

TATA NANO IMPACT ANALYSIS

New price point to expand target households
by 65 per cent

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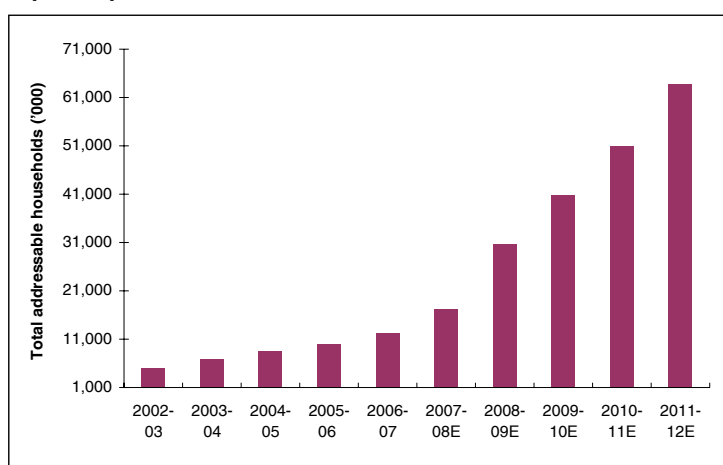
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Tata Nano: New car price point to result in 65 per cent increase in target households

The unveiling of Tata mini car model, Nano, on January 10, 2008, the cheapest car in the world, triggers an important event in the car market. Based on today's statement by the company officials, CRISIL Research estimates the expected consumer price of the car at around Rs 1.3 lakh (around \$3,000). This brings down the cost of ownership of an entry level car in India by 30 per cent, making a new car affordable to families with income level of Rs 2 lakh (approximately \$5,000).

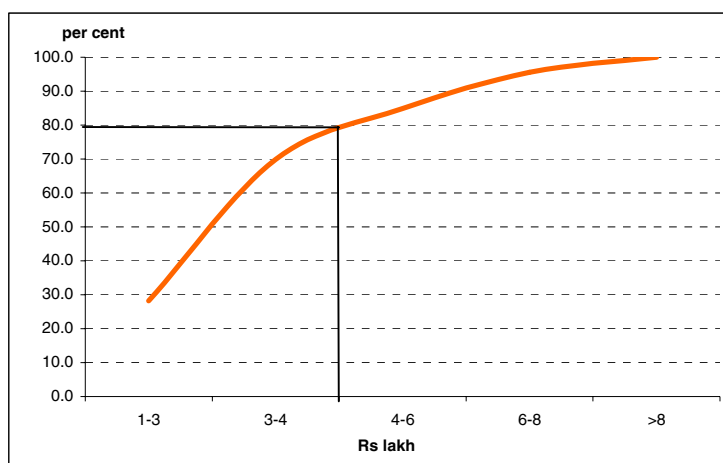
Rapid expansion in addressable households



Source: CRISIL Research

CRISIL Research believes that this launch will prompt product developments in the mini car category by other players in the passenger vehicle segment over the next few years. These launches will attract a section of existing two-wheeler owners (currently nearly 50 million) to upgrade to a car.

Proportion of cars sold by price point (cumulative)



Source: CRISIL Research

CRISIL Research has prepared these estimates by projecting the income demographic transition pattern in India and the cost of ownership of existing and new entry-level cars. Given the shape of the income distribution pyramid in India, the new price point translates into a 65 per cent increase in the number of families that can afford a car. At the significantly redefined threshold for car ownership in India, annual car sales in India have the potential to increase by 20 per cent, over the annual sales expected in 2007-08.

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