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Presents

CEO Roundtable on Manufacturing Opportunities in 'New' India

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Auto Components

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Indian auto opportunity is for real and will grow further in the future

India is a major player in auto industry with presence of global majors in both auto and auto components

It is also emerging as a global hub for specific segments in both auto and auto components

Indian auto industry is profitable – often outperforming global industry

It is gaining in competitiveness, especially w.r.t China

India is currently a major player in global auto industry

Largest TRACTOR manufacturer

2nd Largest TWO WHEELER manufacturer

2nd Largest BUS manufacturer

5th Largest HEAVY TRUCK manufacturer

6th Largest CAR manufacturer

8th Largest COMMERCIAL VEHICLE manufacturer

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India has a significant manufacturing base of Indian and Global Auto OEMs spread across different regional clusters

CV:

Mahindra, Ashok Leyland, Force Motors, Volvo Eicher, Eicher, Tata, Mercedes-Benz

Car:

Mahindra, Honda, Tata, BMW, Toyota, Suzuki, Renault, Ford, VW, GM, Nissan

2W:

Honda, Bajaj, TVS, Yamaha, Hero

OTR

JCB, Hitachi, Caterpillar, Tata

Tractor

Escorts, TAFE, ICML, New Holland

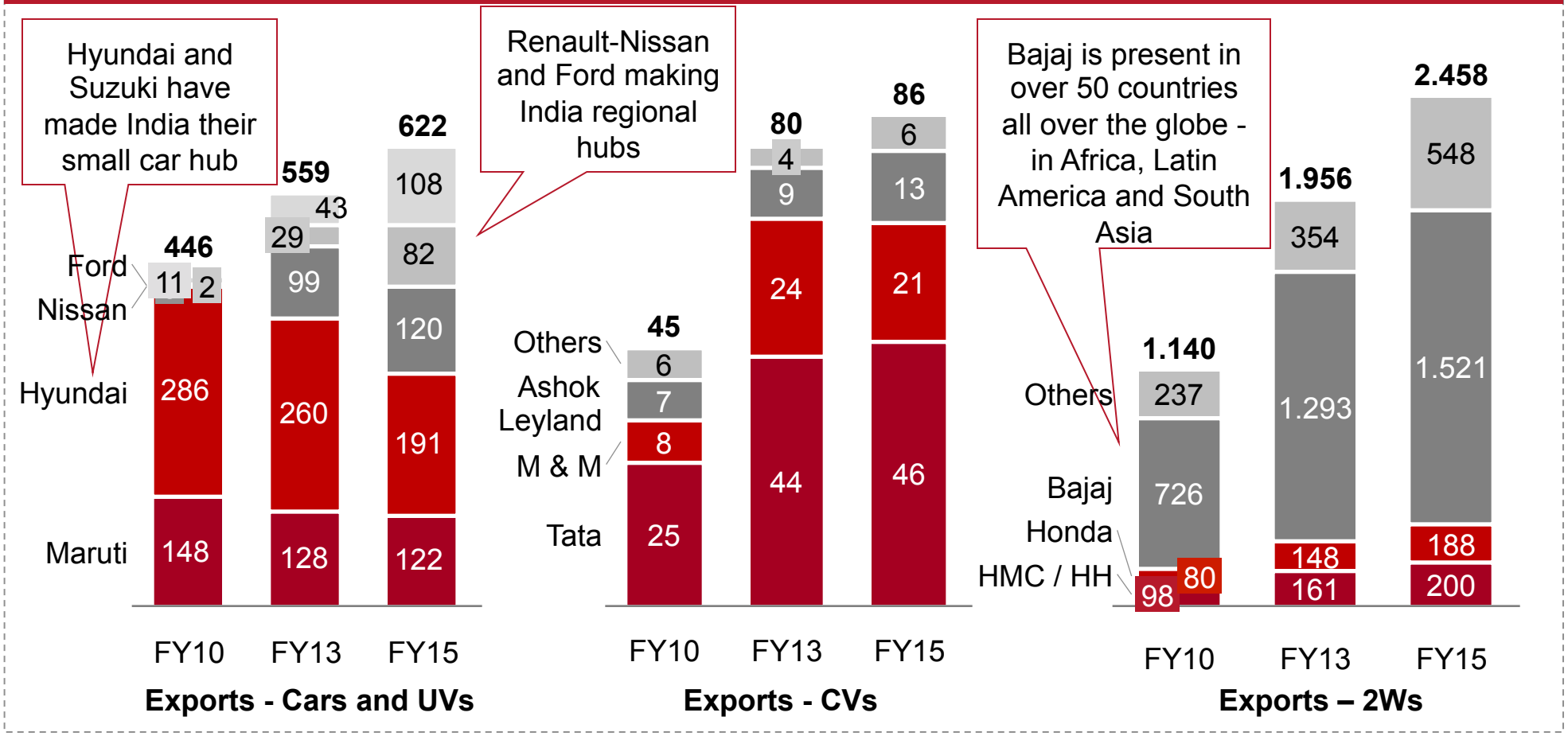
Auto Components:

Bosch, Magneti Marelli, Denso, ZF, Magna, Toyota Tsusho, Honeywell, Continental, Dana Spicer, Faurecia, Haldex, Futaba, Johnson Controls, Benteler, Tenneco, Saint-Gobain, Wabco, BorgWarner, Showa, Calsonic Kansei, Allison Transmission, TRW, Asahi, ArvinMeritor, Tata, Toyoda Gosei, Hindustan Motors, Webasto, Autoliv

Source: Avalon Consulting Research and Analysis

Both Indian and Global Auto OEMs have been heavily exporting from India

Automobile Exports Market share by OEM (FY10, FY13 and FY15), '000 units



Source: SIAM, Avalon Consulting Research and Analysis,

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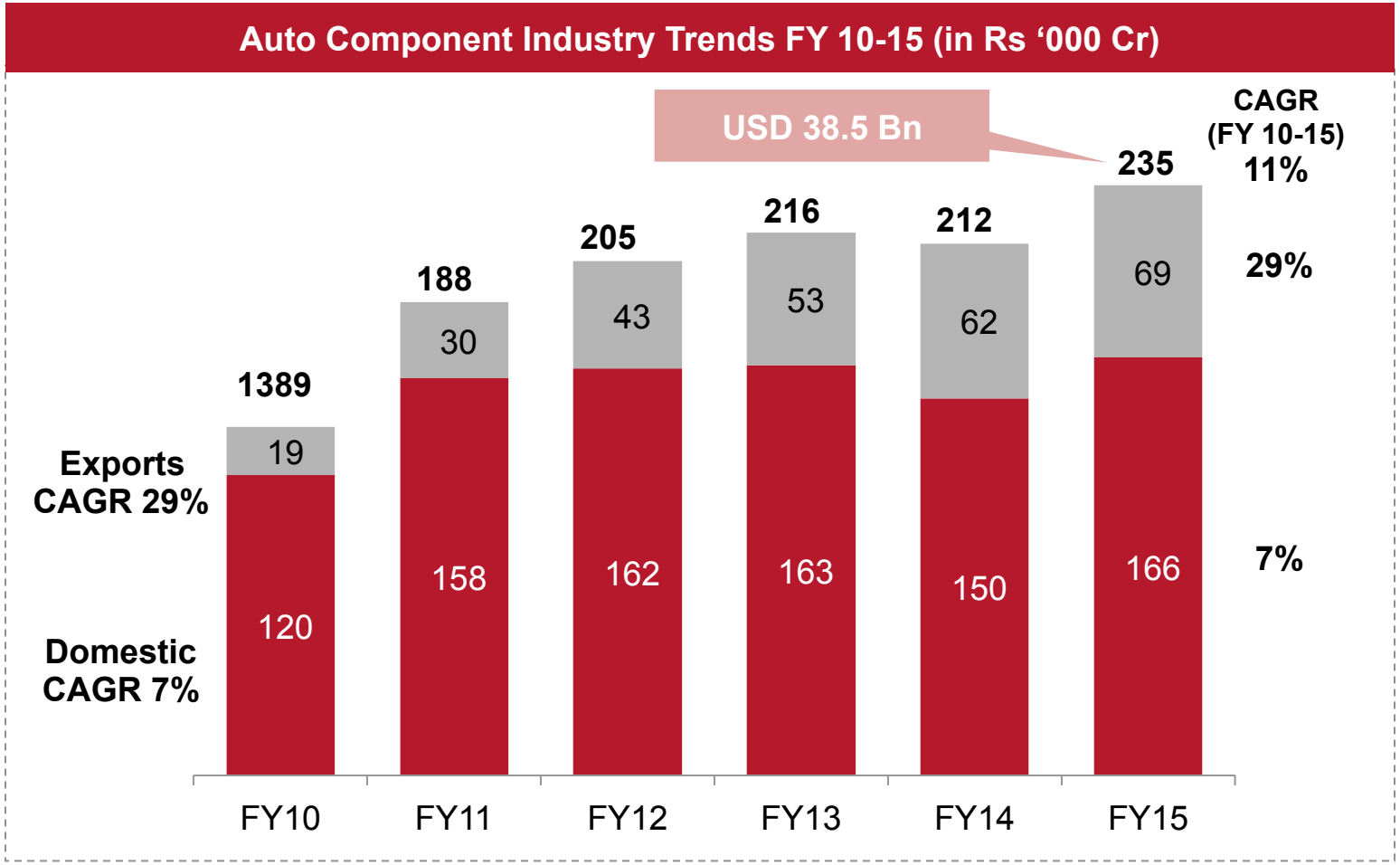
Indian Auto Component exports have continued to grow reflecting the increasing competitiveness of the industry in global markets



Source: ACMA, Avalon Consulting Research and Analysis

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Indian Auto OEMs, even during the recent economic downturn, have similar or better profitability and valuation than leading Global Auto OEMs

Financial Performance of Indian Auto OEMs								Financial Performance of Global Auto OEMs			
OEM	Maruti Suzuki	Tata Motors	Ashok Leyland	M & M	HMC	TVS Motors	Bajaj Auto	GM*	Ford*	Honda	Toyota
Revenue 2014 (USD bn)	8.2	5.9	2.2	6.4	4.5	1.7	3.5	151	136	104	211
Revenue 2011 (USD bn)	7.9	12.1	3.1	7.1	5.6	1.6	4.3	149	128	62	144
EBITDA 2014 (%)	15%	1%	9%	14%	14%	6%	20%	6%	8%	13%	15%
EBITDA 2011 (%)	9%	5%	10%	16%	17%	7%	21%	9%	13%	10%	8%
P/E 2014 / 15	**30**	**-**	**58**	**21**	**20**	**32**	**24**	**21**	**19**	**11**	**13**

Note: The revenue reported here is Net sales (excluding Excise)

Note: The USD revenue growth for Indian OEMs between '12-'15 impacted adversely to Rupee depreciation

*Note: * GM & Ford close their FY on 31st Dec.*
Data shown here corresponds to financials as on preceding year's 31st December

Source: Company Annual Reports, Avalon Consulting Research and Analysis,

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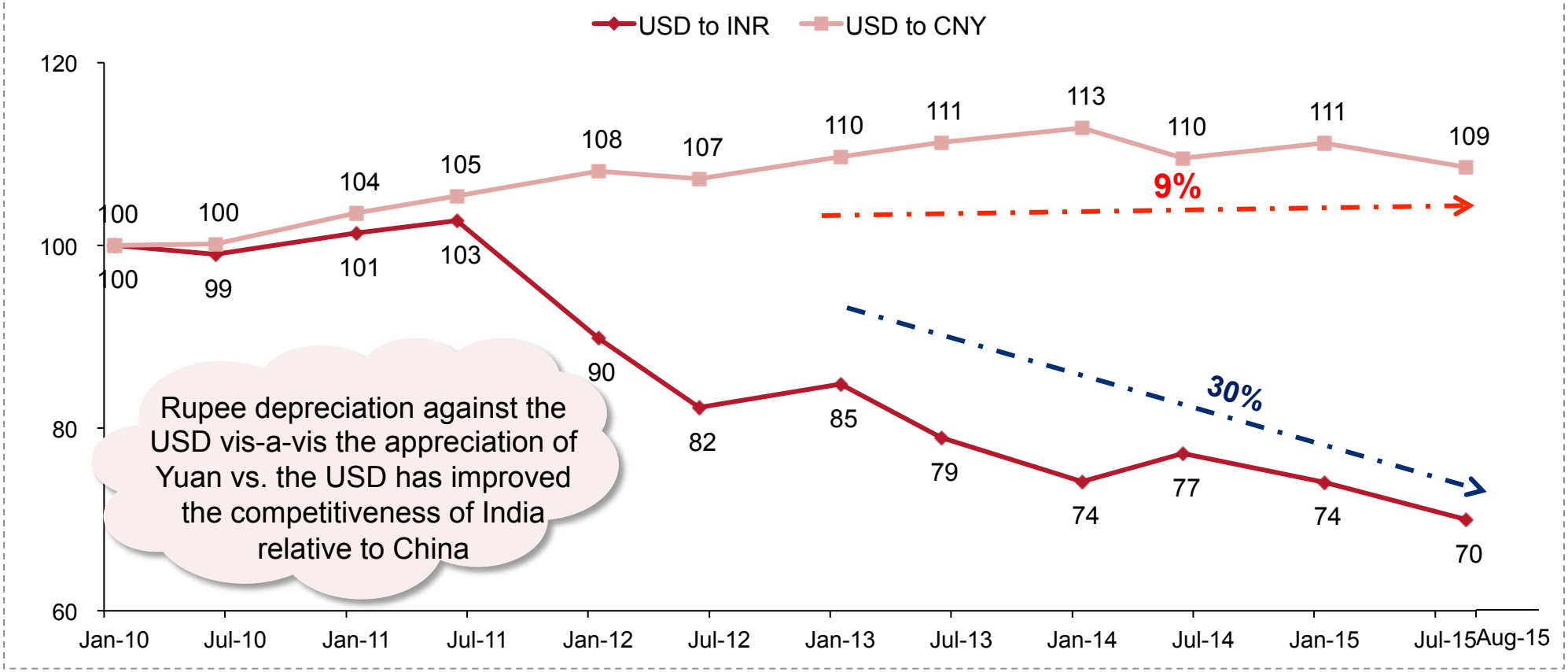
The gap in the competitiveness between India and China has closed significantly in the last few years

Conclusions – Manufacturing Competitiveness – India vs China

- Magnitude of China's advantage has declined significantly in recent years (from ~24% to ~15% along the steel value chain in 5 years)
- A large part of the competitiveness today is driven more by pricing power (i.e. lower cost of capital, leverage etc.)
- Labour costs in China have risen significantly and the gap in raw material costs has declined
- Some of the other drivers of competitiveness are also likely to erode in the years to come – Power, Interest Rates, etc.
- The advantages related to logistics and higher productivity will sustain but the gap between India and China across primary industries will continue to reduce
- In the long run, due consideration will need to be given to safeguard the profitability and inherent value of these companies requiring them to compete on more equitable terms

The relative currency movements in opposite directions to the USD has contributed significantly towards this effect

Currency fluctuations over the last 5 years indexed to 100



Source: Oanda.com, Avalon Consulting Research

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Several Chinese Companies in auto and auto components have set up operations in India or are contemplating investments

Chinese auto company JAC plans to launch passenger cars, medium to heavy trucks in India

Chanchal Pal Chauhan, ET Bureau Feb 17, 2014

Xi Jinping's visit may aid Beiqi Foton's India plans

Chinese auto firms keen to set up ind park in Pune

Reporters Name | ST Correspondent | Sunday, 17 May 2015 AT 12:08 A

Home » Companies

Last Modified: Mon, Jan 12 2015. 12 50 AM IST

China's Changan Auto exploring India entry

Top Changan executives met industry consultants two months ago

Chinese Chery plans India ride with SUV

(chinadaily.com.cn)

Updated: 2014-03-19 18:31

Other companies like Weichai, Liugong, Sany also present in India

Industries | Mon Mar 31, 2014 10:05am EDT

BRIEF-China's Wanfeng Auto Wheel plans alloy wheel project, total investment at 441.7 mln yuan

MARCH 31

Source: Avalon Consulting Research and Analysis

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There has been a strong recovery in confidence under the new Government

Past 15 months show a recovery is in progress

Auto majors are planning huge investments

States are competing for investment

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Key vehicle categories within the Indian Auto Industry are expected to show accelerated volume growth in production over the next few years

7.22% increase in overall vehicle sales in 2014-15, ending two years of sales fall

Passenger vehicle sales increased 3.90% year-on-year in the fiscal ended March 2015 and SIAM forecasts sales to grow 6%-8% this fiscal

In Q1 FY 16, sales of HCV grew 16% while those of the LCV declined slower by 11.57%

In Q1 FY 16, Scooters reported a 25.06% jump in sales while motorcycles turned sluggish with just 2.50% increase in sales

In FY16, except Ford and M&M, all major OEMs witnessed robust growth. Some like VW are growing at ~18%.

Source: SIAM, Avalon Consulting Research and Analysis

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All major Indian and Global Auto OEMs have planned large investments for greenfield and brownfield capacity expansion

Proposed Expansion plans of Auto OEMs in India		
OEM	**Proposed Investment ($ Mn)**	**Remarks**
SUZUKI	1,400	To set up a facility with ~1 million unit capacity in phases
Ford	650	To set up a new R&D Centre
RENAULT NISSAN	830	To expand capacity at Chennai facility
Mahindra	650	To set up a test track and a new facility at Chennai
ISUZU	500	To set up a new facility for manufacturing SUVs and Pick-ups
FOTON	500	To set up and expand a manufacturing facility at Chakan
FCA FIAT CHRYSLER AUTOMOBILES	250	To manufacture luxury SUVs for export markets
VW	250	To increase production capacity at Chakan
HONDA	210	To set up new manufacturing unit at Gujarat

Automobile companies are betting big on India; investi ing new capacity

Fiat Chrysler to start Jeep production in India from 2017

Make in India: Ford may invest Rs 5,000 cro ennai R&D ntre

Mahindra plan invest Rs4,000 re on new plant in Tamil Nadu

The Tamil Nadu govt has pron o allocate 256 acres of land in Ch in Kancheepuram district for the sed facility

Source: Avalon Consulting Research and Analysis,

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Auto is at the heart of the "Make in India" initiative and several sector specific initiatives impact it positively

Sector Policy	Remarks
Auto Policy 2002	▪ Automatic approval for 100% foreign equity investment in auto components ▪ Manufacturing and imports in this sector exempt from licensing and approvals.
Automotive Mission Plan 2006 ~ 2016	▪ Technology modernization fund focusing on small and medium enterprises. ▪ Establishment of automotive training institutes and auto design centers, special auto parks and virtual SEZs for auto components.
National Automotive Testing and R&D Infrastructure Project (NATRIP)	▪ $388.5 Million to enable the industry to adopt and implement global performance standards. ▪ Focus on providing low-cost manufacturing and product development solutions.
Department of Heavy Industries & Public Enterprises	▪ $ 200 Million fund to modernize the auto components industry by providing an interest subsidy on loans for investment in new plants and equipment. ▪ Export benefits to intermediate suppliers of auto components against the Duty Free Replenishment Certificate (DFRC).
National Mission for Electric Mobility (NMEM) 2020	▪ Aims for faster adoption of electrical vehicles (including hybrid vehicles), and their development and manufacturing in India ▪ Helping India emerge as a leader in the xEVs two-wheeler and four-wheeler market in the world by 2020, with total xEV sales of 6-7 Million units.

Source: Avalon Consulting Research and Analysis,

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In addition to conventional manufacturing hubs like Tamil Nadu, States like Andhra Pradesh and Rajasthan are offering sops for auto OEMs

You are here: NDTV Auto | News | Tamil Nadu Government to set up 'Auto City'

Tamil Nadu Government to set up 'Auto City'

Updated: February 24, 2014 13:31 IST

Maharashtra fights Gujarat for auto investments

Pankaj Doval, TNN | Aug 29, 2014, 01.33AM IST

Isuzu Motors India signs MoU with AP government to facilitate supplier investment

Honda's new production plant at Karnataka to get attractive tax incentives from the state government!

by Jay Prashanth | on February 22, 2012 | 2 Comments

AP to develop Nellore, Chittoor as auto hubs; woos German cos

Press Trust of India | Hyderabad
March 12, 2015 Last Updated at 19:57 IST

» TODAY'S PAPER » NEW DELHI JAIPUR, May 13, 2011

Rajasthan planning special package for automotive sector

Source: News Reports, Avalon Consulting Research and Analysis

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These State Governments are also taking additional initiatives on their own to improve the ease of doing business

Labour Law Related Compliances:
Rajasthan / Haryana / West Bengal / Uttar Pradesh

- Simplified information and FAQs for labour laws online
- Online services like registration/ renewal
- Single window mechanism for registration

Infrastructure & Utilities Related Approvals: Maharashtra / AP

- Single window portal for variety of services
- Reservation of water for industries
- Local authority made responsible for providing and maintaining services

Land & Building Related Approvals:
Gujarat / Haryana / AP / Odisha / Karnataka

- GIS based software mapping of land plots
- Land Pooling Schemes for creating land banks
- Deemed Permission for use of Agricultural land for Non-Agricultural usage

Environment Clearances:
Gujarat / Rajasthan / West Bengal / Uttar Pradesh

- Environment Compliance Assistance Centre
- Relaxation in clearance requirements
- Fast tracking the process of environmental clearances

Source: Avalon Consulting Research and Analysis

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This is being supplemented by the Indian Government's efforts to make India more business friendly

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