



# **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..

## Then



## Now





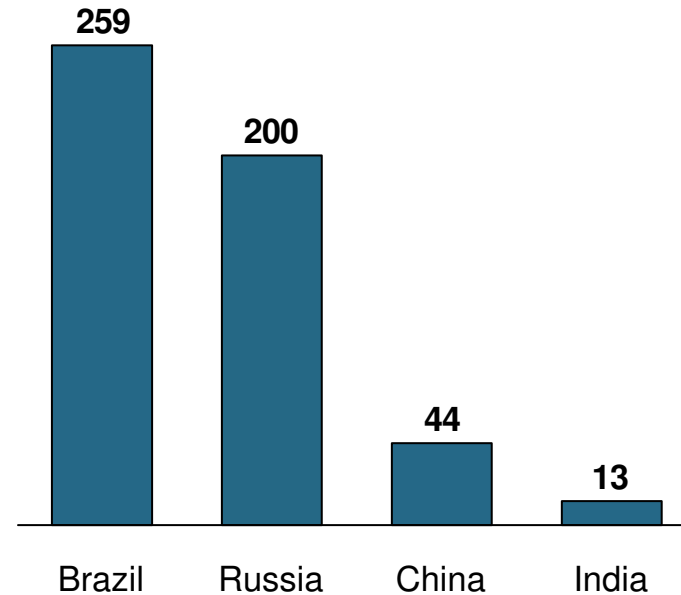
The new age saw the steady rise of the BRIC markets through the global economic crisis.. Even then penetration remain low..

### GDP Growth rate (%)

	2005	2006	2007	2008	2009	2010	2011
<b>Brazil</b>	3.2	4	6.1	5.2	-0.3	7.5	2.7
<b>Russia</b>	6.4	8.2	8.5	5.2	-7.8	4.3	4.3
<b>India</b>	9.3	9.3	9.8	3.9	8.5	10.5	6.3
<b>China</b>	28	28	29	9.6	9.2	10.4	9.3

- > 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

### Passenger car penetration per 1000 population<sup>1)</sup>



- > 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

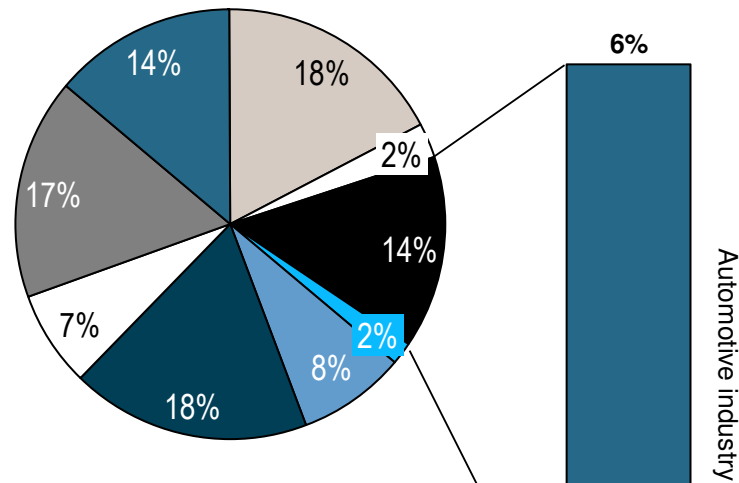
1) 2010 figures

Source: World Bank



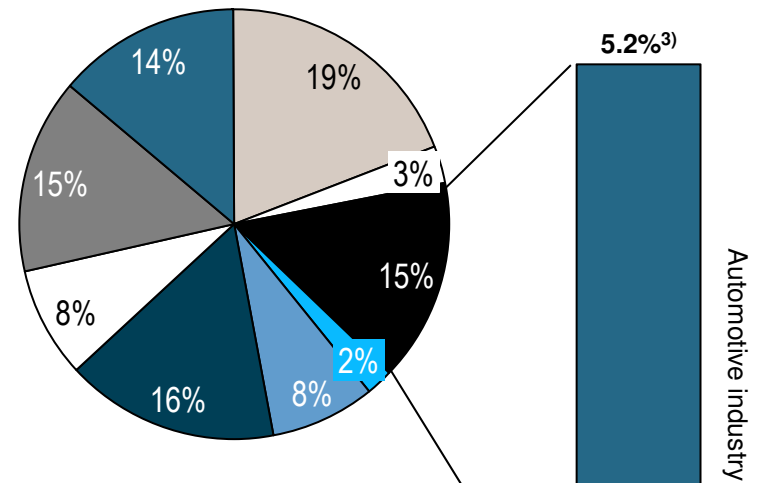
In India, the Automotive industry has not yet had the significant growth in contribution to GDP the AMP aspired to..

Sector wise contribution to GDP<sup>1)</sup>



- Agriculture, forestry & fishing
- Mining & quarrying
- Manufacturing
- Electricity, gas & water supply
- Construction
- Trade, hotels & restaurants
- Transport, storage & communication
- Financing, insurance, real estate & business services
- Community, social & personal services

Sector wise contribution to GDP<sup>2)</sup>



- Agriculture, forestry & fishing
- Mining & quarrying
- Manufacturing
- Electricity, gas & water supply
- Construction
- Trade, hotels & restaurants
- Transport, storage & communication
- Financing, insurance, real estate & business services
- Community, social & personal services

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

*Road infrastructure-*  
Further road development; Developing urban transportation system, Flyovers, etc ; ensuring better connectivity

## Automotive Mission Plan 2006-2016

A Mission  
for  
Development of Indian Automotive Industry



One-stop clearance for FDI proposals in automotive sector

*State Government* to be urged to offer Preferential allotment of land to automotive plants, Continuous uninterrupted power supply and promote Captive Generation

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

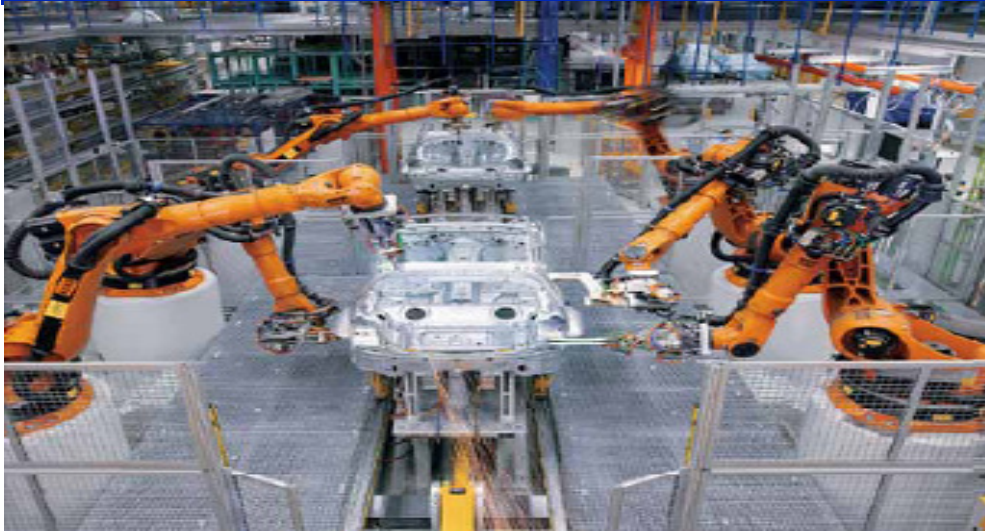
Infrastructure for Testing, Certification and Homologation will be created under NATRIP in the three major auto hubs in the country

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?

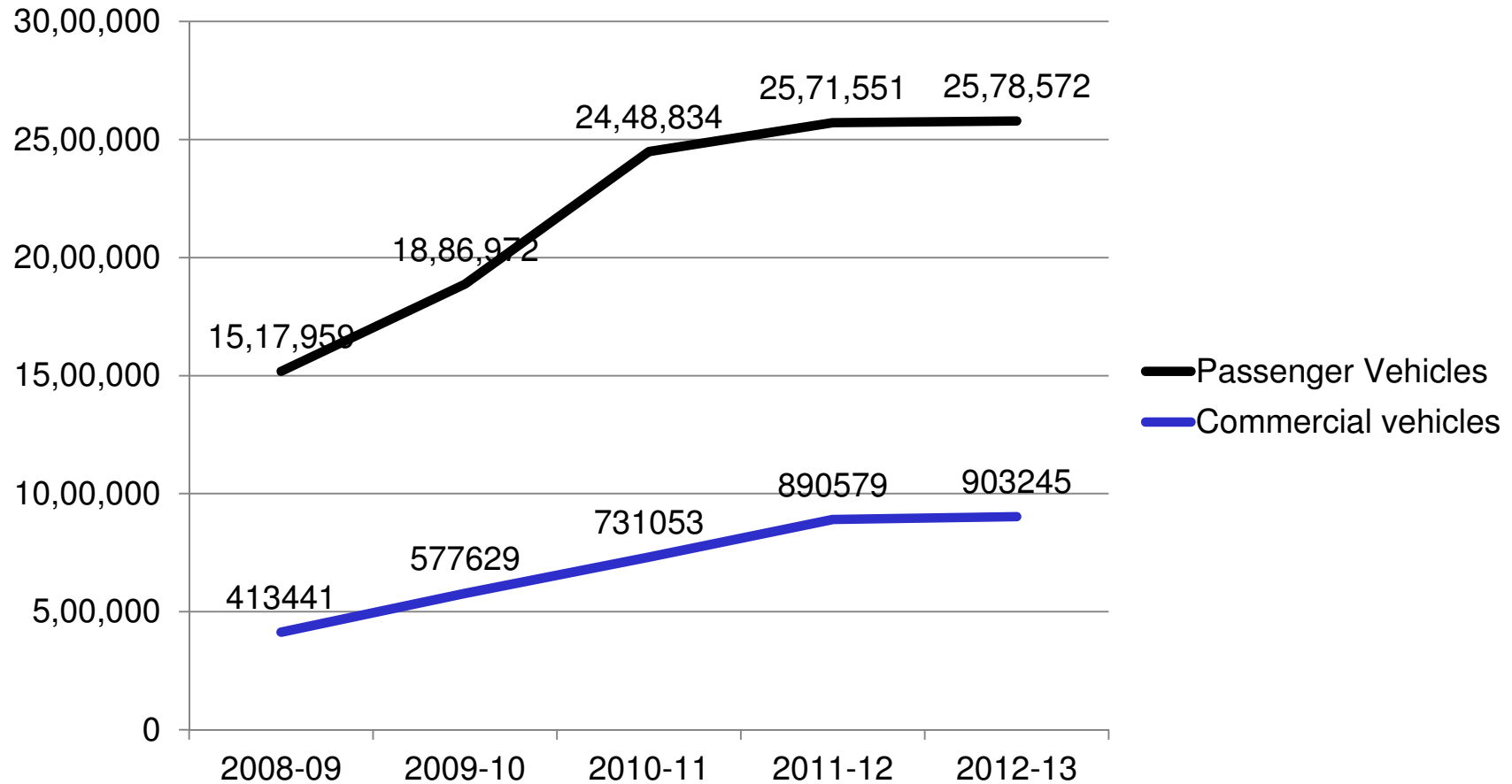


Three years from the end of the AMP, are we where we wanted to be?



## ..Or is it??

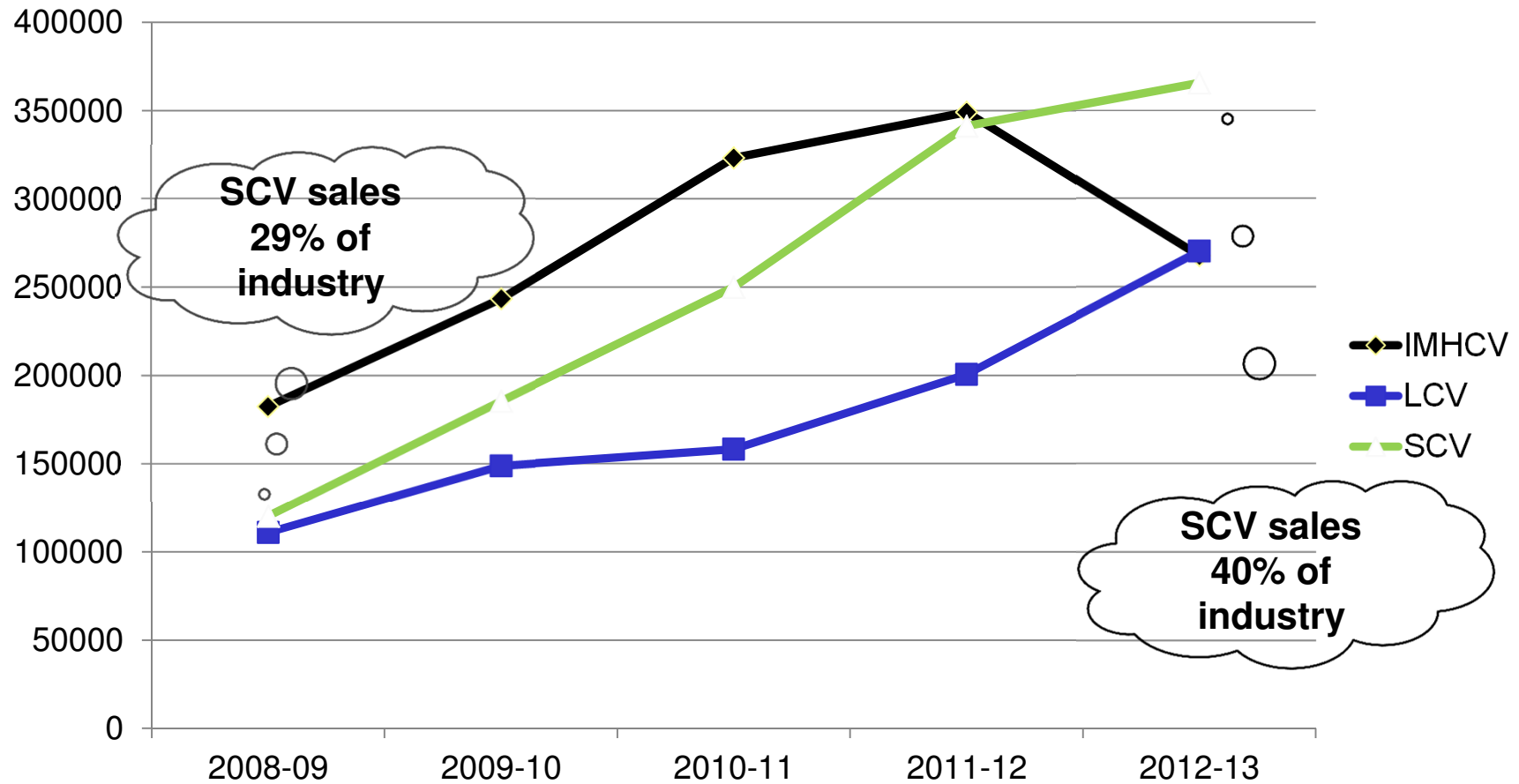
**Auto Industry Growth has tapered down. Both passenger and commercial sectors were flat in 2012-13.**





# Commercial Vehicles

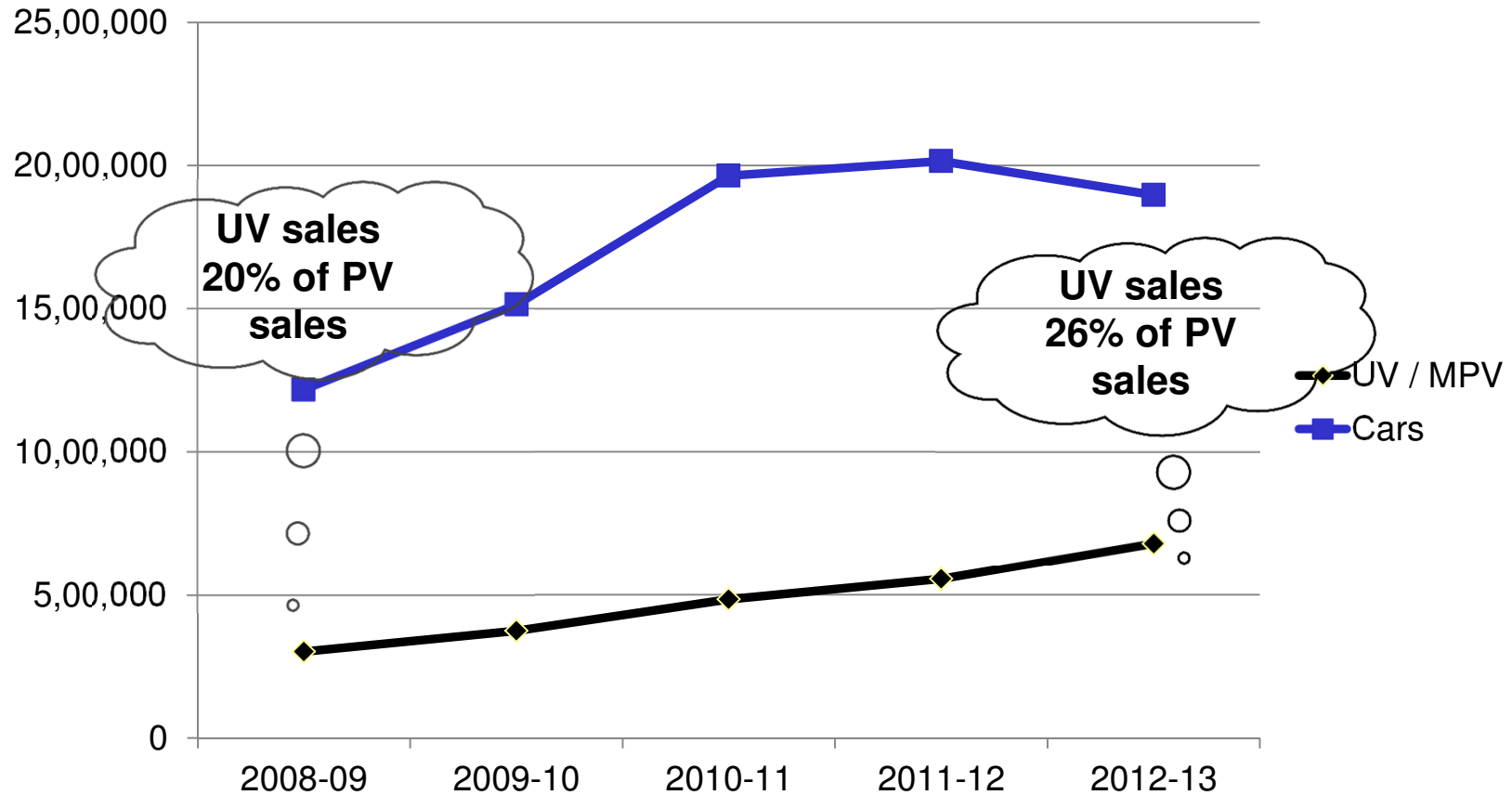
**SCV sales now contribute 40% of the industry as compared to 29% 5 years ago**





# Passenger Cars

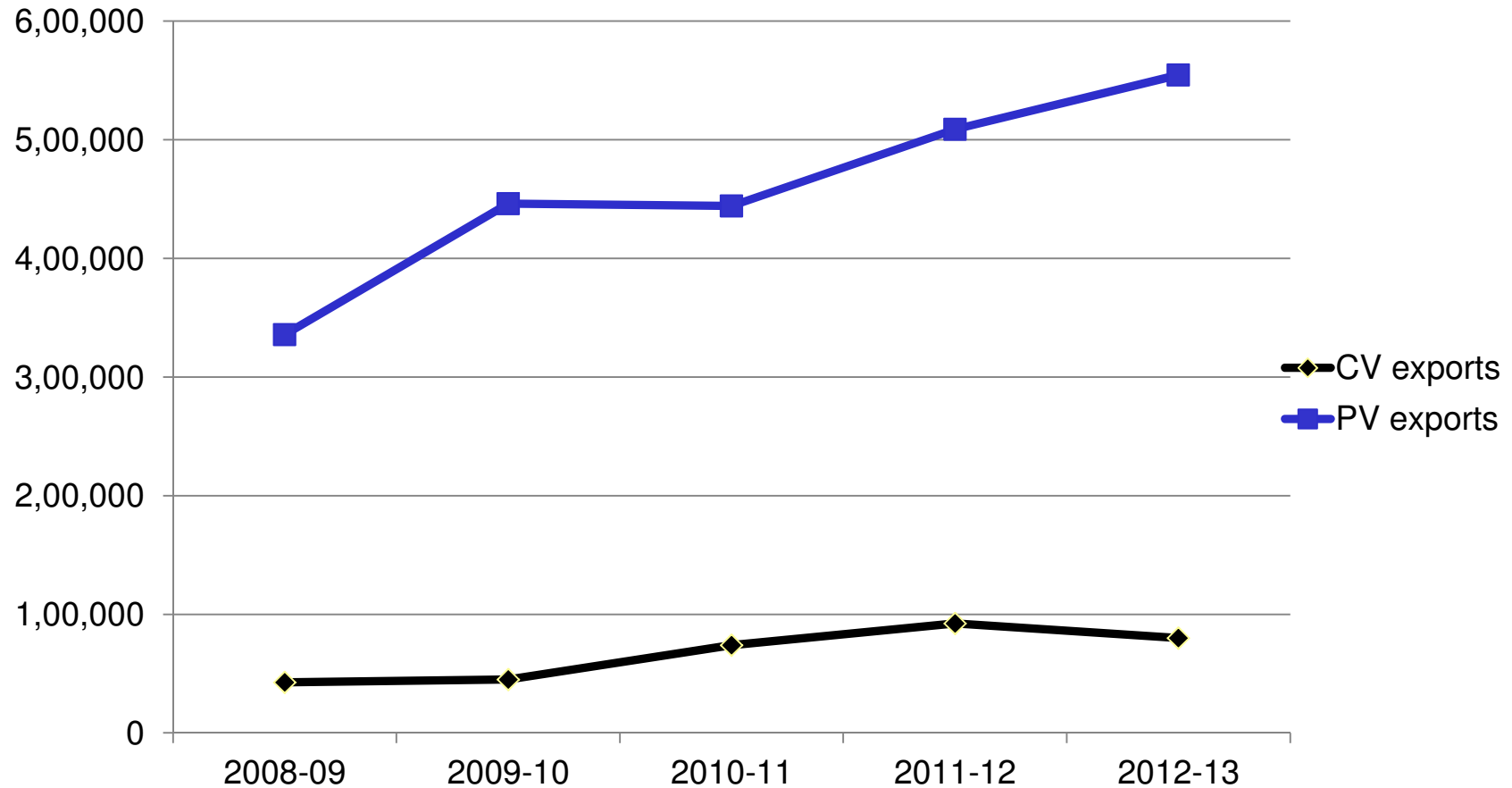
The UV+ MPV segment now contributes 26% of PV sales as compared to a consistent 20% over the last five years





# Indian Exports

Indian passenger car exports are continuing to grow steadily





## So What happened?

### Action

> Excise duty on SUVs increased to 30% from 27%. All luxury vehicles to attract 100% import duty as against 75%

> High borrowing cost, higher fuel prices, slowdown in economy affecting automotive sales

> Ban on mining in Karnataka  
> Slow development of construction and developmental projects

> Slow implementation of Jawaharlal Nehru National Urban Renewal Mission (JNNURM), Pradhan Mantri Gram Sadak Yojana (PGMGSY) and National Highways Development Project (NHDP)

### Impact

> SUVs and luxury cars get costlier. Consumers unwilling to buy, leading to sluggish sales

> April 2013 sales fell 10% from April 2012 figures to 150,789 cars  
> 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

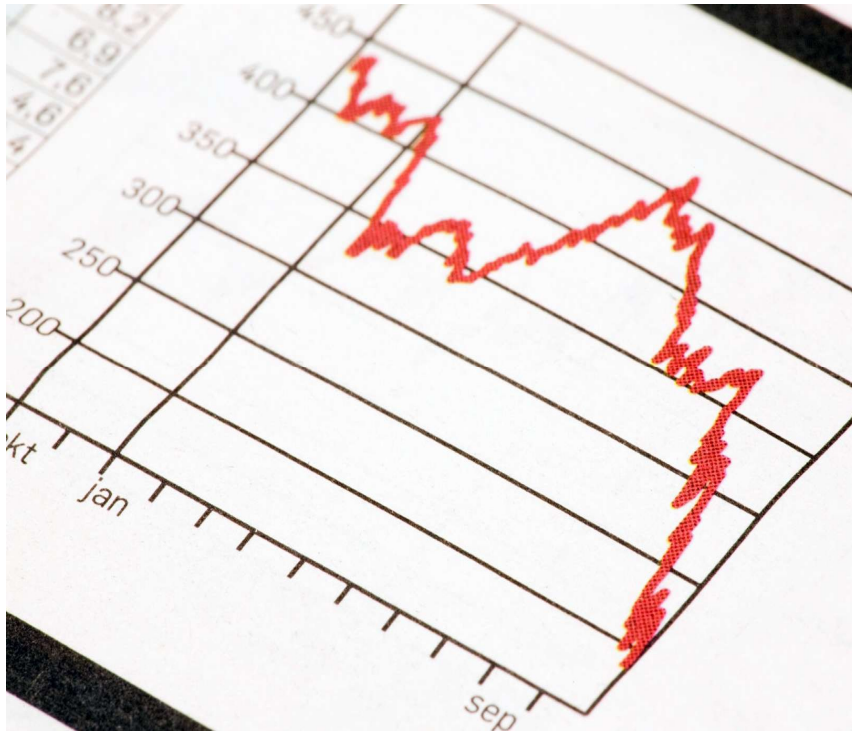
> Ban on mining impacted 200 mines which employed 17000-20000 heavy trucks. Due to the ban, these vehicles remain idle impacting replacement demands  
> Slow infrastructural projects affecting commercial vehicles demand

> 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



# What's in store for 2013-14

## Growth Forecast for 2013-14



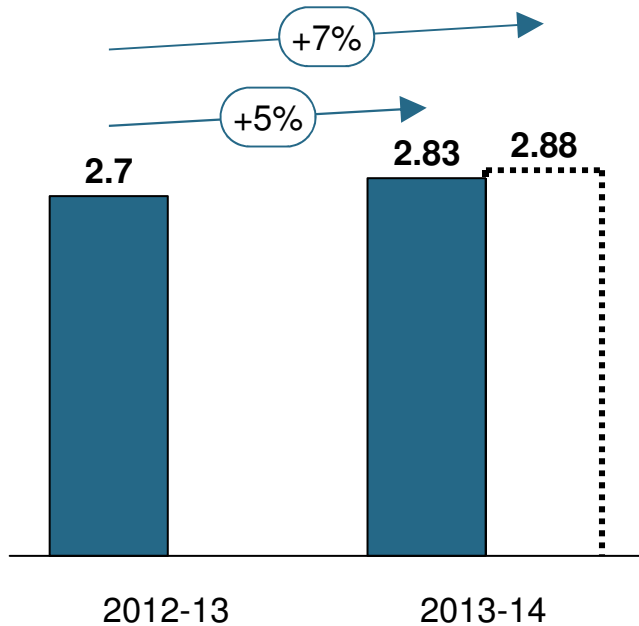
## Comments

- > 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



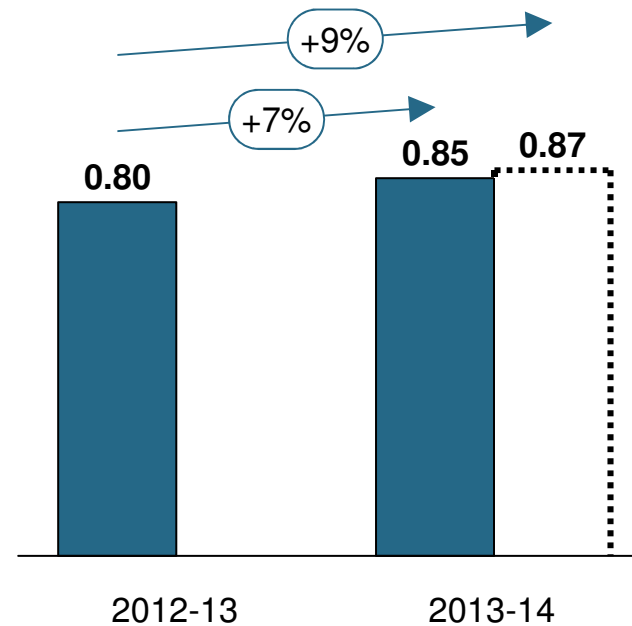
# Outlook for auto industry in 2013-14

## Passenger Vehicles<sup>1)</sup>



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

## Commercial Vehicles<sup>1)</sup>



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

1) Sales figures in Millions

Source: SIAM, OICA

# Can we get back the explosive growth rates of the BRIC countries?

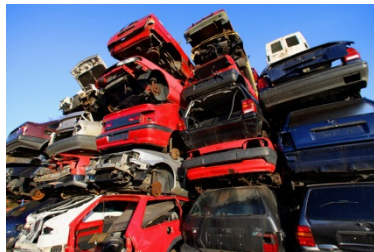




# Learnings from other BRIC markets

## Facts

- > BRIC Countries expected to account for 30% of global auto sales in 2014
- > China to increase its share in BRIC auto sales volume from 53% to 61% in 2014.
- > Brazil – the most mature and stable of the BRIC markets to remain in second position
- > Chinese exports cross 1 million for the first time in 2012.



## Trends

- > Fuel efficient cars by using materials like carbon fiber, steel, aluminum, titanium, magnesium and plastics
- > Better use of new technology by investing in module/platform strategies, lightweight materials, battery technologies and fuel cells
- > Competitive financing and financing of e-components
- > Specific cars for specific markets reflecting the local markets' tastes
- > Form industry consolidations / JVs for access to better technology
- > Form corporate partnerships
- > Multi – brand car dealerships
- > Boosting demand – cash for clunkers, fleet replacement policies
- > China – promoting exports has led to an increase in exports at a time when domestic demand has flagged, thus supporting the industry



## 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?



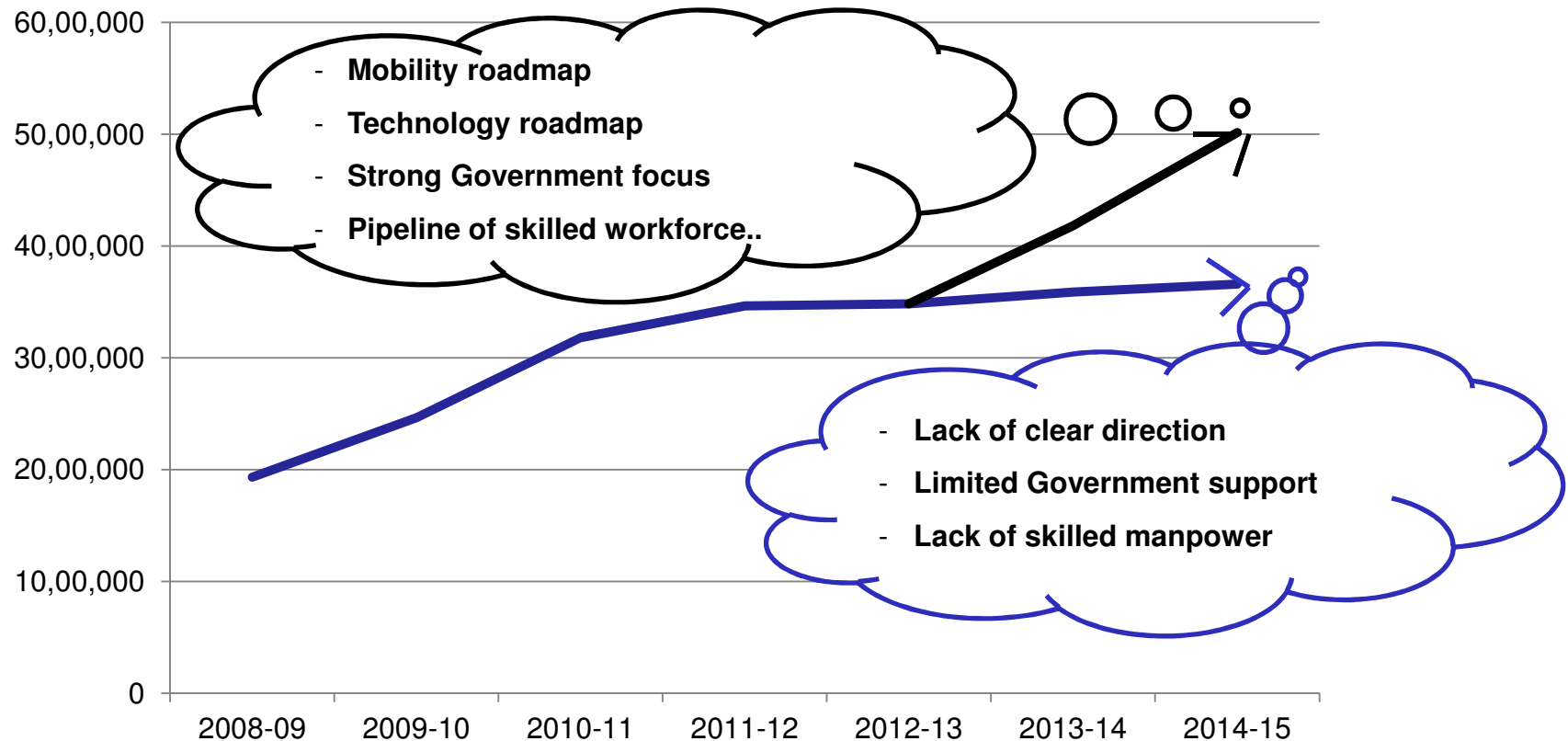
## TML – activities on skill development

135 ITI's Adopted and 8 driver training institutes established.. Still woefully short of requisite skills



# The road ahead..

## The future of the auto-industry- which way do we take it?





**Lead the Future!**  
**Thank You**