

Sector	Project Title
Auto Components Industry	Tyres Manufacturing Plant

Project Description

The Auto sector contributes 4.2% to India's GDP. The Indian automobile industry stood at 11 million vehicles in 2008-09. This industry has the potential to emerge as one of the largest in the world. It already boasts of the following credentials:



- Largest two wheeler manufacturer and second largest market in the world
- Largest three wheeler market in the world
- Fourth largest market for commercial vehicles in the world

Following are the growth rates of each sub segment of the auto sector over the last 5 years:

Segment	CAGR
Two Wheelers	8.8%
Passenger Cars	16.7%
Three Wheelers	10.4%
Commercial Vehicles	12.6%

Indian auto component industry has grown at CAGR of 23% in last 5 yrs. Size of the auto component industry in Madhya Pradesh is approx. US \$ 306 million and it forms around 60% of the total auto industry in MP. The State has about 5 Original Equipment Manufacturers (OEMs) and over 100 auto component manufacturers.

In order to take advantage of the current and upcoming opportunities in the auto component industry of the State, the project proposes to set up a manufacturing unit for tyres in Madhya Pradesh.

Project's Value Proposition

The Automotive Mission Plan, 2016 has the following objectives:

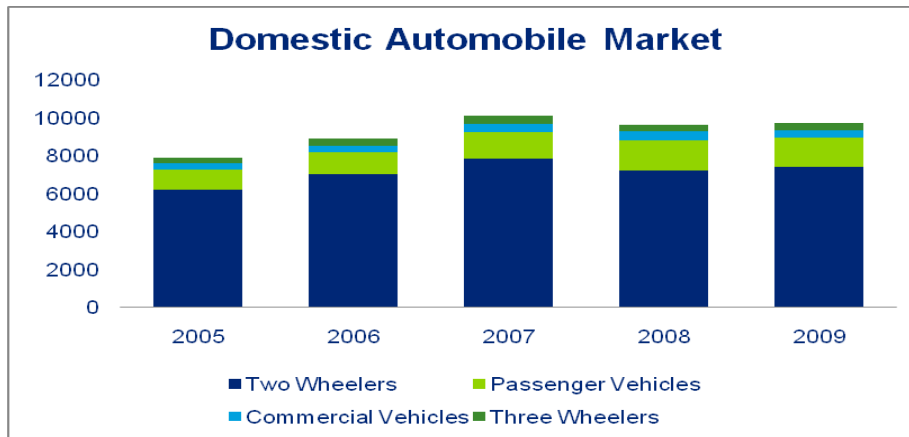
- Increase in turnover to US\$ 145 billion by 2016
- Increase in exports revenue to US\$ 35 billion by 2016
- Provide employment to additional 25 million people by 2016
- Contribute to 10% of the country's GDP by 2016

This implies that the auto component sector needs US\$ 1.5 billion of new investments every year for next 8 years. Greenfield manufacturing will be considered to meet growing domestic demand for auto components. More investments are required in the auto-IT sector which is a high potential area. The

State plans to encourage new wave of partnerships covering the entire automotive supply chain so as to address not only product technology, but also “Process Technology”.

An auto cluster is coming up at Pithampur under the scheme framed by Government of India. Many key players of the auto industry are either present or planning to set up plants in the same.

The project will be able to add value to the domestic automobile market which has been steadily increasing over the years.



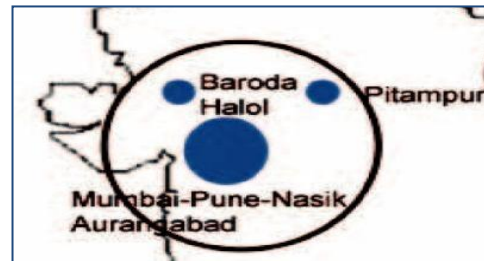
The proposed project will also be able to tap the export opportunities available. Two-wheeler exports have grown at CAGR of 38.2% in the last 7 years. Cars exports from India have grown at a CAGR of 30% in last 7 year to reach 331,000 units in 2008-09. Overall, exports have been growing at a CAGR 24% in last 5 yrs.

MP's value proposition

Madhya Pradesh is ideally suited to house this project on account of the following reasons:

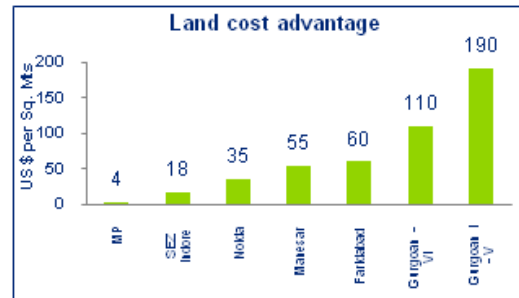
Pithampur in M.P. is known as the hub of the automobile manufacturing industry in the State

- Availability of required infrastructure - Pithampur in Madhya Pradesh has huge potential and promises to be one of the leading auto based clusters of India
- Majority of the vehicle-producing companies of India have their factories in Pithampur
- Construction of Asia's largest auto testing track at Pithampur in MP
- Dry Port facility near the cluster facilitating exports
- Proximity to raw material sources, ports and markets



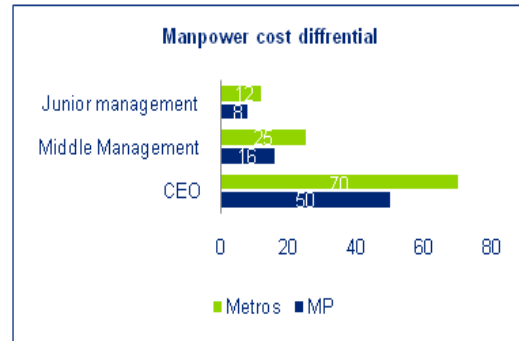
Land cost advantage

- MP offers cheap land cost in comparison to other developed industry centres
- Low cost of setting up business – Land development cost in Pithampur industrial area is only US\$ 1.7- US\$ 4 per sq meter.



Man Power Cost Advantage & peaceful labour environment

- Availability of Manpower: 200 Engineering Colleges already functional in the State
- Cost to a company for Human resources is cheaper by 30-35% in the State
- Greater saving potential for the executive levels on account of cheaper land, cheaper housing and cheaper labour
- Man days lost over last 5 years < 1% of total available man days
- One of the most peaceful and labour productive State



Presence of leading players from auto industry

To take benefits of the advantages that Madhya Pradesh offers, many renowned players have set up their auto / auto components manufacturing plants in the State. Some of the players who have set up units include:

Sr.	Name of Unit	Location / District
1	Forceman Pvt. Ltd.	Pithampur
2	Force Motors Ltd.	Pithampur
3	Mahindra two Wheelers	Pithampur
4	Eicher Commercial Vehicles Ltd.	Pithampur
5	Bridgestone	Pithampur
6	L & T Case Equipment Ltd.	Pithampur
7	Avtec Ltd.	Pithampur
8	Caparo Engineering	Pithampur
9	LiuGong Heavy Earth Movers Machinery	Pithampur
10	J K Tyre Industries Limited	Morena
11	Tafe	Pithampur
12	Jamuna Auto	Malanpur
13	Garrage Gear	Dewas
14	Gabriel Indsutries	Dewas
15	Hindustan Motors Ltd. (RTV Plant)	Pithampur

Two major Tyres manufacturing companies, Bridgestone and J K Tyres, too have made significant investments in the State.

Policy Initiatives

- India's Auto Policy
 - No minimum investment criteria in FDI
 - Automatic approval for foreign equity investment up to 100 %
 - Investment incentives by local State Governments: Most states customize incentives for large investments
 - Harmonizing regulatory standards with the rest of the world
- NATRIP, a Government of India initiative for the auto industry in the western region i.e. National Automotive Test Tracks (NATRAX) in Indore
 - Complete testing facilities to all vehicle categories as per Indian or global standards
 - Center of excellence for vehicle dynamics, tyres development.
 - Commissioning schedule: December 2010
 - Work In progress with 4,000 acres of land already acquired; construction test tracks and building in advanced stages; shifting of utilities in progress
- Incentives / Assistance for Automobile Component sector
 - Commercial tax on automobile components to be rationalized so as to be made at par with other states
 - Entry tax rates on raw material used by automobile component industries to be rationalized

Project Specification

The proposed project will have the following specifications:

- Location: The project can be located within the auto cluster at Pithampur
- Capacity: The proposed annual capacity is at 70 lakh units of tyres per annum
- Project Cost: Major components of the project and their estimated costs are presented in the table below:

Particulars	Amount (INR in Millions)
Land	53.12
Building	1300.05
Plant & machinery	4205.00
Misc. Fixed assets/furniture fixtures	197.00
Contingencies	-
Pre-operative expenses	-
Margin money for working capital	-
Total	5755.17

- Returns: Internal rate of return is estimated at 12-15%

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