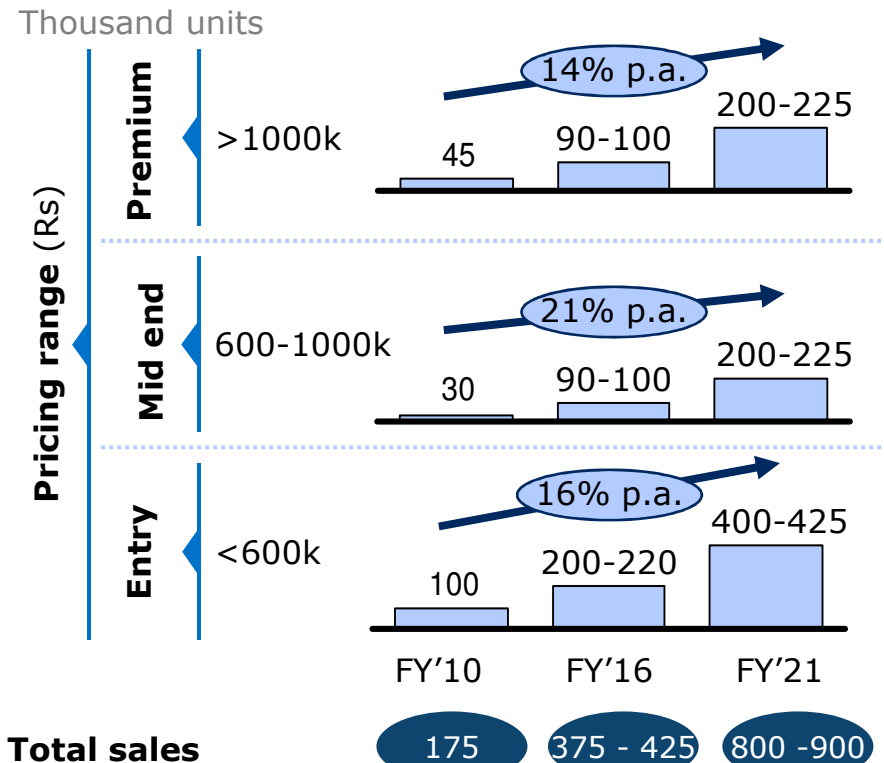
SOURCE: MGI India consumption model

## Mid-end segments for UVs and MPVs are expected to grow at a faster rate

SUV sales forecast by price band



MPV sales forecast by price band

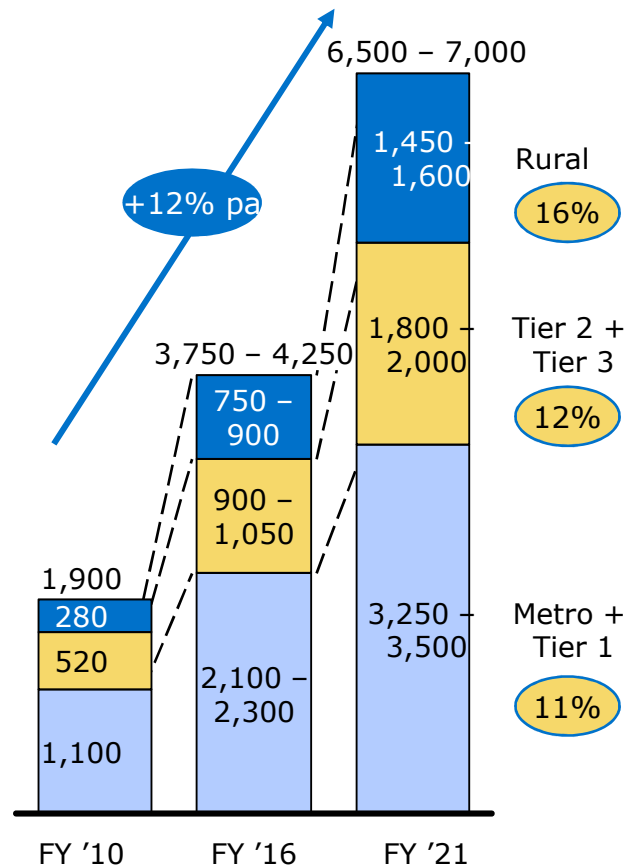


- Mid-price SUVs will become 45% of the market by 2021
- It contributes 50% of the growth potential
- Entry UVs are currently catered to rural customers; however, there is growing demand for smaller trendy SUVs for the urban youth

- Entry MPVs are the biggest segment
- Mid-price MPVs are expected to grow at relatively faster rate due to higher urban demand

## Evolution of car growth along metro, tier 1, tier 2/3 and rural markets

Geography level demand  
'000 Units

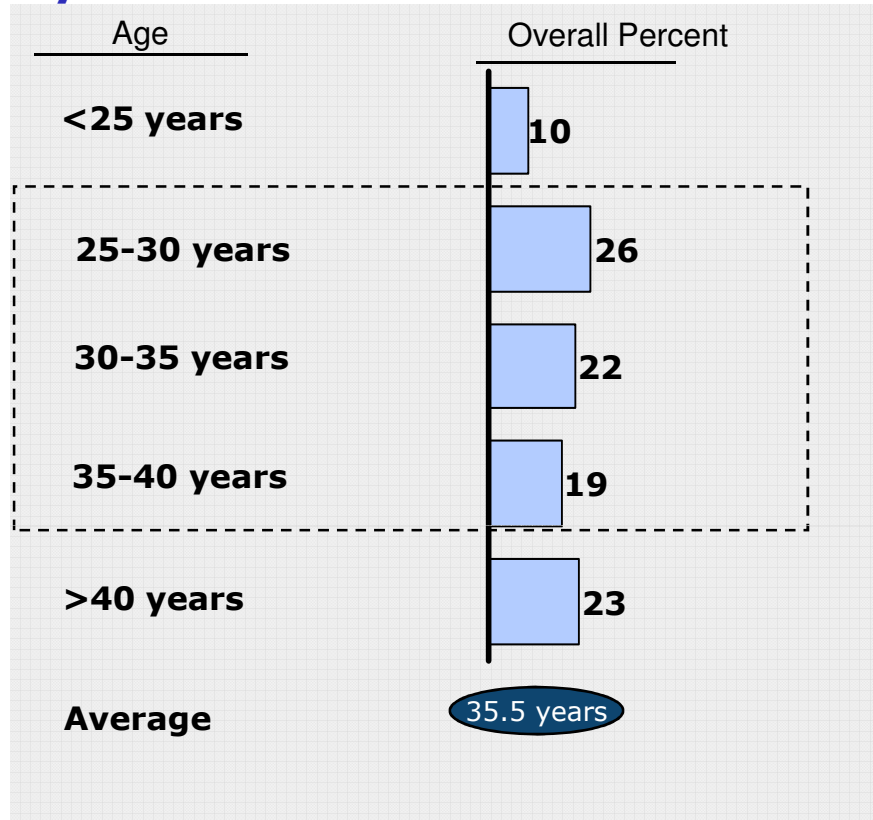


### Implications

- Metro/Tier 1 cities will be ~50% of the market
- Rural markets will see a 3x explosive growth primarily due to increase in number of households and 2.5x growth in consumption levels
- There is need for sufficient presence in rural segments with cars/UVs which meet the specific needs (e.g., low cost UVs) of the agrarian, self-employed customer base
- With increased urbanisation, vehicular congestion will intensify in metro/tier 1 cities in the absence of significant and proactive urban planning
- Car adoption will likely be higher in T3/rural towns relative to metro

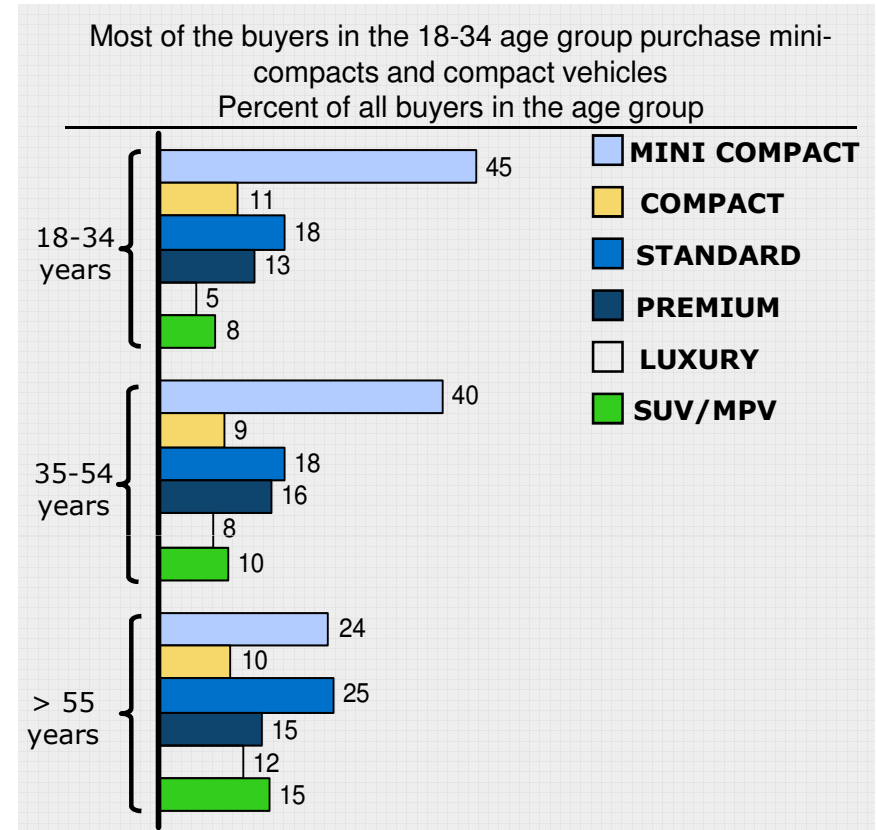
SOURCE: MGI India consumption model, Tata Motors sales data, team analysis

## Young buyers (25-35 years) are expected to grow and dominate the car-buyer market



- Number of buyers in the 25-30 age group has increased and is expected to increase driven by the increase in income and size of the category
- Typical first time buyers are recently married, student or single working individuals

SOURCE: Team analysis, press search, JD Power



- Young individuals, are increasingly buying trendy hatchbacks and high-performance sports utility vehicles
- All age groups are dominated by buyers of mini-compact/hatch back vehicles driven by income affordability, first time usage and familiarity etc



**Thank You**