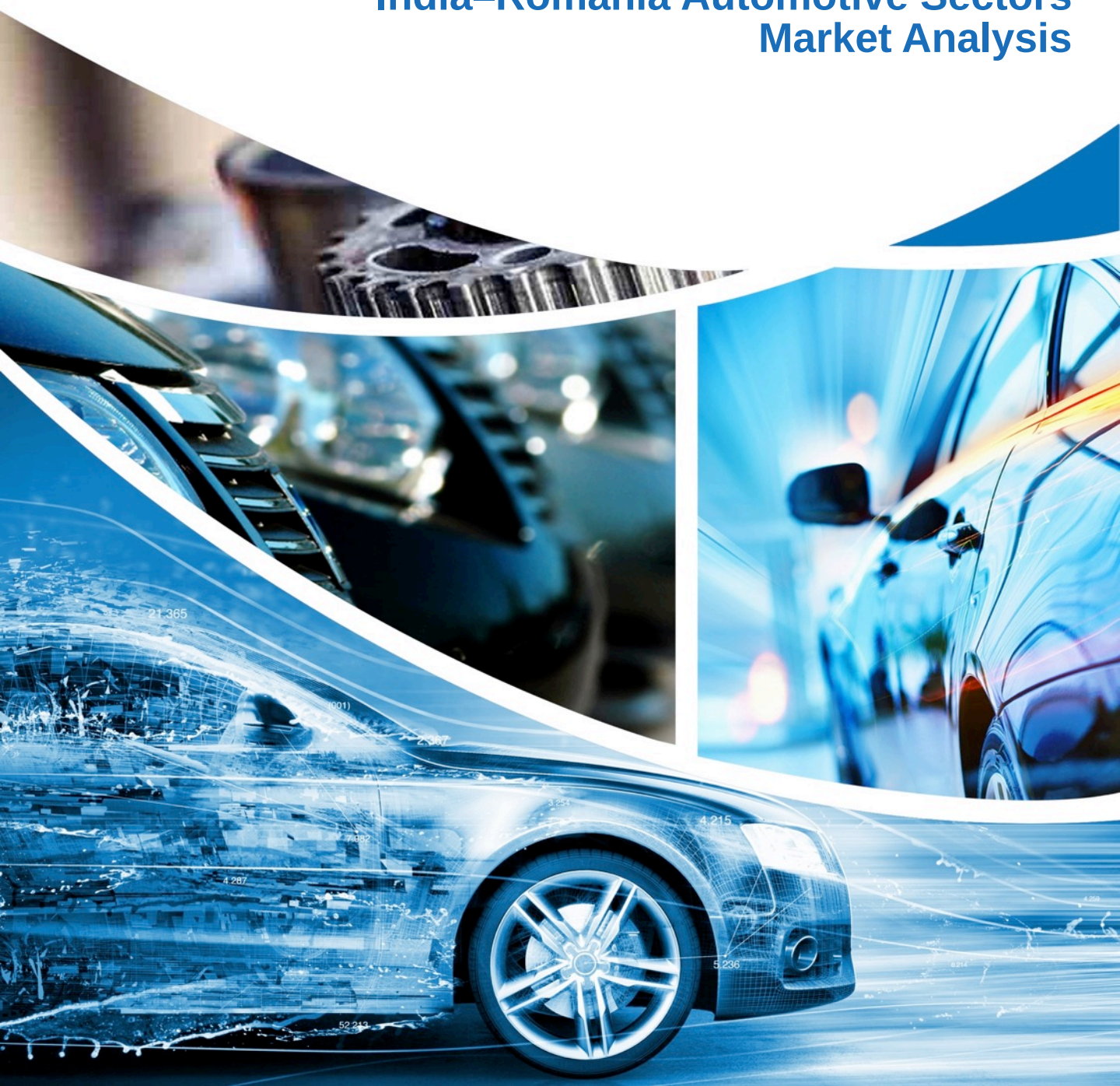
Embassy of India, Bucharest, Romania

India–Romania Automotive Sectors Market Analysis



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Dear Friends,

It gives me immense pleasure to bring out this market survey report of the automotive sectors of India and Romania. The bilateral trade between our two countries is modest – ranging between $550 and $600 million in the past few years, with the automotive sector accounting for $54.5 million in 2016-17. There exists an immense scope for this level of trade to substantially increase, including in the automotive sector.

India's automotive industry is very robust and one of the fastest growing in the world across all segments – passenger and commercial vehicles, two and three wheelers, tractors and auto components. Some of the major international original equipment manufacturers (OEMs) located in India are Ford, BMW, Caterpillar, Daimler, Renault, Nissan and Hyundai. These are in addition to the Indian brands such as TATA, Mahindra, Maruti, Hero, Bajaj and Ashok Leyland. India also suppliers components to a number of countries – the top five being US, Germany, Turkey, UK and Italy. India has been chosen as a destination by over a dozen international companies for setting up their design, innovation and R&D facilities, in view of the large pool of technical manpower available in the country at affordable costs. The uniform Goods and Services Tax implemented in India from 1st July 2017 will also have a positive impact on the auto industry of the country.

Given its strong manufacturing tradition, Romania is similarly emerging as an important automotive manufacturing hub in Europe, with a number of international manufacturers of vehicles and automotive components located here. Our endeavour through this report is to highlight the strengths of this sector and help companies in both countries identify partners for mutual benefit – Romania to sources its requirements from India and provide a fillip to its 'Make in India' initiative; and India to explore investing in Romania to avail of the market here and the larger market in the European Union.

The embassy of India will be happy to facilitate in any way to realize a greater engagement between entities of both countries in this important and high-value sector. The Embassy has recently launched the India-Romania Business Forum, which could be the ideal platform to take forward this effort. We will deeply appreciate your views and comments on this initiative of ours.

With all best wishes,

Dr AVS Ramesh Chandra
Ambassador

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Romania

Political and Economic Overview

Romania Registered Progress in Governance Quality and Decline in Corruption Levels

Introduction

Political Regime

Romania is a semi-presidential democratic republic and has a bicameral parliament, which comprises the Senate and the Chamber of Deputies

Head of State

The President is elected for a 5-year term, and his responsibilities include overseeing foreign and defence policies, and appointing the prime minister

Regional Organisation

Romania comprises 41 counties, not including the city of Bucharest that is administered separately as a municipality with a county status

Political Stability and Ease of Doing Business

Worldwide Governance Indicators (WGI) 2015

Country	Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
Germany	96	70	94	93	93	93
France	86	57	89	84	88	88
Czech Republic	78	81	82	81	83	67
Poland	80	76	75	80	76	71
Spain	79	57	85	75	78	69
Slovakia	75	80	75	75	70	62
Hungary	66	70	71	74	67	61
Romania	**62**	**55**	**52**	**72**	**61**	**58**
India	**61**	**17**	**56**	**40**	**56**	**44**
Turkey	35	10	63	64	55	55

Source: The World Bank

Higher WGI score indicates higher governance quality

Romania ranks close to Hungary but lags behind Western Europe; during 2010–2015, the World Bank upgraded most of Romania's WGIs, except for regulatory quality – which posted a slightly weaker performance

2016 Corruption Perceptions Index (lower position indicates higher level of corruption)

Country	Global Ranking	Index Value
Germany	10	81
France	23	69
Poland	29	62
Spain	41	58
Czech Republic	47	55
Slovakia	54	51
Hungary	57	48
Romania	**57**	**48**
Turkey	75	41
India	**79**	**40**

Romania displays a high level of public sector corruption compared with other European countries; however, the country has made visible progress since its first inclusion in the Corruption Perceptions Index in 1997, and rose 12 positions during 2013–2016

Source: Transparency International

Romania Ranks High on Global Peace and Doing Business Ratings

2017 Global Peace Index (lower position outlines poorer state of peace)

Country	Global Ranking	Index Value
Czech Republic	6	1.360
Hungary	15	1.494
Germany	16	1.500
Spain	23	1.568
Romania	**25**	**1.600**
Slovakia	26	1.611
Poland	33	1.676
France	51	1.839
India	**137**	**2.541**
Turkey	146	2.777

Romania's rank moved upwards 5 positions Y-o-Y in 2017 mainly on account of progress registered in terms of fight against corruption and higher acceptance of different socio-economic, ethnic, linguistic and religious groups within the country, which led to fewer protests vs. 2015–2016

Source: Institute for Economics & Peace

2017 Index of Economic Freedom (lower position highlights poorer economic freedom)

Country	Global Ranking	Index Value
Germany	26	73.8
Czech Republic	28	73.3
Romania	**39**	**69.7**
Poland	45	68.3
Hungary	56	65.8
Slovakia	57	65.7
Turkey	60	65.2
Spain	69	63.6
France	72	63.3
India	**143**	**52.6**

Romania is a moderately free country due to low score on rule of law and regulatory efficiency

Despite significant Y-o-Y progress in property rights and government integrity, the unpredictable judicial system and a relatively high threat of corruption may negatively affect long-term development

Source: The Heritage Foundation

Doing Business 2017 Ranking (lower position indicates poorer ease of doing business)

Country	Global Ranking
Germany	17
Poland	24
Czech Republic	27
France	29
Spain	32
Slovakia	33
Romania	**36**
Hungary	41
Turkey	69
India	**130**

Romania ranks close to France and Spain on ease of doing business – both are developed economies and 2 major vehicle manufacturing countries globally

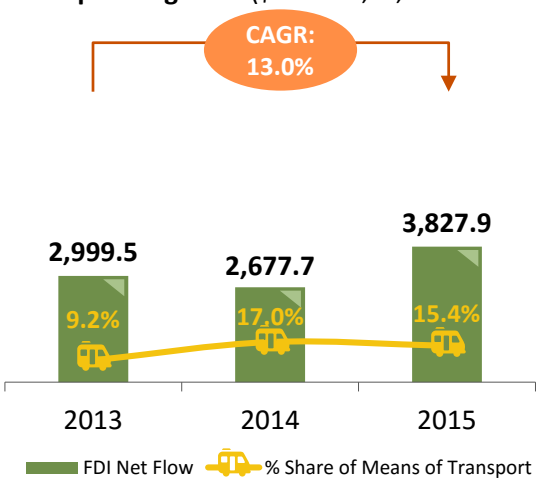
Romania scores particularly well in terms of trading across borders and access to loans

Source: The World Bank

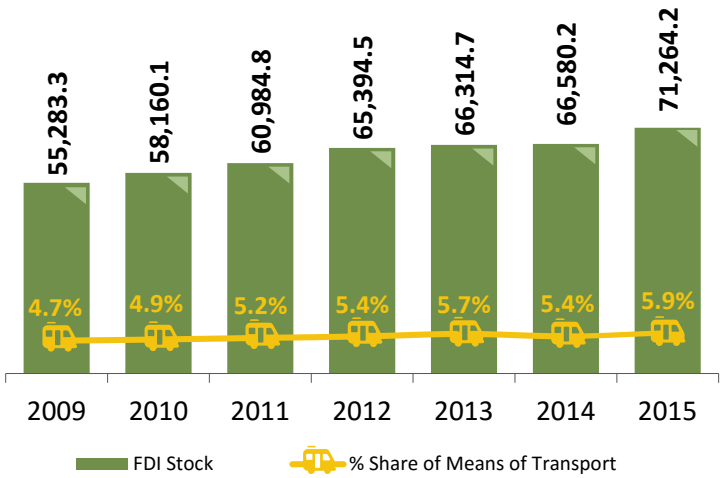
Means of Transport Manufacturing Holds Fifth-largest Share in Overall FDI

FDI Policy

Annual FDI Net Flow[3] and Share of Means of Transport Segment ($ million, %, 2013–2015)



FDI Stock[2,3] and Share of Means of Transport Segment ($ million, %, 2009–2015)



Source: National Bank of Romania

Means of transport manufacturing holds the fifth-largest share in FDI stock (after financial intermediation, trade, construction & real estate, and energy & utilities) and the second-largest share in FDI net inflow (after financial intermediation and insurance)

- During 2013–2015, FDI net flow towards the means of transport segment more than doubled to $588.4 million, as automotive manufacturers expanded operations in Romania
- Over 2009–2015, FDI stock registered steady annual growth despite the economic crisis, largely driven by investments in the utilities and commerce segments, as well as gradual recovery in FDI allocated to the construction & real estate segment
- In the timeframe, Bucharest-Ilfov accounted for a steady ~60% of FDI stock – followed by Centre[4] (9%), and West and West-Muntenia[2] (7–8% each)
- Growth in overall FDI net flow is expected to continue as Romania progresses from being a simple low-wage and low-production-cost destination to a country providing ample R&D opportunities
  - — Examples of renowned manufacturers that already operate R&D centres in Romania are Siemens, Aerotec (an Airbus subsidiary) and Bosch

FDI Stock – Top Contributing Countries (2015)

Country	% of Total FDI
The Netherlands	25.0
Austria	14.2
Germany	12.4
Cyprus	6.7
France	6.7
Italy	5.2

India is not part of the top 30 countries by FDI stock contribution, as it invested less than $110 million in Romania (as of 2015)

Source: National Bank of Romania

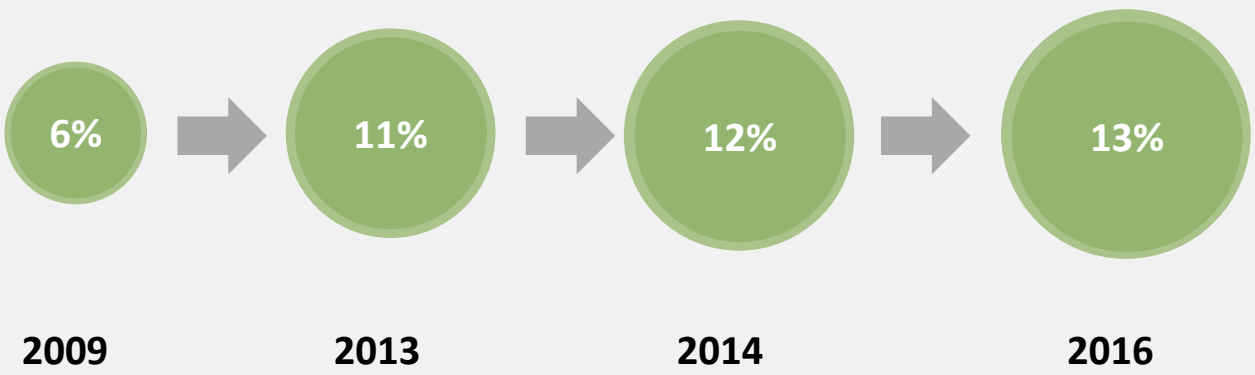
Note: 1) Represents FDI inflow over a certain year, without any adjustments
2) Refers to the cumulative value of FDI, which is calculated by adding to the opening FDI stock the FDI net flow and the positive/negative adjustments from re-evaluations, from the changed accounting treatment of the opening stocks and from data corrections in the previous statistical reports; re-evaluations can come from changes in the exchange rate and prices of tangible fixed assets
3) All currency conversions are at EUR 1 = USD 1.106
4) More details on the country's regions are presented in the Appendix

Share of Automotive Industry in Romania's GDP Rose over 2009–2016

Automotive as Strategic Industry in Romania

- The government focusses strategically on the automotive industry, given the latter's significant contribution to the country's GDP and exports
- During 2009–2016, the industry's share in GDP increased, largely supported by higher investments, new foreign companies entering the market and establishing manufacturing facilities in the country, and growing demand for both finished products (particularly Dacia vehicles) and automotive components

Automotive Industry – Estimated Contribution to Romania's GDP (2009–2016)

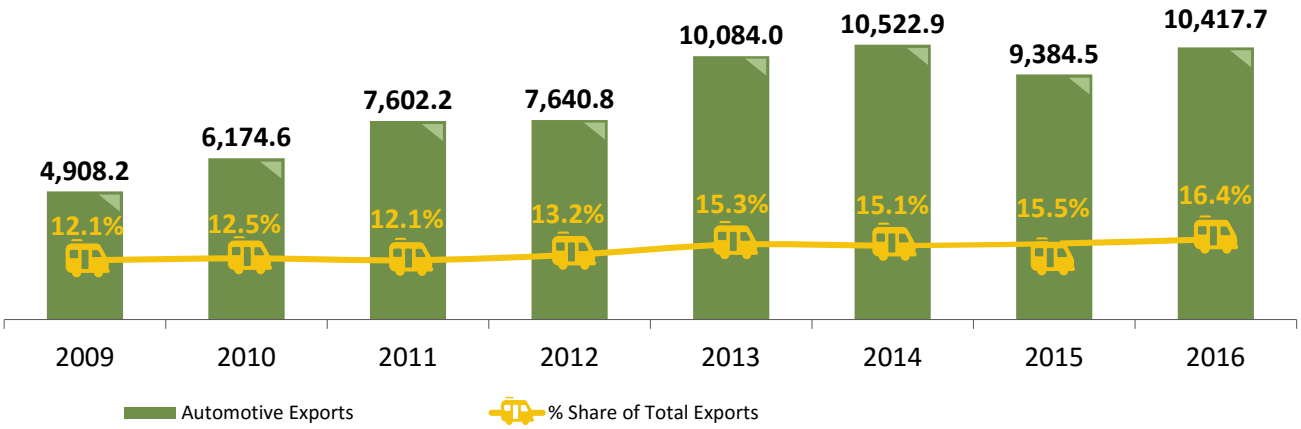


"The automotive industry is Romania's main vector for industrialization; it is also one of the first industries that has leveraged the Romanian intelligence and creativity through R&D centres that are the promotors of key trends in the European and global automotive industry. […] The evolution of this industry has to be supported by the Romanian government because it has had a strong evolution lately and can maximise its potential to transform Romania into a regional pole of excellence in automotive." **– Alexandru Petrescu, Romanian Minister of Business Environment, Trade and Entrepreneurship (May 2017)**

First 2 Largest Exporters in Romania Are Automotive Firms

Automotive as Strategic Industry in Romania

Romania's Automotive[1] Exports – by Value and Share of Overall Exports ($ million, %, 2009–2016)[2]



Source: Romanian National Institute of Statistics

- During 2009–2016, share of the automotive industry in Romania's overall exports rose from 12.1% to 16.4%, mainly powered by strong performance in the vehicle components segment
  - In 2016, Dacia Automobile was the largest domestic exporter, followed by Honeywell
  - Further, in 2015, 8 of the 10 largest exporters overall were automotive companies, with Dacia Automobile dominating the market
- Over 2009–2016, automotive exports consisted mainly of vehicle components and passenger cars
  - Share of the vehicle components segment in automotive exports rose from 45.3% to 68.2%, supported by a rising number of OEMs establishing offices in Romania and higher demand for components – likely for more high-end products, including infotainment systems and complex electronics
  - Share of the passenger car segment in automotive exports gradually diminished from 48.6% to 31.5%, mainly due to lower external demand for Ford's B-Max model and Dacia's Logan and Sandero models, as well as Dacia's reshuffle of Logan MCV production to its plant in Morocco

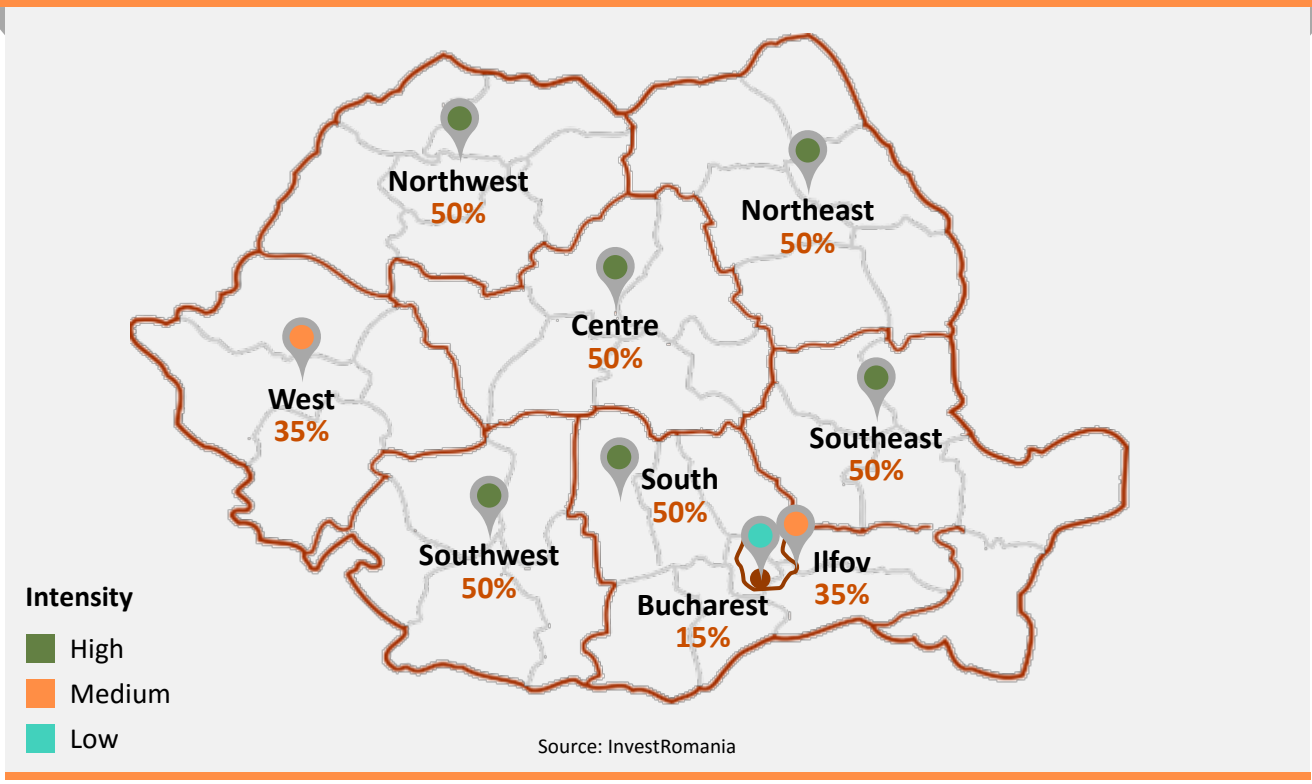
Note: 1) Comprises the following subcategories: Passenger vehicles (including those for >10 passengers and race vehicles), freight vehicles, special-purpose vehicles (e.g., tow vehicles, cranes and firefighter trucks), chassis with engines, vehicles bodies, vehicle components, petrol and diesel engines, and engine components
2) Figures for 2015 may be revised

Automotive Firms Account for Lion's Share in Government Financial Aids

Romania's State Aid Policy

Romania encourages investments from both domestic and foreign companies through 2 state aid initiatives (State Aid Scheme GD 2014/807 and State Aid Scheme GD 2014/332), which entail non-reimbursable grants from the state budget, capped by the limit of maximum intensity approved per region

State Aid Intensity (% of Eligible Costs Covered) – by Region



Source: InvestRomania

Top Beneficiaries of State Aids[1,2] – Cumulative Value ($ million, 2005–2015)

No.	Company	Aid Value
1	Pirelli Tyres Romania	70.0
2	Star Assembly	41.4
3	Renault Technologie Romania	31.1
4	Lufkin Industries Romania	31.0
5	Delphi Diesel Systems	27.4
6	Renault Mecanique Romania	27.1
7	Aaylex Prod	24.9
8	Robert Bosch	22.9
9	GST Safety Textiles	20.5
10	Glasscorp	19.3

Automotive Manufacturers

8 of the top 10 beneficiaries of state funding are automotive firms

- Over 2005–2015, the government granted foreign automotive manufacturers various state aids in the form of non-reimbursable funds that covered up to 50% of their initial investments; this has led to a significant increase in the number of automotive production facilities established in the country
- During 2005–2015, the automotive industry accounted for the largest share of the total state aids granted (36%), followed by IT and Other Manufacturing categories with a 20% share each

Source: Romanian Ministry of Public Finances

Note: 1) All currency conversions are at EUR 1 = USD 1.106
2) The table resents aids received by subsidiaries and not by parent companies as a whole

State Aid Differs Based on Investment Value and Number of Jobs Created

Romania's State Aid Policy

	State Aid Scheme GD 2014/807	State Aid Scheme GD 2014/332
Aim	▪ Support investments of minimum $11.1 million[1]	▪ Creation of at least 10 jobs per location, including 3 jobs for workers with disabilities
Eligible Costs	▪ Construction of new facilities ▪ Renting costs for existing buildings ▪ CAPEX for technical installations and tools ▪ Acquisition of intellectual property	▪ Salary costs (for 2 consecutive years) that result from the investment ▪ Salary costs consisting of gross annual salaries + benefits
Payout	2015–2023	2015–2025
Budget	▪ Total budget for the 2 schemes is $663.6 million, with annual investments projected at $110.6 million	
Eligibility Criteria for Companies (both schemes)	▪ Registered according to company law no. 1990/31 ▪ Absence of investment in one of the non-eligible sectors[1] (automotive manufacturing is an eligible sector) ▪ No outstanding debt to the general consolidated budget ▪ Are not registered as 'enterprises in difficulty' or are not debtors in an enforcement or insolvency proceeding; also, not suspended from activity ▪ Are not part of a state aid recovery proceeding and have not benefited from regional state aid for eligible costs in the same investment project ▪ Have not shut down a similar or identical enterprise within the European Economic Area in the past 2 years and do not plan to do so for the next 2 years after the execution of the initial investment	
Eligibility Criteria for Companies (differentiated)	▪ Net profitability for existing companies: >0% ▪ Equity for new companies: ≥$24,657[2]	▪ Net profitability for existing companies: >1% ▪ Equity for new companies: ≥$7,397[2]
Eligibility Criteria for Investments (for both schemes)	▪ To be used for building new facilities or expanding current ones ▪ In case of large companies in Bucharest, investments are required to also develop new economic activities within the local ecosystem	
Eligibility Criteria for Investments (differentiated)	▪ To be viable and important for a company's operational efficiency ▪ To demonstrate the positive impact of state aid on the company's operations ▪ To contribute to regional development and facilitate extra investment in the region	▪ To be viable and important for a company's operational efficiency

Note: 1) For information on non-eligible sectors, please refer to the Appendix
2) All currency conversions are at EUR 1 = USD 1.106 and RON 1 = USD 0.246

Fiscal Policy Changes Simplify Procedures but Decrease Predictability

Romania's Fiscal Policy

- Typical taxes and contributions that corporate entities have to pay in Romania include income tax, VAT and employee contributions
- In 2016, the Romanian government introduced a new Fiscal Code to simplify fiscal procedures and reduce the number of taxes; however, despite the intention for increased predictability, government changes have generated 2 rounds of amendments by July 2017

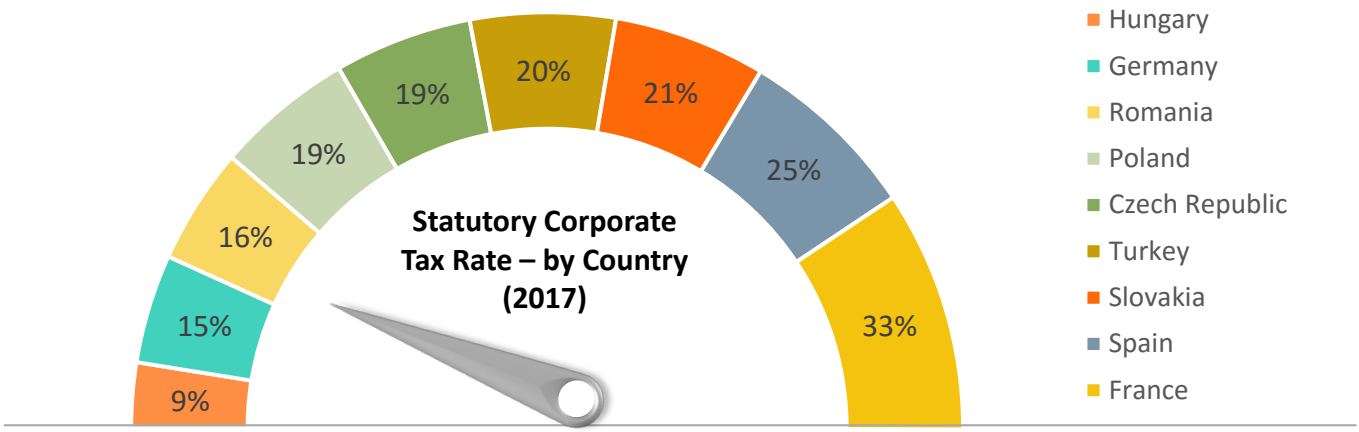
2016–17 Fiscal Code – Key Modifications

Number of Taxes	The maximum number of fiscal and non-fiscal taxes to be paid by companies should not exceed 40
Expansion of Taxpayer Base	Non-resident entities whose management is located in Romania are now required to declare and pay corporate income tax in Romania
Dividend Policy	Dividends received by a corporate entity from a Romanian firm are non-taxable, provided the receiver has held a minimum 10% stake for at least 1 year; otherwise, dividends received are subject to a 5% income tax
VAT Rate	Reduced to 20% (in January 2016) and to 19% (January 2017); will drop to 18% starting January 2019 VAT for raw materials and agricultural services eliminated starting March 2017
Deductible Expenses	Deductible expenses (for income tax purposes) refer to all expenses incurred with the purpose of conducting economic activities
Tax Exemption on Reinvested Profit	Starting January 2017, the profit reinvested in technical equipment (including billing equipment), as well as IT programmes, is exempt from taxes

Romania's Corporate Income Tax Amongst Lowest Across Neighbouring Countries

Romania's Fiscal Policy

- A 16% statutory corporate income tax (CIT) is applicable on global income generated by resident entities, or on earnings from Romania in case of non-resident companies; the fiscal year corresponds to the calendar year
  - — Starting 1 March 2017, entities that conduct R&D activities are exempt from paying income tax for a period of 10 years



Source: Deloitte

- As of now, Romania's CIT is lower than that of many neighbouring countries
- However, starting January 2017, Hungary has lowered its CIT from 19% to 9%; this may prove important to investors weighing the opportunities of settling in Hungary vs. Romania

Romania's R&D Fiscal Stimulus

- **Overview:** Enables firms to reduce taxable income by an amount equal to 50% of R&D expenses and apply accelerated amortisation of up to 50% in the first utilisation year of R&D equipment
- **Eligibility:** Applies to R&D activities that create sellable products and are undertaken in Romania, EU or in countries that belong to the European Economic Area
- Eligible expenses include depreciation, rental and repair of R&D assets, salaries of staff directly involved in R&D operations and overhead expenses

The country's R&D fiscal stimulus aims to attract both domestic and foreign investments, and to stimulate the country's transition from a low-cost manufacturing destination to one capable of supporting sophisticated R&D activities

Employer Contributions Are Similar as in Other CEE[1] Countries with Strong Automotive Focus

Employer Contributions to State Administered Employee Benefits in Romania (2017)

Type of Contribution	% of Gross Salary
Social Security	15.8–25.8% (15.8% for normal work conditions)
Health Fund	5.2%
Medical Leave	0.85%
Unemployment Fund	0.5%
Guarantee Fund for Salary Debts	0.25%
Work Accidents and Professional Disease	0.15–0.85%

Source: Contabilul.ro

Current employer contributions in Romania are similar to those in the Czech Republic, Hungary and Turkey, and considerably lower than in Slovakia and Poland

Starting 2018, employers will no longer be required to pay contributions for medical leave, unemployment, guarantee for salary debts, and work accidents & professional disease funds

Employer Contributions by Country (2017)

Country	Type of Contribution	% of Gross Salary
Slovakia	Social Security	35.2%, with certain caps
Poland	Social Security	35.0%, with certain caps
Czech Republic	Social Security	25.0%, with certain caps
	Health Insurance	9.0%, with certain caps
Hungary	Social Security	22.0%
	Vocational Training	1.5%
Turkey	Social Security	20.5%
	Unemployment Benefit	2.0%

Source: Deloitte

Note: 1) CEE refers to Central and Eastern Europe

Romania's EU Membership Helps non-EU Firms Gain Access to European Single Market

Romania's International Relations

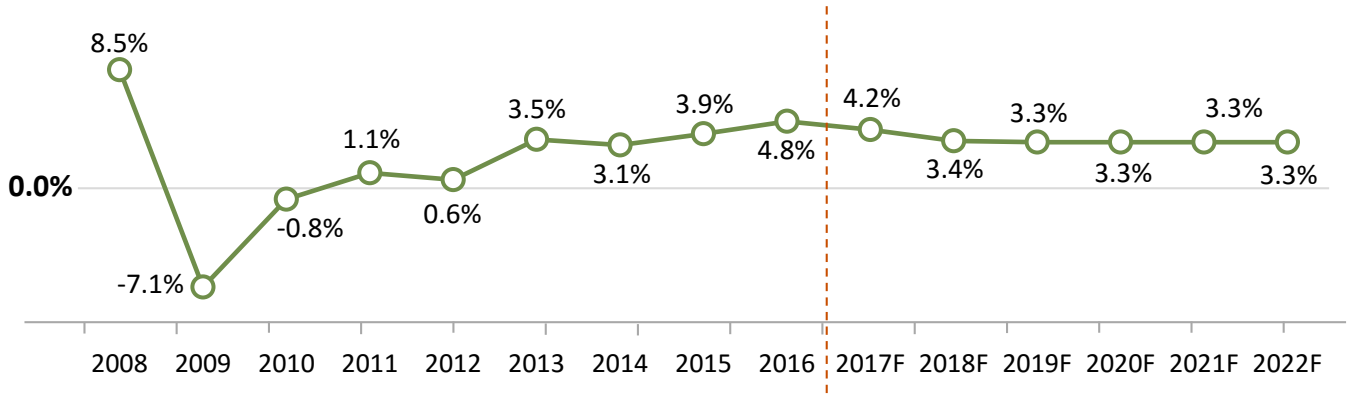
- Romania is a member of numerous international unions/organisations, including the **European Union (EU), the North Atlantic Treaty Organisation (NATO),** and **the United Nations (UN)**
- The country's EU membership enables non-EU companies gain access to the European single market by establishing a subsidiary in Romania and thus avoid custom taxes and screening procedures incurred when selling products across the EU
- Romania aims to become a part of the **EU Schengen Area**
  - Inclusion in this body would enable Romanian citizens to travel to other Schengen countries without being submitted to border control
  - Schengen Area membership would also enable merchandise produced in Romania to be shipped to other member countries without border control
  - New potential members need unanimous consent of current members; hence, despite fulfilling necessary requirements, Romania is still pending approval from the Netherlands (as of November 2016), which expects the former to further strengthen its border security and decrease its level of corruption
- The country is a member of the **Organisation of the Black Sea Economic Cooperation**, which also includes Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldavia, Russia, Serbia, Turkey and Ukraine
- Romania is also part of the **Asia–Europe Foundation**, which includes Australia, Austria, Bangladesh, Belgium, Brunei, Bulgaria, Cambodia, China, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, India, Indonesia, Ireland, Italy, Japan, Kazakhstan, Korea, Laos, Latvia, Lithuania, Luxembourg, Malaysia, Malta, Mongolia, Myanmar, the Netherlands, New Zealand, Norway, Pakistan, Philippines, Poland, Portugal, Russian Federation, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, Thailand, the United Kingdom, Vietnam, the ASEAN Secretariat and an EU representative
- Romania is undergoing an evaluation process to become a full member of the **Organisation for Economic Co-operation and Development**; as of 2016, the country is represented by governmental experts across 19 OECD working groups but has no 'de facto' decisional power

Romania's Membership in International Unions/Organisations

Second Highest Y-o-Y Growth in Europe in 2017

GDP Analysis

GDP Growth – Real (Constant) Prices (%, 2008–2022F)



Source: 'World Economic Outlook', IMF (April 2017)

- Following a plunge in 2009 caused by the ripple effect of the global financial crisis, Romania's GDP gradually resumed growth, mainly propelled by higher private consumption, stronger investments and absorption of EU funds

2016 GDP – Nominal Prices

$187.8 billion[1]

- In 2016, the nominal GDP rose 6.8% Y-o-Y, driven by high consumption (particularly in light of lower VAT on food products and rising wages) and low interest rates

Strongest-performing Sectors in 2016 – Nominal Growth

Sector	Y-o-Y Nominal Growth
Retail trade, vehicle repair, transport, hotels and restaurants	23.2%
Financial and insurance services	15.3%
Real estate transactions	9.7%
Public administration, social security & care, health and education	9.2%
Professional, scientific, technical, administrative and support activities	8.8%
Extractive and processing industry, utilities and garbage disposal solutions	6.0%

Outlook

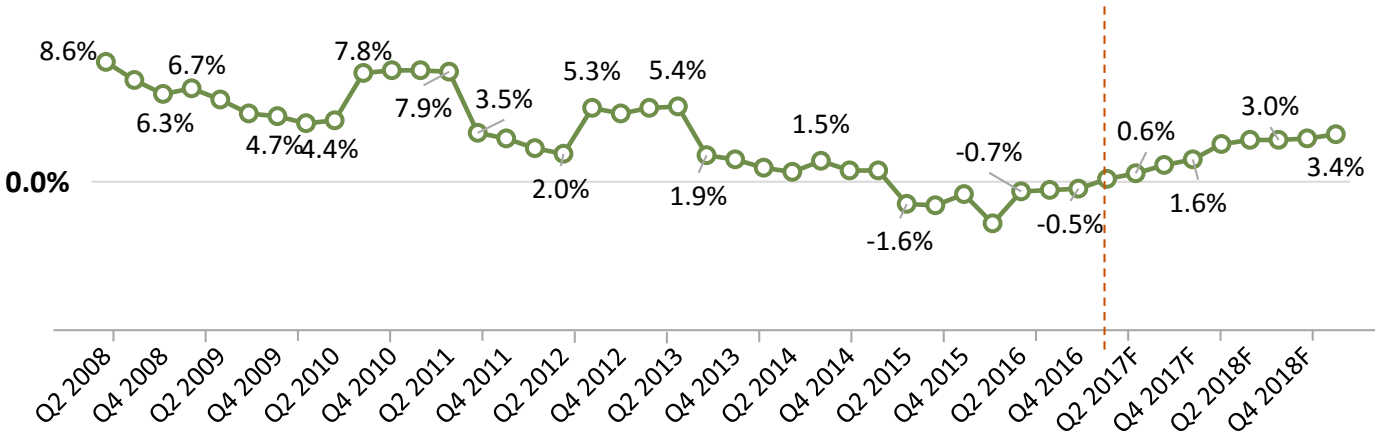
- As per the IMF, in 2017, Romania's GDP is projected to continue its positive trend and register the second highest Y-o-Y increase across Europe, surpassed only by Ireland (5.7%)
- Despite expected growth during 2017–2022 driven mainly by fiscal relaxation and expected wage increases, the Romanian economy is likely to slow down by 2022 if the government continues to focus on stimulating consumption rather than on growing investments

Note: 1) All currency conversions are at RON 1 = USD 0.246 and EUR 1 = USD 1.106

Exits Deflationary Phase Driven by Increased Consumption and Tax Cuts Effects Wearing Off

Inflation Analysis

Inflation Rate (Q2 2008–Q1 2019F)



Source: 'Reports on Inflation', National Bank of Romania (2008–2017)

- Despite fluctuations due to unfavourable national currency movements, variation in agricultural production and wage increases, Romania's inflation rate declined during 2011–2016 and registered negative values during Q2 2015–Q4 2016
  - The latest evolution is mainly attributable to tax cuts (specifically VAT) and external factors (such as deflationary pressures in the Euro zone)
- In 2017, inflation in Romania is expected to rise, in line with the EU situation – in March 2017, the European Central Bank announced plans to tighten its monetary policy and thus help reverse the trend of delayed corporate investments due to continuous deflation across the EU

Key Factors 2011–2016

- Low Inflation in Eurozone
- Deficit in Aggregate Demand (affected by Russia's embargo on European products)
- Strong Domestic Agricultural Output in 2013–2016

Additional Factors Q2 2015–Q4 2016

- VAT cuts from 24% to 9% (on food products, starting June 2015), from 24% to 20% (the standard rate, starting January 2016) and from 20% to 19% (starting January 2017)
- Drop in Oil & Gas Prices
- Lower Prices of Imported Consumer Goods and Raw Materials

Outlook

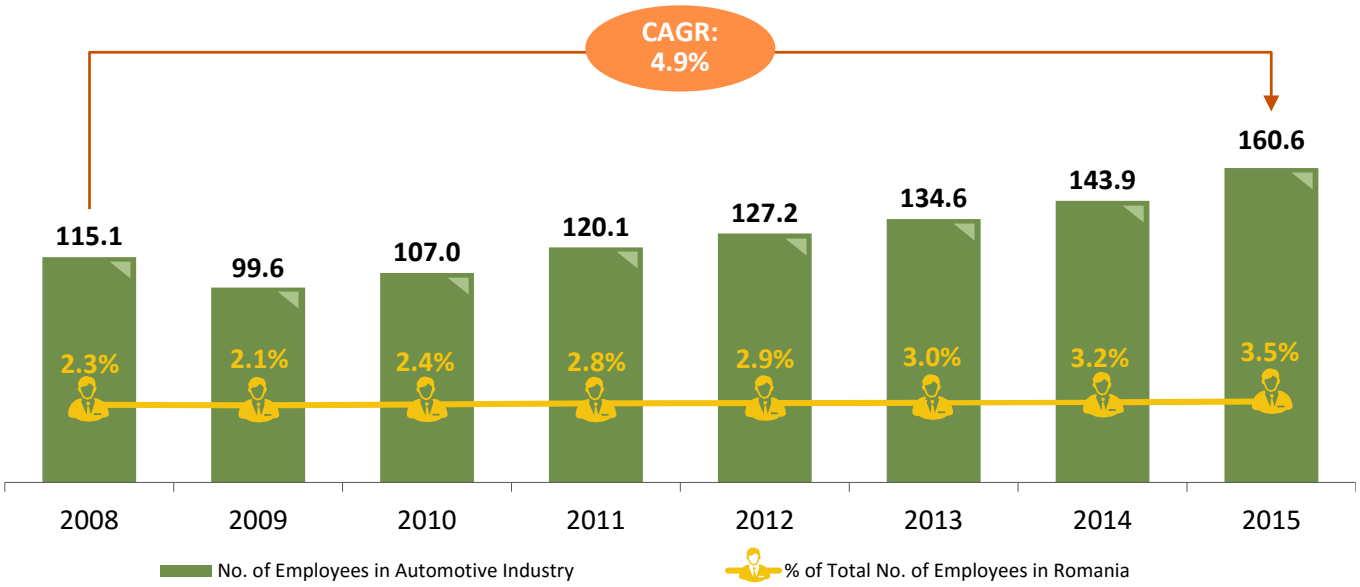
According to the National Bank of Romania, domestic inflation is projected to rise by Q1 2019 due to the effects of a lower VAT wearing off, higher consumption (driven by wage increases), potential external demand/supply fluctuations generated by Brexit and oil price uncertainties

Automotive Sector Overview

Sturdy Growth in Automotive Workforce Level Since 2009 Likely to Continue

Labour Market Analysis

Average Number of Employees in Automotive Industry[1] and Share in Total Headcount (thousands, %, 2008–2015)



Source: Romanian National Institute of Statistics

- Post a significant fall in 2009, the average headcount in the Romanian automotive industry displayed robust growth during 2010–2015
  - — By 2011, the industry had already rebounded and even surpassed the pre-crisis headcount, compared with other industries (e.g., F&B, furniture, paper, metallurgy and equipment) that were yet to reach pre-crisis staff levels, as of 2015
- Rise in headcount was likely due to the establishment of production facilities (particularly focussing on labour-intensive activities) by key global manufacturers to leverage lower wages vis-à-vis other countries (e.g., Western Europe)

Outlook

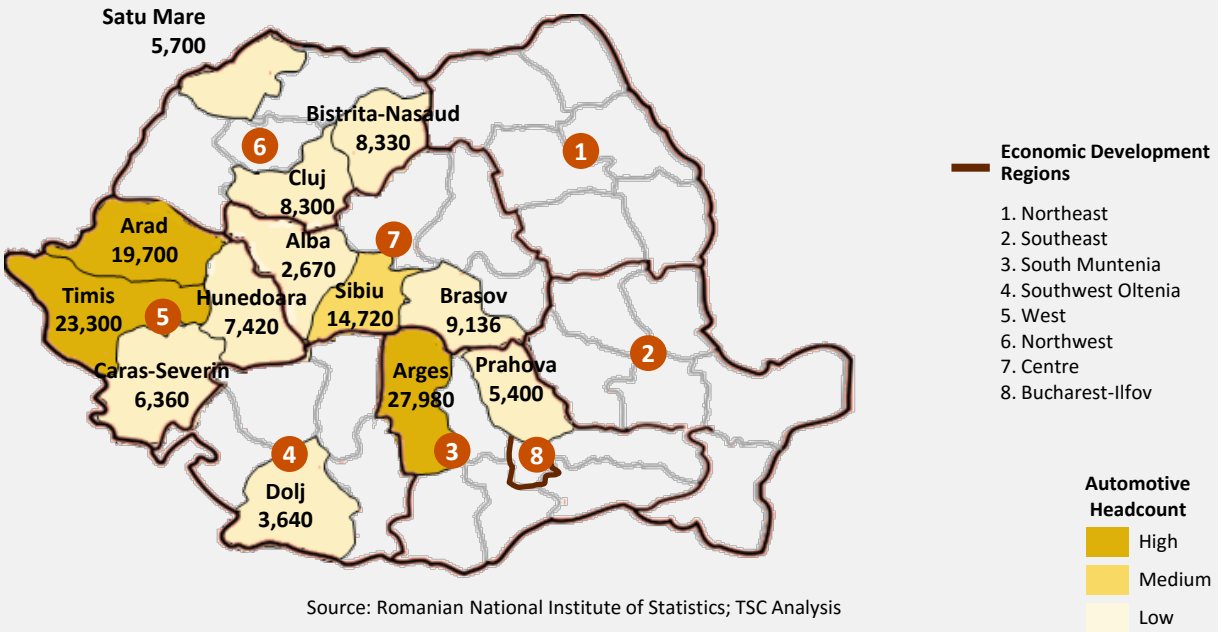
- Increasing focus of automotive manufacturers on expanding production capacity and setting up facilities in Romania is likely to drive demand for industry professionals (e.g., Continental Group's $13.3 million[2] expansion of its electric components factory in Timișoara in 2016)
- However, higher automatisation and use of manufacturing robots may reduce staff levels in certain fields – particularly in terms of chassis production, where manual labour accounts for 90% of all activities (as of 2015)

Note: 1) Comprises employees involved in manufacturing road vehicles, vehicle chassis, trailers, semi-trailers and auto & engine components and spare parts
2) All currency conversions are at EUR 1 = USD 1.106

Western Romania Has Largest Automotive Headcount

Labour Market Analysis

Top Counties by Number of Employees in Automotive Industry (2015)



Source: Romanian National Institute of Statistics; TSC Analysis

- The West region[1] holds the largest share in total automotive headcount across Romania (35.3% in 2015), largely because various OEMs have operating facilities in Timis and Arad
  - Key manufacturers present in this region include Continental, Autoliv, HELLA, Bosch and Yazaki
- South Muntenia accounts for 21.1% of total number of automotive employees, mainly due to the presence of Dacia Automobile in Arges
  - In 2015, Dacia Automobile had 14,229 employees (8.9% of total national figure)

Most employees are located in well-established automotive clusters with an automotive manufacturing tradition, and with multiple universities and high schools that have a technical curriculum

However, lack of adequate motorway infrastructure determines manufacturers to focus more on the Western region to leverage proximity to Hungary and its motorway network

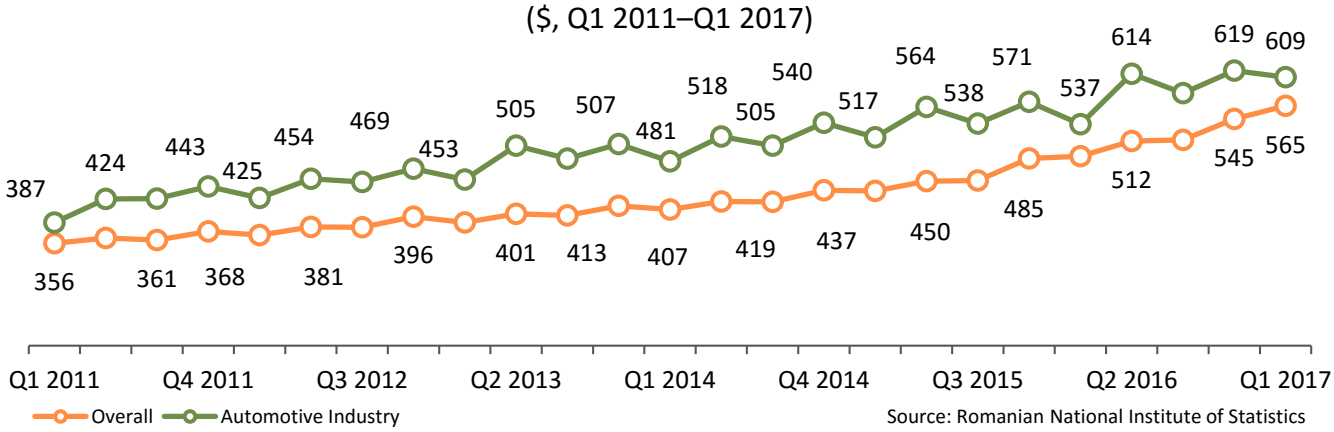
"The industrial environment, particularly the auto components segment, is announcing plans to expand production capacity, which is likely to generate growing demand for production personnel. This favours locations other than Bucharest (which has no industry focus) – urban centres in Transylvania (Centre), Banat (West), as well as Pitesti and Ploiesti area. However, in large cities, there is already an 'over-heating' due to lack of qualified production staff." **– Raluca Parvu, Business Manager, BPI Group[2] (January 2016)**

Note: 1) For more information on exact counties included in each region, please refer to the Appendix
2) BPI Group is a US-based HR and management consultancy

Automotive Wages Typically Higher than National Average

Labour Market Analysis

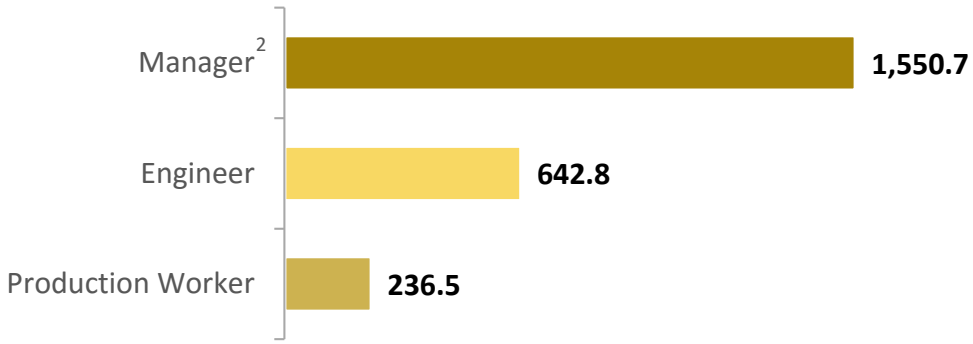
Average Net Monthly Earnings (Overall vs. Automotive Industry) – Current Prices[1]
($, Q1 2011–Q1 2017)



Source: Romanian National Institute of Statistics

- Over Q1 2011–Q1 2017, the average net monthly earnings in the automotive sector typically stood above the national average, in line with the industry's strong evolution throughout this period
- Fluctuations in automotive sector earnings are primarily due to variations in vehicle demand, which prompt manufacturers to curb wages to maintain margins

Average Net Monthly Earnings in Automotive Industry – by Designation ($, 2014)[1]



Source: 'Aims SalaryMap – Manufacturing 2014', Aims Human Capital Romania

Average Net Monthly Earnings[1,3] – Dacia/Renault Group Example ($, 2016)

Country	Wage ($)
Morocco	~331.8
Romania	**~663.6**
France	1,769.6

Automotive wages in Romania remain lower than in developed European countries, as highlighted by Dacia/Renault Group's example

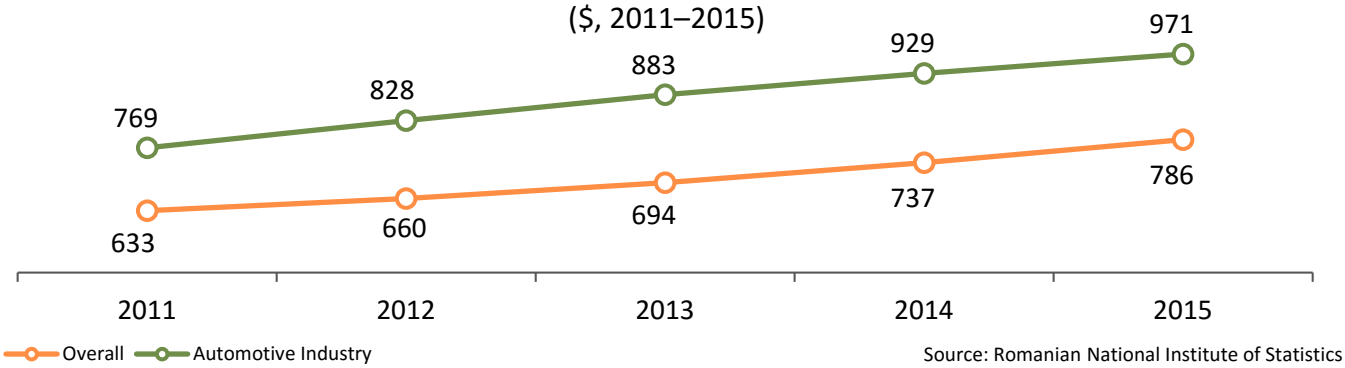
Note: 1) All currency conversions are at RON 1 = USD 0.246 and EUR 1 = USD 1.106
2) Includes top and middle managers, but excludes general managers (CEOs)
3) Wages at Renault Group's facilities in Turkey are still considered by industry experts to be above those paid to Dacia workers; however, the gap has been closing in recent years

Lower Cost per Employee vs. Key European Countries with Automotive Focus

Labour Market Analysis

Average Monthly Cost per Employee (Overall vs. Automotive Industry) – Current Prices[1]

($, 2011–2015)



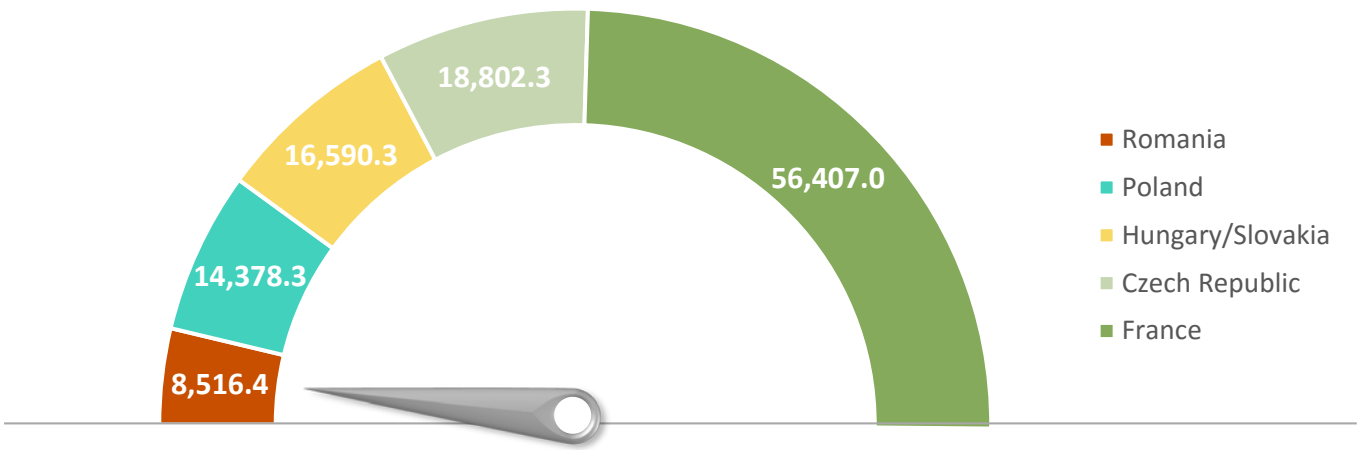
Source: Romanian National Institute of Statistics

- Between 2011 and 2015, the average cost per employee in the automotive industry was typically 20–27% higher than the average figure at the country level
  - — The largest gap was posted in 2013 (27.3%), primarily due to growth in training costs and other indirect employee costs, as well as higher staff gross payments from net profit and other bonuses

As per Constantin Stroe, former President of the Association of Automotive Manufacturers of Romania (ACAROM), labour costs in the Western region are higher than in any other Romanian region, except for Ilfov-Bucharest

- Romania is still considered to have the lowest cost per employee compared with other European countries with strong automotive output; however, the situation may change due to an anticipated hike in minimum wage and increasing skill shortage in the industry
  - — In May 2016, the minimum gross wage rose 19% to $308.2 (RON 1,250)[1] and to $357.5 (RON 1,450) starting February 2017
  - — Based on the level of studies completed, it is expected to further rise to $492.0 (RON 2,000) in 2018, $541.2 (RON 2,200) in 2019 and $590.4 (RON 2,400) in 2020 for blue-collar workers and to $565.8 (RON 2,300) in 2018, $639.6 (RON 2,640) in 2019 and $738.0 (RON 3,000) in 2020 for those with university degrees

Average Annual Cost per Employee – Country Comparison ($, 2015)[2,3]

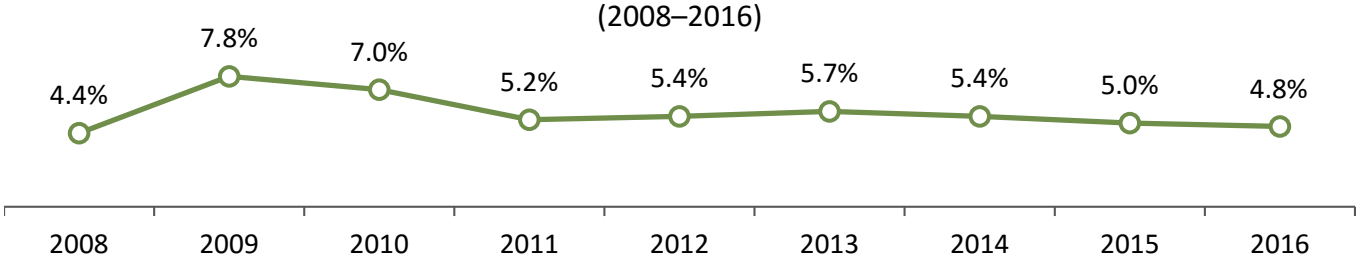


Note: 1) All currency conversions are at RON 1 = USD 0.246 and EUR 1 = USD 1.106
2) The Association of Automobile Constructors in Romania comprises 156 automotive vehicle and component manufacturers

Low Unemployment Rate in Romanian Automotive Clusters

Labour Market Analysis

Unemployment Rate – National Average
(2008–2016)



Source: Romanian National Institute of Statistics

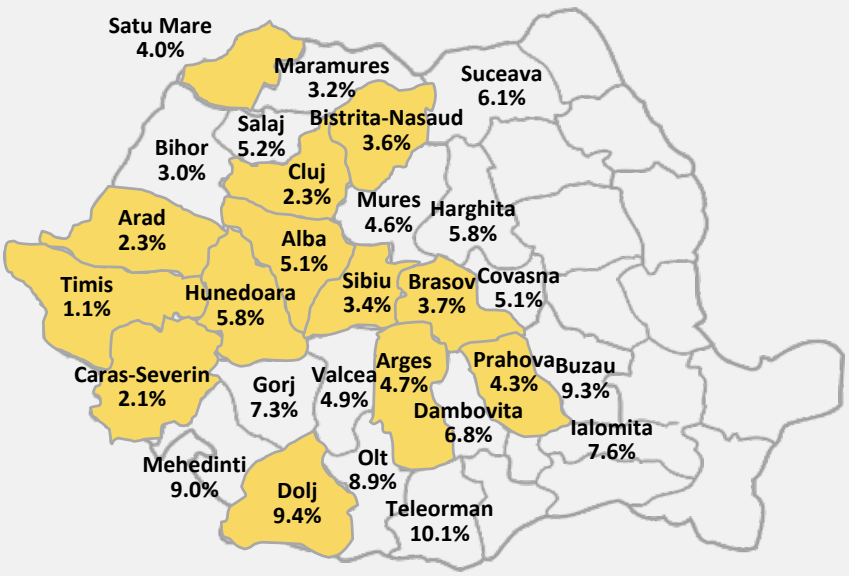
- During 2011–2016, Romania's unemployment rate remained in the 5–6% band, reaching the lowest post-crisis level in 2015
- Although the low unemployment rate is partly due to the post-crisis economic rebound, industry specialists claim that the rate does not consider the number of long-time unemployed individuals (who are discouraged and have stopped looking for a job), people working in subsistence agriculture and unemployed citizens who are past the legal period of receiving unemployment aid

Unemployment Rate – Country Comparison (2016)

Country	Rate
Czech Republic	4.0%
Romania	**4.8%**
Hungary	5.1%
Poland	5.5%
Bulgaria	7.6%

Romania registered a lower unemployment rate than other Central and Eastern European countries

Unemployment Rate – by Key Automotive Cluster and Neighbouring Counties (2016)



Automotive clusters typically have lower unemployment rates than the national average, as various multinational companies hire a large number of professionals; notable exceptions are Hunedoara and Dolj, which do not boast diversity of employers like other counties

Source: Romanian National Institute of Statistics

Key Automotive Clusters

Significant Shortage of Skills in Romanian Automotive Industry

Skill Shortage in Romanian Automotive Industry

- Although the employment rate suggests there are considerable unoccupied work resources, manufacturers from key automotive clusters (especially in the Western region) have to cope with significant skill shortage, particularly in terms of graduate professionals (e.g., software engineers)
- Continuity of this trend is likely to push manufacturers to adopt measures such as adapting production to current staff levels and engaging with educational institutions to provide professional training

Main Factors Leading to Skill Shortage

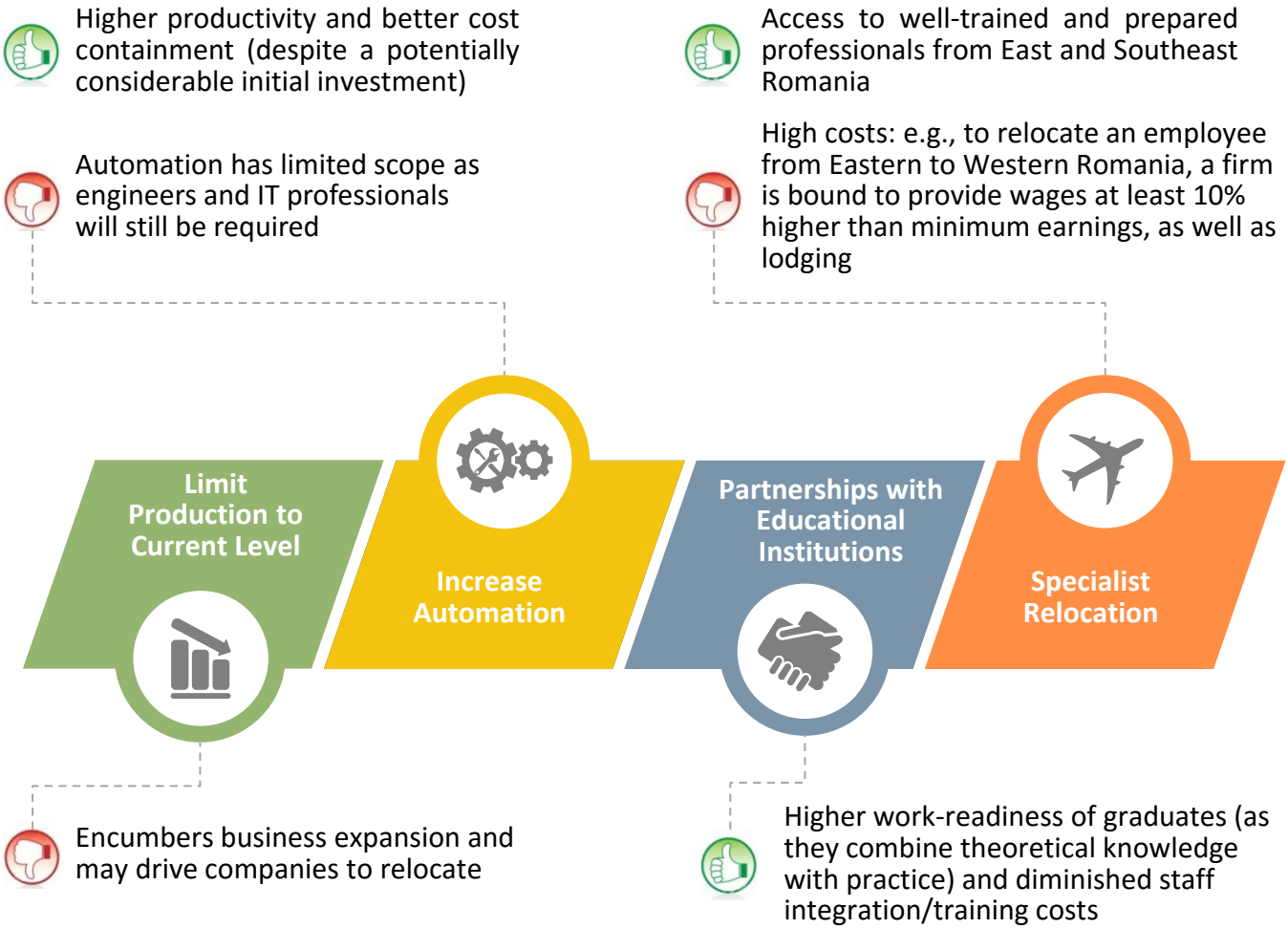
"It is very important for the Romanian government to support the educational system so that more high-qualified professionals are available in the labour market. Today, we face increasingly significant 'talent war', particularly for high-qualified engineers." **– Rolf Breidenbach, CEO and President, HELLA (September 2015)**

"Investors want to come but do not have people to hire. In modern-day Romania, technical schools produce up to 1,000 graduates with certified competences." **– Dorin Saramet, VP, Kronstadt Brasov German School (May 2016)**

Firms Conduct Training in Partnership with Educational Institutions

Skill Shortage in Romanian Automotive Industry

Key Measures to Address Skill Shortage



Firms Limit/Relocate Production to Cope with Skill Shortage

Skill Shortage in Romanian Automotive Industry

"We limited Romanian production to current workforce capacity and moved additional projects to Ukraine, where we opened a new factory. […] To bring people from far away is a crisis solution generated by higher production or new product launches. But it is not feasible cost-wise, and that is why I believe more and more businesses recalibrate operations to the current staff level. You may relocate, but not people living more than 40–100 km away from plants." – **Paul Patrascu, HR Senior Manager – Eastern Europe, Fujikura (March 2016)**

"Timişoara practically has zero unemployment and could leverage workforce from Romania, Serbia and Hungary. I can tell you nothing is happening in Central-Eastern Romania, where labour cost is half vs. Banat, despite great potential. But the main problem is how much it takes to travel from Husi (in Eastern Romania) to Western Romania – longer than what it takes to travel from Western counties to Western Europe." **– Constantin Stroe, Former President, ACAROM (May 2016)**

"In Timişoara, we need over 20,000 people that we cannot find. The problem started in 2013; in 2014, we started to automate activities but beginning September 2015, we have been losing contracts due to lack of personnel. We need work-ready resources that we can further train. […] It would be ideal to at least have access to labour markets of countries such as Serbia." – **Bogdan Cocian, General Manager, Elba Timisoara (May 2016)**

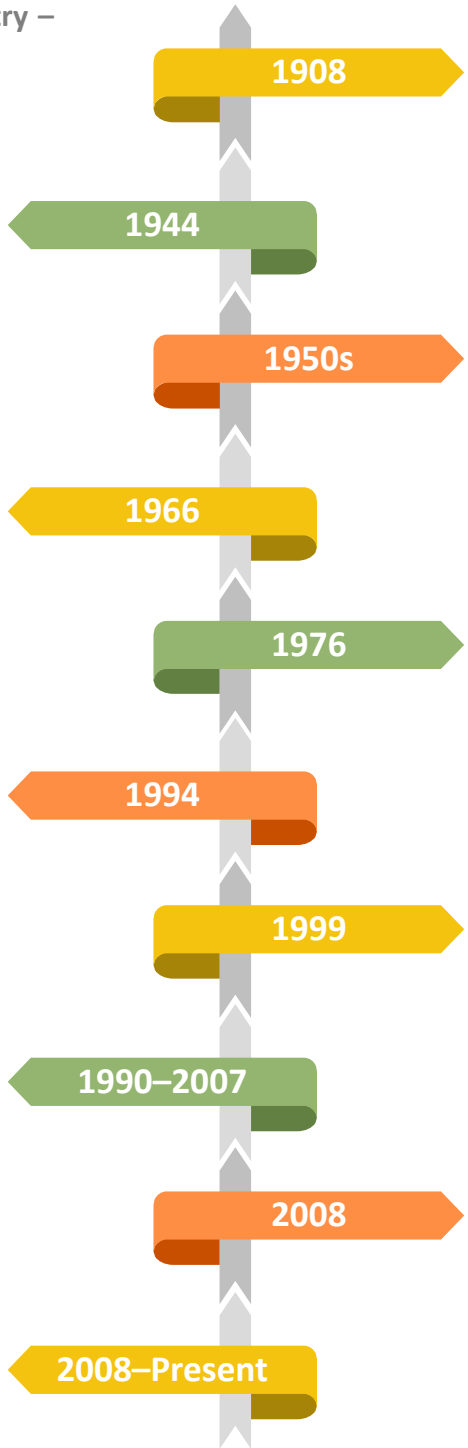
"Dual professional schooling, comprising theoretical and practical studies is supported in Continental's locations in Timişoara, Brasov, Carei and Sibiu. During 2012–2014, we supported 150 students and hired the first generation. Students receive scholarships and spend the entire practice period in Continental's factories, guided by mentors throughout the 3 years of study." – **Anica Stoica, HR Manager – Romania, Continental Group (March 2015)**

Automotive Market Scenario

Domestic Automotive Market – from 1 Vehicle Producer to Numerous OEMs

Introduction

The Romanian Automotive Industry – From Inception till Today[1]

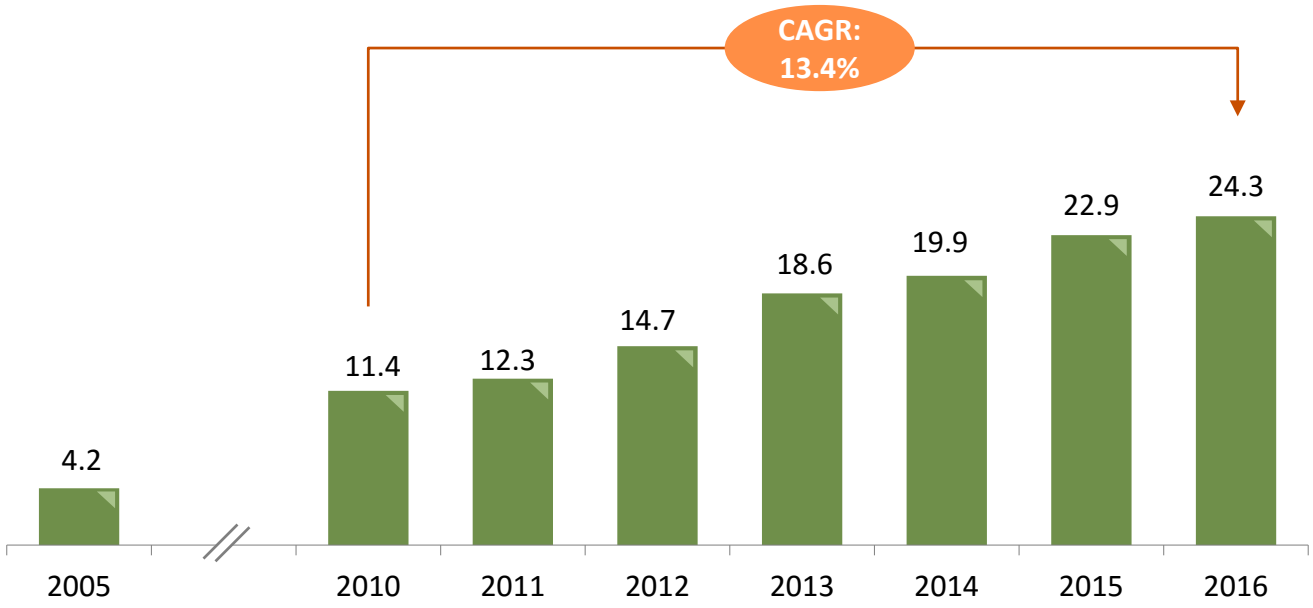


Following the fall of the communist regime in 1989, the Romanian automotive industry surged as numerous global OEMs established facilities to leverage low production costs (particularly in terms of wages) and proximity to key EU markets

Note: 1) The timeline highlights key milestones in the automotive industry; the list of companies that opened subsidiaries in Romania is not exhaustive

Automotive Market Mainly Propelled by Components Segment

Romanian Automotive Industry Size – by Revenue[1] ($ billion, 2005–2016)



Source: Association of Automotive Manufacturers of Romania (ACAROM)

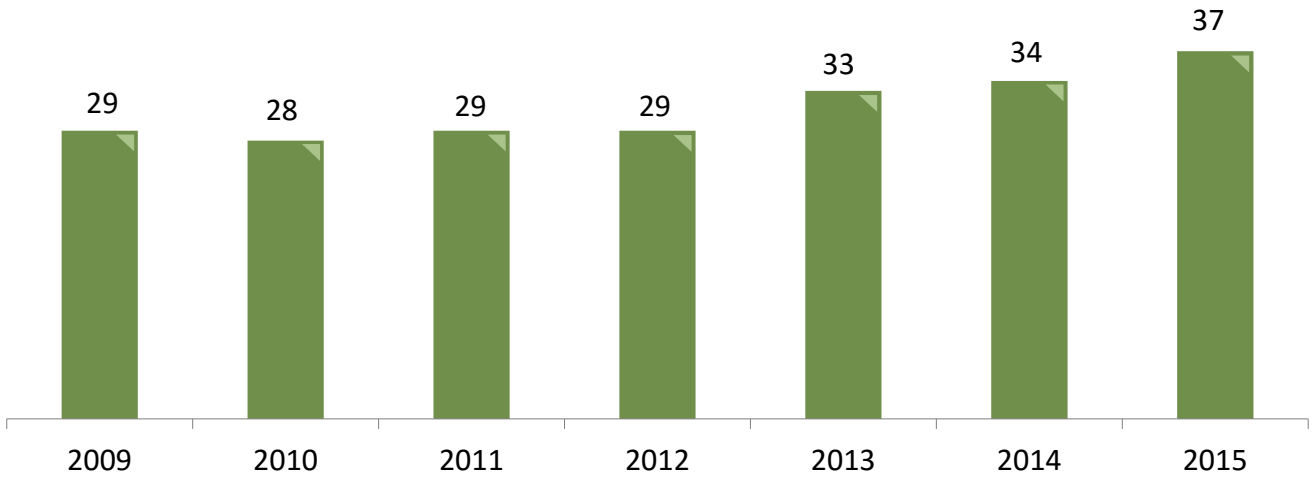
- The Romanian automotive industry surged post the 2009 economic crisis, mainly driven by strong performance from the components manufacturing segment, which typically accounted for a steady ~70% of total sales
- The country's most important regional competitors in terms of attracting automotive investments are Slovakia, the Czech Republic, Hungary and Poland
- According to the former President of ACAROM, Mr. Constantin Stroe, **Romania has the potential to become an important automotive industry hub in Central and Eastern Europe**, as numerous large OEMs are already investing in the country to leverage low production costs
- Mr. Stroe also stated that the overall **Romanian automotive industry would likely reach $33.2 billion by 2018–2019, mainly propelled by the components segment**
- However, prospects also depend on the government's continuous focus on modernising and expanding the country's transport infrastructure

> *"We expect the overall automotive industry to grow 5–10% annually. Road infrastructure is visibly improving, while Romania's minimum wage is still among the lowest across EU countries."*
> **– ACAROM (November 2016)**

Note: 1) All currency conversions are at EUR 1 = USD 1.106

Romania Has Few Vehicle Manufacturers Due to Underdeveloped Infrastructure

Number of Active Vehicle Manufacturers[1] in Romania (2009–2015)



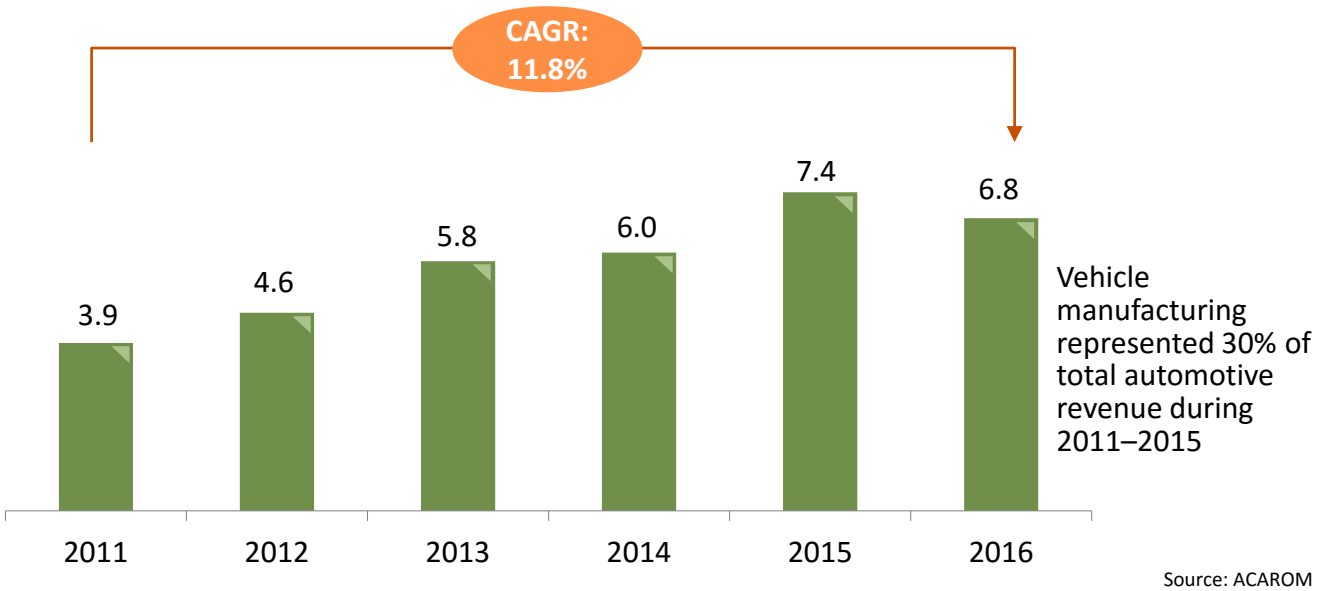
Source: Romanian National Institute of Statistics

- Dacia and Ford are the only large domestic vehicle producers
  - — Romania also has a low number of utility vehicle and bus manufacturers (e.g., Grivita Industrial Company), which do not register significant production figures – lower quality vs. foreign producers and high availability of second-hand vehicles limit client demand
- During 2008–2016, the country lost 2 major opportunities to increase the number of vehicle producers
  - — TATA Motors and Mercedes-Benz decided to establish vehicle assembly plants in Slovakia and Hungary, respectively, after due diligence on Romania revealed an underdeveloped infrastructure and low fiscal predictability
- However, ACAROM considers that **the country has the necessary potential to attract a third and even a fourth large vehicle manufacturer, in light of low production costs and continuous focus on enhancing infrastructure**

Note: 1) Apart from Dacia and Ford, the vehicle manufacturers category includes small producers of other vehicles, including buses and trucks

Vehicle Manufacturing Turnover Led by Dacia's Strong Sales in Domestic and External Markets

Vehicle Manufacturing in Romania – by Revenue[1] ($ billion, 2011–2016)



Source: ACAROM

- The vehicle manufacturing segment grew significantly during 2011–2015, mainly supported by Dacia's robust performance
  - — Dacia's turnover increased due to resilient demand for Dacia Logan, Sandero and particularly its more expensive model, Duster, coming mostly from key external markets – France, Germany and Spain; growth was further driven by sales of mechanical components to Renault plants in other countries[2] as well as to other vehicle manufacturers (e.g., Peugeot and Toyota)
  - — Ford registered a relatively significant decline in sales due to weak client pipeline for Ford B-Max, which materialised in oversupply and various periods of production halt; in 2016, the company announced a $221.2 million investment in its Craiova plant to manufacture Ford EcoSport (one of its best-selling cars) starting the fall of 2017
- Slight decline in 2016 was likely on prolonged decrease in demand for Ford B-Max

Key Factors Expected to Drive Vehicle Manufacturing in Romania

Internal

- VAT reduction to 19% starting January 2017 and 18% starting January 2019
- Ongoing Car Scrappage Programme
- Wage increase leading to higher disposable income

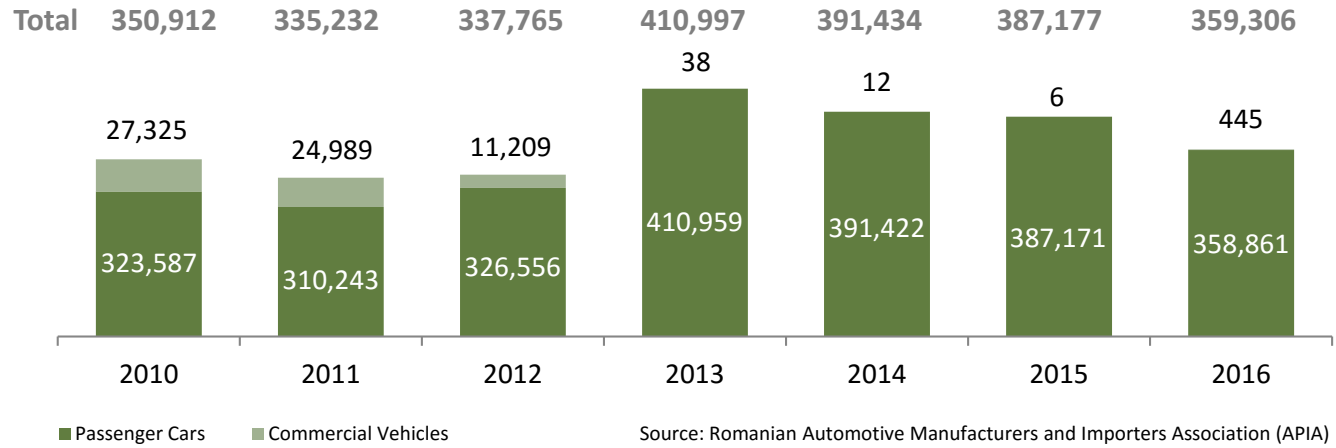
External

- Higher interest of Europeans in SUVs to drive demand for Dacia Duster as well as Ford EcoSport

Note: 1) All currency conversions are at EUR 1 = USD 1.106
2) Dacia manufactures components not only for its vehicle assembly plant in Romania, but also for Renault's plants in Russia, South Africa, Iran, Brazil, Colombia, Morocco, India, Argentina and Algeria

Production Reshuffle by Dacia and Ford, and Lower Demand Cut Manufacturing Volumes

Vehicle Manufacturing in Romania – by Production Volume (units, 2010–2016)



Source: Romanian Automotive Manufacturers and Importers Association (APIA)

Country Ranking – by Vehicle Production Volume (2016)

Country	Global Ranking	European Ranking[1]	Production (units)
Germany	4	1	6,062,562
Spain	8	2	2,885,922
France	11	3	2,082,000
Turkey	14	5	1,485,927
Czech Republic	15	6	1,349,896
Slovakia	20	9	1,040,000
Poland	21	10	681,837
Hungary	25	11	472,000
Romania	**27**	**13**	**359,306**

Source: International Organization of Motor Vehicle Manufacturers (OICA)

- **Despite strong potential, Romania is not among the major vehicle manufacturing countries globally or at the European level, particularly due to lack of adequate infrastructure**

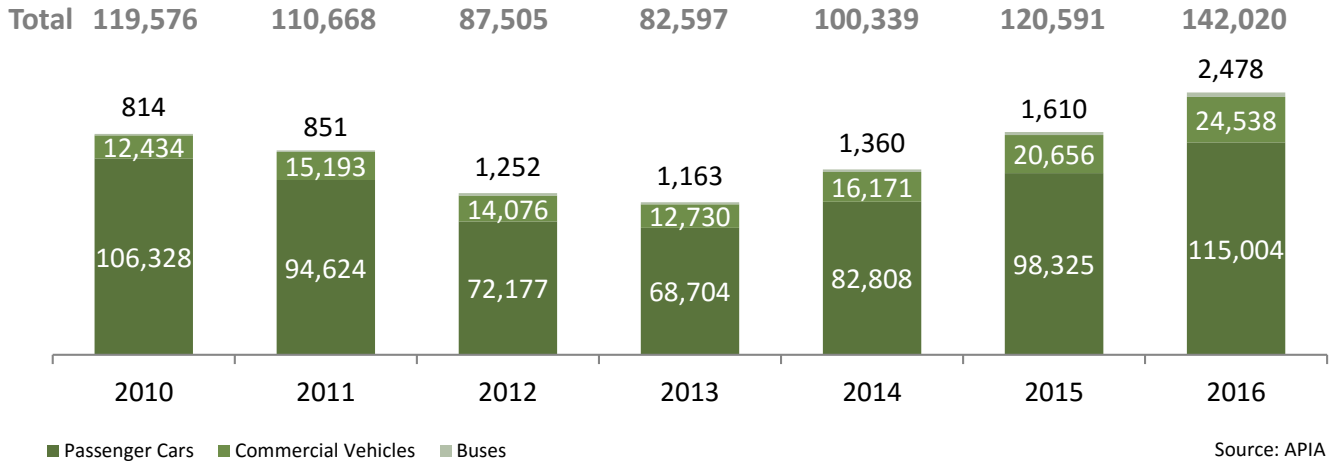
- Relocation and restructuring initiatives by Dacia and Ford led not only to fluctuations in passenger car manufacturing during 2010–2016, but also to a dramatic decline in light commercial vehicle (LCV) production in Romania
  - In 2014, Dacia's parent company, Renault, partially relocated Sandero's production to its plant in Morocco; this reduced the number of vehicles assembled in Romania by an estimated 30,000 units annually
  - Moreover, in 2012, the company ceased production of Logan Pick-up and Logan Van LCVs
  - Starting 2012, Ford decreased Ford B-Max's production to focus more on building the highly sought-after 1.0 EcoBoost engines; the firm also relocated the manufacturing of Ford Transit Connect (LCV) to Spain

- As per APIA, 90.8% of total vehicles manufactured in 2016 were exported
- In 2016, vehicle production dropped 7.2% Y-o-Y to 359,306 units as a result of lower domestic and external demand for Dacia Sandero, Dacia Logan and Ford B-Max, as well as on account of the strong second hand market in Romania

Note: 1) Inclusive of Russia and Turkey

Car Sales Rise Supported by Corporate Clients and Car Scrappage Programme

New Vehicle Sales in Romania – by Vehicle Type (units, 2010–2016)



Source: APIA

- During 2010–2013, new vehicle sales plummeted primarily due to low purchasing power and restricted access to funding, coupled with high imports of second-hand vehicles (of which many were not fiscally registered in Romania)
- The market rebounded by 2016, driven by sales to corporate clients and the government's Car Scrappage Programme

Key Factors Expected to Drive Market Growth in Short–Medium Term

Strong Demand from Corporate Clients
(typically representing 70–75% of total sales)

Government Initiatives – Car Scrappage Programme and Lower VAT

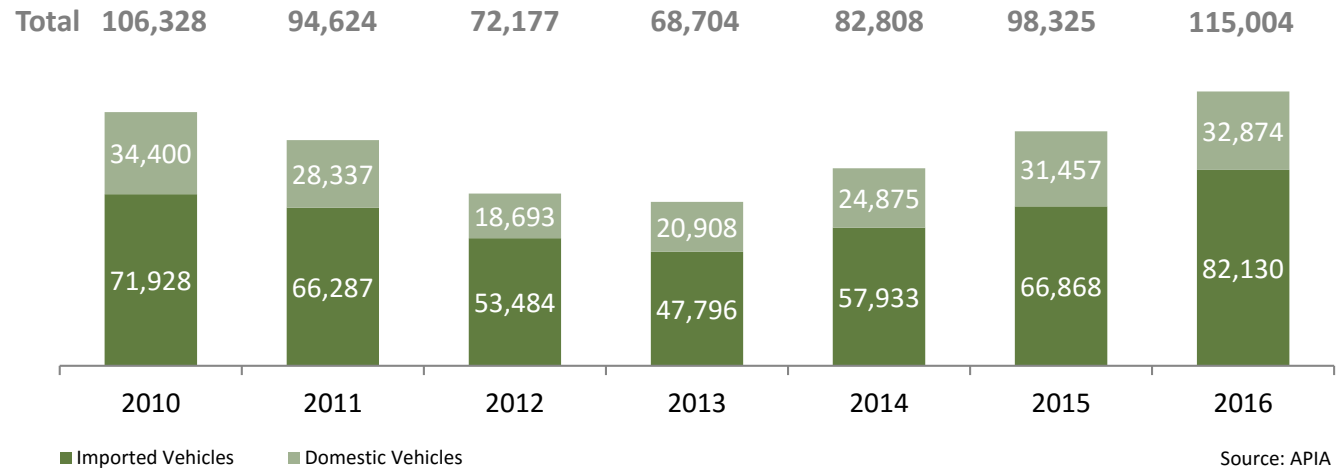
Advantageous Dealer Offerings

Rising Consumer Confidence

- In 2016, Romanian car sales surged 17.0% Y-o-Y, while key European markets registered more modest Y-o-Y increases – e.g., France (5.1%), Germany (4.5%) and UK (2.3%)
- The Romanian market increase in 2016 was supported by strong demand from both corporate and residential clients, particularly for Dacia and Volkswagen models

Second-hand Market Poses Major Threat to New Car Sales

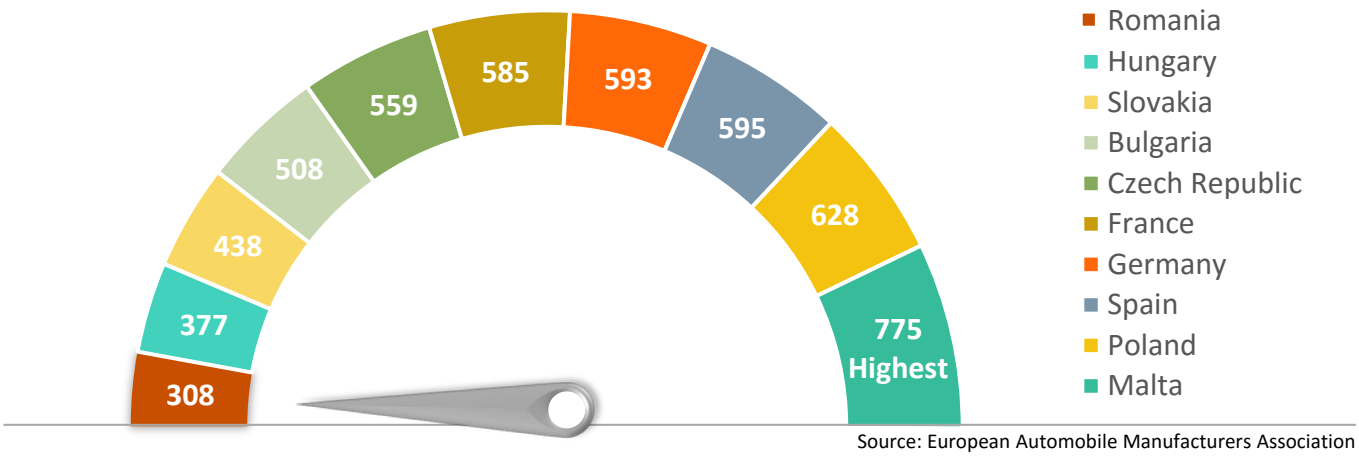
New Passenger Car Sales in Romania – by Origin (units, 2010–2016)



Source: APIA

- Passenger cars (80–90% share during 2010–2016) is the largest segment of the total new vehicle sales in Romania
  - Despite robust performance over 2013–2016, new sales were overtaken by the second-hand vehicle market, which grew at a 10.6% CAGR to ~300,000 units; the selling ratio between second-hand and new cars stood at ~3 to 1 in 2016
  - Further, as per ACAROM, the second hand market is likely to continue its positive momentum and reach ~500,000 units sold in 2017 in light of the government's decision to remove the environmental tax applied on imported second hand vehicles starting February 2017
- Although imported cars typically represent >65% of total new sales, their share surged from 68.0% (2015) to 83.5% (2016), mainly on account of stronger foothold of Volkswagen, Skoda, Renault and Opel, which launched new/facelifted models with enhanced equipment, particularly in terms of infotainment and safety technologies

Number of Passenger Cars per 1,000 Inhabitants (2015)



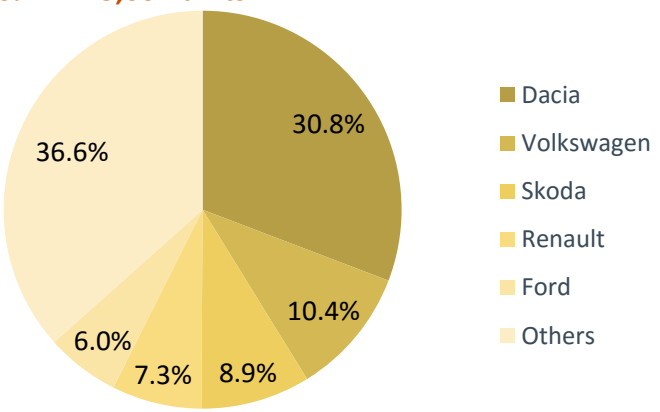
Source: European Automobile Manufacturers Association

- During 2008–2015, Romania posted the lowest car ownership rate in the EU; however, the rate grew at 4.4% CAGR to 308 passenger cars per 1,000 inhabitants through the period, mainly driven by imports of second-hand cars
- Romania also displays a high average fleet age – 15.3 years vs the EU's average car age of 10.7 years (as of 2015)

Dacia Leads Domestic Sales of Both Gasoline and Diesel Cars…

New Passenger Car Sales in Romania – by Brand (%, 2016)

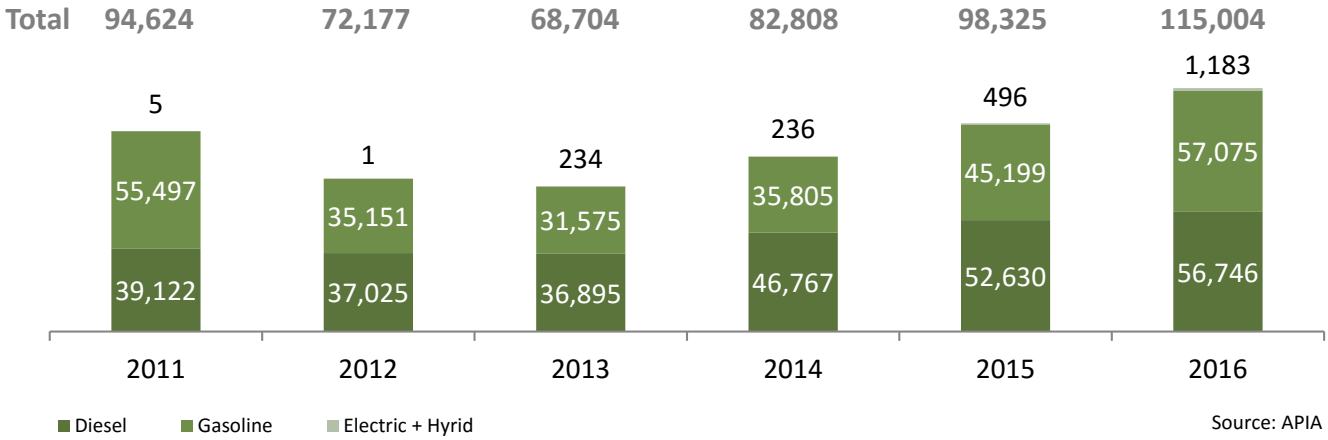
100% = 115,004 units



Source: APIA

- Dacia dominates new sales with a 30.8% share (4.6% Y-o-Y growth to 35,448 units in 2016) – tighter purchasing power against developed countries leads to stronger focus on cars with a high value-for-money quotient
  - Despite a 4.3% Y-o-Y drop to 15,329 units, Dacia Logan was the most sought-after model in 2016, followed by Dacia Sandero (27.6% Y-o-Y rise to 7,098 units) and Dacia Duster (5.0% Y-o-Y increase to 6,975 units)

New Passenger Car Sales in Romania – by Type of Fuel (units, 2010–2016)



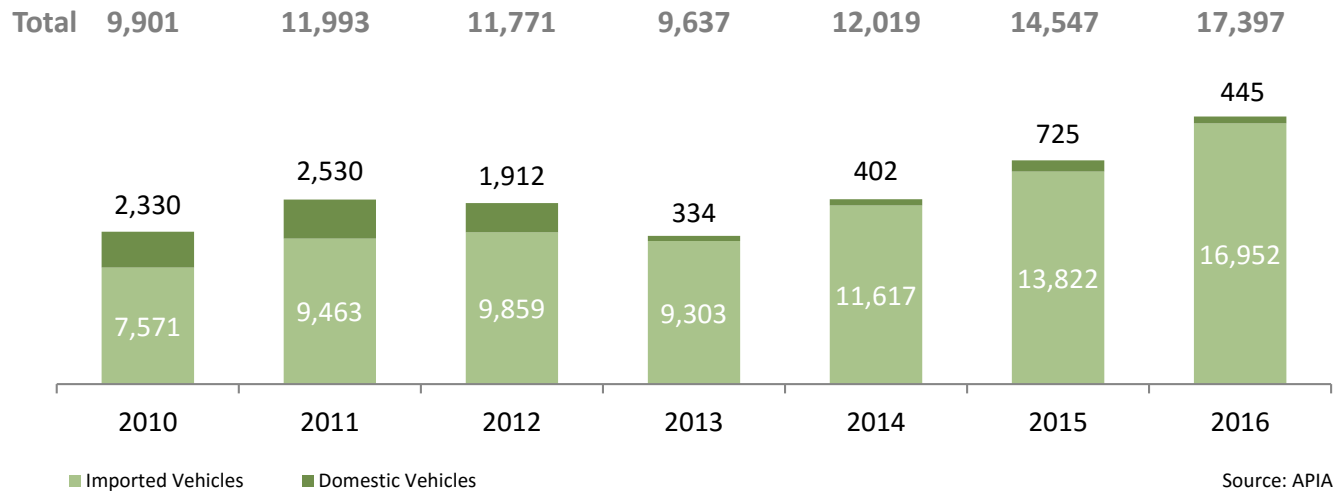
Source: APIA

- Despite accounting for the largest share in new passenger car sales during 2012–2015 (>50%), Diesel cars have lost ground to gasoline ones due to rising concerns on higher CO2 emissions vs. gasoline-powered vehicles, coupled with higher purchasing price and maintenance costs
  - Dacia dominated both gasoline and Diesel sales, at a 35.0% and 27.2% share, respectively, followed by Volkswagen and Skoda
- Adoption of electric vehicles (EVs) and hybrid vehicles stalled during 2011–2014 due to lack of appropriate charging infrastructure and government stimuli to compensate high purchasing price
- However, the share of EVs and hybrid vehicles in total sales grew from 0.5% (2015) to 1.2% (2016), in light of stronger government support
  - In 2017, the government raised the eco-bonus granted to clients that purchased EVs from $4,931 (RON 20,000) to $11,060.2 (€10,000); since 2016, the government also offers a $1,233 (RON 5,000) bonus to those acquiring hybrids[1]
  - Moreover, it launched the 'Green Charging Infrastructure Programme' in 2016, to offer financial incentives to public and private entities that develop charging stations for EVs and hybrid vehicles; this initiative is expected to establish up to 20,000 stations by 2020
- All EVs and hybrid vehicles were imported in 2016, with Toyota accounting for 69.3% of total sales; Romania does not have any domestic manufacturers of EVs or hybrid vehicles

Note: 1) All currency conversions are at RON 1 = USD 0.246 and EUR 1 = USD 1.106

Also Dominates LCV Sales, Though Competitors Are Catching Up Fast

New LCV and Minibus Sales in Romania – by Origin (units, 2010–2016)

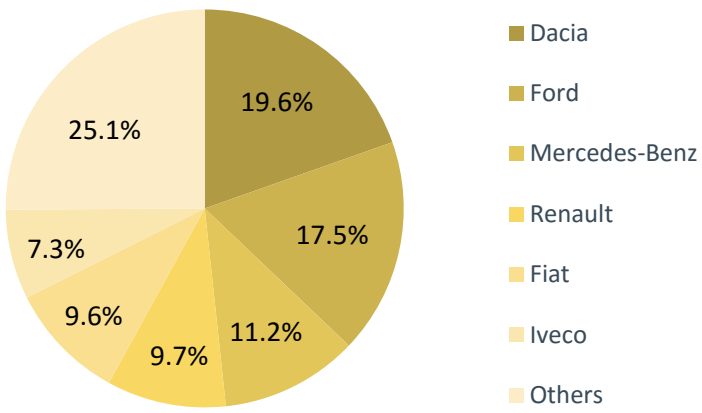


Source: APIA

- The LCV and minibuses segment grew at a 21.8% CAGR during 2013–2016 on account of high demand for foreign vehicles, which roughly accounted for 95% of the overall sales

LCV and Minibus Sales in Romania – by Brand (%, 2016)

100% = 17,397 units



Source: APIA

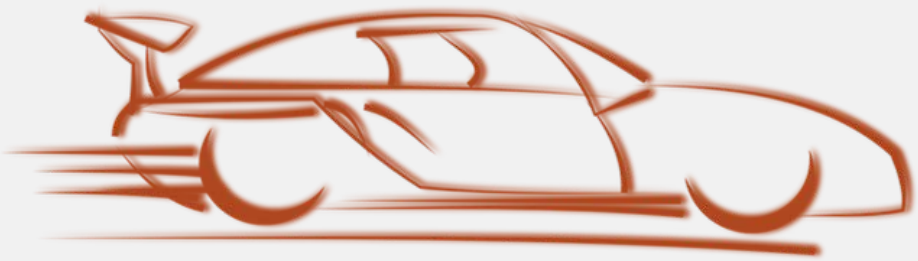
- Similarly as in the passenger cars category, Dacia was the most prominent brand of new LCV and minibuses sold in 2016, with a 19.6% share (an 11.7% Y-o-Y rise to 3,413 units)
  - — Dacia Dokker Van (an LCV) was the most popular model, and its demand increased 27.3% Y-o-Y to 2,968 units
  - — However, key contenders displayed significantly stronger sales – sales of Iveco Daily (an LCV) surged 75.7% to 1,246 units, likely supported by the launch of an upgraded version; sales of Ford Transit (an LCV) grew 44.5% to 1,6,59 units, confirming its long-standing popularity as a practical and versatile LCV and its position as the top-selling LCV in Europe in 2015

Government Supports New Car Sales Through Eco-bonuses and Preferential Loan Conditions

Government Support for Acquisition of New Vehicles

The Romanian government supports the acquisition of new vehicles through 2 major initiatives – the Car Scrappage Programme and the First Car Programme

Government Initiatives



Car Scrappage Programme[1]

- Under the 'Classic Scrappage Programme', the government offers a financial incentive to individuals and corporate entities to purchase a new vehicle; this incentive is awarded for each vehicle older than 8 years that they scrap
  - Owners that scrap a vehicle receive a $1,603 (RON 6,500) voucher (valid for 30 days), which will be discounted from the new vehicle's price
  - In addition, if they purchase a new car that emits <100 g CO_2/km, owners obtain a $185 (RON 750) eco-bonus, and if the car is hybrid, they receive a further $370 (RON 1,500) eco-bonus
- The 'Scrappage Plus' section entails that residential and corporate entities receive $1,233 upon purchasing a hybrid car and $11,060.2 (€10,000)[1] for an EV, without having the obligation to scrap an old vehicle

First Car Programme[1]

- This targets only residential customers and aims to support first-time car buyers with low–medium purchasing power
- It basically entails that potential buyers obtain a bank loan at a preferential interest rate (capped at 6 month ROBOR – Romanian Interbank Interest Rate – plus the bank's margin of maximum 3% per year) for purchasing new vehicles with a maximum price of $12,329 (RON 50,000), excluding VAT
- The level of state-backed guarantee and maximum loan amount varies depending on the applicant's age

Age (years)	State Guarantee (% of loan)	Maximum Loan (% of acquisition price)
<36	50%	95%
>=36	40%	90%

Results

- The 'Classic Scrappage Programme' enjoys high popularity – in 2016, the 13,000 vouchers allotted for the entire year were exhausted in just 2 weeks; subsequently, the government allocated an additional 9,384 vouchers
- Despite substantial incentive, Scrappage Plus generates low interest, as EVs and hybrids are still considered too expensive vs. standard vehicles, and the country lacks an appropriate electric charging infrastructure

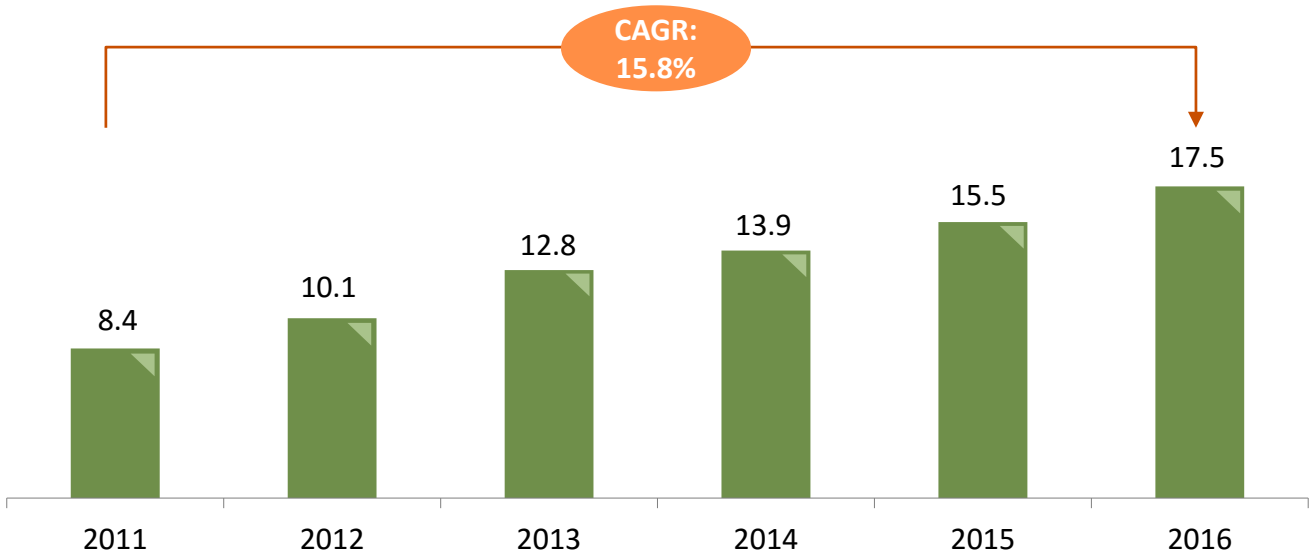
Results

- The programme has not generated high interest among the population (e.g., only 139 persons applied for a loan in 2015), as standard loans entail similar interest rates and have fewer requirements

Note: 1) All currency conversions are at RON 1 = USD 0.246 and EUR 1 = USD 1.106

Components Manufacturing Holds 70% of Overall Sales in Automotive Industry

Automotive Components Manufacturing Segment – by Revenue[1] ($ billion, 2011–2016)



Source: ACAROM

- Components manufacturing generates a majority (~70%) of the overall sales in the Romanian automotive industry

The most important subsegments are tyres, electronic components and plastic elements

- Most component producers are subsidiaries of global automotive companies and have offices in multiple locations across key automotive clusters in Romania (e.g., Timisoara, Brasov and Sibiu)
- According to ACAROM, 70% of components production is destined for exports, while 30% is supplied to local vehicle manufacturers, Dacia and Ford
- OEMs in this segment have continuously strengthened local capabilities by opening new plants and acquiring smaller players; notable examples include the following:
  - In 2014, Mercedes-Benz announced a $331.8 million[1] investment to expand capabilities at its Sebes plant and produce 9-speed automatic gearboxes
  - Smaller investments include Continental's $13.3 million expansion of its electronics factory in Timișoara and Federal-Mogul's $11.1 million screen-wiper production plants in Ploiesti – both announced in 2016
- **Mr. Stroe, the former President of ACAROM, expected the components segment to reach $22.1 billion[1] by 2020 on the back of low production costs**; however, continuous infrastructure issues and lack of professionals with appropriate skillsets may encumber growth

Note: 1) All currency conversions are at EUR 1 = USD 1.106

Underdeveloped Infrastructure, Fiscal Changes and Skill Gap Offset Low Operational Costs

Key Market Drivers and Inhibitors

AUTOMOTIVE INDUSTRY DRIVERS AND INHIBITORS

Drivers

Strong government financial incentives – First Car and Car Scrappage programmes	Demand Side
VAT reduction from 24% to 20% (in 2016), to 19% (in 2017) and then to 18% (in 2019)	Demand Side
Attractive dealer offerings (for all major vehicle brands) including price discounts and extra equipment	Demand Side
Strong popularity of Dacia's models, considered among the cheapest new cars both in Romania and external markets; also, higher sales of Ford EcoSport driven by increasing popularity of SUVs across Europe	Demand Side
Lower wages and overall production costs than in other European countries	Supply Side
Government fiscal incentives and grants for investments	Supply Side
Strong presence of some large OEMs determines their suppliers to set up plants nearby (to leverage proximity-related business advantages)	Supply Side

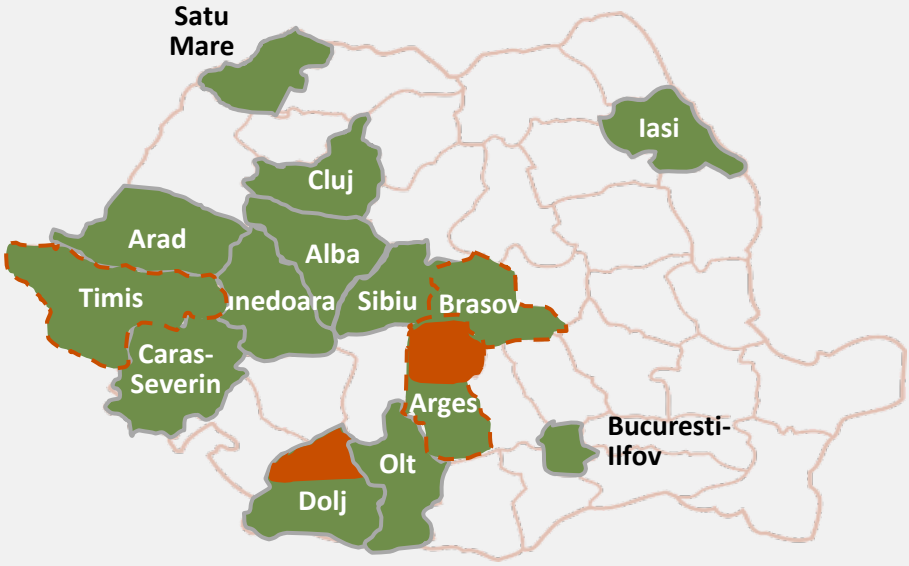
Inhibitors

Lack of sufficient fiscal predictability, particularly since the beginning of 2017	
Poor infrastructure – Romania has a motorway network of 734 km (2015) as opposed to developed countries such as Germany (12,950 km in 2015) and France (11,882 km in 2014) and neighbouring countries with strong automotive focus (Hungary 1,180 km, Poland 1,566 km and Bulgaria 774 km, all figures as of 2015)	Supply and Demand
High bureaucracy and level of corruption encumber access to government's car purchase programmes and may deter foreign investors	Supply and Demand
High fuel prices – despite the global oil slump, fuel prices in Romania remain high due to excise	Supply and Demand
Significant skill shortage in the automotive industry	Supply Side
Low purchasing power – as of 2016, Romania had one of the lowest average gross monthly wages ($710[1]) in the EU vis-à-vis Germany ($4,096) and Hungary ($790)	Demand Side
High average fleet age that highlights low propensity to purchase new vehicles	Demand Side
Strong second-hand market – old vehicles are cheaper and have higher value-per-money ratio than new ones due to depreciation of up to 50% in the first 3 years of life	Demand Side
Further, the environmental tax on imported vehicles was eliminated starting 1 February 2017	Demand Side

Note: 1) All currency conversions are at EUR 1 = USD 1.106, RON 1 = USD 0.246 and HUF 1 = USD 0.003

Arges, Timis and Brasov Are Most Important Automotive Hubs

Key Automotive Clusters – by County



Key Clusters and Major Automotive Companies

County	Manufacturers
Arges (area around Pitesti)	DACIA, LEONI, MARTUR, DRÄXLMAIER, STEINEL, Valeo, faurecia, Johnson Controls, GC, LEAR, BAMESA
Timiș (around Timișoara and Lugoj)	Continental, BOSCH, KROMBERG & SCHUBERT, DRÄXLMAIER, HELLA, Valeo, Autoliv, TRW, DELPHI
Brasov (around Brasov city)	Autoliv, DRÄXLMAIER, REGE, cambric, ELECTROPRECIZIA, QUIN, rulmentul brasov, SCHAEFFLER, Continental
Arad (around Arad city)	Continental, DELPHI, YAZAKI, LEONI, HELLA, TAKATA
Sibiu (around Sibiu city)	Continental, TAKATA, MARQUARDT, KROMBERG & SCHUBERT, compa

> *"The largest automotive hubs in Romania are the Arges county (with the area around Pitesti city) and the cities of Timișoara and Brasov."* – **ACAROM (November 2016)**

- Automotive hubs are usually located around large cities with access to key national roads (in Central Romania) or close proximity to the Western border and Hungarian motorways
- Poor infrastructure is a continuous pain point for foreign investors, which demand a more extensive motorway network that would connect the entire country, and hence enable Eastern locations (e.g., Iasi) to offer up their high workforce availability and become important industrial centres

Dacia is Romania's Largest Company and Exporter

Company Profiles – Vehicle Manufacturers

Dacia Group

Parent Company	Renault Group (France-based)
Year of Set-up in Romania	1966; acquired by Renault in 1999
Locations	▪ The company has the following plants in Pitesti: — **Matrix Dacia** (creates matrices for Dacia's, Renault's and Nissan's vehicles) — **Dacia Mechanical and Chassis Plant** (manufactures a wide range of components both for Renault-Nissan[1] and other manufacturers, e.g., Peugeot) — **Dacia Vehicle Plant** (assembles Logan, Sandero and Duster models; also assembled Logan MCV till 2016) — **Central Logistics Centre** (coordinates shipments of vehicles and components)
Key Products	▪ Passenger cars (e.g., compact cars and SUVs) ▪ It manufactures mechanical components used for internal production or sold to other Renault plants in Russia, South Africa, Iran, Brazil, Colombia, Morocco, India, Argentina and Algeria, as well as other manufacturers (e.g., Toyota)
Client and Partner Network	▪ It mainly sells vehicles in Europe and Northern Africa; in Romania, Renault-Nissan has 153 sale points: 80 for Dacia, 49 for Renault and 24 for Nissan ▪ 30% of Dacia Group's suppliers are based in the Arges county, while another 15% providers are located in other Romanian regions — Key suppliers are Valeo (for cables), Johnson Controls (for seats), EURO APS Faurecia (for thermoformed plastic parts), Cortubi (for exhaust systems) and Martur (for seats) — For the production of its Logan model, the company engages with 188 suppliers, of which 54 are located in Romania ▪ Contracts with suppliers from home county Arges amount to 30% of the company's overall procurement budget; Dacia Group aims to increase the share to 35–40% to further benefit from suppliers' proximity to its Pitesti facility
Procurement Decision Process	▪ Suppliers have to comply with Renault–Nissan Purchasing Organisation's joint procurement regulations
Revenue[2] ($ million, 2016)	5,120.0
Headcount (2016)	13,835

- Dacia is the largest business in Romania (by revenue) and the country's largest exporter
- In 2016, Dacia Group accounted for 89.2% of the overall domestic vehicle production; the company held a 30.8% share in new passenger car sales in Romania, with Dacia Logan, Dacia Duster and Dacia Sandero being the top 3 sought-after models sold domestically
- The Duster, Logan, Sandero and Logan MCV models amounted to 88.1% of total vehicles exported in 2016

Note: 1) Renault and Nissan operate as separate entities with joint engineering, manufacturing, supply chain management, purchasing and HR activities
2) All currency conversions are at RON 1 = USD 0.246

Ford Seeks to Spur Lagging Production in Romania with a New Car Model

Company Profiles – Vehicle Manufacturers

Ford Romania

Parent Company	Ford Motor Company (Ford, US-based)
Year of Set-up in Romania	1976 (under the name 'Oltcit'); acquired by Ford in 2008
Locations	▪ Craiova, with a single manufacturing plant for both engines and vehicles
Key Products	▪ Ford B-Max (compact passenger car) and EcoBoost engines; Ford also announced it would produce EcoSport SUVs at its Craiova plant from the fall of 2017
Client and Partner Network	▪ It sells Ford B-Max in Europe, while EcoBoost engines are mainly shipped to Ford plants in the US, Mexico, India, China, Thailand and Germany; the EcoSport model manufactured in Craiova will be sold only across Europe[1] ▪ Key Ford Romania suppliers are Kirchhoff Automotive (for B-Max's chassis), Johnson Controls (for seats), International Automotive Components Group (for plastic components), Yazaki Romania (for cables), Magna Exteriors & Interiors (for anti-shock bumpers) and Kautex Textron (for plastic components) ▪ Ford's decision to temporarily halt production on a regular basis since 2013 due to volatile demand led to staff reductions for various Romanian suppliers
Procurement Decision Process	▪ The company's purchasing operations are centralised and abide by the 'One Ford' strategy, under which all divisions operate on a collaborative global basis; further, suppliers comply with the global terms and conditions
Revenue[2] ($ million, 2016)	916.0
Headcount (2016)	2,623

- In 2016, Ford Romania accounted for 10.8% of the total domestic vehicle production
- The company accounted for 11.9% of total vehicles exported in 2016

Note: 1) Ford's Chennai plant (in India) also produces EcoSport SUVs, which are sold locally as well as globally (except Europe)
2) All currency conversions are at RON 1 = USD 0.246

Continental Is Largest Automotive Components Manufacturer in Romania

Company Profiles – Component Manufacturers

Continental Romania[1]

Parent Company	Continental Group (Germany-based)
Year of Set-up in Romania	1998
Locations	▪ **Continental Automotive (CA) Romania:** Iasi and Timișoara ▪ **CA Systems:** Sibiu ▪ **CA Products:** Timișoara ▪ **Continental Powertrain Romania:** Ghimbav ▪ **ContiTech Romania:** Timișoara ▪ **ContiTech Fluid Automotive Romania:** Carei ▪ **ContiTech Thermopol Romania:** Chisineu-Cris ▪ **Continental-Pirelli JV:** Slatina ▪ **Tyre Distribution Centre:** Bucuresti ▪ **Elektrobit Automotive:** Timisoara
Key Products	▪ **CA Romania and CA Systems:** Control units for airbags and vehicle displays ▪ **Continental Powertrain Romania:** Electromechanical pumps ▪ **ContiTech Romania:** Auto air conditioning, power steering and chassis control components ▪ **CA Products and Continental-Pirelli:** Tyres ▪ **ContiTech Fluid Automotive Romania:** Tools for internal use ▪ **ContiTech Thermopol Romania:** Ventilation pipes and air conditioning components ▪ **Elektrobit Automotive:** Vehicle Software
Client and Partner Network	▪ It serves various clients globally and has a large worldwide network of partners
Procurement Decision Process	▪ Decisions are made at the central level; further, although all local divisions have internal purchasing departments, suppliers can engage with them only after registering on Continental's global online purchasing platform, SupplyOn
Revenue[2,3] ($ million, 2015)	2,546.2
Headcount[3] (2015)	14,907

Key Clients

Continental Romania is the largest automotive components manufacturer in Romania (by revenue)

Note: 1) Comprises Continental Automotive Romania, Continental Powertrain Romania, Continental Automotive Systems, Continental Automotive Products, ContiTech Romania, ContiTech Fluid Automotive Romania and ContiTech Thermopol Romania; it also has a tyre manufacturing JV with Pirelli (an Italy-based tyre producer) in Slatina and manages an R&D office in Timisoara through its Elektrobit subsidiary
2) All currency conversions are at RON 1 = USD 0.246
3) Total revenue and headcount were calculated using individual figures for the above-mentioned divisions, excluding the JV with Pirelli and Elektrobit operations; 2016 figures were only available for CA Products ($2,970.5 million and 2,445 staff), ContiTech Romania ($704.5 million and 1,668 staff), ContiTech Fluid Automotive Romania ($617.7 million and 1,631 staff) and ContiTech Thermopol Romania ($222.7 million and 541 staff), hence total figures could not be computed

Delphi Romania Produces Electrical and Diesel Engine Components across 4 Locations

Company Profiles – Component Manufacturers

Delphi Romania[1]

Parent Company	Delphi Automotive (UK-based)
Year of Set-up in Romania	1997
Locations	▪ **Delphi Packard Romania:** Ineu, Moldova Noua and Sannicolau Mare ▪ **Delphi Diesel Systems:** Iasi
Key Products	▪ **Delphi Packard Romania:** Electrical and electronic distribution systems (e.g., wiring harnesses for automotive bodies, doors and interiors) ▪ **Delphi Diesel Systems:** Diesel engine components (including common rail diesel pumps and injectors)
Client and Partner Network	▪ Serves multiple OEMs globally; it collaborates primarily with US and European firms
Procurement Decision Process	▪ Firms willing to engage with Delphi Romania have to contact the parent company's Purchasing Department for Central and Eastern Europe, located in Krakow (Poland) ▪ Additionally, the Iasi plant has its own Procurement Department
Revenue[2] ($ million, 2016)	849.7
Headcount (2016)	8,135

Key Clients

Ford, Renault, Daimler, Nissan, Hyundai, Kia Motors, Chrysler

Note: 1) Comprises Delphi Diesel Systems Romania and Delphi Packard Romania
2) All currency conversions are at RON 1 = USD 0.246

Autoliv Opened Two New Locations in Onesti and Iasi During 2016–2017

Company Profiles – Component Manufacturers

Autoliv Romania

Parent Company	Autoliv (Sweden-based)
Year of Set-up in Romania	1997
Locations	▪ Brasov, Iasi, Lugoj, Onesti, Resita, Sfantu Gheorghe and Timișoara
Key Products	▪ Seat belts, airbags, gas generators for airbag modules and steering wheels
Client and Partner Network	▪ Collaborates mainly with European companies
Procurement Decision Process	▪ All potential collaborators are required to contact Autoliv Romania's Purchasing Department in Brasov
Revenue[1] ($ million, 2016)	873.8
Headcount (2016)	8,961

Key Clients

During 2016–2017, Autoliv continued its expansion on Romania by inaugurating a new safety belts and steering wheels manufacturing plant in Onesti and an engineering centre in Iasi

Note: 1) All currency conversions are at RON 1 = USD 0.246

Takata Romania to Continue Operations Despite Bankruptcy of Parent Company

Company Profiles – Component Manufacturers

Takata Romania

Parent Company	Takata (Japan-based)
Year of Set-up in Romania	1996
Locations	▪ Arad, Jibou, Orsova and Sibiu
Key Products	▪ Seatbelts, steering wheels, airbag fabric and airbag cushions
Client and Partner Network	▪ Supplies to all major automotive OEMs globally ▪ Engages with a limited range of Asian and European raw material and parts suppliers
Procurement Decision Process	▪ All purchasing decisions for European units are made at Takata's European HQ in Aschaffenburg (Germany); however, individual plants are responsible for operational purchases including raw materials and small purchases ▪ Potential suppliers are required to register on the company's supplier portal
Revenue[1] ($ million, 2016)	634.3
Headcount (2016)	4,347

Key Clients

In June 2017, Takata filed for bankruptcy – the company has been struggling with heavy indebtedness generated by financial compensations paid in connection with multiple faulty airbag incidents that occurred globally in recent years

However, Takata EMEA declared its operations in Europe would not be negatively impacted by this situation on account of strong client pipeline

Moreover, Takata Romania registered a 13.3% Y-o-Y surge in revenue in 2016 and declared plans to invest $1.1 million[1] to expand production capacity at its plant in Arad by 2018, as well as increase its overall headcount in the country

Note: 1) All currency conversions are at RON 1 = USD 0.246 and EUR 1 = USD 1.106

LEONI Has Set Up Facilities Mainly in Western Romania

Company Profiles – Component Manufacturers

LEONI Wiring Systems Romania

Parent Company	LEONI Group (Germany-based), a wiring and cable systems and technology provider
Year of Set-up in Romania	1999
Locations	Arad, Beius, Bistrita and Pitesti
Key Products	▪ Wires, optical fibres, cables and cable systems
Client and Partner Network	▪ Collaborates mainly with EU and Asian suppliers; also engages with various Romanian companies
Procurement Decision Process	▪ All procurement decisions are made at an international level
Revenue[1] ($ million, 2016)	559.9
Headcount (2016)	12,196

Key Clients

Michelin Romania

Parent Company	Michelin (France-based)
Year of Set-up in Romania	2001
Locations	▪ Bucuresti, Floresti and Zalau
Key Products	▪ Tyres and tyre steel chords
Client and Partner Network	▪ Mainly sells its products in Romania; exports to Europe and North America
Procurement Decision Process	▪ The company's group-level Purchasing Department is based in France
Revenue[1] ($ million, 2016)	533.5
Headcount (2016)	3,022

Key Clients

Note: 1) All currency conversions are at RON 1 = USD 0.246 and EUR 1 = USD 1.106

Dacia Group Is Poised to Reach Top 5 Renault Industrial Platforms Globally

Success Stories – Vehicle Manufacturers

- In 1999, Renault Group acquired Dacia Group from the Romanian state
- By 2014, the company had invested $2.5 billion to modernise Dacia Group's facilities and streamline operations; however, it relocated production of several models to Renault's plant in Morocco
  - In 2012, Dacia discontinued the Logan Pick-up and Logan Van models, which were replaced with Dacia Dokker, manufactured in Morocco
  - In 2014, the production of Dacia Sandero was partially relocated to Renault's plant in Morocco; further, starting 2017, Logan MCV will be totally relocated to the same country to accommodate higher demand for Dacia Duster
- As of 2016, Dacia Group was the country's largest business and exporter; further, it engages with numerous local OEMs, which supports the domestic components manufacturing segment
- Its Dacia Logan, Sandero and Duster models are highly appreciated both in Romania as well as in key external markets, such as France, Germany and the UK
  - Starting 2017, Logan MCV production will be partially moved to Renault's plant in Tanger (Morocco) to accommodate higher production of Dacia Duster at the Mioveni plant

> *"The objective is to make Mioveni (Pitesti) reach top 5 largest and most important industrial platforms of the Renault Group in the world by 2020. The range of models will be renewed during 2018 and 2020 and will have a significant contribution to the growing importance of the industrial platform. […] We plan massive investment for the new range. We will bring more robots – meaning growth of products' quality and a safer working environment for people. We are trying to move the employees where we need them, to find the ideal formula to not resort to layoffs."* **– Nicolas Maure, CEO, Dacia Group (June 2015)**

- In 2008, Ford acquired a 72.4% stake in Daewoo Automobile Craiova from the Romanian state
  - Daewoo had purchased a 51% stake in Automobile Craiova (formerly Oltcit) in 1994; following the group's bankruptcy in 1999, the Romanian state repurchased Daewoo's stake in 2006 and sold a majority stake to Ford in 2008; by 2010, the company had become the sole owner
- The privatisation contract stipulated that Ford would receive an $83.0 million[1] state aid provided it invested $961.1 million by 2017 and produced 810,000 vehicles and 1.5 million engines by the end of that year
- As of 2016, the company had not met its production targets
  - Starting 2012, Ford decreased the production of Ford B-Max in light of lower-than-anticipated demand and focussed more on building the highly sought-after 1.0 EcoBoost engines; the firm also relocated the manufacturing of Ford Transit Connect (LCV) to Spain
- However, the Romanian government agreed to extend the term to 2025 provided Ford invested at least $110.6 million[1] by 2019 to manufacture a new car model and $33.2 million to produce engines
- In the same year, Ford announced a $221.2 million[1] investment to produce Ford EcoSport (one of its best-selling cars) for the European market starting the fall of 2017

Note: 1) All currency conversions are at EUR 1 = USD 1.106

Daimler Invested $300+ million in a High-end Automatic Gearbox Plant in 2016

Success Stories – Component Manufacturers

- Daimler first entered the Romanian automotive components market in 2001, with the set-up of Star Transmission, a JV with Cugir Mechanical Plant (a local producer of industrial equipment and weapons) that manufactures components for engines, transmissions and steering systems
  - By 2013, Daimler obtained full ownership of Star Transmission
- In the same year, the company inaugurated a $33.2 million plant in Sebes to assemble 5-speed automatic gearboxes for Mercedes-Benz cars; the plant operates under the Star Assembly name
- In 2014, Daimler opened a $44.2 million factory in Sebes that would assemble double-clutch 7-speed automatic gearboxes
- In April 2016, the company completed a $331.8 million investment to expand Sebes' capabilities to manufacture 9-speed 9G-Tronic automatic gearboxes for the most luxurious Mercedes-Benz vehicles, including E360 BlueTEC
  - For this new manufacturing facility, the company received $41.4 million in state aid

> *"Our 2 Romanian subsidiaries are an important part of our global powertrain production compound. They produce reliably, flexibly and in top quality. The start of production of the high-volume 9G-Tronic transmission in Romania increases the competitiveness of our international production network."* **– Frank Deiss, Head of Production Powertrain & Site Manager, Mercedes-Benz Cars and Mercedes-Benz Plant in Unterturkheim (April 2016)**

> *"We are extremely happy with the quality and mentality of people in Romania. Our gearbox production capacity in Germany has been exceeded by demand and we rely very much on our location in Romania. Here we can accommodate extra demand in an optimum manner."* **– Markus Schaefer, Head of Production and Supply Chain Management, Mercedes-Benz (April 2016)**

- Despite ongoing successful collaboration with Daimler, Romania lost out on 2 significant potential investments from the German auto-manufacturer due to poor infrastructure
  - In 2016, the company decided to invest $1.1 billion in a car assembly plant in Hungary and $553.0 million in an engine production factory in Poland

Note: 1) All currency conversions are at EUR 1 = USD 1.106

Continental Is the Most Important Component Producer

Success Stories – Component Manufacturers

- Continental is the largest automotive components manufacturer in Romania
- It entered the Romanian market in 1998 with a $110.6 million investment in a tyre production plant in Timișoara; since then, the company has set up the following production plants:
  - 2000 – Continental Automotive Romania (Timișoara)
  - 2002 – ContiTech Romania (Timișoara)
  - 2003 – Continental Automotive Systems (Sibiu)
  - 2005 – ContiTech Fluid Automotive Romania (Carei)
  - 2006 – Continental Automotive Romania (Iasi)
  - 2007 – ContiTech Thermopol Romania (Chisineu-Cris)
  - 2011 – Continental Powertrain Romania (Ghimbav)
- Continental established R&D centres in Iasi (2006), Timișoara (2012), Sibiu (2015) and Brasov (2016); it also opened an additional R&D in Timisoara in 2016 through its wholly owned subsidiary Elektrobit
  - Elektrobit also opened a similar software centre in Bangalore (India) in 2016

> *"We have 5,000 engineers in Romania that develop products and software for more efficient mobility. This means more responsibility transferred to Romanian R&D teams. Our engineers focus on autonomous vehicles, develop energy-efficiency and consumption interconnectivity apps. We need such specialists across all our locations in Romania."* **– Christian von Albrichsfeld, General Manager, Continental Romania (September 2016)**

- The company also manages a tyre manufacturing plant in Slatina in partnership with Pirelli and has a tyre distribution centre in Bucharest
- Total investments in local plants amounted to $1.3 billion[1] during 1999–2015

- Delphi Romania operates facilities across 4 locations in the country – 3 for electronic wires and cables manufacturing (in Timis, Arad and Caras Severin) and 1 for the production of diesel engine components (in Iasi)
- The company first entered Romania in 1997, when it set up a plant in Sannicolau Mare (Timis)
- In 2004, it established a factory in Ineu – followed by a production facility in Moldova Noua, inaugurated in 2011
- Its strategy has typically been to establish facilities in small cities close to the Western border, to facilitate product shipment to clients through the Hungarian motorway network
- However, in 2011, its Diesel division inaugurated a $154.8 million[1] factory in Iasi – abundant workforce in the area and lower wages compensate for poor transport infrastructure and significant distance from the Western border

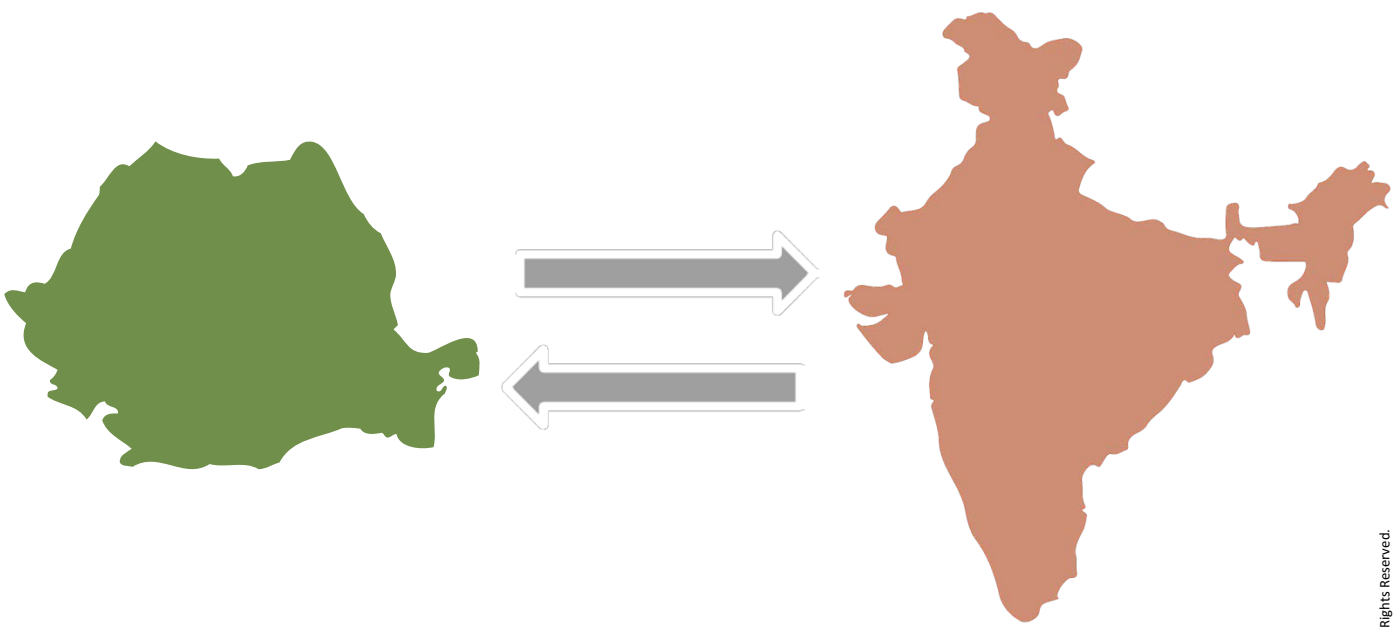
Note: 1) All currency conversions are at EUR 1 = USD 1.106

Trade Agreements

Indian and Romanian Diplomats Seek to Strengthen Bilateral Commercial Relations

Bilateral Diplomatic and Commercial Relations Between Romania and India

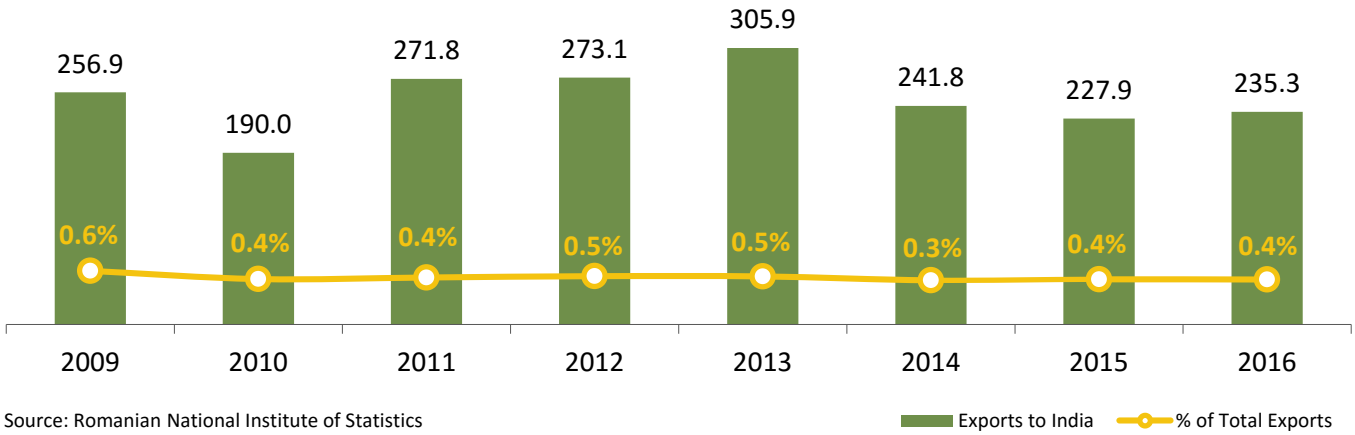
- Romania and India established diplomatic relations at the legation level in 1948 and at the embassy level in 1957
- Most Indian firms with subsidiaries in Romania operate in the IT, pharmaceutical, metallurgy and outsourcing industries, with notable examples including Genpact, Wipro, Ranbaxy, TATA Group, ArcelorMittal and Cadila Pharmaceuticals
- Indian investors particularly appreciate Romanians' strong English proficiency as well as the country's membership in the European Union, which enables products manufactured locally to gain access to European destinations without any custom taxes
- However, India's FDI in Romania is low compared with its potential
- The footprint of Romanian firms in India is even smaller, with Rulmenti Barlad (a ball bearing manufacturer) being the most prominent example
  - Other examples include companies in metallurgy, IT, pharmaceutical industry, chemical industry, renewable energy, outsourcing and textile industry
- In March 2013, the 2 countries' Ministers of Foreign Affairs signed the Joint Statement on Establishing an Extended Partnership; the agreement is expected to spur bilateral commercial relations across a wide variety of industries, including IT, pharmaceutical, chemical, and outsourcing, infrastructure and agriculture



India Represents <1% of Romania's Total Exports and Imports

Romania's Exports and Imports to/from India

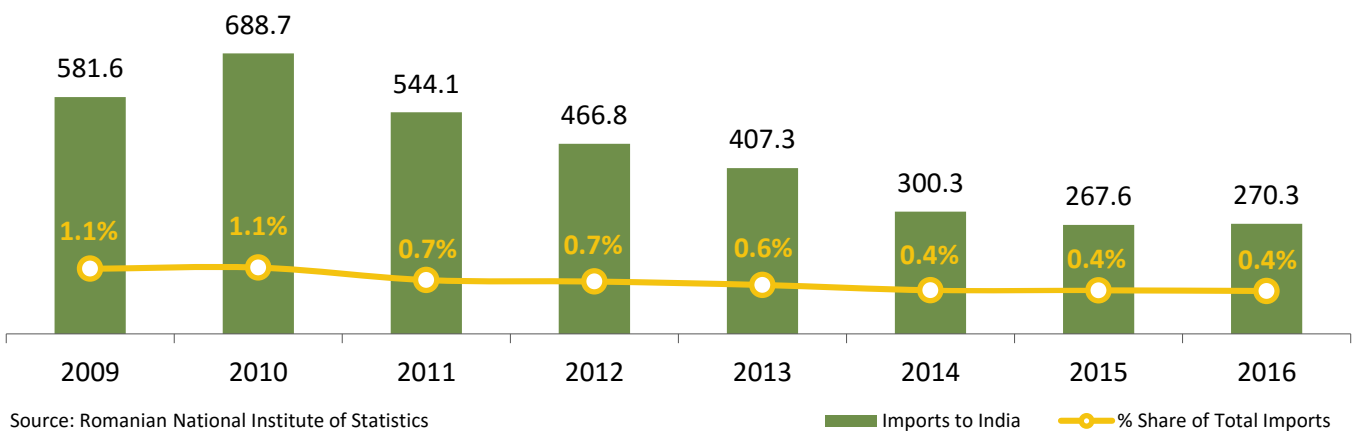
Romania's Exports to India – by Value and Share of Overall Exports ($ million, %, 2009–2016)[1]



Source: Romanian National Institute of Statistics

Romania registers a trade deficit with India; however, India is not a key trading partner, as it accounts for <1% of Romania's total exports and imports

Romania's Imports from India – by Value and Share of Overall Imports ($ million, %, 2009–2016)[1]



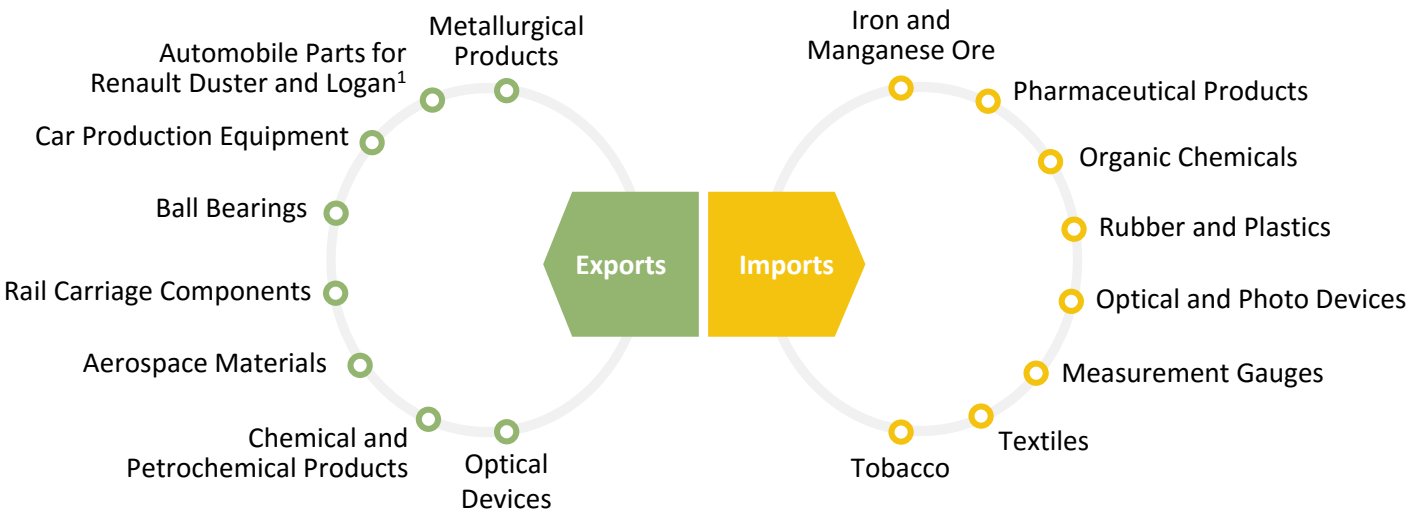
Source: Romanian National Institute of Statistics

Note: 1) Figures for 2016 are semi-definitive and may undergo changes

Exports to India Benefit from Potential EU-India FTA

Romania's Exports and Imports to/from India

Romania's Key Exports and Imports to/from India



Source: Romanian Ministry of Foreign Affairs

- As per the Romanian Ministry of Foreign Affairs, there is a strong potential to diversify imports of food and consumer goods, e.g., coffee, tea, pepper, rice, clothing, auto engines and pharmaceutical raw materials
  - In April 2017, the 2 countries' State Secretaries for Commerce had an official meeting during which the Indian counterpart launched an official invitation to encourage Romanian firms to open outposts in India
- Trading between Romania and India would also benefit from a potential EU–India Free Trade Agreement (FTA)
  - Started in 2007, FTA negotiations were encumbered by differences in areas such as intellectual property rights, duty cuts in autos and spirits, and visa regime, and came to a de facto standstill in 2013
  - In 2016, the President of the European Commission, Jean-Claude Juncker, declared his support in favour of resuming negotiations; further, in 2017, Angela Merkel (Chancellor of Germany, the largest economy in the EU) has stated that her country is committed to reopen negotiations
  - According to some analysts, Brexit is likely to speed up the process of reaching an FTA agreement as the EU no longer has to take into account UK's strong opposition on granting visas to Indian workers and its concerns on India's Scotch whisky tariffs

Note: 1) Dacia Duster and Logan are sold in India under the Renault brand

Limited Number of Romanian Firms with Production Sites in India and Vice Versa

Automotive Companies Doing Business in Romania and India

Romanian Companies with Operations in India/with Indian Partners

Company	Overview	Contact Details (in Romania)	
Continental Romania	Tyres manufactured in Romania are sold in Europe and globally	Telephone and email for Timisoara tyre plant	40 356 40 4214 Anca.Fiat@conti.de
Dacia Group	Components produced at Pitesti plant are used internally or shipped to other Renault plants, including in India Moreover, Renault's Chennai plant in India ships components to other group factories, including in Romania	General telephone and email	40 248 500 000 info.dacia@daciagroup.com
Ford Romania	It manufactures engines for multiple external Ford plants, including in India	General telephone and email	40 372 516 255 fordcv@ford.com
URB (Rulmenti Barlad)	It established a ball bearing production plant in Gujarat (India) in 2015	General telephone and email	40 235 412 120 info@urb.ro
		Contact Details (in India)	
		Deepayan Das (CEO)	91 124 473 7324/ 91 989 914 2042
		R Raghu (Area Manager Sales & Service)	91 908 742 2916

Indian Companies with Operations in Romania

Company	Overview	Contact Details (in Romania)	
Cambric Consulting	It provides engineering services through 3 centres in Romania It was acquired in 2013 by TATA Technologies	General telephone and email	40 268 546 063
Ford India	It exports India-manufactured Ford Ka+ to Europe	General telephone and email	40 372 516 255 fordcv@ford.com
REGE Automotive	The firm manufactures components for anti-locking braking systems (ABS) It was acquired in 2015 by Amtek Auto, an India-based automotive firm specialising in aluminium die casting and subassembly production	General telephone and email	40 268 306 263 info@rege.de
Ruia Sealynx Romania	The firm produces automotive sealants It was acquired in 2011 by Ruia, an India-based industrial conglomerate	Official contact: Patrick Masson	40 348 457 070 contact@sealynx.com
Suzuki	The firm exports India-manufactured Suzuki Baleno to Europe	General telephone and email	40 217 949 830 contact@suzuki.ro

- Very few Romanian automotive firms have production sites in India and vice versa
- The 3 Indian companies that have production units in Romania entered the market through acquisitions rather than establishing their own plants
- In 2015, TATA Motors decided to set up a Jaguar Land Rover production plant in Slovakia instead of Romania due to better road infrastructure, and more predictable and company-oriented fiscal policy

Investing in Romania

Attractive Wages & Government Support for FDI Offset by Underdeveloped Infrastructure

Advantages and Disadvantages of Investing in Romania

Advantages

- Strong government support for FDIs through grants and fiscal incentives
- Key automotive hub with various dedicated manufacturers
- Lower wages vs. EU average coupled with high English proficiency
- Favourable geo-political position – EU membership and proximity to key European markets
- Fewer employer contributions than in other countries starting 2018

Disadvantages

- Underdeveloped infrastructure
- High bureaucracy and level of corruption
- Frequent changes to fiscal regime
- Skills shortage in certain domains, particularly automotive
- High fuel surcharges negatively impacting logistics companies

- Strong government support for FDIs, low wages, strategic position at the intersection of several regional corridors and access to EU's single market encourage investors to establish locations in Romania
- However, underdeveloped infrastructure (particularly road and railway) coupled with high bureaucracy and corruption, relatively frequent fiscal changes and skill shortage may hamper prospects for dynamic FDIs

Industry Representatives See High Growth Potential in Components Segment

Industry Representatives Opinion on Doing Business in Romania

Components to Showcase Strong Growth Potential

"The components segment has higher potential vs. vehicle production in Romania – vehicle sales in Europe are not likely to significantly increase but on the components side, there is always fluctuation in terms of product development and supply; and of course, electrical and hybrid cars are also a key driver and represent the future because they require dedicated solutions, products, suppliers, etc. […] Schaeffler Romania expects a 7–10% turnover increase in the industrial and automotive segments, including group transfers." **– Sorin Poteras, Manager Automotive, Schaeffler Romania (January 2017)**

"For 2016, we expect strong growth in Romania, across all our divisions. We aim to maintain 2015 figures in terms of hiring and new investments, provided we have appropriate economic conditions." **– Mihai Boldijar, General Manager, Robert Bosch Romania and Robert Bosch Hungary (May 2016)**

"The acquisition [of a local producer] will enable Gestamp to accompany its global customers, the Renault-Nissan Group and Ford, which have operated in Romania for several years. Romania is a country with a very promising present and future in the automobile sector and we are very pleased to be able to offer our customers based in the country the skills with which they are already familiar in other parts of the world. Gestamp aims to increase turnover at the Romanian facility by manufacturing more added-value components." **– Fancisco J. Riberas, Chairman and CEO, Gestamp (March 2017)**

"The automotive industry shall continue to witness high level of investments in the components segment; however, vehicle assembly shall grow at higher rate over 2015–2016. Ford's initiative to start producing the EcoSport model at its Craiova plant, coupled with Dacia's updated models, are likely to increase automobile production in Romania, as well as the degree of sourcing components from local suppliers. This is likely to determine suppliers that are now located in other countries (e.g,. Turkey) to relocate closer to vehicle manufacturers plants." **– Bogdan Alecu, Redactor, Ziarul Financiar (March 2017)**

"Increasing activity in the components segment will also target higher value-add parts – e.g., shock absorbers in Sibiu produced by Bilstein and electronics in Timisoara (HELLA, Continental, Kimball). In my opinion, gearbox manufacturing is no longer a high-focus area since the future belongs to electric vehicles, which do not require such components." **– Bogdan Alecu, Redactor, Ziarul Financiar (March 2017)**

Automotive Investments to Continue Despite Higher Wages

Industry Representatives Opinion on Doing Business in Romania

Government Encourages Automotive Sector Investments and Labour Upskilling; Higher Wages Unlikely to Deter Investors

If the government maintains the current FDI policy, this will be a beneficial thing, which makes us think we are on the good way and that Romania is open to foreign investment. Surely, we want to expand locally and increase our workforce from 4,000–4,100 to 5,000 people in the next 2–3 years; however, this depends on whether our parent company's top management in Germany wishes to invest in another location in Romania or they are considering other countries as well." **– Sorin Poteras, Manager Automotive, Schaeffler Romania (January 2017)**

"I do not think that minimum wage growth will encumber the automotive industry; Romania is part of the EU and thus, the salary gap against other EU members is likely to decrease, a normal step expected by all investors." **– Sorin Poteras, Manager Automotive, Schaeffler Romania (January 2017)**

"Dual professional schooling, comprising theoretical and practical studies is supported in Continental's locations in Timisoara, Brasov, Carei and Sibiu. During 2012–2014, we supported 150 students and hired the first generation. Students receive scholarships and spend the entire practice period in Continental's factories, guided by mentors throughout the 3 years of study."
– Anica Stoica, HR Manager – Romania, Continental Group (March 2015)

*"Salaries offered by Dacia Romania as similar to those in Poland and the Czech Republic, and well above Romania's average. To remain competitive, we need to progressively automatise the plant. This will also create new workplaces: we need professionals in robotics and also personnel to ensure machinery maintenance. […] Renault will remain in Romania, as our activity here is competitive (despite double wage costs vs. Morocco) and the Romanian government supports us. The company has high trust in the quality of its local staff – at our production facility, there is only one expat, while the rest are Romanian engineers, while in Morocco, our operations involve many expats. Further, our supply chain in Romania is highly performant, whilst Morocco has only started to develop a relevant pool of automotive players. Hence, there is absolutely no risk in Renault leaving its Romanian production facilities. […]."***–**
Nicolas Maure[1], Former General Manager, Automobile Dacia (March 2016)

"Romania has significant potential for foreign investors despite growth in average wages, thanks to financial aids offered by the government to companies that create a certain number of workplaces and invest above a certain amount. […] Bosch, Continental and Daimler collaborate with local educational institutions to ensure strong pool of work-ready graduates." **– Bogdan Alecu, Redactor, Ziarul Financiar (March 2017)**

Note: 1) Mr. Maure left Dacia Automobile at the end of March 2016

Labour Scarcity in Key Automotive Hubs Drives Investments in Dual Professional Schooling

Industry Representatives Opinion on Doing Business in Romania

Labour Shortage in Established Automotive Hubs Determine Investors to Adopt Creative Recruitment Strategies and Explore New Investment Regions in Romania

"The largest threat to the automotive market is labour deficit; increasing number of firms establishing footprint in Romania leads to personnel fluctuation, particularly since unemployment rate is quite low in Romania. Hence, companies will need to come up with new talent recruitment and development strategies." **– Sorin Poteras, Manager Automotive, Schaeffler Romania (January 2017)**

"Western and Central Romania have very well developed automotive industries but I think that in the future, companies will have to consider other regions as well due to staff shortage, and move towards Eastern Romania, to the Moldavian region." **– Sorin Poteras, Manager Automotive, Schaeffler Romania (January 2017)**

"It is very important for the Romanian government to support the educational system so that more high-qualified professionals are available in the labour market. Today, we face increasingly significant 'talent war', particularly for high-qualified engineers." **– Rolf Breidenbach, CEO and President, HELLA (September 2015)**

"The dual-professional education is not well developed: at present time, Romania has only 10 professional schools vs. 170 in 1989. We are lagging behind countries that understand this necessity. Skill shortage is another problem – infrastructure issues led to zero unemployment rates in some areas, where employees move from one company to another, seeking higher wages. The key danger is for Romania to become costlier than Hungary in terms of wages." **– Mihai Boldijar, General Manager, Robert Bosch Romania and Robert Bosch Hungary (May 2016)**

Lack of Appropriate Motorway Infrastructure Continues to Represent a Challenge

Industry Representatives Opinion on Doing Business in Romania

Underdeveloped Infrastructure Still a Key Issue

"Issues regarding the Romanian motorway infrastructure may matter more to potential new investors than to us. We [Dacia Automobile] are already here, we invested and will continue to invest. But a new investor pays attention to infrastructure, economic and political stability, people's level of education and talent pool." **– Yves Caracatzanis, CEO Group Renault Romania (October 2016)**

"Hungary remains a strong competitor to Romania in terms of attracting automotive investors, supported by its infrastructure and expertise (particularly in terms of C-level managers with strong experience at multinational level). Bulgaria, on the other hand, can only be construed as a competitor in terms of low value-add products, such as wirings, segments that can attract investors only from the perspective of low wages." **– Bogdan Alecu, Redactor, Ziarul Financiar (March 2017)**

"Eastern Romania has potential for automotive investments (Yazaki opened in Braila a wiring factory and Delphi and Continental have locations in Iasi), but only because it has lower wages than other regions. However, companies are still waiting for a motorway between Ploiesti and Bacau, or the more extensive Targu Mures–Iasi motorway, to encourage the automotive industry in that part." **– Bogdan Alecu, Redactor, Ziarul Financiar (March 2017)**

"Lack of motorways also means we cannot use talent pool in Eastern and Southern Romania." **– Mihai Boldijar, General Manager, Robert Bosch Romania and Robert Bosch Hungary (May 2016)**

Regulatory Framework

Large Firms Willing to Invest in Romania Typically Set Up Local Subsidiaries or Branches

Types of Entities Foreign Investors Can Set Up in Romania

Standalone Company (Subsidiary)
acts as a subsidiary with legal personality and is typically a joint stock firm (SA) or a limited liability entity (SRL)

Authorised Individual (PFA) is a person authorised to conduct a commercial activity

Branch (Representative) Office
has no legal personality, meaning its activity/legal liability will, at times, be directly related to the parent company

Types of entities typically chosen by large investors

Subsidiary vs. Branch – Key Aspects

	Subsidiary	Branch/Representative Office
Governing Law	▪ Romanian legislation	▪ The law of the country where the parent company is headquartered ▪ Romanian law applies to registration formalities and relations with third parties
Registration	▪ With the Trade Registry of the Romanian county where it will be established ▪ Abides by additional requirements (e.g., capital amount), depending on type of company chosen	▪ With the Trade Registry of the Romanian county where it will be established
Allowed Activities	▪ Any activity, provided it abides by applicable Romanian legislation	▪ In line with what the parent company undertakes under its own jurisdiction
Rights & Liabilities	▪ All rights and liabilities lie with the subsidiary, liabilities being restricted to the value of assets	▪ All rights and liabilities lie with the parent company
Contractual Aspects	▪ A subsidiary enters into contractual relationships under its own name	▪ Parent company enters into a contract on behalf of its branch
Staff Hiring	▪ No restrictions with respect to hiring local or foreign staff, provided hiring policy complies with immigration laws	
Deregistration	▪ Follows liquidation procedures depending on the type of entity chosen ▪ Is elaborate and time consuming	▪ Pends parent company's decision and does not involve liquidation ▪ Is less elaborate than for subsidiaries

Joint Stock and Limited Liability Are Typical Types of Legal Structures for Subsidiaries

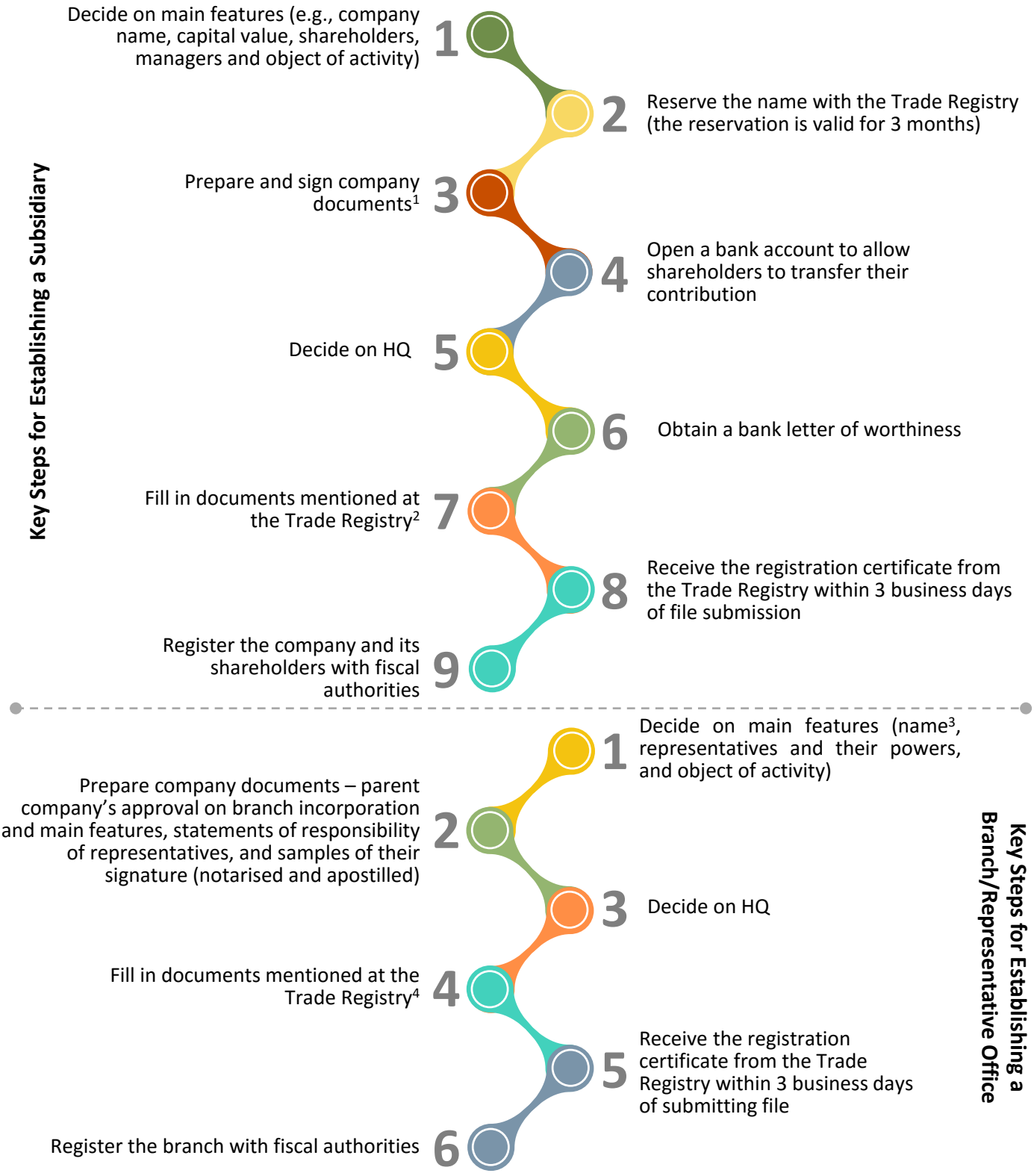
Types of Subsidiary Legal Structures – Joint Stock vs. Limited Liability[1]

	Joint Stock Firm (SA)	Limited Liability Firm (SRL)
Share-holder Structure	▪ Minimum 2 shareholders; if the company has a single shareholder for >9 months, any interested person may claim its dissolution ▪ No limit on maximum number of shareholders	▪ Minimum 2 shareholders, maximum 50 ▪ Sole ownership is possible with following limitations: — An individual/legal entity cannot be a sole shareholder of more than 1 SRL — A 1-shareholder SRL cannot be sole shareholder in another SRL
Capital	▪ Minimum share capital – $22,191.3 (RON 90,000) ▪ Minimum value of a share – $0.02 (RON 0.1) ▪ At least 30% of subscribed capital must be paid upon incorporation ▪ SAs can issue bearer, nominative and preferential shares, as well as bonds ▪ In case of public subscription, shareholders must pay in cash 50% of subscribed capital upon incorporation	▪ Minimum share capital – $49.3 (RON 200) ▪ Minimum value of a share – $2.4 (RON 10) ▪ Subscribed capital must be entirely paid upon incorporation ▪ SRLs are not allowed to do the following: — Be established through public subscription — Issue bonds — Issue shares as negotiable financial instruments
Share Transfer	▪ Unrestricted between shareholders or to third parties ▪ The transfer is effective upon its entry in the shareholders' registry ▪ Registration of transfer with the Trade Registry is not compulsory ▪ An SA cannot usually acquire its own shares, with certain exceptions, e.g., acquired shares are distributed to staff	▪ Unrestricted between shareholders ▪ Transfer to third parties is subject to shareholders' approval and a 30-day opposition term granted to any interested person ▪ The transfer becomes effective post the expiry of the 30-day term and must be registered with the Trade Registry ▪ An SRL cannot acquire its own shares
Manage-ment	▪ Rules of management are more rigid than for SRLs ▪ SA is more suitable for large companies	▪ Rules of management are more flexible and the position of manager is not regulated under the applicable legislation ▪ SRLs are often run by the main shareholder

Automotive part manufacturers typically register their subsidiaries in Romania as SRLs (e.g., Continental Automotive Romania SRL, Delphi Diesel Systems Romania SRL and Daimler Star Transmission SRL), while the 2 vehicle manufacturers (Automobile Dacia and Ford Romania) operate as SAs

Note: 1) All currency conversions are at RON 1 = USD 0.246

Romanian Legislation Entails Different Steps for Establishing a Subsidiary vs. a Branch



Note: 1) The company's articles of association, and shareholders' and managers' statements of responsibility; signature samples of managers (notarised and apostilled); and decision of shareholders' statutory organ regarding their stake in the company
2) Company registration may require additional documents, including shareholder identity documents and ownership of HQ location
3) Branch name includes the parent company's name, its legal forms and HQ, as well as the term 'sucursala' (meaning 'branch') and the place where the branch will be registered
4) Registration may require additional documents, such as parent company's financial statements and proof of HQ ownership

All Entities Required to Register with Territorial Work Inspectorate upon Hiring First Employee

Aspects of Fiscal and Labour Bureau Registration

- Foreign entities with effective management in Romania have to register with the Romanian National Agency of Fiscal Administration (ANAF) with the dedicated 016 form – *'Declaration of Fiscal Registration/Declaration of Mentions for Foreign Corporate Entities with Effective Management in Romania' ('Declarație de inregistrare fiscală/Declarație de mențiuni/Declarație de radiere pentru persoanele juridice străine care au locul de exercitare a conducerii efective în România')*
- After hiring the first employee with an individual labour contract, each company has to register with the Territorial Work Inspectorate (ITM) of the Romanian county where it is established; there is no general country-level Territorial Work Inspectorate
- Documents necessary for the ITM registration are as follows:

Company Documents	Employee Documents
▪ Document of establishment ▪ Unique registration certificate (CUI) ▪ Court approval of the company's establishment *All 3 documents in original, along with copies*	▪ Individual work contract ▪ Employment record ▪ One copy each of identity card, birth certificate and degree for the highest completed level of education *If the employee does not have an employment record, he/she will have to fill in a declaration stating this*

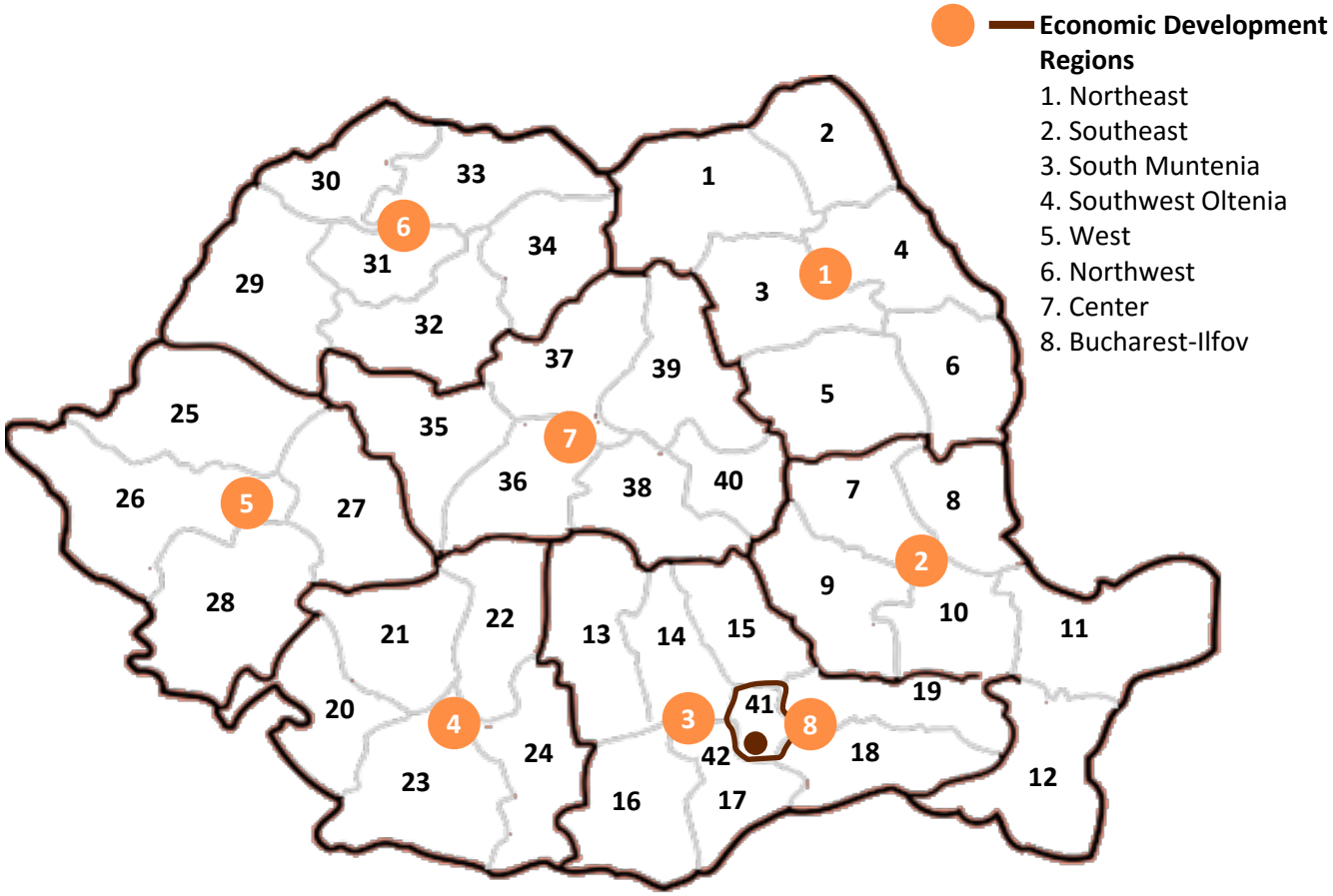
- Upon registration with ITM, the firm receives a company registration code and a registration number for the individual labour contract; to obtain login credentials for Revisal (the dedicated online General Registry for Evidence of Employees), the company has to fill in a Request for Password and provide its registration certificate
- Employers that do not remit labour contracts to ITM till the following day after an employee has started work will be fined $370 (RON 1,500)[1] for each unregistered contract; declaring false data leads to a fine of $1,233 (RON 5,000)
- Companies that have 21 or more employees have to conduct negotiations on the possibility of setting up a collective work agreement; also, if a firm has >15 employees, its staff can establish a labour union to represent them in negotiations with the company
- Firms also have to apply to ITM for a Work Health & Safety Authorisation; occupational health and safety regulations depend on a company's object of activity and are typically stricter for firms with a potentially more hazardous work environment (e.g., industrial manufacturers)

There are no specific regulatory requirements for automotive companies that want to set up offices in Romania; however, as is the case with any other company, they require an Environmental Authorisation (issued by the Ministry of Environment and Water Management), which likely poses stricter requirements for manufacturers vs. firms with less environmental impact (e.g., consultancies)

Note: 1) All currency conversions are at RON 1 = USD 0.246

Appendix

Appendix – Economic Development Regions in Romania (Counties)



No.	County
1	Suceava
2	Botosani
3	Neamt
4	Iasi
5	Bacau
6	Vaslui
7	Vrancea
8	Galati
9	Buzau
10	Braila

No.	County
11	Tulcea
12	Constanta
13	Arges
14	Dambovita
15	Prahova
16	Teleorman
17	Giurgiu
18	Calarasi
19	Ialomita
20	Mehedinti

No.	County
21	Gorj
22	Valcea
23	Dolj
24	Olt
25	Arad
26	Timis
27	Hunedoara
28	Caras-Severin
29	Bihor
30	Satu Mare

No.	County
31	Salaj
32	Cluj
33	Maramures
34	Bistrita-Nasaud
35	Alba
36	Sibiu
37	Mures
38	Brasov
39	Harghita
40	Covasna
41	Ilfov
42	Bucharest

Appendix – Economic Sectors Not Eligible for State Aid Scheme GD 2014/807

Sector
Agriculture, forestry and fishing
Extraction sector ▪ Extraction of superior and inferior coal ▪ Extraction of raw oil and natural gas ▪ Extraction of peat
Processing industry: ▪ Fish, seafood and shell processing and preserving ▪ Production of alcoholic beverages ▪ Production of tobacco products ▪ Textile fibre processing ▪ Manufacturing of coke (fuel) and products obtained from tar processing ▪ Manufacturing of basic organic chemical products ▪ Manufacturing of explosives ▪ Manufacturing of synthetic and artificial fibres ▪ Metallurgic industry ▪ Manufacturing of weaponry and ammunition ▪ Manufacturing of steel recipients, containers and similar products ▪ Construction of ships and boats ▪ Construction of military battle vehicles ▪ Repair, maintenance and installation of machinery and equipment
Production and distribution of electricity, heat, gas, hot water and air conditioning
Construction ▪ Building construction ▪ Civil engineering ▪ Other speciality construction
Bulk and retail trade
Repair of automobiles and motorcycles
Financial intermediation and insurance
Real estate transactions
Administration services and support services
Public and defence administration; social protection in pulic systems
Spectacle, cultural and recreational activities
Other services
Household activities as household personnel employers; production of goods for self-consumption
Activities of extra-territorial organisations and organisms

Appendix – Economic Sectors Not Eligible for State Aid Scheme GD 2014/332

Sector
Fishing and aquaculture
Primary production of agricultural produce
Commercialisation and processing of agricultural products in the following cases: ▪ When the value of the aid is established based on the price and quantity of such produce, acquired from primary producers or commercialised by them ▪ When granting aid is conditioned by partial or total transfer to primary producers
Closure of uncompetitive mines
Steel industry
Ship and boat construction
Synthetic fibre sector
Transportation
Energy

Relevant Links

Entity/Institution	Link
Romanian National Institute of Statistics	www.insse.ro/cms/en
Association of Automotive Manufacturers of Romania (ACAROM)	www.acarom.ro/en
Automotive Manufacturers and Importers Association (APIA)	www.apia.ro/en
InvestRomania	www.investromania.gov.ro/web
National Bank of Romania	www.bnr.ro
Romanian Ministry of Public Finances	www.mfinante.gov.ro
Romanian National Agency of Fiscal Administration (ANAF)	www.anaf.ro
Fiscal Code 2017	www.static.anaf.ro/static/10/Anaf/legislatie/Cod_fiscal_norme_2016_10012017.htm#A43
World Bank Worldwide Governance Indicators	www.info.worldbank.org/governance/wgi/#reports
Transparency International Corruption Perception Index	www.transparency.org/cpi2015
Index of Economic Freedom	www.heritage.org/index/ranking
Institute for Economics & Peace	www.economicsandpeace.org
World Bank Ease of Doing Business Rankings	www.doingbusiness.org/rankings
Legex.ro (comprehensive source for legal matters)	www.legex.ro


India

Political and Economic Overview

Considerably Improved Ranking on All WGI Parameters in Recent Years

Introduction

Political Regime

India is a democratic republic with a bicameral parliamentary system comprising Lok Sabha (lower house) and Rajya Sabha (upper house)

Head of State

The President is elected for a 5-year term and is responsible for appointing heads of key constitutional positions, and preserving and defending the constitution

Regional Organisation

India is a federal union comprising 29 states and 7 union territories (UTs); while the states elect their own government, most of the UTs are administered directly by the centre

Political Stability and Ease of Doing Business

Worldwide Governance Indicators (WGI)[1] 2015

Country	Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
Japan	79	82	96	85	89	91
South Korea	69	52	80	84	81	70
Romania	**62**	**55**	**52**	**72**	**61**	**58**
India	**61**	**17**	**56**	**40**	**56**	**44**
Indonesia	52	25	46	47	40	38
Malaysia	36	54	77	75	72	66
Thailand	24	16	66	63	54	44
UAE	20	71	92	83	75	83
China	5	27	68	44	44	50
Saudi Arabia	4	28	61	55	65	60

Source: The World Bank

A higher WGI score symbolises better governance quality

India ranks close to China on a few parameters, but it still needs to undertake a lot of measures to catch up with other developed Asian economies, such as Japan and South Korea; during 2010–2015, the World Bank upgraded India's rating on most WGIs, except for voice and accountability (ratings remained in similar range)

2016 Corruption Perceptions Index (lower position indicates higher level of corruption)[2]

Country	Global Ranking	Index Value
Japan	20	72
UAE	24	66
South Korea	52	53
Malaysia	55	49
Romania	**57**	**48**
Saudi Arabia	62	46
China	79	40
India	**79**	**40**
Indonesia	90	37
Thailand	101	35

In 2016, India, along with many other Asian countries, stood in the bottom half of the Corruption Perception Index

Over 2013–2016, India's rank improved from 94 to 79 on the back of measures taken by India's anticorruption agency – Central Vigilance Commission

Source: Transparency International

Note: 1) Total number of countries: 214
2) Total number of countries: 176

Implemented Various Structural Reforms to Develop Business Environment

2017 Global Peace Index (lower position outlines poorer state of peace)[1]

Country	Global Ranking	Index Value
Japan	10	1.408
Malaysia	29	1.637
Romania	**25**	**1.6**
Indonesia	52	1.85
South Korea	47	1.823
UAE	65	1.944
China	116	2.242
Thailand	120	2.286
Saudi Arabia	133	2.474
India	**137**	**2.541**

India's rank improved by 4 positions (vis-à-vis 2016) and its score improved on the back of relatively less domestic and international conflicts; the country's shared border with Pakistan also makes it susceptible to security threats

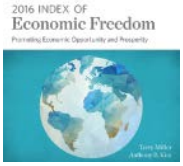
Source: Institute for Economics & Peace

2017 Index of Economic Freedom (lower position highlights poorer economic freedom)[2]

Country	Global Ranking	Index Value
UAE	8	76.9
South Korea	23	74.3
Malaysia	27	73.8
Romania	**39**	**69.7**
Japan	40	69.6
Thailand	55	66.2
Saudi Arabia	64	64.4
Indonesia	84	61.9
China	111	57.4
India	**143**	**52.6**

India falls under the 'mostly unfree' category on account of its weak legal and regulatory framework, poor infrastructure and large fiscal deficit

Although India opened its defence and insurance sectors to private investment, reforms on land acquisition are yet to be implemented



Source: The Heritage Foundation

Doing Business 2017 Ranking (lower position indicates poorer ease of doing business)[3]

Country	Global Ranking
South Korea	5
Malaysia	23
UAE	26
Japan	34
Romania	**36**
Thailand	46
China	78
Indonesia	91
Saudi Arabia	94
India	**130**

India's doing business ranking improved by 1 position in 2016 (vis-à-vis 2015) on the back of simplified electricity connection process, electronic tax payment system and various other structural reforms

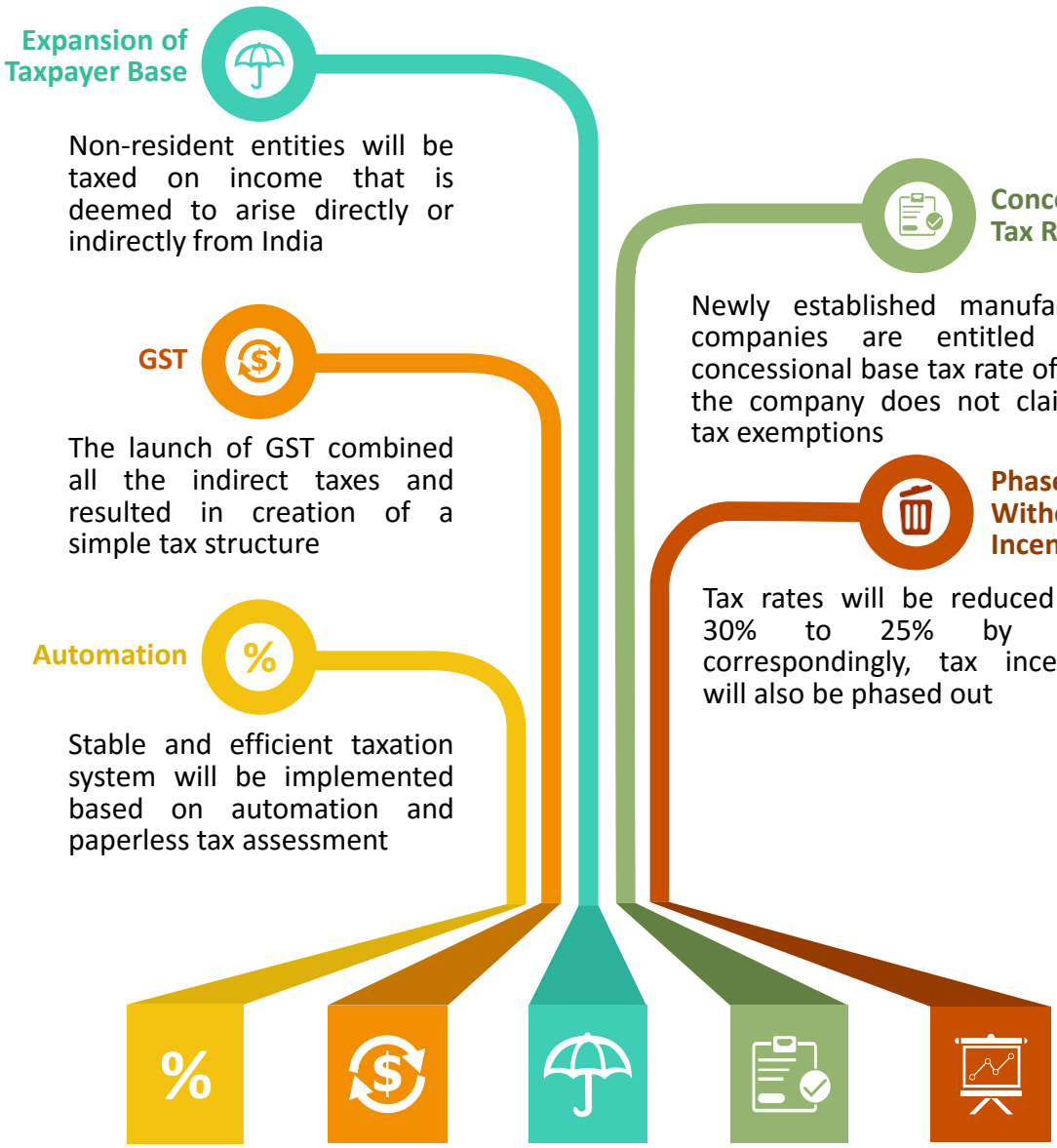
Source: The World Bank

Note: 1) Total number of countries: 190; continued in slide note

Automation to Enhance Efficiency and Stabilise Taxation Regime

India's Fiscal Policy

- Typical taxes and contributions that corporate entities need to pay in India include Minimum Alternative Tax (MAT), VAT and Central Sales Tax (CST)
  - — According to a 2016 report[1] by PwC, India ranks 172 on ease of paying taxes (a Y-o-Y drop of 15 places), largely due to the inclusion of a 'post-filing index' criterion[2], wherein India scored an abysmal 4 out of 100 and ranked among the bottom 5 countries
- The implementation of the Goods and Services Tax (GST) by the Indian Government in July 2017, will make the tax base comprehensive and reduce the cost of goods on the back of cascading effect of tax



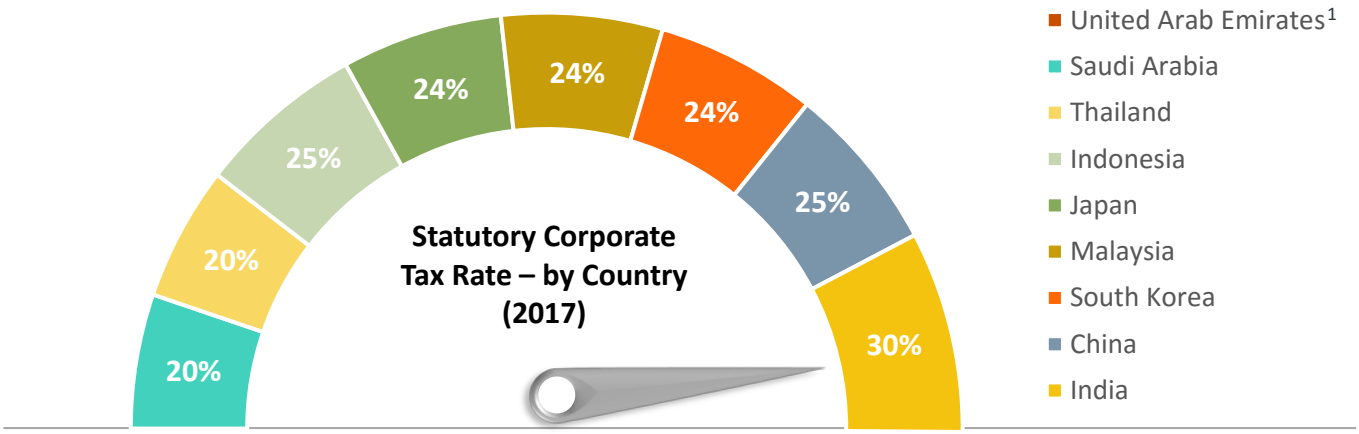
2016–17 Fiscal Developments – Key Modifications

Note: 1) The report (*Paying Taxes 2017*) takes into account effective taxes and contributions, which reflect the actual amount paid from taxable income after tax credit and other fiscal facilities; continued in slide note

India's Corporate Income Tax Rate, Highest Among Neighbouring Economies

India's Fiscal Policy

- The corporate tax rate for foreign companies in India stands at 40%, which is levied on income received or deemed to accrue from India
  - Companies are also liable to pay a MAT of 18.5% (on the company's adjusted profits) if the tax liability is <18.5% of the book profit



Source: Deloitte

- India's corporate tax rate is among the highest in the region, but the government is planning to gradually reduce the current rate to 25%
- In China, small-scale enterprises are taxed at lower rates – 10% or 20%; the country also offers lower tax rates to state-encouraged and high-technology enterprises and entrepreneurs working in particular regions
- Corporate tax rates in Asian countries are usually the same for both foreign and domestic countries, in certain cases, additional tax benefits are offered to foreign companies to attract investment

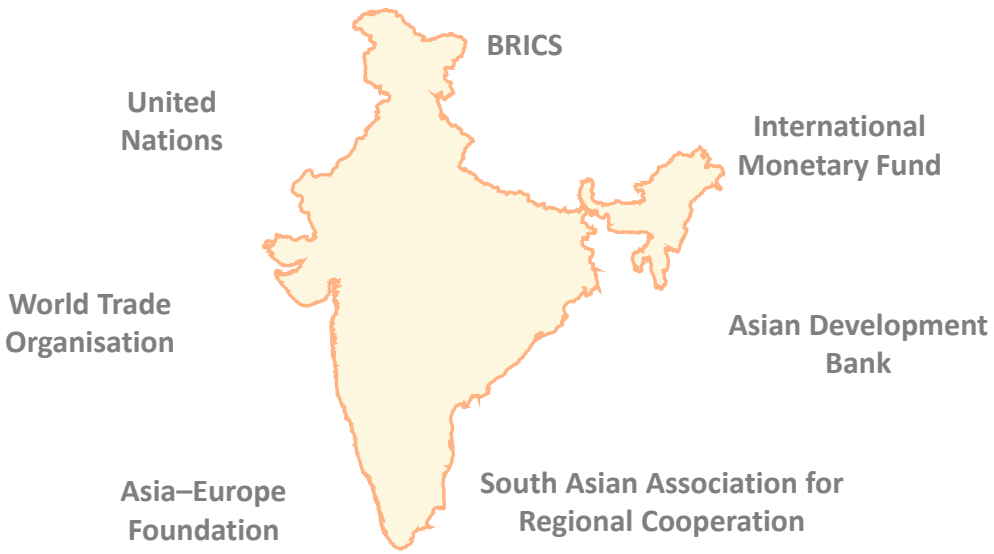
Note: 1) United Arab Emirates levies 0% statutory corporate tax

India's Trade Ties With Emerging Economies Offer Access to High-growth Markets

India's International Relations

- India is a member of numerous international unions/organisations, including **the Asian Development Bank (ADB); Brazil, Russia, India, China and South Africa (BRICS); the G-20; the International Monetary Fund (IMF) and the United Nations (UN)**
- India shares its border with various emerging countries – such as China, Myanmar, Bangladesh and Pakistan; the country also offers easy access to the Middle East and Southeast Asian markets, with which India has signed the **India–Gulf Cooperation Council Free Trade Area** and **ASEAN[1]–India Free Trade Area** agreements, respectively
- The country is part of **South Asian Association for Regional Cooperation (SAARC)** and a member of the **South Asian Free Trade Area (SAFTA)** agreement, which aims to gradually reduce custom duties on all goods traded in the region to 0; all SAARC members – India, Afghanistan, Bangladesh, Bhutan, the Maldives, Nepal, Pakistan and Sri Lanka – are members of SAFTA
- As part of **India–MERCOSUR[2] Preferential Trade Agreement (PTA)**, India and MERCOSUR will reduce their fixed tariff preferences on certain products and eventually create a free trade area between the parties
- India is also part of the **Asia–Europe Foundation**, which also includes Australia, Austria, Bangladesh, Belgium, Brunei, Bulgaria, Cambodia, China, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Indonesia, Ireland, Italy, Japan, Kazakhstan, Korea, Laos, Latvia, Lithuania, Luxembourg, Malaysia, Malta, Mongolia, Myanmar, the Netherlands, New Zealand, Norway, Pakistan, the Philippines, Poland, Portugal, Romania, the Russian Federation, Singapore, Slovakia, Slovenia, Spain, Sweden, Switzerland, Thailand, the UK, Vietnam, the ASEAN Secretariat and an EU representative
- India is in negotiations with **European Free Trade Association (EFTA)**, a trade bloc comprising four countries – Switzerland, Iceland, Norway and Liechtenstein – for a free trade agreement; the treaty will cover various goods and services, market access to businesses, intellectual property protection and government procurement

India's Membership in International Unions/Organisations

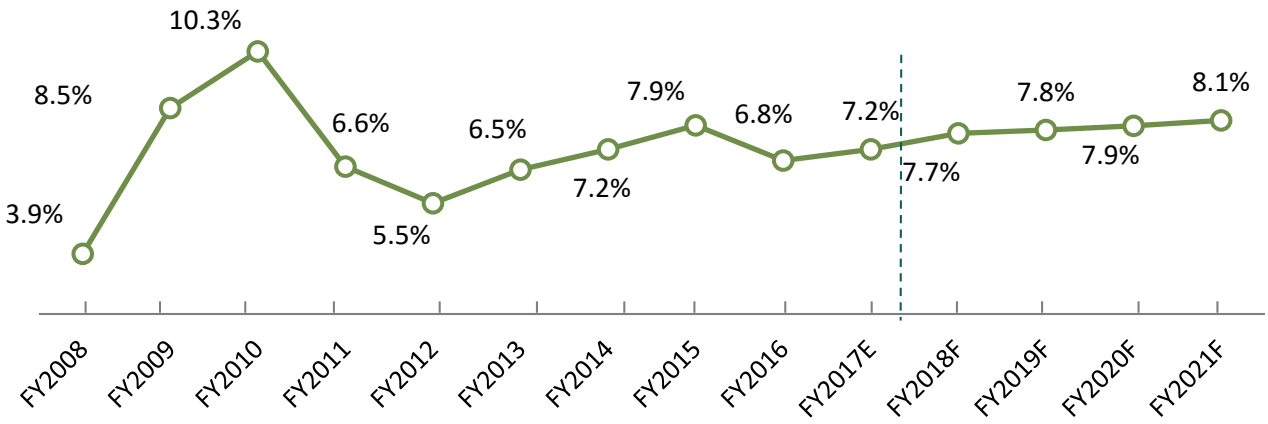


Note: 1) Association of Southeast Asian Nations (ASEAN) comprise 10 member states – Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Cambodia, Laos, Myanmar and Vietnam
2) MERCOSUR is a Latin American trade bloc that comprises Argentina, Brazil, Paraguay and Uruguay

Demonetisation to Impact Short-term GDP Growth Rate

GDP Analysis

GDP Percent Change – Constant Prices (%, FY2008[1]–FY2021F[2])



Source: 'World Economic Outlook', IMF (October 2016)

- Following a decline during FY2011–FY2012, GDP growth rate in India has stabilised over the recent years on the back of increase in private consumption, spurt in manufacturing sector, rebound in agricultural output and stronger business investments

GDP – Constant Prices FY2016

$1,807 billion[1]

In FY2016, the GDP (at constant prices) reported a 6.8% Y-o-Y growth, witnessing a decline of ~1% Y-o-Y on account of the demonetisation effect, however, the GDP growth rate is expected to average 7.3% in the H2 2017 and ~7.7% in 2018 on the back of higher consumption (state pay hikes, remonetisation, lower lending rates) and higher public spending

Strongest-performing Sectors in FY2017 – Growth Rate (Gross Value Added [GVA] at Current Price)[3]

Sector	Y-o-Y Growth
Public Administration, defence and other services	17%
Manufacturing	10%
Trade, hotels, transport, communication and services related to broadcasting	11%
Agriculture, forestry and fishing	10%

Outlook

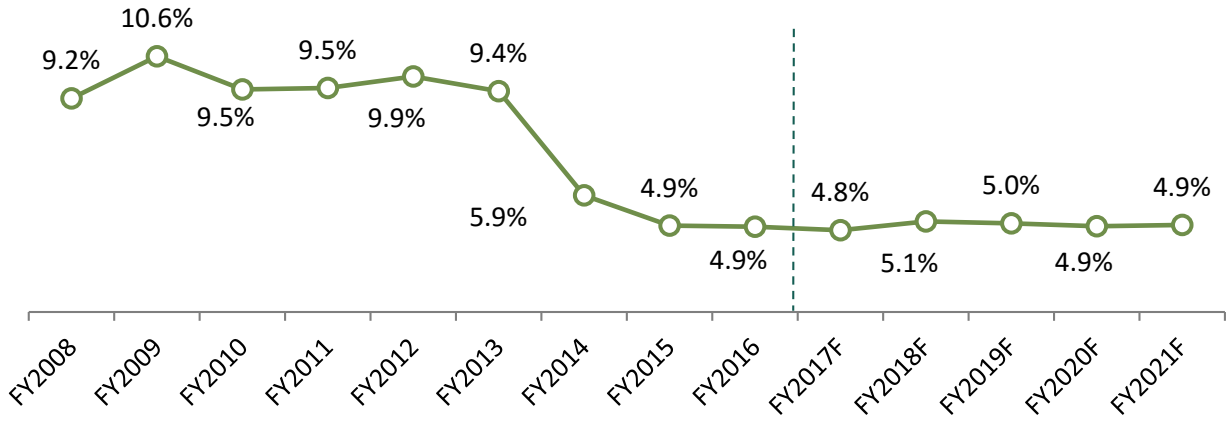
- In January 2017, the IMF cut India's growth forecast for FY2017 by 0.4 pps, respectively, on the back of the government's demonetisation policy; however, the country is still expected to remain one of the fastest-growing economies in the medium term
  - *"We lowered the growth forecast primarily due to the negative consumption shock induced by cash shortages and payment disruptions associated with the recent currency note withdrawal and exchange initiative."* – **IMF (January 2017)**

Note: 1) The financial year ends in March of every year
2) F stands for forecast value; continued in slide note

4% Inflation Target Set by Indian Government for Period FY2016–2020

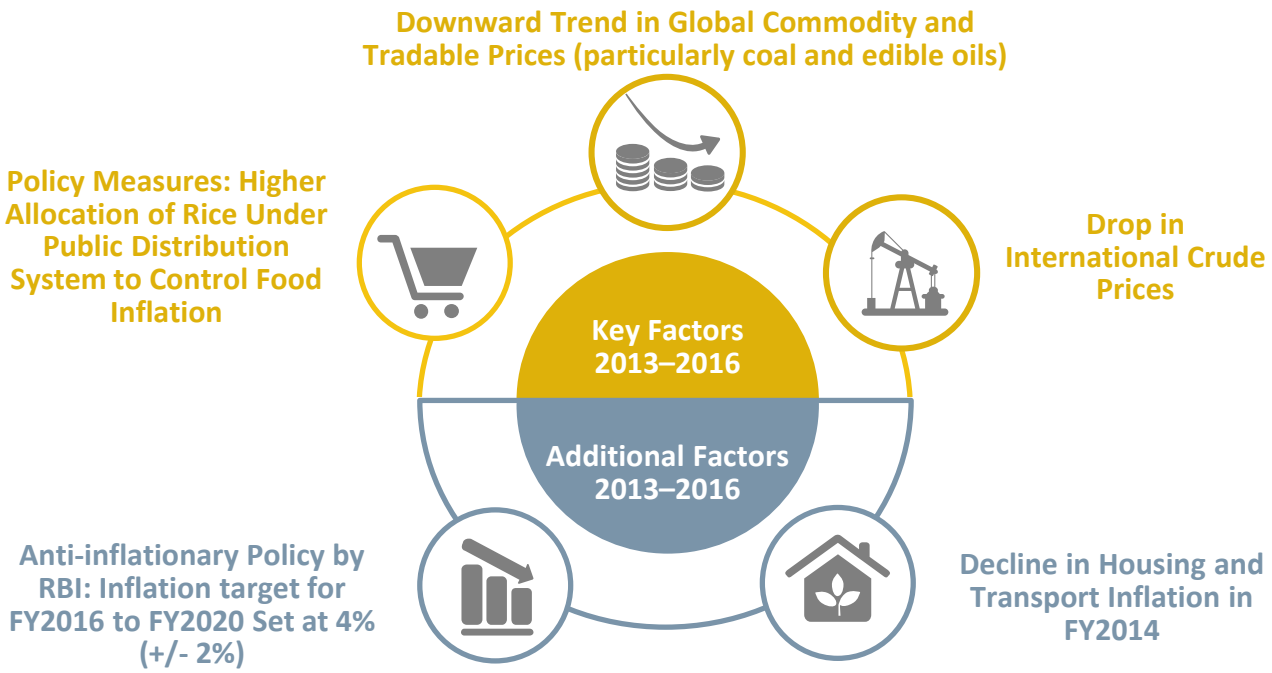
Inflation Analysis

Inflation Percent Change – Average Consumer Prices (%, FY2008–2021F)



Source: 'World Economic Outlook', IMF (April 2017)

- During FY2008–2013, the Indian economy was plagued by high and consistent inflation, particularly in food and related products; however, decline in crude oil prices, coupled with government initiatives to curb rising food prices, has helped control inflation



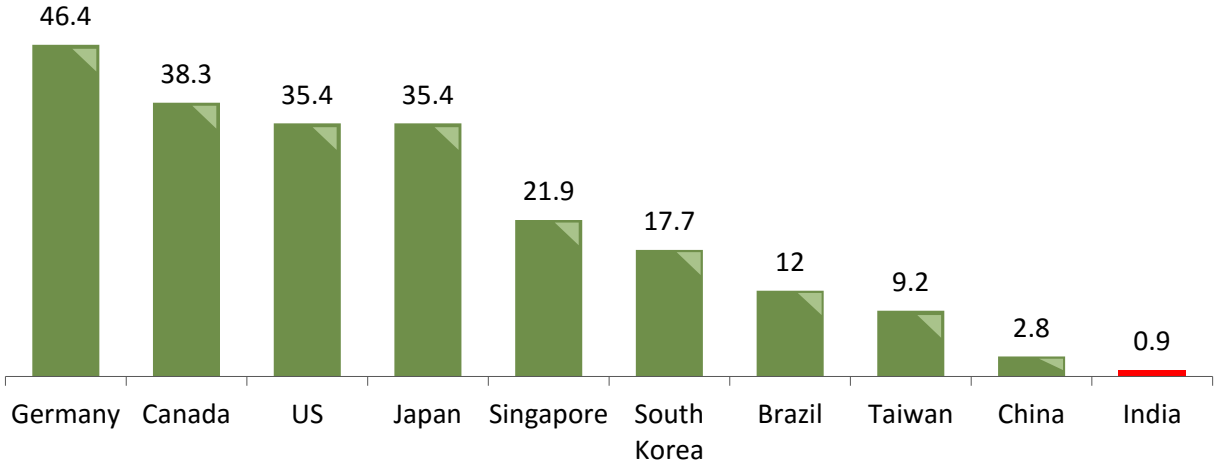
Outlook

- In August 2016, the Indian government adopted an inflation target of 4% for the period FY2016 to FY2020
- India faces inflation risk due to exchange rate volatility, global oil prices, and domestic non-oil and non-food inflation

Low Cost and Easy Availability of Labour Makes India an Attractive Investment Destination

Labour Market Analysis

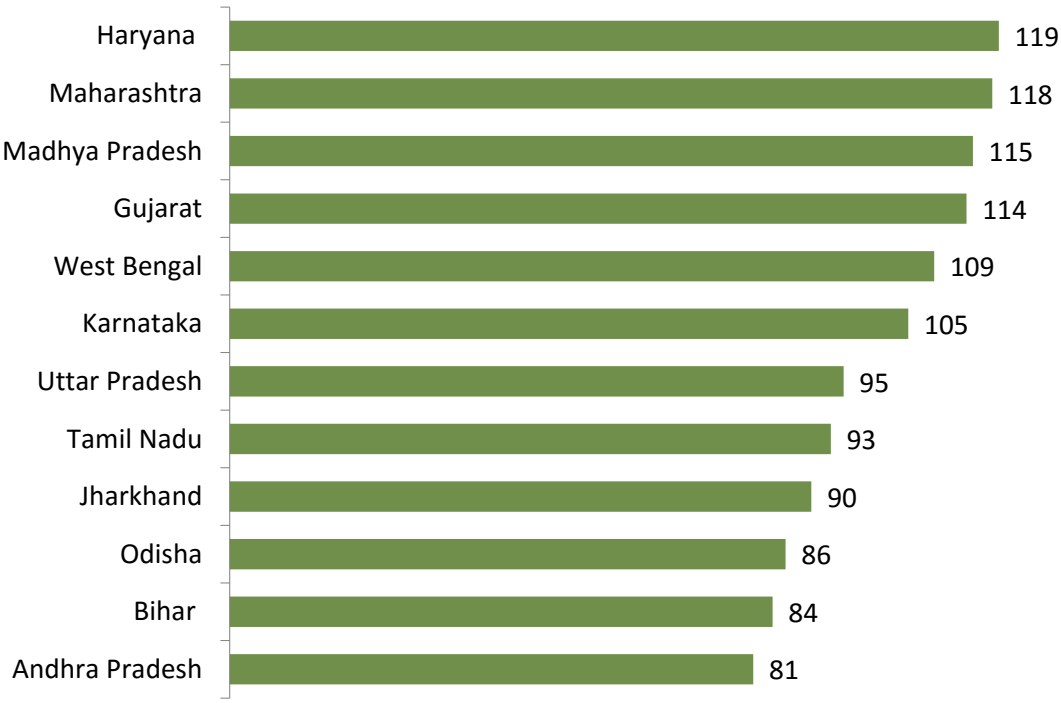
Global Hourly Wage Comparison – Labour Cost ($, 2015)



Source: Ernst & Young

- A key feature that helps India attract foreign investors is the easy availability and low cost of labour
  - — Further, abundance of unskilled and semi-skilled workers (which are primarily used in low-value-add industries) gives the country a competitive advantage over its Asian peers

Minimum Monthly Wages for Semi-skilled Workers – India ($, 2016)



Source: ILO; State Labour Departments

High Unemployment Rate Compared With Most of the Neighbouring Countries

Labour Rate Analysis

Unemployment Rate – by Country (2016E)

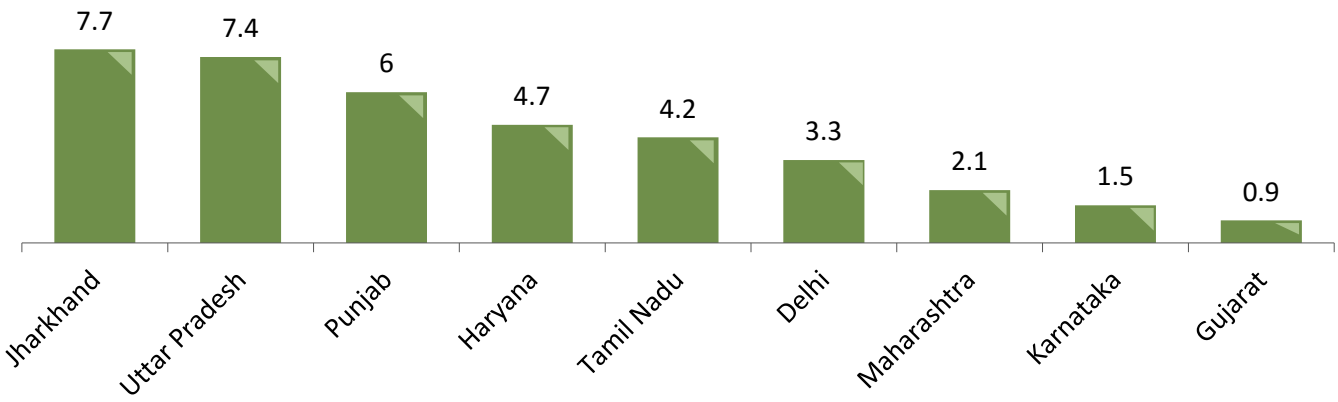
Country	Rate
China	4.0%
Sri Lanka	4.5%
Bangladesh	4.9%
Pakistan	6.1%
India	**5.0%**

India's share of working age population continues to rise and is expected to reach 1.1 billion by 2050

Source: CIA

- In FY2016, India's unemployment rate shot up to a five year high on the back of rising population and slow industrial growth rate
- Though the country's unemployment rate is expected to go down in the coming years (primarily on the back of the 'Make in India' campaign), actual unemployment is expected to rise from 17.7 million in 2016 to 18 million in 2018
  - The 'Make in India' initiative aims to create 100 million new jobs by 2022

Unemployment Rate Based on UPS[1] Approach – by State/UT (%, 2015–2016)



Source: Ministry of Labour and Employment, India

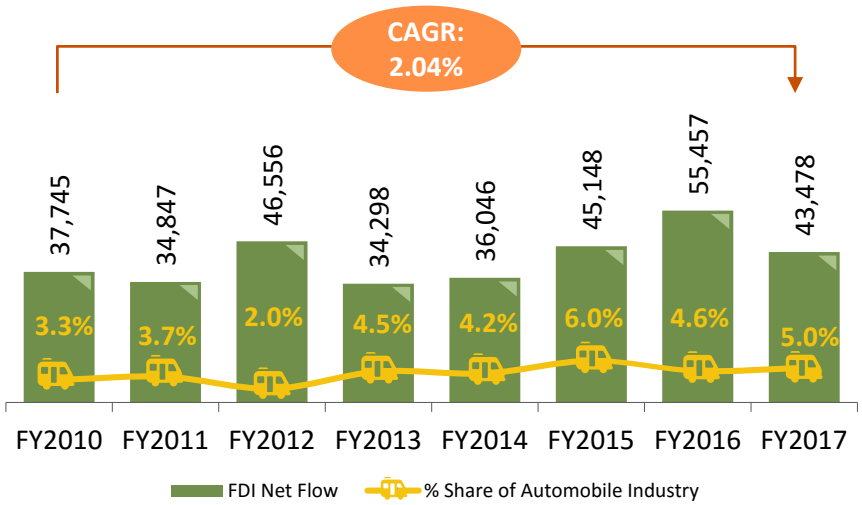
Note: 1) Usual Principal Activity measures the unemployment rate as a percentage of the total unemployed workers in the country's total labour force

Automotive Sector Overview

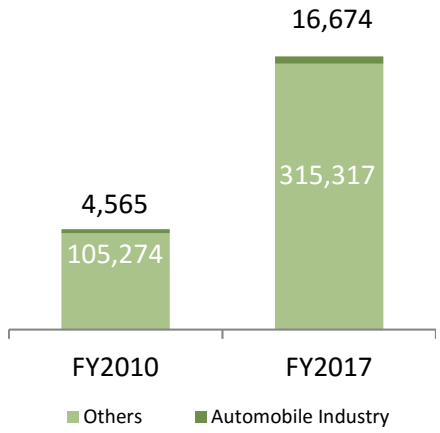
Automobile Industry, Fifth-largest Sector in India by FDI Equity Inflow

FDI Policy

Annual FDI Equity Inflow and Share of Automobile Industry ($ million, FY2010–FY2017)[1]



Cumulative FDI Equity Inflow and Share of Automobile Industry[2] ($ million, 2010, 2017)



Source: Department of Industrial Policy & Promotion

During FY2001–FY2017, the automobile industry held the fifth-largest share in cumulative FDI inflow (after services, computer software and hardware, construction and real estate, and telecommunications) and fifth-largest share in annual FDI net inflow (after services, computer software and hardware, construction and real estate, and telecommunications)

- With the relaxation of FDI norms in sectors such as defence, telecom, oil refining and stock exchange, the overall FDI inflow in the country is expected to surge; moreover, availability of skilled and low-cost labour has encouraged multinationals to set up R&D centres in India
  - — Some leading car manufacturers that have already established their R&D centres in India include BMW, GM, Honda, Mercedes, Renault–Nissan and Volvo
- During FY2001–FY2017, Mumbai (31%) and New Delhi (20%) received ~50% of the overall FDI equity inflow – the inflow includes investment in respective state and nearby UTs; Chennai and Bangalore also attracted considerable investments (7% each)

FDI – Top Contributors (FY2017)

Country	% of Total FDI
Mauritius	34
Singapore	16
Japan	8
UK	7
Netherlands	6
US	6

During FY2009–FY2017, Romania's cumulative investment in India stood at $7.62 million, accounting for <0.01% of the total inflow

Source: Department of Industrial Policy & Promotion

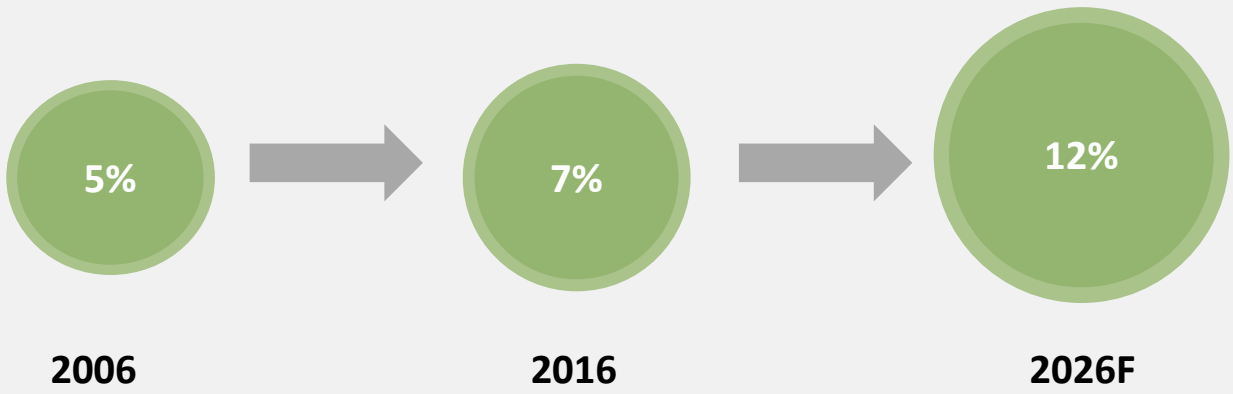
Note: 1) Financial year for India and Indian companies end in March
2) The base year for the graph is taken as 2000, and both the years represent the cumulative FDI investment till that year

AMP 2026 Aims to Increase Contribution of Automotive Sector to ~12% of India's GDP

Automotive as a Strategic Industry in India

- The government has categorised the automotive industry as a 'sunrise sector' – a sector that holds strong growth potential and attracts large investments; the industry currently contributes ~7% to India's GDP, and this is expected to grow to 12% by 2026
  - Further, the government's increased focus on improving the country's infrastructure and manufacturing sector has also benefited the industry
- The government designed the Automotive Mission Plan 2016–26 (AMP 2026[1]) to make the industry a prime contributor of its 'Make in India' initiative
  - The industry is expected to produce 70 million units, and generate a revenue of ~$300 billion by 2026 – which will be ~12% of India's GDP – and additional 65 million jobs
  - AMP 2026 also seeks to scale up the exports of both vehicles and components to 35–40% of its overall output (up from ~15% in FY2016)

Automotive Industry – Estimated Contribution to India's GDP (2006–2026F)



"The government will support the auto and auto components industry in developing India into a globally competitive manufacturing nation delivering quality products to the world. To make the 'Make in India' initiative a true success, the auto industry also needs to channelise its energies and efforts on R&D and new product development." – **Anant G Geete, Minister of State of Heavy Industries and Public Enterprises (February 2016)**

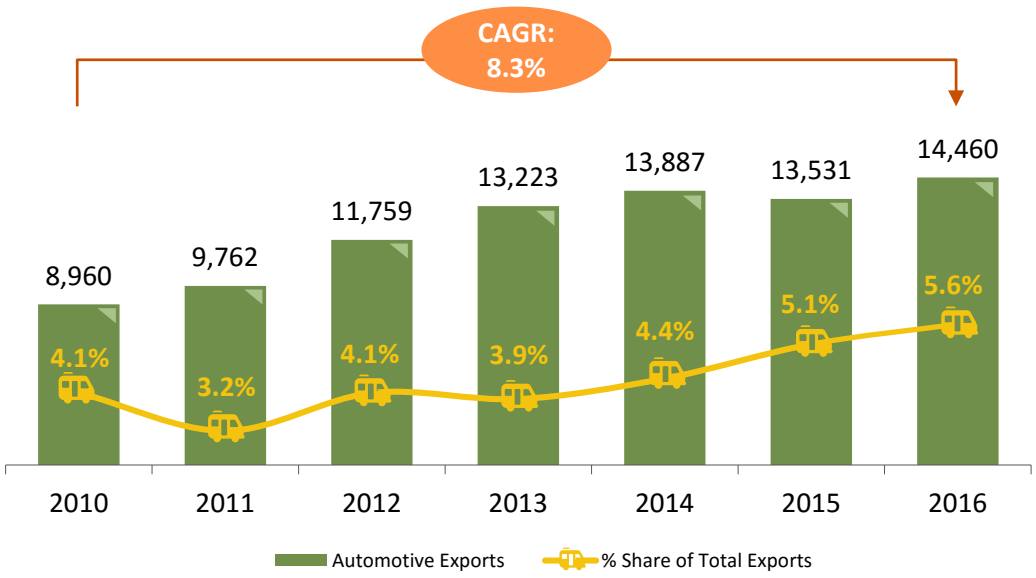
"Our vision is that over the next decade, the Indian automobile sector must contribute in excess of 12% of the country's GDP. We (auto industry) want to create nearly 65 million additional jobs by 2026. The Indian automobile industry contributes 7.1% to the GDP right now, and around 32 million people are employed directly and indirectly by the sector. In the last 10 years, the total investment made by the automobile industry has been to the tune of $35 billion." – **Kenichi Ayukawa, MD & CEO, Maruti Suzuki India (November 2016)**

Note: 1) AMP 2026 is a detailed roadmap for automotive industry for the next ten years in terms of size, contribution, competitiveness, etc.

Hyundai, Maruti Suzuki and Nissan Led Passenger Vehicle Exports in FY2016

Automotive as a Strategic Industry in India

India's Automotive[1] Exports – by Value and Share in Overall Exports ($ million, 2010–2016)



Source: UN Comtrade

During 2016, automotive exports surged 6.9% Y-o-Y (by value) because of 'Make in India' initiative, which resulted in increase in exports of motor vehicles – 18.1% Y-o-Y and chassis (fitted with engines) – 45.7% Y-o-Y

- In FY2017, three-wheeler segment (-32% Y-o-Y) and two wheeler segment (-5.8% Y-o-Y) witnessed a decline in exports, whereas the other two categories – passenger vehicles (16.2%) and commercial vehicles (5.0%) – reported a Y-o-Y growth **(by volume)**
  - However, total Automotive exports in FY2017 decreased by 5% Y-o-Y on the back of increase in inflation and continued currency devaluation in major markets in Latin America and Africa
- During FY2012–2017, two wheelers, followed by passenger vehicles, accounted for a majority of automobile exports (together accounting for ~86% share); the segments reported a CAGR (by volume) of 6.9% and 2.9%, respectively
  - The total number of vehicles exported across segments decreased by 4.5% Y-o-Y to 3,478,268 units
- In FY2016, Hyundai, Maruti Suzuki and Nissan were the top 3 passenger vehicle exporters and together controlled ~53% of the total exports (by volume); however, the share fell from 86% in FY2013
  - Hyundai and Maruti Suzuki have shown consistent domestic sales growth with their production plants operating at almost full capacity; this has forced the companies to sacrifice export volumes
  - Meanwhile, Ford, Volkswagen and GM also registered strong growth in exports by launching new car models
- The key export markets of India include the SAARC[2] countries, the US, Mexico, South Africa, the UK, Turkey, Italy, the UAE and Nigeria

Note: 1) Comprises the following sub-categories: tractors, passenger vehicles (including those for >10 passengers and race vehicles), freight vehicles, special-purpose vehicles (e.g., tow vehicles, cranes and firefighter trucks), chassis with engines, vehicle bodies, vehicle parts and accessories, works trucks (not fitted with lifting or handling equipment and are used for transporting goods over short distance) and motorcycles; continued in slide note

AMP 2026 and Other Policy Reforms to Support Industry Growth

India's Policy Initiatives

Automobile Policy 2002

- The Government of India allows 100% foreign equity investment through automatic approval (without any minimum investment conditions) for manufacturing of automobiles and automotive components
- The government also offers exemption from licensing and approvals for importing or manufacturing automobile or automotive components
- It is also encouraging R&D in the industry by offering rebates on R&D expenditure

Automotive Mission Plan 2016–2026 (AMP 2026)

- During 2016–2026, AMP 2026 targets to increase the size of the automotive industry by 3.5–4 times to ~$300 billion[1], which include scaling up exports to 35–40% of overall production
- The document also prescribes steps to sustain and improve manufacturing competitiveness

National Automotive Testing and R&D Infrastructure Project (NATRiP)

- In 2005, NATRiP was launched to develop centres for testing, validation and R&D infrastructure in India, which would be at par with global standards; the deadline for the project is end-2017
- The government invested $388.5 million in the project to establish 7 testing centres, which will also focus on low-cost manufacturing and global competency development

Ministry of Heavy Industries and Public Enterprises

- The ministry provided support to small car and two-wheeler manufacturers by reducing excise duty on them
- In 2005, to encourage R&D, it increased weighted deduction on in-house R&D and outsourced R&D expenditure from 150% to 200% and 125% to 175%, respectively

Faster Adoption and Manufacturing of Electric Hybrid Vehicles (FAME) India Scheme

- The government is offering incentives of ~$2,000 under the FAME India scheme to promote use of electric and hybrid vehicles

Major FDIs in Automotive Sector[2]
($ million, FY2015–FY2016)

No.	Company	Country(s)	FDI
1	Ford	US	979.5
2	General Motors	China, Hong Kong, US	973.9
3	Suzuki	Japan	477.6
4	Daimler	Germany	389.0
5	Nissan[3]	Japan	169.2
6	Isuzu	Singapore, Japan	116.7
7	FCC	Japan	95.2
8	Continental Automotive	Germany, Netherlands	72.5
9	Renault[3]	Netherlands	72.5
10	Caparo	UK	56.8

Source: Department of Industrial Policy and Promotion

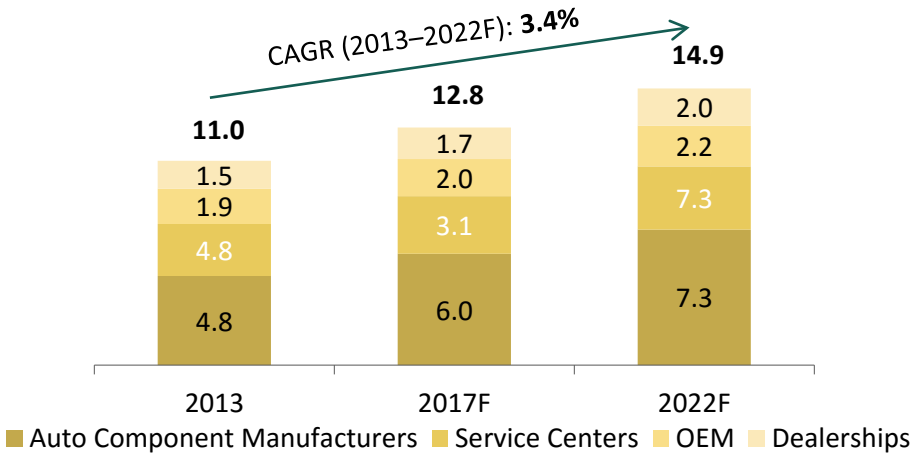
During FY2015–FY2016, Indian automobile industry recorded $5.5 billion in FDI inflow

Note: 1) All currency conversions are at INR 1 = USD 0.0149
2) FDI investments of only the top 10 companies have been covered
3) Renault and Nissan jointly operate their Chennai manufacturing plant, and the capacity is equally divided between Renault and Nissan

Automotive Sector Expected to Generate ~15 Million Direct Jobs by 2022

Labour Market Analysis

Indian Automotive Industry – Direct Employment (in million, 2013, 2017F and 2022F)



Source: Ernst & Young

- Employment in the Indian automotive sector is expected to continue rising, as it has emerged as a manufacturing hub on the back of rising domestic demand, favourable investing environment and availability of cheap labour
  - — Various multinationals are also shifting their operations to India and other Southeast Asian countries, as these are deemed to be low-cost manufacturing destinations
- The sector generates both direct and indirect employment, and also has a huge share of contract workers
  - — In FY2016, the sector employed 13 people for each truck, 6 for each car, 4 for each three-wheeler, and 1 for each two-wheeler manufactured
  - — The share of contract workers in auto component manufacturing rose from 40% in 2008 to 56% in 2014; it is expected to stabilise at ~65% in 2022

"The manufacturing sector is one of the leading employers in the country and is expected to remain so in the future as well. To meet the incremental human resource requirement in the sector, the entire ecosystem has been scaling up its training initiatives and have aligned themselves to industry recognised national occupational standards." **– Dilip Chenoy, Managing Director and CEO, National Skill Development Corporation (NSDC) (July 2015)**

Outlook

- The automotive sector is expected to remain the largest employer in the country on the back of the 'Make In India' campaign
- Auto component manufacturing is expected to remain the largest employer, accounting for ~50% of the sector's total employment
  - — This is primarily due to faster growth rate and higher labour elasticity of the subsector than OEMs

Haryana, Largest Manufacturer of Passenger Cars, Motorcycles and Tractors in India

Labour Market Analysis

Geographical Distribution of Employment in Automotive Sector

GUJARAT

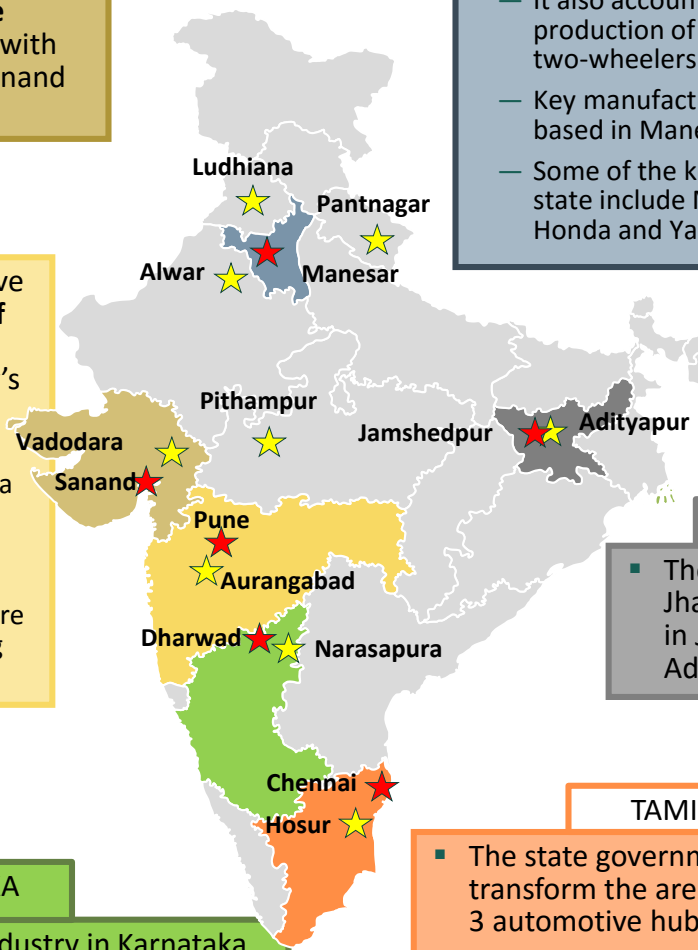
- Gujarat is **emerging as one of the key automotive manufacturing states** with automotive hubs in Sanand and Vadodara

MAHARASTHRA

- Maharashtra's automotive industry **employs 40% of the total manpower** employed in the country's automotive sector
  - Key companies in the state include Skoda, Tata Motors and Mercedes-Benz
  - Nasik, Nagpur, Aurangabad and Pune are the main manufacturing locations

HARYANA

- Haryana leads in the manufacturing of passenger cars, motorcycles and tractors
  - It also accounts for ~50% of the total production of passenger cars and two-wheelers in India
  - Key manufacturing facilities are based in Manesar and Gurugram
  - Some of the key companies in the state include Maruti Suzuki, Hero Honda and Yamaha



JHARKHAND

- The clusters in Jharkhand are located in Jamshedpur and Adityapur

KARNATAKA

- Automotive is a key industry in Karnataka
  - The clusters are located in Narasapura and Dharwad
  - Some of the key companies in the state include Toyota, Volvo and Tata Motors

TAMILNADU

- The state government aims to transform the area into one of the top 3 automotive hubs in Asia
  - The cluster is located around Chennai
  - Some of the key companies in the state include Ford, Nissan, Renault and Ashok Leyland

Key:

- Major Auto Component Manufacturers
- Major Automobile OEMs

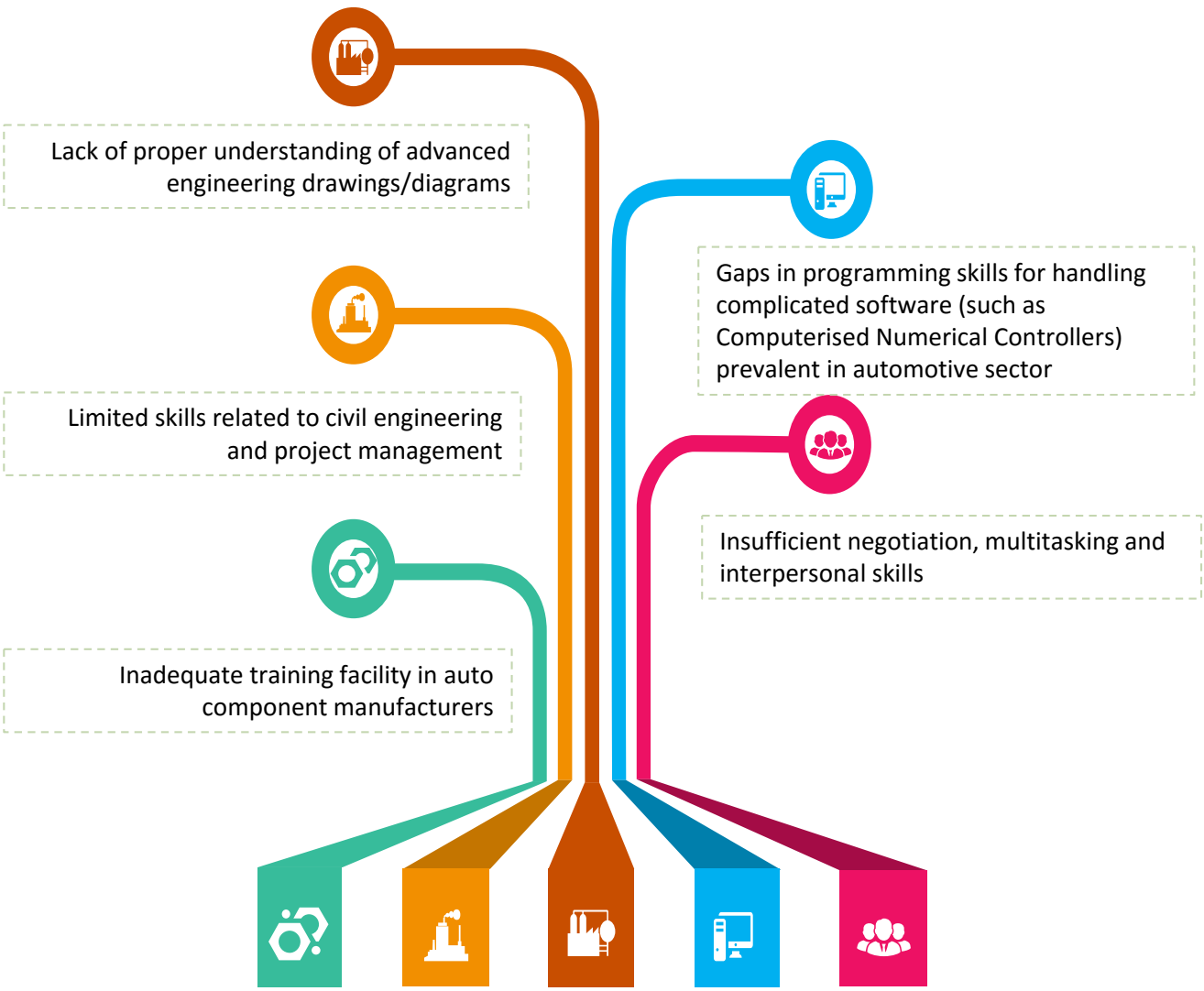
Source: NSDC

Significant Skill Gap in Automotive Sector

Skills Shortage in the Indian Automotive Industry

- Though India has abundant manpower to meet the automotive sector's demand, shortage of highly skilled workers remains a major concern

Skill Gap Areas in Auto OEM and Auto Components Sector



Source: NSDC

Current Educational System Unable to Meet Industry's Requirements for Skilled Manpower

Skills Shortage in the Indian Automotive Industry

Factors Leading to Skills Shortage

Absence of Centralised Certification Agency

India does not have any centralised, industry-recognised agency to provide skill-based certifications to labourers to reflect their competency levels; this leads to complications in hiring and training of employees

Lack of Talent Pipeline

Industry's requirement of skilled manpower is not met by institutions due to gaps in technical curriculum

No Competency Wage Grid

Absence of defined standards co-relating the competency levels of an individual to ideal wage levels is a key challenge, as it complicates the process of hiring, planning and developing the career of an employee

"In India, approximately 0.4 million engineering students graduate every year; however, only 20% of these graduates are readily employable. By 2020, labour-intensive industries are likely to face a big hurdle posed by an expected shortage of 13 million medium-skilled workers." – ***Reaping India's Promised Demographic Dividend*, EY (2014)**

Multiple Steps Being Taken by Government and Industry Members to Tackle Skill Gap

Skills Shortage in the Indian Automotive Industry

Measures Taken by Industry Members to Address Skill Gap

Collaboration with universities to run skill-enhancement initiatives for employees

Investment in externship programs and funding for various university curriculums

Vocational training to students in partnership with government bodies

Setting up dedicated training facilities with programs focussed on developing technical and soft skills

Measures Taken by Government to Address Skill Gap

National Skills Qualification Framework

It lays down the competency framework and standards with respect to competency levels for various trades in the industry

Skill India Mission

It aims to converge and monitor skill development schemes and provide subsidised loans to students for training

National Skill Development Agency (NSDA)

The government has appointed the NSDA to enhance the current institutional framework

Automotive Skill Development Council Provides Dedicated Professional Qualification Trainings

Skills Shortage in the Indian Automotive Industry

"Our vision is that over the next decade, the Indian automobile sector must contribute in excess of 12% of the country's GDP. We (auto industry) want to create nearly 65 million additional jobs by 2026." **– Kenichi Ayukawa, Managing Director and CEO – India, Maruti Suzuki (November 2016)**

"Tamil Nadu has 539 technical training institutes and more than 400 Industrial Training Institutes (ITI) institutes that churn out 150,000 students every year, but it's sad to see that the industry still finds it difficult to get properly trained people. This difference can only be bridged by improving the quality of the training." **– P Amudha, Labour Secretary – Tamil Nadu (September 2016)**

"India is rich in its manpower, but opportunities and facilities that train and gainfully employ them are by far, few. On the other hand, growth in the automotive industry, changing technology, a burgeoning economy, a larger disposable income and lowering the first-hand life cycle of cars have triggered huge demand for skilled technicians and upskilling in the sector." – **Roland Folger, Managing Director and CEO, Mercedes-Benz (August 2016)**

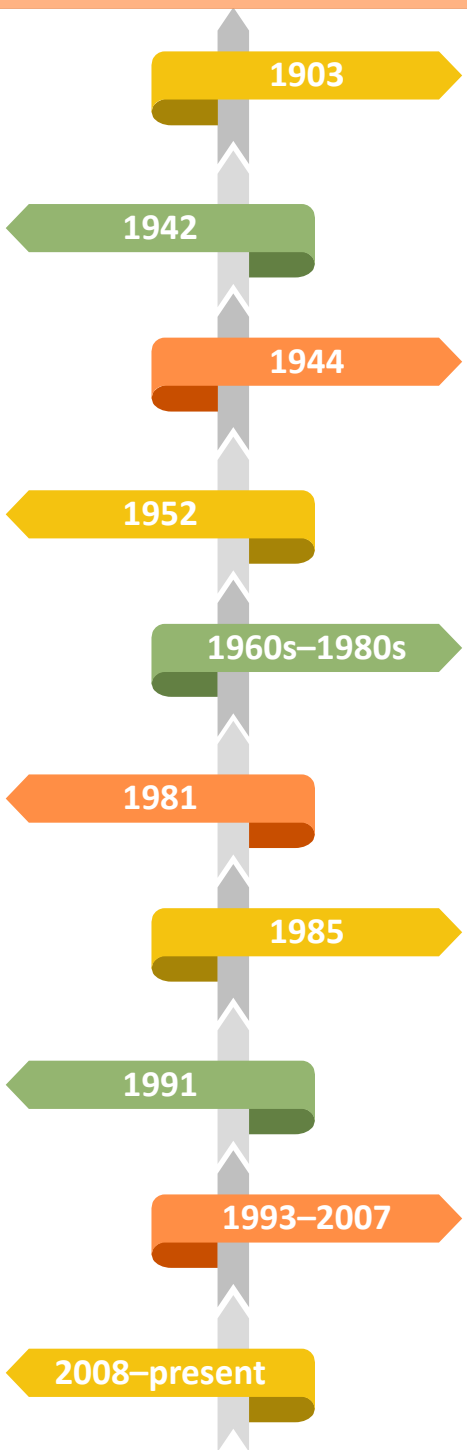
"Automotive Skill Development Council offers qualifications across the value chain of R&D, manufacturing, sales and service, road transportation domains, covering all levels from lower-hands skills to high-end technical and managerial skills." – **Sunil Chaturvedi, CEO, Automotive Skills Development Council (ASDC) (May 2016)**

"There are encouraging signs that Make in India is positively impacting generation of jobs. Make in India has the potential to emerge as a force multiplier to provide the emerging workforce with new livelihood opportunities." **– Chandrajit Banerjee, Director General Manager, Confederation of Indian Industry (CII) (February 2016)**

Automotive Market Scenario

Indian Automotive Industry, Rapid Growth Post Liberalisation

Introduction – Indian Automotive Industry – From Inception to Present[1]

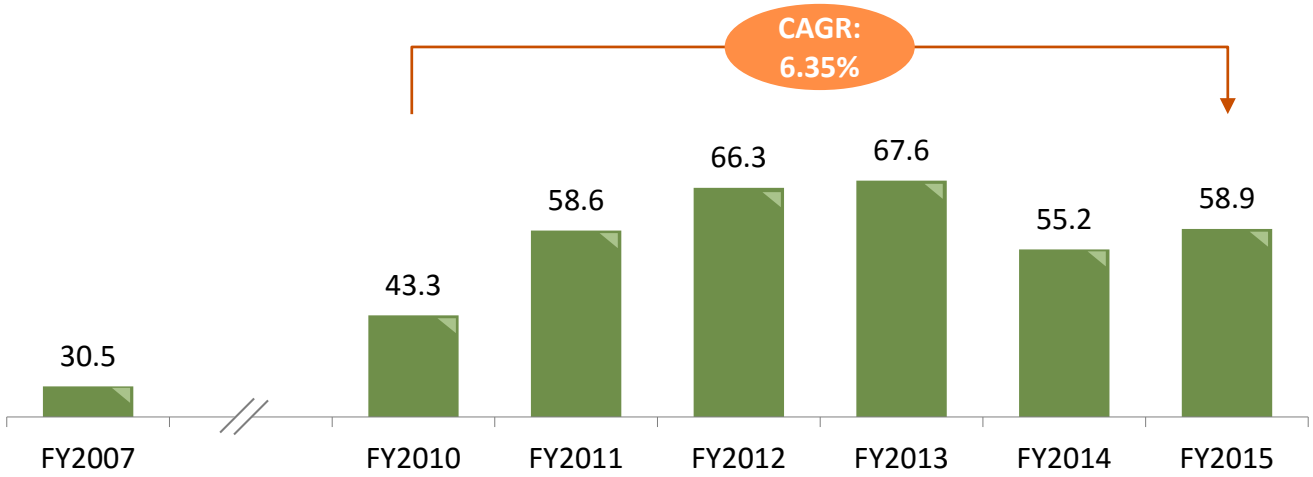


Post liberalisation (in 1991), the Indian automotive industry grew rapidly, as many multinational OEMs established their assembly and manufacturing facilities in India (on the back of low production costs, abundance of cheap labour and proximity to many emerging markets); today, the Indian automotive industry comprises >35 OEMs compared with 5 in 1982

Note: 1) The timeline highlights key milestones in the automotive industry; the list of companies that established subsidiaries in India is not exhaustive
2) License Raj was an Indian system that required private players to obtain numerous licences from multiple agencies to set up a business

India Likely to Become World's Third-largest Automotive Market by 2020

Indian Automotive Industry Size – by Revenue ($ billion, FY2007–FY2015)



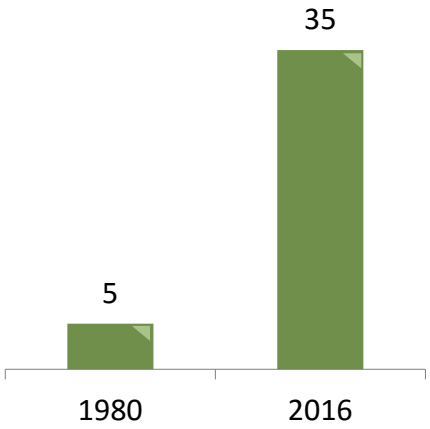
Source: India Brand Equity Foundation (IBEF)

- During 2010–2015, the Indian automotive industry reported strong growth on account of rising income of the middle class and youth population
- However, in FY2014, the industry declined 18% Y-o-Y in the wake of decreased demand for commercial and passenger vehicles
  - — During this period, India faced rising inflation, high interest rate and economic slowdown, resulting in weak consumer interest
- In 2015, India had the sixth-largest automotive industry in the world; the industry is expected to become the third-largest by 2020 on the back of various government initiatives (such as Make in India and AMP 2026), cost advantages (cheap labour) and growth in middle-class population
  - — Over 2015–2020, India's share in the global passenger vehicle market is expected to grow from 2.4% to 8%; by 2020, passenger vehicle production is expected to reach 10 million units
  - — Also, in 2015, India had the world's second-largest two-wheeler market (just after China), which is estimated to grow at a 16% CAGR over 2016–2020 to 34 million units
- In recent years, the government and the manufacturers have increased their focus on electric vehicles
  - — In 2016, sales of electric vehicles stood at 22,000 units (a 37.5% Y-o-Y growth), of which only 2,000 were four-wheelers; lack of adequate infrastructure (such as charging stations) and difficulty in obtaining vehicle financing were the key inhibitors
    - o In January 2013, the government launched the National Electric Mobility Mission Plan (NEMMP) 2020, and the Faster Adoption and Manufacturing of Electric Vehicles (FAME) scheme to encourage the sales of electric vehicles
  - — Various leading players, such as Toyota, BMW, Maruti Suzuki and Mahindra & Mahindra, have already started catering their electric vehicles to the Indian market

> *"India will overtake Germany to become the world's fourth-largest market in domestic car sales by 2017. The growth will come on the back of a fast-growing economy, adequate financing availability, decreasing unemployment, increasing disposable incomes and rising consumer expectations."* **– IHS Markit (November 2016)**

Post Liberalisation, India Has Attracted Multiple Leading Vehicle Manufacturers

Number of Active Vehicle Manufacturers in India (1980 and 2016)



Source: IBEF

During the past 3 decades, almost all major global vehicle manufacturers established their manufacturing plants in India

- Domestic manufacturers, such as Maruti Suzuki, Mahindra & Mahindra and Tata Motors, lead the market in overall vehicle production

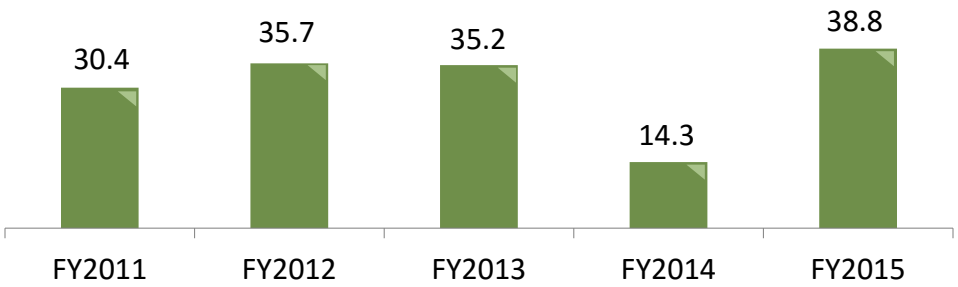
Segment	Market Leader (%)	Other Key Players (%)		
Passenger Cars				
Passenger Cars	52.8 MARUTI SUZUKI	21.2 HYUNDAI	9.3 HONDA	5.6 TATA
Utility Vehicles	36.4 Mahindra	14.7 MARUTI SUZUKI	13.6 TOYOTA	9.9 HYUNDAI
Vans	81.8 MARUTI SUZUKI	12.3 TATA	6.0 Mahindra	
Commercial Vehicles				
M&HCV	52.9 TATA	31.7 ASHOK LEYLAND	10.0 EICHER	
LCV	42.9 Mahindra	37.0 TATA	7.4 ASHOK LEYLAND	

Source: IBEF

- During 2008–2016, the Indian automotive market witnessed the entrance of various multinational vehicle manufacturer; while some of these only had their assembly plants, others set up entire production units
  - In 2014, Volkswagen established a $768 million manufacturing plant in Pune, with an annual production capacity of 110,000 cars
  - In 2009, Mercedes-Benz India started its production facility in Pune, with an installed capacity of 10,000 units per annum

Strong Performance by All Domestic Car Manufacturers

Indian Automobile Industry Size – by Revenue[1] ($ billion, FY2011–FY2015)



Source: Society of Indian Automobile Manufacturers (SIAM)

- Over 2011–2015, the market reported robust growth on the back of strong performance by domestic manufacturers
- Sale of passenger and commercial vehicles increased by 7% and 7.8% Y-o-Y respectively in 2016
  - In FY2017, Tata Motors' revenue stood at $40.2 billion[2] (decline of 4.3% Y-o-Y) as the demand for company's M&HCV and LCV vehicles dropped in 2016–2017; however, there was a 13% Y-o-Y increase in sales of Jaguar Land Rover
  - Maruti Suzuki reported a revenue of ~$10 billion[2] in FY2017 (18.5% Y-o-Y growth), mainly due to the success of its new products – Ciaz, Baleno and Vitara Brezza – and reduced discounts offer on its cars; the company plans to invest ~$2.2 billion in India to buy land and improve its dealership network

Key Factors Expected to Drive Vehicle Manufacturing in India

Internal

- Growth in investments from domestic and foreign OEMs
- Product innovation by manufacturers

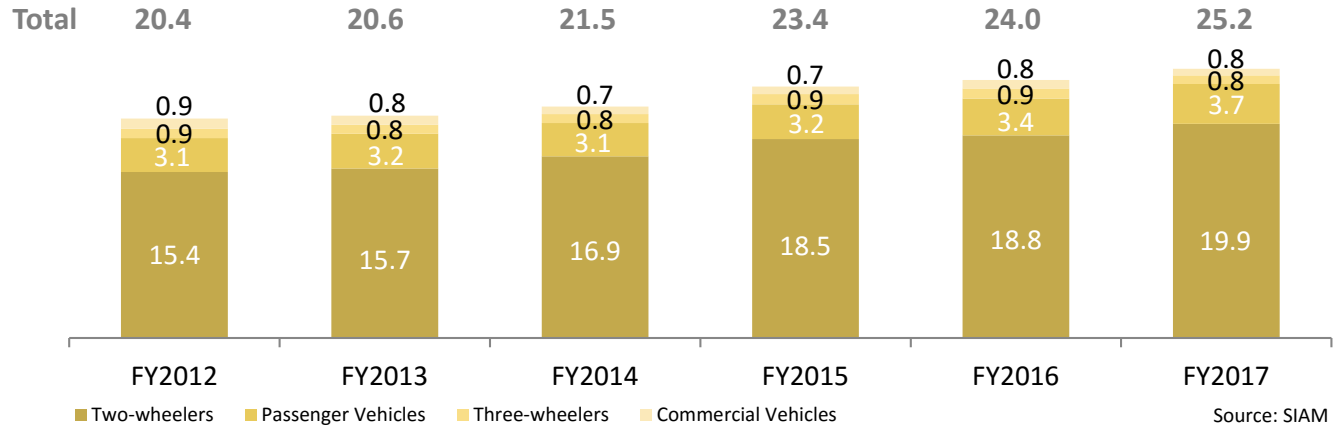
External

- Vehicle Scrappage Program (for >15 year-old MHCVs)
- Demand for small passenger cars from rising middle-class population
- Tax reforms by virtue of implementation of GST
- Policies to encourage FDI

Note: 1) The revenue is only for vehicle production and does not include component manufacturing
2) All currency conversions are at INR 1 = USD 0.0149

New Investments and Capacity Expansion Boosting Production Volume

Vehicle Manufacturing in India – by Production Volume (million units, FY2012–FY2017)



Source: SIAM

Asian Country Ranking – by Vehicle (Four-wheelers) Production Volume (2016)

Country	Global Ranking	Asian Ranking	Production (units)
China	1	1	28,118,794
Japan	3	2	9,204,590
India	**5**	**3**	**4,448,965**[1]
South Korea	6	4	4,228,509
Thailand	12	5	1,944,417
Indonesia	17	6	1,177,389
Iran	18	7	1,164,710
Malaysia	24	8	513,445

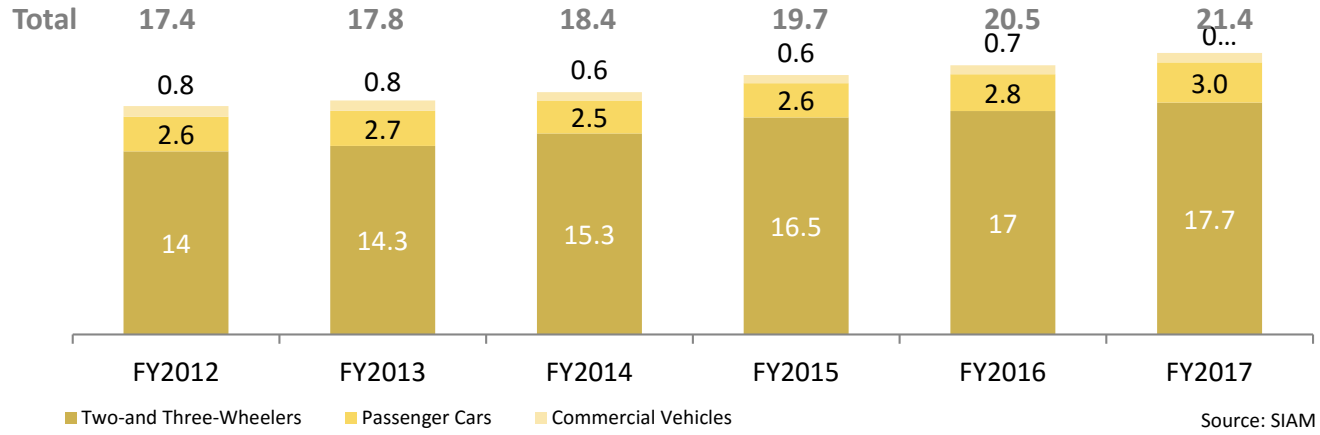
Source: International Organisation of Motor Vehicle Manufacturers (OICA)

- During FY2012–FY2017, production volume increased at a 4.3% CAGR, primarily driven by growth in two-wheeler sales:
  - The growth rate (CAGR) of passenger vehicles and two-wheelers stood at 3.6% and 5.3%, respectively
- The sector also benefited from the presence of major global OEMs that increased competitiveness and the range of products offered
  - In 2013, Renault−Nissan announced plans to invest $2.5 billion (over a 5-year period) in India to increase its production capacity and market share
  - Other vehicle manufacturers, such as Ford, Volkswagen, GM, Honda, Toyota and Hyundai, have also made significant investments to expand production capacity
- Though demonetisation (in late-2016) caused a temporary decline in growth, the government's 'Make in India' initiative – along with the new sectoral policy – is expected to boost production in the coming years

Note: 1) The numbers are slightly different from the ones mentioned in the graph as they have been measured for the calendar year 2016 and not financial year 2016

Domestic Vehicle Sales Recorded Robust Growth During FY2012–2017

Automobile Domestic Sales Trends – by Vehicle Type (million units, FY2012–FY2017)



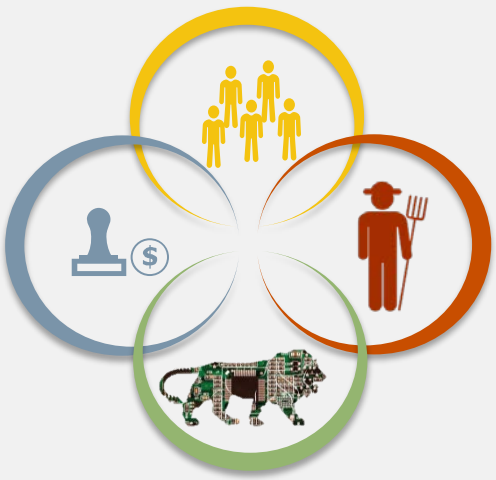
Source: SIAM

- During FY2012–FY2017, sale of passenger cars and two wheelers increased on the back of rise in demand from middle class, growing youth population, lower fuel costs and excise duty cuts
- Though sales of commercial vehicles declined (during FY2012–FY2015) due to slowdown in sales of LCVs, the segment bounced back in FY2016 on account of growth in industrial activity and lower diesel prices

Key Factors Expected to Drive Market Growth in Short–Medium Term

Expanding Middle Class Driving Strong Demand for Passenger Vehicles

Government Initiatives – Incentives for Buying Eco-friendly Cars and Implementation of Scrappage Policy



Government's Schemes for Rural Areas to Revive Rural Demand

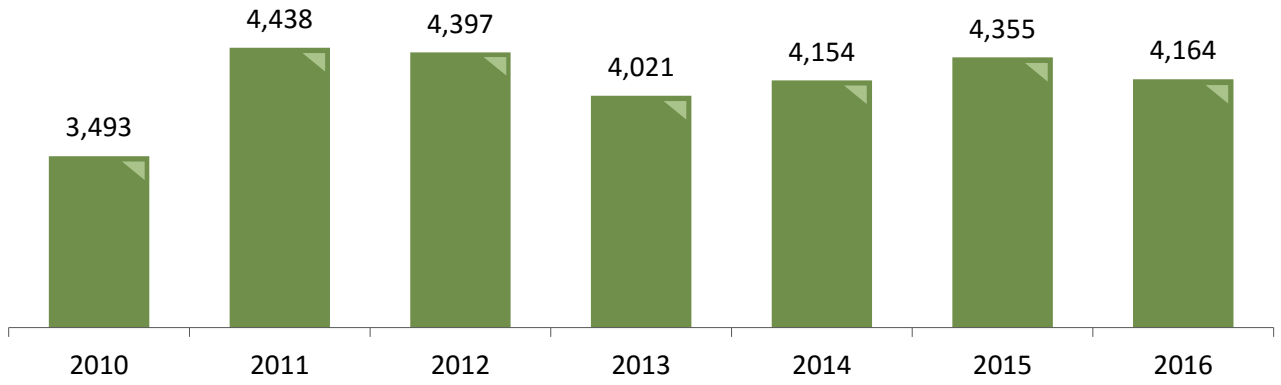
'Make in India' Program to Drive Investment

- In FY2017, domestic sales surged ~7% on a like-on-like basis driven by a positive consumer sentiment, lower financing costs and new model launches

India Primarily Imports Automotive Components from Other Asian Countries

India's Automotive Imports – by Value ($ million, 2010–2016)

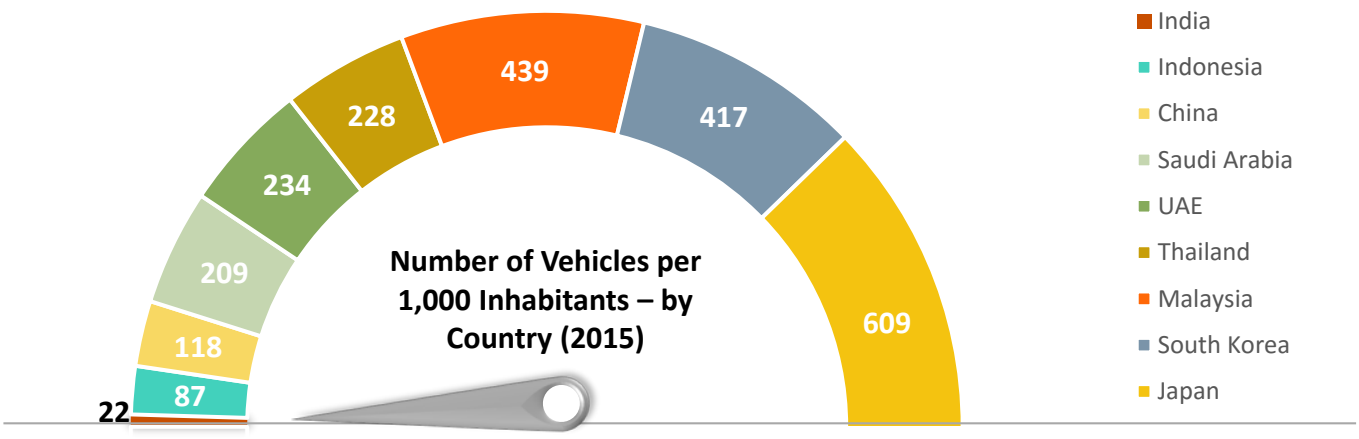
India's Automotive[1] Imports – by Value ($ million, %, 2010–2016)



Source: UN Comtrade

- During 2010–2016, automotive imports (primarily comprising automobile components) grew at a CAGR of ~3%; components are exempted from approvals and licencing, thus encouraging companies to import parts rather than manufacture indigenously
  - Automotive components, mainly electronics and engineering enhancements that are not manufactured in India, accounted for the largest share of imports
  - China, Germany, South Korea and Japan were the key exporters of automotive components to India

Number of Vehicles per 1,000 Inhabitants (2015)



Source: International Organisation of Motor Vehicle Manufacturers (OICA)

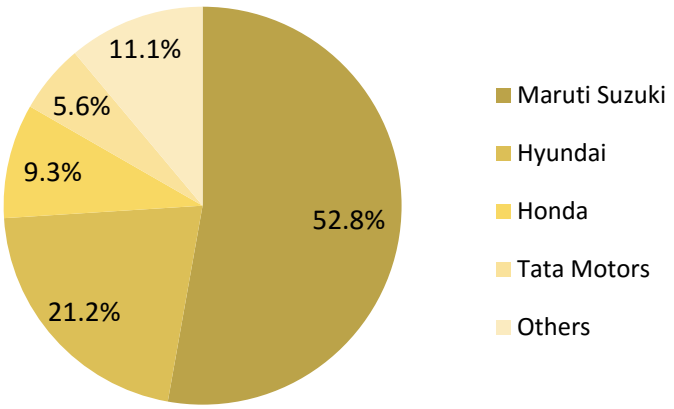
- Currently, India has the lowest vehicle ownership rate in Asia Pacific; over 2014–2015, the ownership rate remained constant at 22 vehicles per 1,000 inhabitants
- During 2016–2040, passenger car ownership in India is expected to grow 775% to 175 cars per 1,000 inhabitants

Note: 1) Comprises the following subcategories: tractors, passenger vehicles (including those for >10 passengers and race vehicles), freight vehicles, special-purpose vehicles (e.g., tow vehicles, cranes and firefighter trucks), chassis with engines, vehicle bodies, vehicle parts and accessories, works trucks (not fitted with lifting or handling equipment and are used for transporting goods over short distances) and motorcycles

Maruti Suzuki Dominates Indian Passenger Cars Segment

Passenger Car[1] Sales in India – by Brand (FY2016)

100% = 2,025,479 units

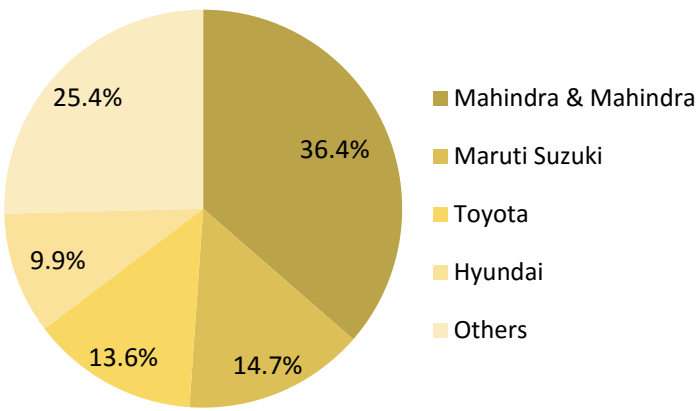


Source: SIAM

- Maruti Suzuki leads the passenger vehicle segment with a market share of 52.8% in passenger cars, 14.7% in utility vehicles and 81.8% in vans
  - In FY2016, the company's passenger car segment grew 9.6% Y-o-Y (by volume)
- 7 Maruti models featured among the top 10 best-selling passenger cars in India till date; these include Alto, Swift Dzire, Wagon R and Swift

Utility Vehicles[1] Sales in India – by Brand (FY2016)

100% = 586,664 units



Source: SIAM

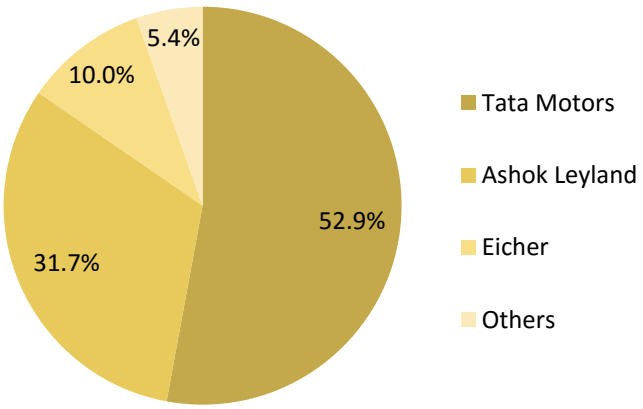
- Mahindra & Mahindra leads the utility vehicles segment; in FY2016, the company's utility vehicles segment reported a 7% Y-o-Y growth (by volume)
- The company launched 9 new products during FY2015–FY2016, which helped it post strong growth
  - The new models include TUV300 and KUV100
  - Bolero is the company's best-selling utility vehicle

Note: 1) Passenger cars and utility vehicles are sub segments of passenger vehicles which also includes vans

Tata Motor, Market Leader in Overall Commercial Vehicles Segment

Medium And Heavy Commercial Vehicles (M&HCV) Sales in India – by Brand (FY2016)

100% = 302,373 units

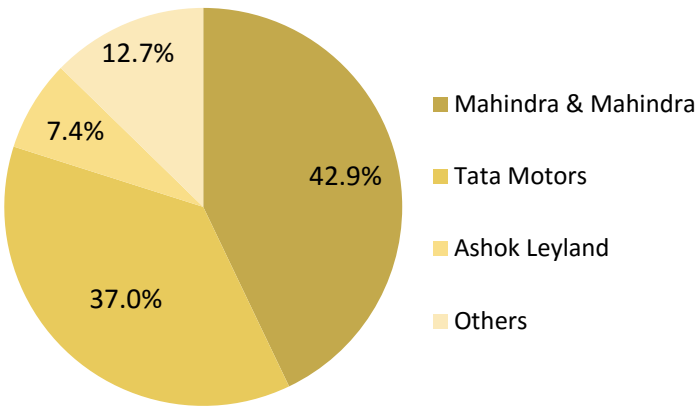


Source: SIAM

- Tata Motors leads the goods carrier segment of M&HCV
  - In FY2016, the company's M&HCV segment grew at 24.5% Y-o-Y (by volume)
- Ashok Leyland also reported strong sales in FY2016 (4 pps Y-o-Y growth) in the M&HCV segment
  - In FY2016, the company's M&HCV segment grew 48.7% Y-o-Y (by volume)
  - It also benefited from growing infrastructure spend, which raised demand for its higher-tonnage vehicles

Light Commercial Vehicles (LCV) Sales in India – by Brand (FY2016)

100% = 383,331 units

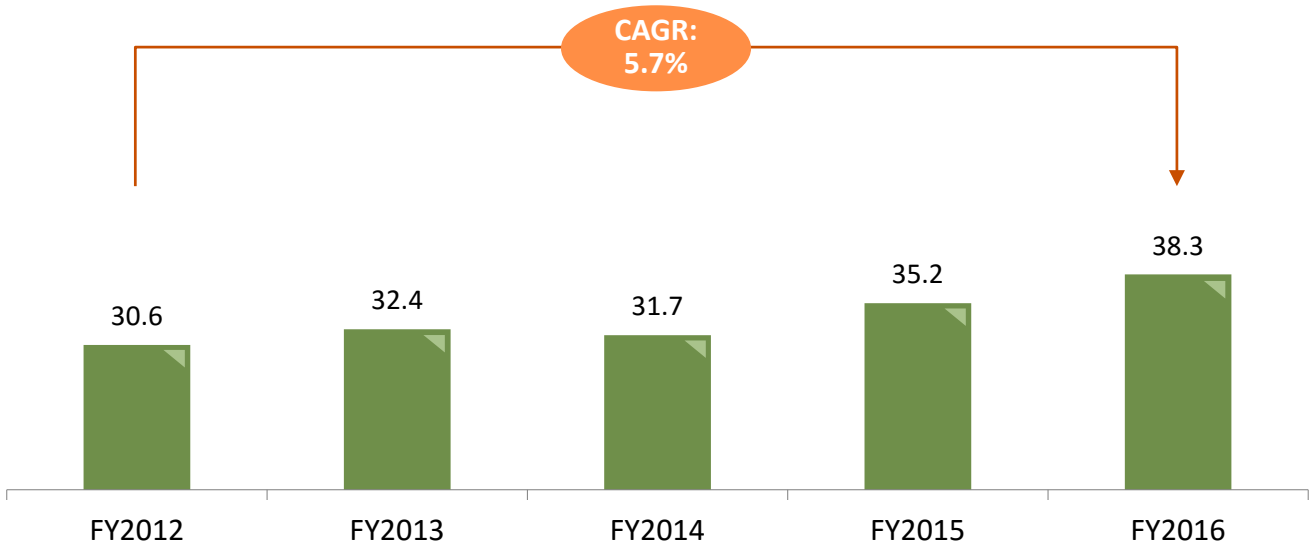


Source: SIAM

- In FY2016, Mahindra & Mahindra overtook Tata Motors in the LCV segment to become the category's new market leader
  - Though the overall category shrunk over FY2015–FY2016, the company still managed to increase its market share
  - The company's strong product portfolio and robust sales, especially of its Jeeto model, helped it dominate the segment
- Though Tata Motors was the pioneer in this segment (through its model – Ace), tough competition led to a 22% decline in its market share over FY2012–FY2016
  - The company is trying to make a comeback in the segment through its new launches – Ace Mega and Super Ace Mint

Components Manufacturing Contributes ~50% Sales in Automotive Industry

Automotive Components Manufacturing Segment – by Revenue[1] ($ billion, FY2012–FY2016)



Source: ACMA

- Automotive components account for ~50% of the overall sales of the Indian automotive industry

According to the ACMA, engine parts (31%), and transmission and steering parts (19%) are the major contributors to the automotive component industry

- Component manufacturers comprise both subsidiaries of global automotive companies and independent component manufacturers
  - — Most large manufacturers have plants in multiple locations across key automotive clusters in India (e.g., Gurugram, Pune and Chennai)
- According to the ACMA, 28% of the total components production is exported, while the remaining 72% is supplied to domestic manufacturers
- Over the last few years, OEMs involved in component manufacturing have continuously expanded their local capabilities by opening new plants
  - — In August 2015, Bosch invested $50.9 million[1] to build a plant near Bengaluru that primarily manufactures diesel systems
  - — In May 2015, ArcelorMittal signed a joint venture agreement with Steel Authority of India Ltd. (SAIL) to establish an automotive steel manufacturing facility in India
- During FY2016–FY2021, the components industry is expected to grow at a ~24% CAGR to $115 billion, driven by a rise in vehicle demand, cost advantage, and availability of low-cost skilled and semi-skilled workforce

Note: 1) All currency conversions are at INR 1 = USD 0.0149

Strong Initiatives by Government and Overall Cost Advantage Driving Market Growth

Key Market Drivers and Inhibitors

AUTOMOTIVE INDUSTRY DRIVERS AND INHIBITORS

Drivers

Various government initiatives (such as 'Make in India' and 'AMP 2026') expected to boost domestic manufacturing and raise rural income, thus driving demand	Demand Side
Tax reforms and GST implementation likely to make tax collection transparent and efficient	
Attractively priced fuel-efficient and small passenger cars – especially from Maruti Suzuki and Hyundai – offer great value for money to middle class	
Attractive offers and discounts by manufacturers during periods of low demand	
Lower labour and production costs compared with developed economies	Supply Side
Significant investment in capacity expansion by domestic and global OEMs, as India offers all the required facilities for component manufacturing	

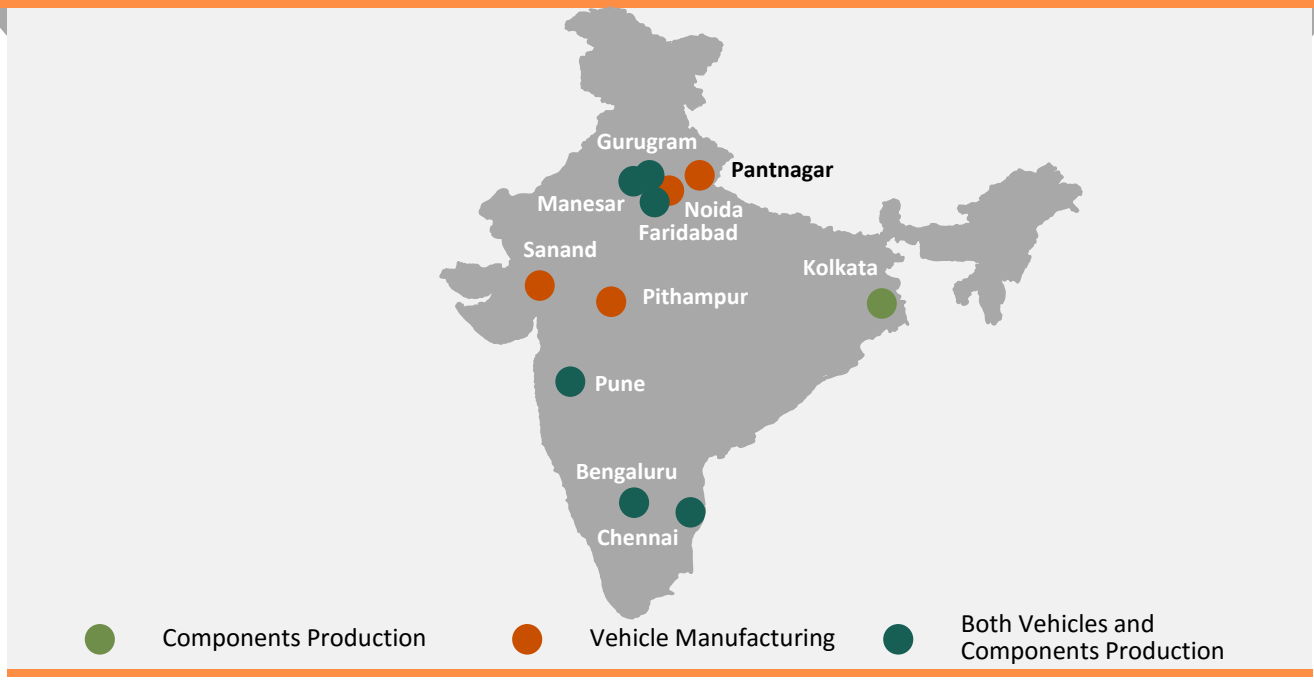
Inhibitors

Lack of adequate infrastructure (roads, railways, electricity, etc.) and high level of corruption	Supply
Shortage of skilled workers	
High corporate tax rate, especially on foreign business entities	
High fuel price – despite 75% fall in global oil prices; retail fuel prices in India are roughly the same when crude was $106 per barrel	Demand
Low per capita income ($1,598 in 2015) – India has one of the lowest per capita income in Asia, which also translates to poor car penetration (20 cars per 1,000 inhabitants)	
Strong emission standards – Indian government is planning to implement BS-VI emission standards by 2020, which will lead to a rise in vehicle prices	

Note: 1) All currency conversions are at INR 1 = USD 0.0149

Gurugram, Chennai and Pune, Key Automotive Hubs

Key Automotive Clusters – by State



Key Clusters and Major Automotive Companies

Location	Manufacturers
Chennai (metro city)	apollo, TVS, BMW, HYUNDAI, Ford, RENAULT, NISSAN
Gurugram (near Delhi)	BOSCH Invented for life, HARLEY-DAVIDSON, MARUTI SUZUKI, SPARK MINDA, Hero, HELLA
Pune (near Mumbai)	PIAGGIO, FIAT, JAGUAR, Mahindra, Kawasaki
Bengaluru (metro city)	Mahindra, TOYOTA, BOSCH Invented for life, samvardhana motherson, Continental
Manesar (near Delhi)	MARUTI SUZUKI, BOSCH Invented for life, Continental, HONDA

- Automotive hubs are usually located near large cities with access to key national roads that can give easy access to railway stations and ports
- India's poor infrastructure – especially roads and power – is a cause of concern for foreign investors that require a extensive highway network that can effortlessly connect key industrial centres

Maruti Suzuki, India's Leading Passenger Car Manufacturer

Company Profiles – Vehicle Manufacturers

Maruti Suzuki

Parent Company	Suzuki Motor Corporation (Japan-based)
Year of Set-up in India	1981 (established as a JV of Suzuki Motor Corporation and Government of India)
Manufacturing Locations	▪ Gurugram, Haryana ▪ Manesar, Haryana ▪ Hansalpur, Gujarat
Key Products	▪ Passenger cars ▪ Multi-utility Vehicles (MUVs) ▪ Multi-purpose Vehicles (MPVs)
Client and Partner Network	▪ Primarily sells vehicles in Asia and South America; in India, the company operates 1,947 vehicle sale points, of which 127 are for NEXA (dealership format for its premium cars) ▪ Also operates a network of used cars – True Value – with 1,007 sales points across 770 cities in India ▪ ~86% of Maruti Suzuki's suppliers (by value) located within 100 km radius of company's manufacturing facilities
Procurement Decision Process	▪ Suppliers have to comply with Maruti Suzuki's rigorous quality checks, such as 'Zero defect policy' and 'Green Procurement'
Revenue[1] ($ million, FY2017)	9,969.5
Headcount (FY2016)	13,259 (permanent); 10,626 (temporary)

- In FY2016, Maruti Suzuki continued to dominate the Indian passenger car market with 52.8% share
- The company, in partnership with its suppliers, has also undertaken various initiatives to minimise its carbon footprint across manufacturing facilities, products and supply chain; it has also undertaken initiatives for water and energy conservation, waste management, etc.

Note: 1) All currency conversions are at INR 1 = USD 0.0149

Hyundai Motor India, India's Leading Car Exporter

Company Profiles – Vehicle Manufacturers

Hyundai Motor India

Parent Company	Hyundai Motor (South Korea-based)
Year of Set-up in India	1998
Manufacturing Locations	▪ 2 plants in Chennai (1 each for vehicles and engines) ▪ An R&D facility in Hyderabad
Key Products	▪ Passenger Cars ▪ Utility Vehicles
Client and Partner Network	▪ Exports its vehicles to 86 countries across Asia Pacific, Africa, South America, Australia and the Middle East ▪ Operates a network of 475 dealers and >1,226 service centres in the country ▪ Launched digital automotive experience outlets called 'Unity Hyundai' in 2016; these offered customers a virtual experience of cars through 3D screens ▪ Most suppliers located in proximity to its manufacturing base in Chennai; in 2014, 34% of the company's supplies came directly from Hyundai Motor, while the remaining 66% was supplied through a total of 119 Korean and Indian suppliers — Of 119, 42 were Korean suppliers of components such as engine parts, headlamps, seats, body parts and ACs, while the remaining 77 were Indian suppliers of components such as mufflers, steel wheels, batteries, accelerators and alternators o Indian car seat maker Dymos is the solo supplier of seats to the company
Procurement Decision Process	▪ The company provides Supplier Quality Certification to auto part manufacturers, which maintain the same level of performance and reliability in all their products ▪ It also has supplier rating systems to estimate the overall quality of suppliers' products
Revenue[1] ($ million, 2015)	5,171
Headcount (2015)	~9,500

- Hyundai Motor India is India's leading car exporter and second-largest car manufacturer
- In 2016, the company held ~17.5% share of the total vehicles manufactured in the country

Note: 1) All currency conversions are at INR 1 = USD 0.0149

Mahindra & Mahindra, India's Leading Utility Vehicle and LCV Manufacturer

Company Profiles – Vehicle Manufacturers

Mahindra & Mahindra

Parent Company	The Mahindra Group
Year of Set-up in India	1945 (established as a steel trading company)
Manufacturing Locations	▪ Chakan, Maharashtra ▪ Nasik, Maharashtra ▪ Haridwar, Uttarakhand ▪ Zaheerabad, Telangana ▪ Kandivali, Maharashtra ▪ Igatpuri, Maharashtra
Key Products	▪ Sport Utility Vehicle (SUVs) ▪ Electric Cars ▪ Tractors ▪ Passenger Vehicles ▪ Two-wheelers ▪ Commercial Vehicles
Client and Partner Network	▪ In October 2014, decided to reduce supplier base by 10% every year till 2019, cutting down on the number of suppliers from 650 to 450 — The company works closely with its key suppliers to minimise supply constraints through capacity planning and long-term contracts ▪ Operates a network of 1,167 offices in India
Procurement Decision Process	▪ The company centralised its procurement process under 'One Sourcing Strategy' after integrating its two-wheeler and truck business into the parent company
Revenue[1] ($ million, FY2016)	652.4 (Automotive Segment)
Headcount (FY2016)	20,122 (permanent); 19,176 (temporary)

- SAARC forms its key export market; the company is currently focussing on emerging markets – such as South Africa and Chile
  - In FY2016, the company recorded 29% Y-o-Y growth in exports volume to Sri Lanka, Nepal, Bangladesh and Bhutan; it also reported a 5% and 20% Y-o-Y growth in South Africa and Chile, respectively
- The company's key market continues to be India, where it led the utility vehicle, tractor and LCV segments with shares of 36.4%, 40.9% and 42.9%, respectively, in FY2016
  - Overall, it was the third-largest vehicle manufacturer in India with a share of ~8.3%

Note: 1) All currency conversions are at INR 1 = USD 0.0149

Tata Motors, India's Largest Automobile Manufacturer

Company Profiles – Vehicle Manufacturers

Tata Motors

Parent Company	Tata Group
Year of Set-up in India	1945
Locations	▪ 20 manufacturing facilities across the globe – 7 in India and the rest in the UK, South Korea, Thailand, Senegal, Ukraine, Morocco, South Africa, Bangladesh and Indonesia
Key Products	▪ Passenger Cars ▪ Commercial Vehicles
Client and Partner Network	▪ Operates a huge sales and distribution network in India, comprising 3,887 sales and service contact points — It has deployed the largest customer relations management system in India, which integrates all the company's dealerships and offices in the country ▪ Also runs 20 R&D, and design and manufacturing sites across Asia, Africa and Europe ▪ Its Jaguar Land Rover business has presence in ~170 countries through a network of 19 national sales companies, 73 importers, 53 exporters and 2,674 franchise sales dealers ▪ Sources parts from leading Indian auto component suppliers, such as Anand Group, Sona Group and TVS Group; other large suppliers include leading multinationals – Bosch, Continental, Delphi and Denso
Procurement Decision Process	▪ All the suppliers have to comply with a stringent quality assurance programme laid down by the company to reduce production defects ▪ The company has incorporated a 16-step 'Supplier Quality Improvement Process' (SQIP) to ensure the quality of outsourced components
Revenue[1] ($ million, FY2017)	40,207
Headcount (2016)	26,569 (permanent); 26,594 (temporary)

- In FY2016, Tata Motors recorded a moderate 1.5% Y-o-Y growth, while the Indian automotive industry grew 8% Y-o-Y, leading to a 1 pps decline in the company's overall share to 13.1%
- The company dominated the overall commercial vehicle segment with a 46.4% market share; in the small commercial vehicle segment, the company accounted for ~85% share

Note: 1) All currency conversions are at INR 1 = USD 0.0149

Bharat Forge, Leading Forging Company Globally

Company Profiles – Component Manufacturers

Bharat Forge

Parent Company	Kalyani Group
Year of Set-up in India	1961
Locations	▪ Pune ▪ Satara
Key Products	▪ Car Crankshaft ▪ Front Axle Beam ▪ Connecting Rods ▪ Steering Knuckles ▪ Transmission Parts
Client and Partner Network	▪ Also serves the markets of North America, Brazil, Europe and Asia Pacific
Procurement Decision Process	▪ The company has introduced e-sourcing to reduce its procurement costs and cycle time; e-sourcing also allows the company to widen its vendor base
Revenue[2] ($ million, FY2016)	1,194.3
Headcount (FY2016),	4,763 (permanent); 2,761 (temporary)

Key Clients[1]

- Ford
- GM
- Honda
- Toyota
- BMW
- Volkswagen
- Daimler
- Renault
- Tata
- Fiat
- Audi

- Bharat Forge – India's largest exporter and manufacturer of auto components – manufactures a wide range of critical and safety parts for the automotive industrial sector

Note: 1) List of companies is indicative
2) All currency conversions are at INR 1 = USD 0.0149

Bosch India, 15 Manufacturing Facilities and 7 Development Application Centres

Company Profiles – Component Manufacturers

BOSCH Bosch India

Parent Company	Bosch Group (Germany-based)
Year of Set-up in India	1951
Locations	▪ Bosch India operates 15 manufacturing sites, and 7 development application centres in India; some of the important manufacturing sites are: — Bangalore — Bidai — Chennai — Gangaikondan — Jaipur — Naganathapura — Nashik — Verna
Key Products[1]	▪ Gasoline Systems ▪ Diesel Systems ▪ Chassis Systems Control ▪ Electrical Drives ▪ Car Multimedia Accesories ▪ Automotive Electronics ▪ Automotive Steering
Client and Partner Network	▪ Has sales presence in ~150 countries
Procurement Decision Process	▪ The company has laid down strict Environmental, Health and Safety (EHS) requirements for its suppliers ▪ It also requires contractors to comply with statutory regulations and labour laws
Revenue[2] ($ million, FY2016)	1,768
Headcount (FY2016)	9,134 (permanent); 2,625 (temporary)

Key Clients[1]

MARUTI SUZUKI, HYUNDAI, Mahindra, GM, Ford, FIAT, RENAULT, TATA, NISSAN, Volkswagen, EICHER, ASHOK LEYLAND

- Bosch India operates through 9 companies: Bosch, Bosch Chassis Systems India, Bosch Rexroth India, Bosch Engineering and Business Solutions, Bosch Automotive Electronics India, Bosch Electrical Drives India, BSH Home Appliances, ETAS Automotive India and Robert Bosch Automotive Steering India
- Besides mobility solutions, Bosch caters to the industrial technology, consumer goods and energy sectors

Note: 1) List of companies is indicative
2) All currency conversions are at INR 1 = USD 0.0149

Spark Minda, 26 Manufacturing Plants Across India

Company Profiles – Component Manufacturers

Spark Minda

Parent Company	Ashok Minda Group
Year of Set-up in India	1958
Locations	▪ The company has 26 manufacturing plants in India; some of these include — **Minda Corporation**: Noida, Pune, Aurangabad and Pantnagar — **Minda Stoneridge Instruments**: Pune and Chennai — **Minda Silca Engineering**: Greater Noida — **Minda VAST Access Systems**: Pune and Manesar — **Minda Furukawa Electric**: Bawal, Chennai, Noida and New Delhi
Key Products[1]	▪ **Safety, Security and Restraint System**: Electronic and mechanical security systems, immobilisers, latches, striker, door handles, etc. ▪ **Driver Information and Telematics System**: Instrument cluster, dashboard assemblies, digital clocks, tank units and gauges, speed sensors, temperature sensors and position sensors ▪ **Interiors System**: Injection moulding, dashboard, consoles, parcel shelf, air vent, air duct and arm rests ▪ **Aftermarket**: Gear shift locks, wiper blades, auto rollup relays and filters
Client and Partner Network	▪ Serves various global OEMs and has formed JVs with various foreign entities to enter new markets
Procurement Decision Process	▪ The company has introduced various measures to rationalise fixed costs, centralise procurement process and reduce raw material inventory ▪ It also adopted the SAP Ariba sourcing solution to automate and integrate the procurement process
Revenue[2] **($ million, FY2016)**	368.9
Headcount (FY2016)	1,202 (permanent); 14,000 (total)

Key Clients

- Maruti Suzuki – Way of Life!
- Piaggio
- Honda
- Bajaj – Distinctly Ahead
- TVS
- Caterpillar
- Harley-Davidson Motor Cycles
- Mahindra
- Ashok Leyland

- Spark Minda entered into strategic alliances and collaborated with leading international companies to assimilate latest technologies and meet the required international standards

Note: 1) List of companies is indicative
2) All currency conversions are at INR 1 = USD 0.0149

Maruti Suzuki, Continuous Efforts Towards Indigenisation of Cars

Success Stories – Vehicle Manufacturers

- In October 1982, Suzuki Motor Corporation Japan (SMC) entered into a licence and JV agreement with Maruti Udyog to form Maruti Suzuki; the company commenced operations in 1983 and launched its first car – Maruti 800 – in December 1983
  - In 1987, it exported its first lot of 500 cars to Hungary
- Suzuki Motor Corporation increased its stake in the company to 50% in 2007 (from the original 26%) and eventually to 56.2% in 2013
  - In May 2007, the Government of India, the other major shareholder, sold its complete share to Indian financial institutions
- As of 2016[1], the company had 3 manufacturing facilities (with a combined annual capacity of 1.75 million units), 1,750 showrooms and 3,000 workshops across India
  - In 2012, the state government of Gujarat provided the company with ~2.6 million sq m of land to build its 3rd manufacturing facility
- In 2016, the company continued to dominate the Indian passenger car segment (~53% share)
  - The company sold ~1.3 million vehicles in India and exported another 123,850 units; it aims for a total sales target of ~2 million units and market share target of ~50% by 2020
- The company has also been working on the indigenisation of its cars; as of 2016, ~86% of its supplier base (by value) was located within a 100 km radius of the company sites
  - Further, the company's first launch of 2017 – Ignis – utilises 98.5% locally manufactured goods
- After the introduction of GST in July 2017, the company passed on the GST benefit to the customers, by slashing the prices of its passenger vehicles by up to 3%, however, the increased GST rate on the hybrid vehicles made the 'Smart Hybrid Vehicles by Suzuki' (SHVS) dearer

> *"We plan to expand the number of NEXA (the company's premium dealership network) outlets to 250 by end of FY2016. With regard to long-term plan, by 2020, we are planning to set up ~400 NEXA outlets. NEXA has been the fastest-growing retail network in the world, and we will continue this momentum. We are focussed on network and product expansion."* – **R.S. Kalsi, MSI Executive Director (Marketing & Sales), Maruti Suzuki India (February 2017)**

Note: 1) Financial year ends in March of every year

Renault KWID Achieved 98% Localisation Level, Highest by Any International Manufacturer

Success Stories – Vehicle Manufacturers

- Renault entered the Indian automotive market in 2005
  - In 2007, Renault entered into a 49:51 JV with Mahindra & Mahindra for production and sale of Logan in India; the JV ended in 2010 after the failure of the model
  - In 2010, the Renault–Nissan alliance established its $674.1 million[1] manufacturing facility in Chennai with an annual capacity of 400,000 cars
  - During 2011–2012, Renault launched various cars such as Fluence, Scala, Pulse and Duster – which helped the company increase its market share to 23% in the compact SUV segment
- In 2015, the company launched KWID in the small car segment; over 110,000 units of the car were sold within a year of its launch
  - Renault achieved localisation levels of 98% with KWID (highest ever achieved by an international manufacturer in India) and became a success story of the 'Make in India' mission
- Renault's India market became their fastest-growing business globally, with the company registering ~145% Y-o-Y sales growth in 2016, primarily driven by KWID
- After the implementation of GST in India, Renault extended the GST benefits to its customers in the form of price reductions of up to 7% on its product lineup

> *"Today, Renault KWID is one of the biggest 'Make in India' success stories and one of the fastest-growing automotive brands in India. Renault has already started the exports of Renault KWID to SAARC and African countries, taking the excellence of Indian manufacturing and engineering to the world."* – **Sumit Sawhney, Country CEO and MD, Renault India Operations (December 2016)**

> *"Our roadmap for India is very clear, and we have a long-term commitment to this market. Together with our product portfolio expansion strategy, as is reinforced by strengthening the KWID portfolio, we are also significantly increasing our sales and network reach in India. These efforts are matched by a clear strategy to enhance customer brand experience, with several unique and pioneering initiatives already underway to ensure that customers have an unparalleled experience with the Renault brand."* – **Sumit Sawhney, Country CEO and MD, Renault India Operations (December 2016)**

Note: 1) All currency conversions are at INR 1 = USD 0.0149

MSSL, Market Leader of Passenger Car Wiring Harnesses in India

Success Stories – Component Manufacturers

Motherson Sumi Systems Limited

- In 1986, Sumitomo Wiring Systems, Japan, and Samvardhana Motherson Group, India, entered into a JV to form Motherson Sumi Systems Limited (MSSL)
- The company's product portfolio includes wiring harnesses, rear-view mirrors, cutting tools and precision metal machining
  - The company is a leader in the Indian passenger car wiring harnesses segment with ~65% market share; it also accounts for a 53% share in the Indian passenger car rear-view market
- The company made several acquisitions in the last decade with an objective to expand its presence in the global market; some of the acquisitions include
  - Stoneridge – A US-based wiring harness manufacturer (2014)
  - Peguform – A German auto component manufacturer (2011)
  - Visiocorp – A UK-based rear-view manufacturer (2009)
- As of 2016, the company had presence in 25 countries with 124 manufacturing facilities across Asia Pacific, EMEA and the Americas
  - Some of its clients include Maruti Suzuki, Hyundai India, Renault Nissan, Tata Motors, Mahindra & Mahindra, Volkswagen, Porsche, Mercedes-Benz and BMW
    - Overseas clients account for ~85% of the company's revenue
- The company also entered into several JVs with global companies to gain access to latest technologies in the auto component market
  - As of 2016, the company had 24 JVs with players such as Nissin Electric (a Japanese electrical equipment company), Bergstrom (a US-based designer and manufacturer of cab climate systems) and Nippon Pigment (a Singapore-based manufacturer of plastic products)
- During FY2009–2015[1], the company's consolidated revenue grew at ~34% CAGR from $1.5 billion[2] to $5.7 billion

> *"We saw opportunity in recession, and Visiocorp made us truly global. We always acquire what our customers suggest. Its not a case of acquiring just an overseas asset, but an opportunity to serve our customers better."* – **V.C. Sehgal, Chairman, MSSL (November 2015)**

> *"Motherson has been a clear exception across all players. Many companies have sold their foreign assets on failure to turn them around or simple management failures. Motherson has not just made its foreign subsidiaries sustainable, but it has a unique ability to strengthen bonds with global carmakers through these acquisitions with strong inflow of orders and technology."* – **Gaurav Vangaal, Senior Analyst, IHS Automotive (November 2015)**

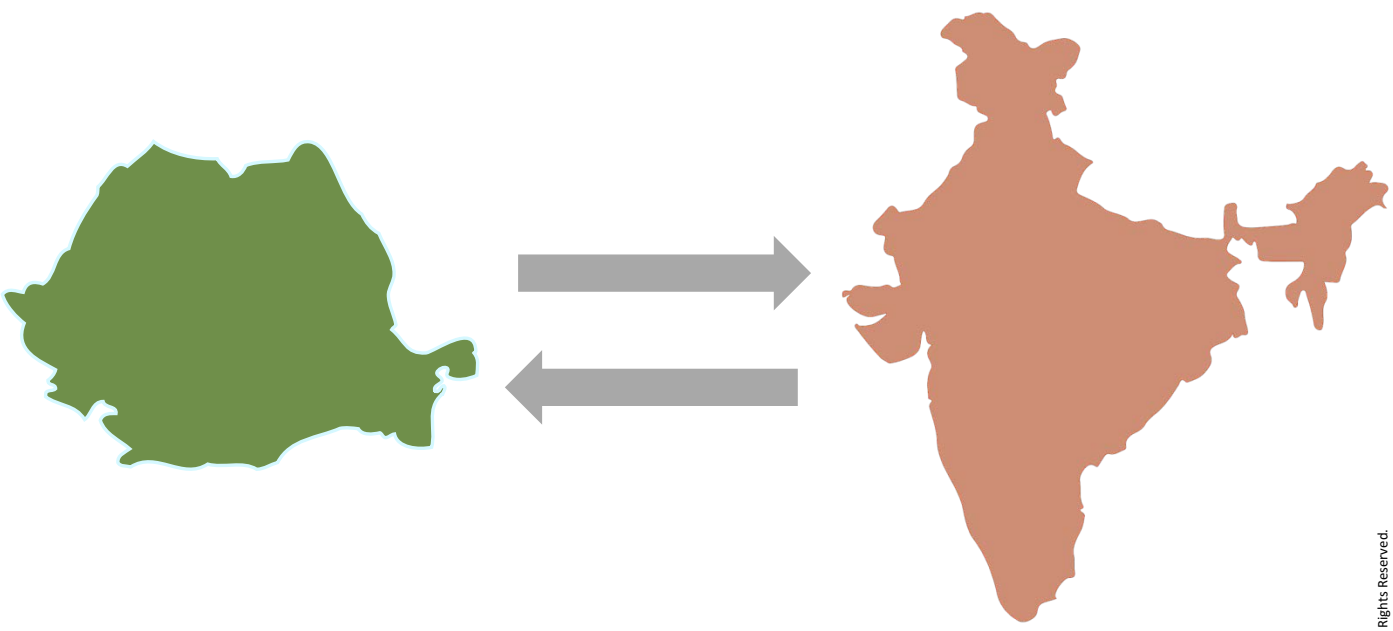
Note: 1) Financial year ends in March of every year
2) All currency conversions are at INR 1 = USD 0.0149

Trade Agreements

Indian and Romanian Diplomats Seek to Strengthen Bilateral Commercial Relations

Bilateral Diplomatic and Commercial Relations Between India and Romania

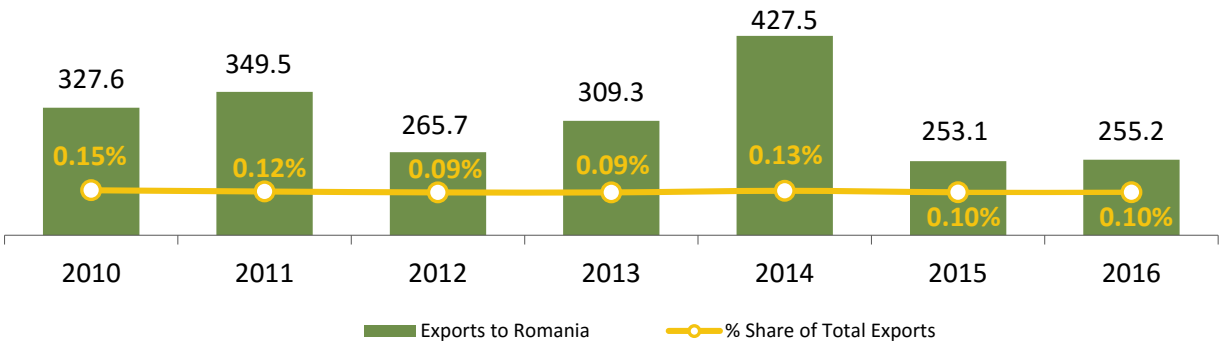
- Romania and India established diplomatic relations at the legation level in 1948 and at the embassy level in 1957
- Currently, presence of Romanian countries in the Indian market is limited, as evident from low level of FDIs from the former
  - Companies, especially those involved in developing software solutions and manufacturing railway equipment, have made investments in India; some of these include Omnia Professional, FSS Activ Group, Altantia, Saira Seats and Simest
- Indian companies, however, have a comparatively larger scale of operations in Romania; many Indian IT, pharma and BPO companies have established their subsidiaries in Romania
  - Wipro, Genpact, SunPharma, Ranbaxy, Dr.Reddy's Labs, Sunwave Pharma and Thakral Group are some of the large Indian MNCs with presence in Romania
- In March 2013, the Ministers of Foreign Affairs of both the countries signed the Joint Statement on Establishing an Extended Partnership; the agreement is expected to spur bilateral commercial relations across a wide variety of industries, including IT, pharmaceutical, chemical, and outsourcing, infrastructure and agriculture
- In May 2017, the India-Romania Business Forum (IRBF) was launched as an initiative to boost bilateral trade and investment by bringing Indian and Romanian businessmen and entrepreneurs together
  - IRBF will also serve as a focal point for organizing events, facilitating interaction between stakeholders, acting as a clearing house of information and exploring opportunities for new ventures



Romania Represents <1% of India's Total Exports and Imports

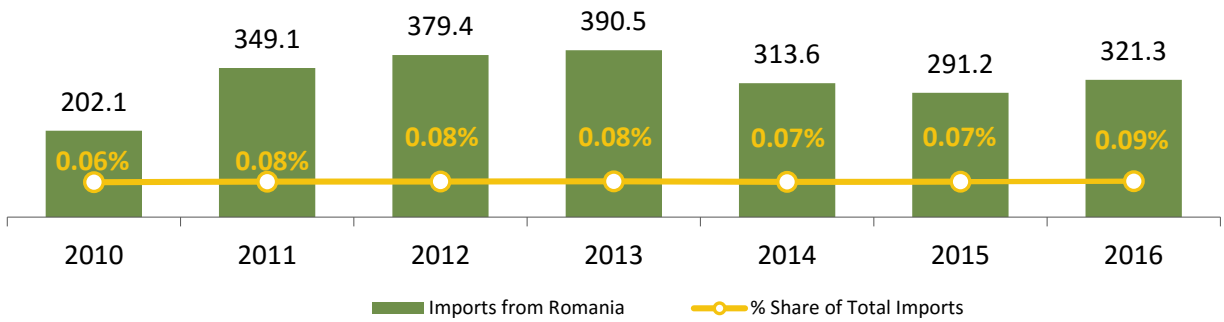
India's Exports and Imports to/from Romania

India's Exports to Romania – by Value and Share of Overall Exports ($ million, %, 2010–2016)



Source: UN Comtrade

India's Imports from Romania – by Value and Share of Overall Imports ($ million, %, 2010–2016)



Source: UN Comtrade

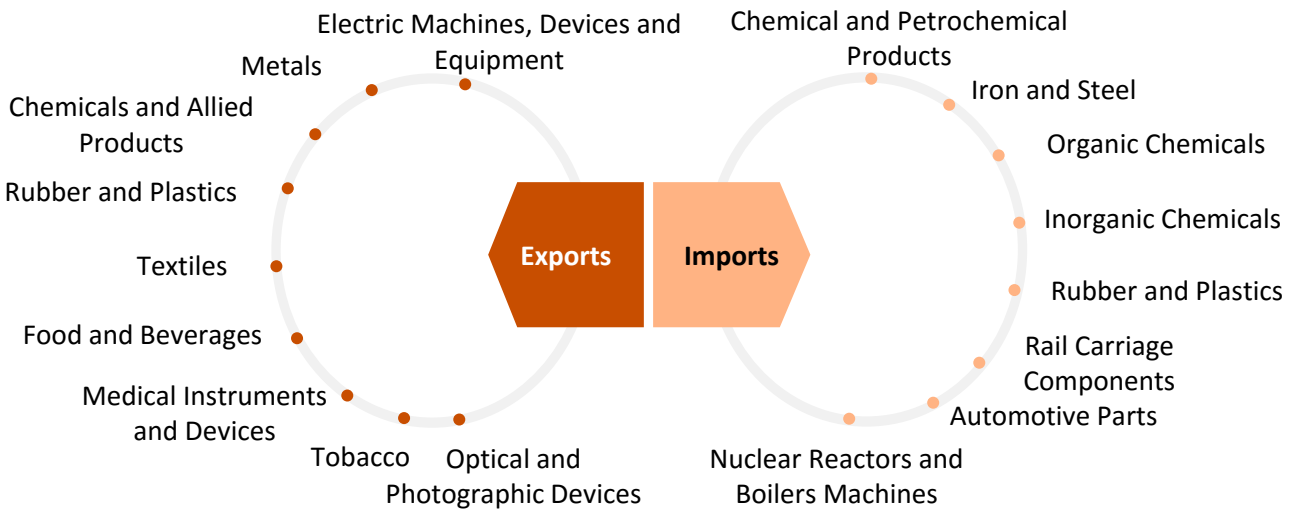
In FY2016, India had a trade deficit of ~$66 million with Romania; which is not a key trading partner, as Indian goods account for <1% of Romania's total exports and imports

Further, between 2010 and 2016, India's share of exports to Romania gradually declined from 0.15% to ~0.1% while the share of imports increased from 0.06% to 0.09%

Potential Trade in Certain Sectors/Products Can Boost Overall Bilateral Trade

India's Exports and Imports to/from Romania

India's Key Exports and Imports to/from Romania



Source: Ministry of External Affairs, India

- In December 2016, the Indian Ministry of External Affairs identified certain sectors which had a strong potential to increase bilateral trade between the 2 countries
  - Some of these sectors include pharmaceutical and medical devices, agricultural, automotive and engineering goods; the Ministry also identified the potential to import laser-based technology into India which had its applications in various industries including medical, avionics and oil exploration and drilling
- Trading between Romania and India would also benefit from a potential EU–India Free Trade Agreement (FTA)
  - Started in 2007, FTA negotiations were encumbered by differences in areas such as intellectual property rights, duty cuts in autos and spirits, and visa regime, and came to a de facto standstill in 2013
  - In 2016, President of the European Commission, Jean-Claude Juncker, declared his support in favour of resuming negotiations; however, the treaty is expected to undergo various changes due to Brexit

Limited Number of Indian Firms with Production Sites in Romania and Vice Versa

Automotive Companies Doing Business in India and Romania

Indian Companies with Operations in Romania

Company	Overview	Contact Details (in India)	
Cambric Consulting	It provides engineering services through 3 centres in Romania It was acquired in 2013 by TATA Technologies	General telephone and email	91 206 652 9090 (Tata Technologies)
Ford India	It exports India-manufactured Ford Ka+ to Europe	General telephone and email	91 124 387 3001 custmail@ford.com
REGE Automotive	The firm manufactures components for anti-locking braking systems (ABS) It was acquired in 2015 by Amtek Auto, an India-based automotive firm specialising in aluminium die casting and subassembly production	General telephone and email	91 114 234 4444 info@amtek.com
Ruia Sealynx Romania	The firm produces automotive sealants It was acquired in 2011 by Ruia, an India-based industrial conglomerate	Official contact: Patrick Masson	91 332 289 4747 info@dunlop.co.in
Suzuki	The firm exports India-manufactured Suzuki Baleno to Europe	General telephone and email	91 114 607 5414 contact@maruti.co.in

Romanian Companies with Operations in India/with Indian Partners

Company	Overview	Contact Details (in India)	
Continental Romania	It sells tyres manufactured in Romania in Europe and globally	Telephone and email for Timisoara tyre plant	91 806 611 5100 automotive.india@continental-corporation.com
Dacia Group (part of Renault)	Components produced at Pitesti plant are used internally or shipped to other Renault plants, including in India Moreover, Renault's Chennai plant in India ships components to other group factories, including in Romania	General telephone and email	1 800 300 44444 customer@renault.com
Ford Romania	It manufactures engines for multiple external Ford plants, including in India	General telephone and email	91 124 387 3001 custmail@ford.com
URB (Rulmenti Barlad)	It established a ball bearing production plant in Gujarat (India) in 2015	General telephone and email	91 124 473 7324/ 91 989 914 2042
		Telephone and email for Timisoara tyre plant	91 908 742 2916
		Contact Details (in Romania)	
		General telephone and email	40 235 412 120 info@urb.ro

- Very few Romanian automotive firms have production sites in India and vice versa
- The 3 Indian companies that have production units in Romania – TATA Technologies, Amtek Auto and Ruia – entered the market through acquisitions rather than establishing their own plants
- In 2015, TATA Motors decided to set up a Jaguar Land Rover production plant in Slovakia instead of Romania due to better road infrastructure, and more predictable and company-oriented fiscal policy

Investing in India

India Attractive Destination for Investors on Back of Robust Domestic Manufacturing

Advantages and Disadvantages of Investing in India

Advantages

- Strong economic growth – India's GDP is expected to report a 7.2% Y-o-Y growth in FY2017
- Investor-friendly investment policies, such as newly implemented GST (Goods & Service Tax)
- 100% FDI without prior government approval in the automotive sector
- Leading vehicle manufacturer and an emerging global hub for sourcing auto components
- Emerging automotive R&D hub – NATRiP[1] centres being established

Disadvantages

- Lack of adequate infrastructure and high logistics cost
- High corruption and bureaucratic hurdles; sluggish judicial system
- High corporate tax rates[2]
- Lack of skilled labour force and stringent/ outdated labour laws
- Growing counterfeit auto-parts market[4]

- India's fast-growing economy, focus on domestic manufacturing and a robust financial/banking system have made it an attractive destination for investors
  - The government's 'Make in India' initiative, launched in 2014, promotes domestic manufacturing by relaxing regulatory policies and introducing a transparent framework to increase investments, foster innovation, develop skills, etc.
- However, poor infrastructure, lack of skilled labour force, high level of corruption and counterfeit auto-parts market are deterrents
  - Though India lacks the required infrastructure, the government is addressing the challenge by investing in various fields such as industrial parks and special economic zones

Note: 1) NATRiP Centres: National Automotive Testing and R&D Infrastructure Project aims to help the automotive sector in India achieve core global competencies and integrate it with the global automotive industry. It is a combined initiative by the Government of India, state governments and Indian Automotive Industry to create state of the art validation, testing and R&D infrastructure in India; continued in slide note

Domestic Manufacturing to Spur on Back of Various Government Initiatives

Industry Representatives Opinion on Doing Business in India

Domestic Manufacturing to Showcase Strong Growth on Back of Government Initiatives

"Over the past few years, setting up business in India has become much more easier than before (though not as easy as in other developed economies such as the US). The government is taking several steps to attract foreign investments in the country. In the national budget for FY2017, we saw the government abolishing the Foreign Investment Promotion Board, thus simplifying the procedure for FDI inflows. The 'Make in India' campaign is also expected to motivate foreign entities to set-up factories in India, mainly to avoid cost over-runs due to duties involved in importing." **– Kaustubhan Srivathsan, Founder and Owner, kad24 (February 2017)**

"Automotive industry will be the main driver for manufacturing growth in the India. Therefore, the automotive sector has been chosen as a top priority area under the Prime Minister's 'Make in India' programme. The programme aims to achieve a fourfold growth in auto industry's output by 2026." **– Government's Make in India Pitch Points to Auto Sector Turnaround, Livemint (2015)**

Shortage of Skilled Labour and High Corruption and Bureaucratic Levels to Hamper FDI Inflows

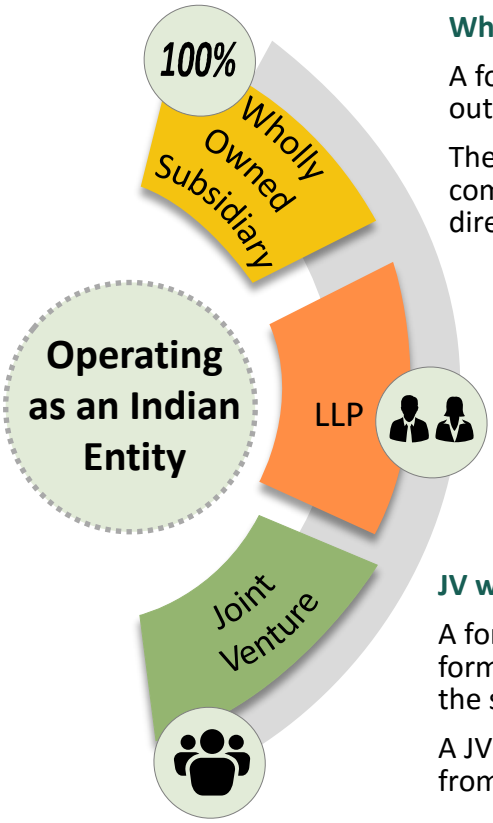
"We are ranked poorly on ease of doing business as the red tape and bureaucracy conditions in India continues to be concern area." **– Nikunj Sanghi, Director, International Affairs & Global Relations, Federation of Automobile Dealers Associations, India (February 2017)**

"India is rich in its manpower, but opportunities and facilities that train and gainfully employ them are by far, few. On the other hand, growth in the automotive industry, changing technology, a burgeoning economy, a larger disposable income and lowering first hand life-cycle of cars have triggered huge demand for skilled technicians and that of upskilling in the sector." **– Roland Folger, Managing Director and CEO, Mercedes-Benz (August 2016)**

Regulatory Framework

Firms Willing to Invest in India Prefer to Set Up Limited Liability Partnerships

Types of Entities Foreign Investors Can Set Up in India



Wholly Owned Subsidiary

A foreign company can set up a wholly owned subsidiary to carry out business in India

The entity must have at least 2 shareholders (for private company) and 7 shareholders (for public company); further, the director of the entity must be an Indian

Limited Liability Partnership (LLP)

A hybrid entity, an LLP offers the combined advantage of a company (operating as a separate business entity) and a partnership firm (organisational flexibility)

LLPs are gaining popularity on account of ease of set-up, maintenance and exit; moreover, unlike a company, they are not entitled to pay any tax on distribution of profits

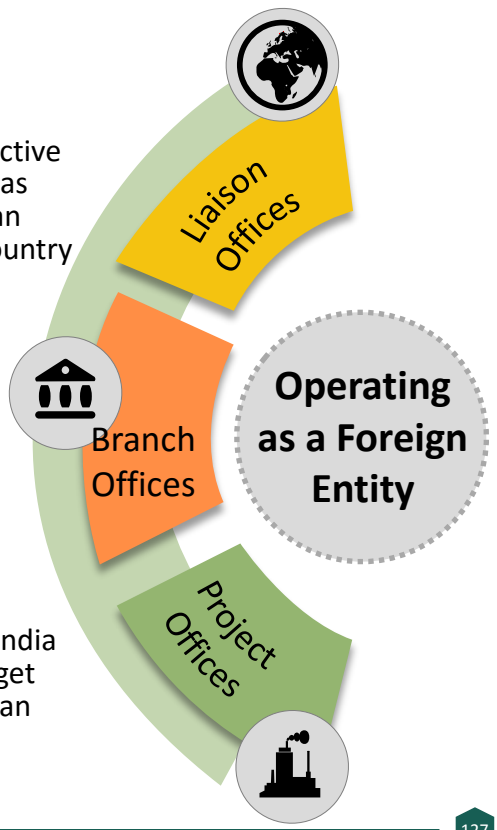
JV with an Indian Partner

A foreign company can also carry out its operations in India by forming a strategic alliance with an Indian partner (involved in the same line or those that can add synergies)

A JV covered under an automatic route only requires approval from only the RBI

Liaison Offices (LOs)

Foreign entities looking to enter the Indian market often established LOs, which act as a communication channel by collecting information about the market and providing prospective Indian customers information about the company's products; as per RBI norms, an LO cannot be involved in anything other than liaison activities, and hence can not earn any income in the country



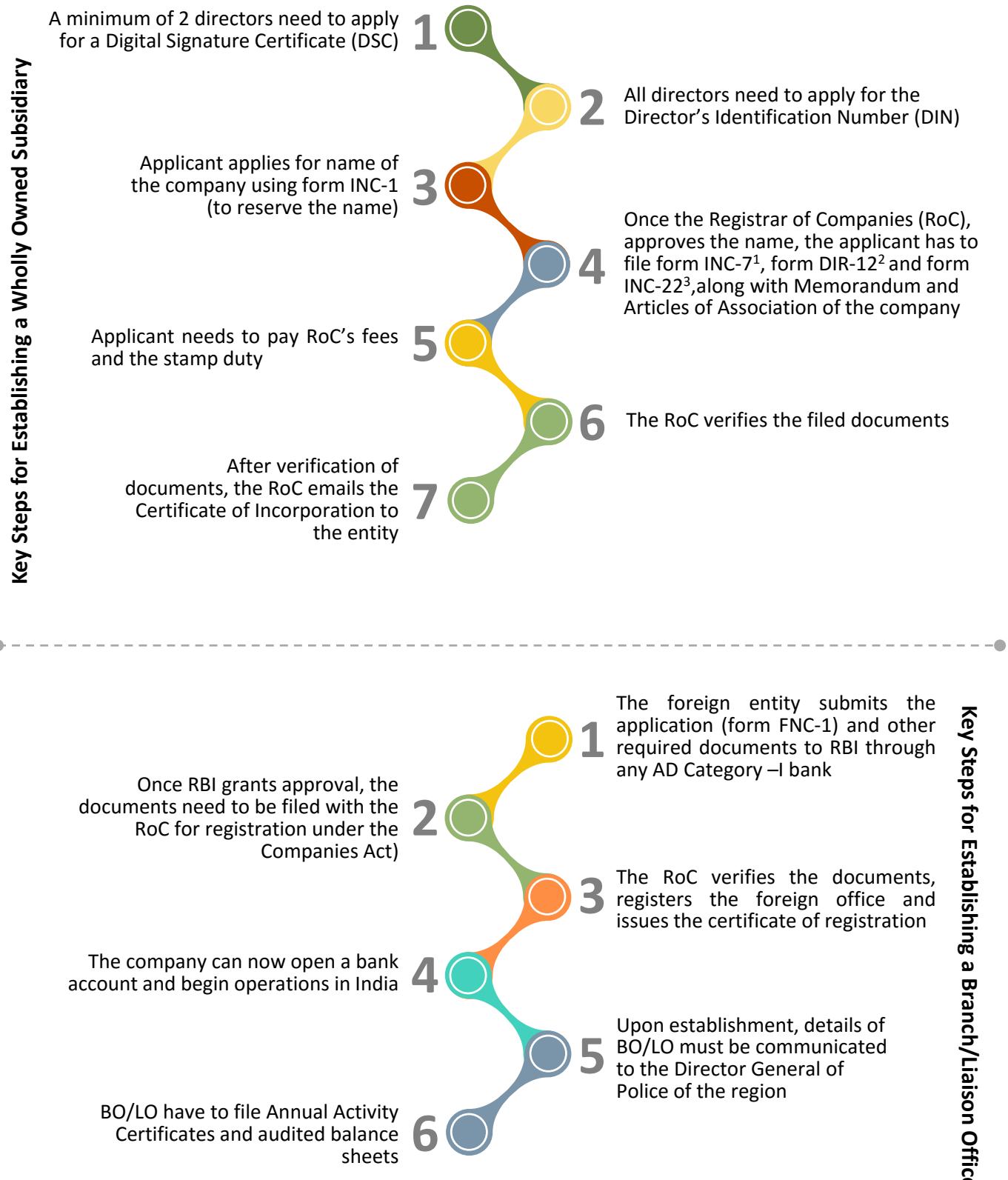
Branch Offices (BOs)

Foreign entities (with a minimum net worth of USD 100,000 or equivalent and a profit-making track record in the previous 5 years) involved in trading and manufacturing activities can set up branch offices in India for purposes listed under the RBI guidelines (such as import/export of goods and consultancy services)

Project Offices (POs)

Foreign companies planning to undertake specific projects in India can set-up temporary project and site offices; they can easily get an approval from the RBI if they have secured a contract with an Indian company or a project sanctioning authority

Indian Legislation Entails Several Steps for Establishing an Entity in the Country



Note: 1) INC-7 – Application for incorporation of a company (other than OPC – one-person company)
2) DIR-12 – Particulars of appointment of directors and the key managerial personnel and the changes among them
3) INC-22 – Notice of situation or change of address of the registered office of the company

Comparison of Various Methods of Entering the Indian Market

Particulars	Liaison Office	Project Office/Branch Office	Subsidiary Company	LLP
Legal Status	Represents the parent company	Extended arm of the parent company	Independent	Independent
Approval for Commencing Business	Specific RBI approval required	Specific RBI approval required	Subsidiary can be set up subject to FDI regulations	LLP can be set up subject to FDI regulations
Activities Permitted	Only liaison activities	Only activities permitted by the RBI	Activities specified in the company's Memorandum of Association (subject to FDI guidelines)	All the activities permitted under the sector granting 100% FDI
Key Compliance Requirement as per FEMA[1]	Annual activity certificate (audited by Indian auditors) to be filed with RBI	Annual activity certificate (audited by Indian auditors) to be filed with RBI	Need to file periodic and annual filings[2] related to foreign liabilities and issuance/transfer of shares to foreign investors	Need to file details on amount of consideration for capital contribution[3]
Income Tax Rate	Not subject to taxes in India as it does not take up any business activity within the country	Taxed at the rate applicable to foreign corporations – 40%[4]	Taxed on global income at 30%[4] on net basis Minimum Alternate Tax @ 18.5% on book profits	Taxed on global income at 30%[4] on net basis Alternate Minimum Tax @ 18.5% of adjusted total income
Repatriation	Since an LO does not take up any business activity, it is not subject to any repatriations	No approval required to remit post tax profits	No approval required to remit post tax profits	No approval required to remit post tax profits[5]

Note: 1) FEMA stands for Foreign Exchange Management Act; continued in slide note

Appendix

Appendix – Key Players

Market Share of Key Players in Two- And Three-wheeler Segment

Segment	Market Leader (%)	Other Key Players (%)		
Three-wheeler				
Passenger Carrier	55.3 BAJAJ	25.8 PIAGGIO	8.8 Mahindra	5.5 ATUL
Load Carrier	54.3 PIAGGIO	20.6 Mahindra	20.1 ATUL	4.9
Two-wheeler				
Two Wheelers	38.6 Hero	26.7 HONDA	13.4 TVS	11.8 BAJAJ

Appendix – FDI Inflow in India's Automotive Sector

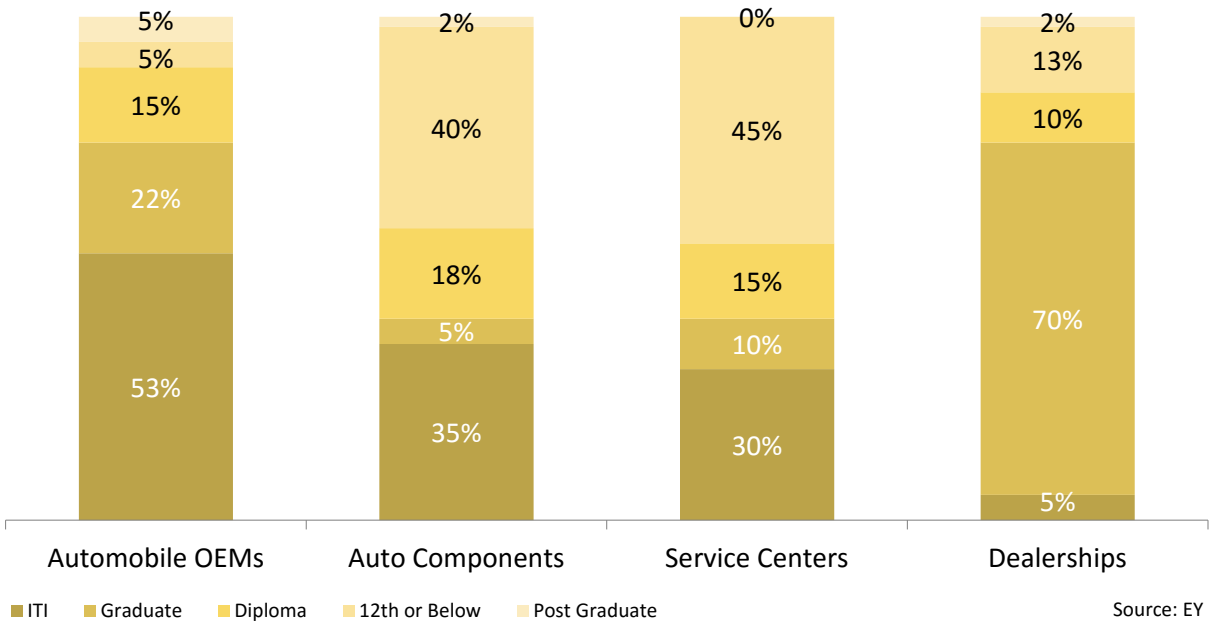
Major Foreign Investments in India's Automotive Sector (April 2014 – March 2016)

Foreign Collaborator	Country	Indian Company	FDI ($ million)
Ford International Services and Ford Motors	US	Ford India	979.5
SAIC General Motors Investment	China, Hong Kong, US	General Motors India	973.93
Suzuki Motor Corporation	Japan	Suzuki Motor Gujarat	477.61
Daimler AG	Germany	Daimler India Commercial Vehicles	389.04
Nissan Motor	Japan	Renault Nissan Automotive India	169.20
Isuzu Motors Asia	Singapore, Japan	Isuzu Motors India	116.67
FCC	Japan	FCC Clutch India	95.19
Continental Automotive	Germany, Netherlands	Continental Automotive Components, Continental Automotive Brake Systems	72.53
Renault Group	Netherlands	Renault Nissan Automotive India	72.51
Caparo India	United Kingdom	Caparo Engineering India	56.77
Showa Corporation	Japan	Showa India	52.85
Fiat Group Automobiles	Italy	Fiat India Automobiles	48.49
MAN Truck & Bus	Germany	MAN Trucks India (Man Force Truck)	42.70
Yorozu Corporation	Japan	Yorozu JBM Automotive Tamil Nadu	33.09
NHK Spring	Japan	NHK Automotive Components	31.31
Bussan Automotive Singapore	Singapore	India Yamaha Motors	29.72
Toyoda Iron Works	Japan	Toyotesu India Auto Parts, Stanzen Toyotesu India	27.77

Appendix – Educational Qualification of Labours

Labour Market Analysis

Educational Qualifications in Sub-Sectors



Source: EY

Appendix – Skill Comparison of Indian Automotive Industry

Skills Comparison of Indian Automotive Industry vis-à-vis Peers

		Manufacturing Skills	Manpower Costs	Supplier Base
East Asia	Korea			
	China			
	Thailand			
	Indonesia			
	Vietnam			
Central & Eastern Europe	Czech Republic			
	Romania			
	Poland			
	Slovakia			
	Russia			
	Hungary			
	Turkey			
Latin America	Brazil			
	Mexico			

Source: IBEF

Key:

Less competitive than India

In competition with India

Relevant Links

Entity/Institution	Link
Society of Indian Automobile Manufacturers	http://www.siamindia.com
Indian brand Equity Foundation	https://www.ibef.org
Indian Ministry of Commerce (Import and Export Data Bank)	http://www.commerce.nic.in/eidb/Default.asp
Department of Industrial Policy & Promotion	http://dipp.nic.in
Reserve Bank of India	https://www.rbi.org.in
Ministry of Skill Development & Entrepreneurship	http://www.skilldevelopment.gov.in
Ministry of External Affairs	http://www.mea.gov.in
Press Information Bureau of India	http://pib.nic.in/newsite/mainpage.aspx
National Skill Development Corporation	https://www.nsdcindia.org/New
World Bank Worldwide Governance Indicators	www.info.worldbank.org/governance/wgi/#reports
Transparency International Corruption Perception Index	www.transparency.org/cpi2015
Index of Economic Freedom	www.heritage.org/index/ranking
Institute for Economics & Peace	www.economicsandpeace.org
World Bank Ease of Doing Business Rankings	www.doingbusiness.org/rankings
UN Comtrade	https://comtrade.un.org/data
Central Intelligence Agency	https://www.cia.gov/index.html
Organisation Internationale des Constructeurs d'Automobiles	http://www.oica.net
Emerging Markets Investor Association	http://www.emia.org

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