

# Construction and Mining Equipment Business in India

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## Outline of Komatsu India

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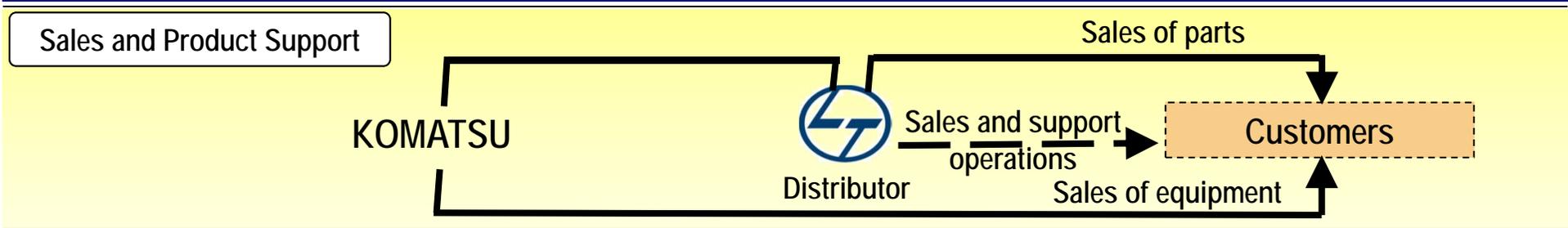


- Area: 3,287,469km<sup>2</sup> (7<sup>th</sup> largest in the world)
- Population: 1,236 million (2<sup>nd</sup> largest in the world)
- Nominal GDP: USD2,066.9 billion (7.3% growth rate in FY2014)
- Urbanization rate: 32%
- Roads and railways: 4,690,000km(roads) and 65,436km (railways)
- Power supply and demand (peak): Demand for 156,862MW and supply of 152,754MW
- Major minerals: Coal, iron ores, limestone, manganese, and bauxite
- Major items of Japan-India trades

Exports to India: Machinery, steels, home electric appliances, automobiles and parts, and precision machinery

Imports from India: Petroleum products, organic compounds, precious metals, fish and other marine products, and iron ores

# KOMATSU 2. Production, Sales and Product Support Networks



**Komatsu India Pvt. Ltd. (KIPL)**

A subsidiary engaging in development, production and sales of construction and mining equipment as well as sales and service of industrial machinery

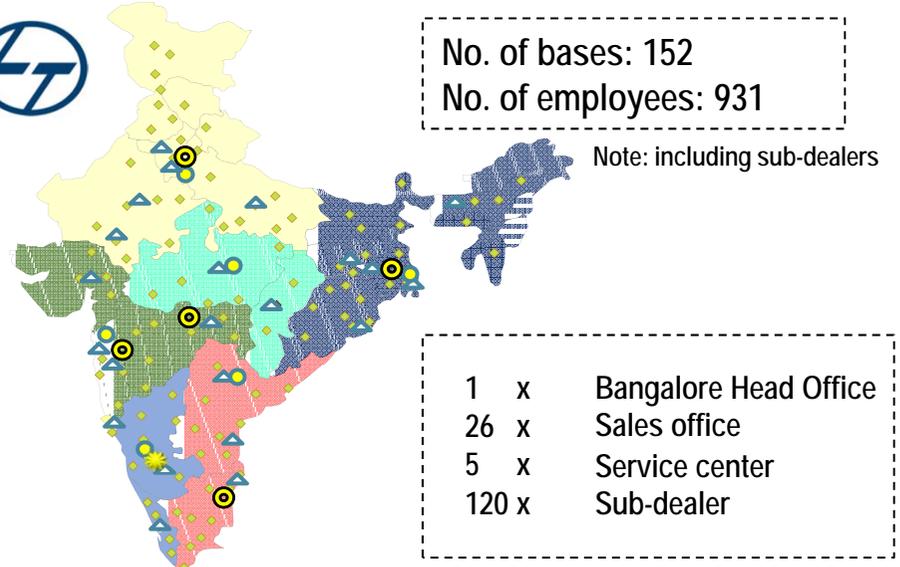
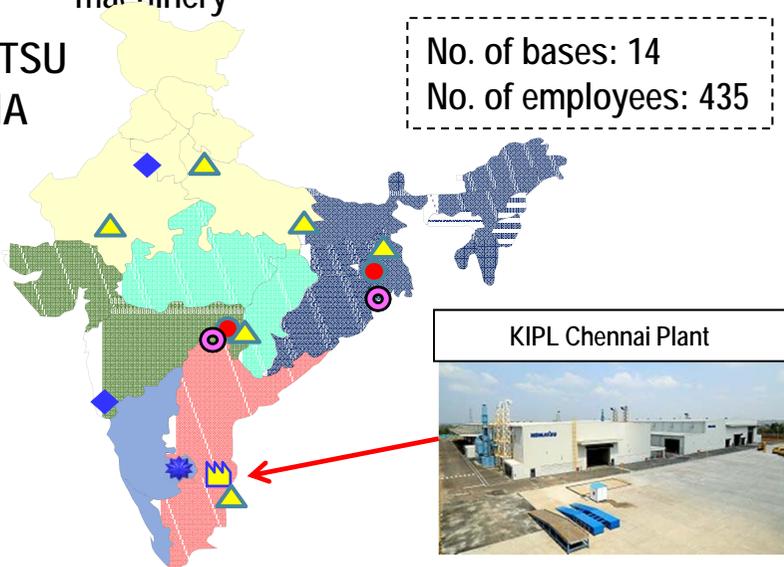
- 1 x 🏭 Chennai Head Office (Mfg. plant for dump trucks and excavators)
- 1 x 🌟 Bangalore: Marketing and product support office
- 2 x 🟠 Parts depots
- 2 x 🎯 Service support center
- 6 x 🟡 Frontline office
- 2 x 🟠 Komatsu/Nippei Toyama office for industrial machinery

**Larsen & Toubro Ltd. (L&T)**

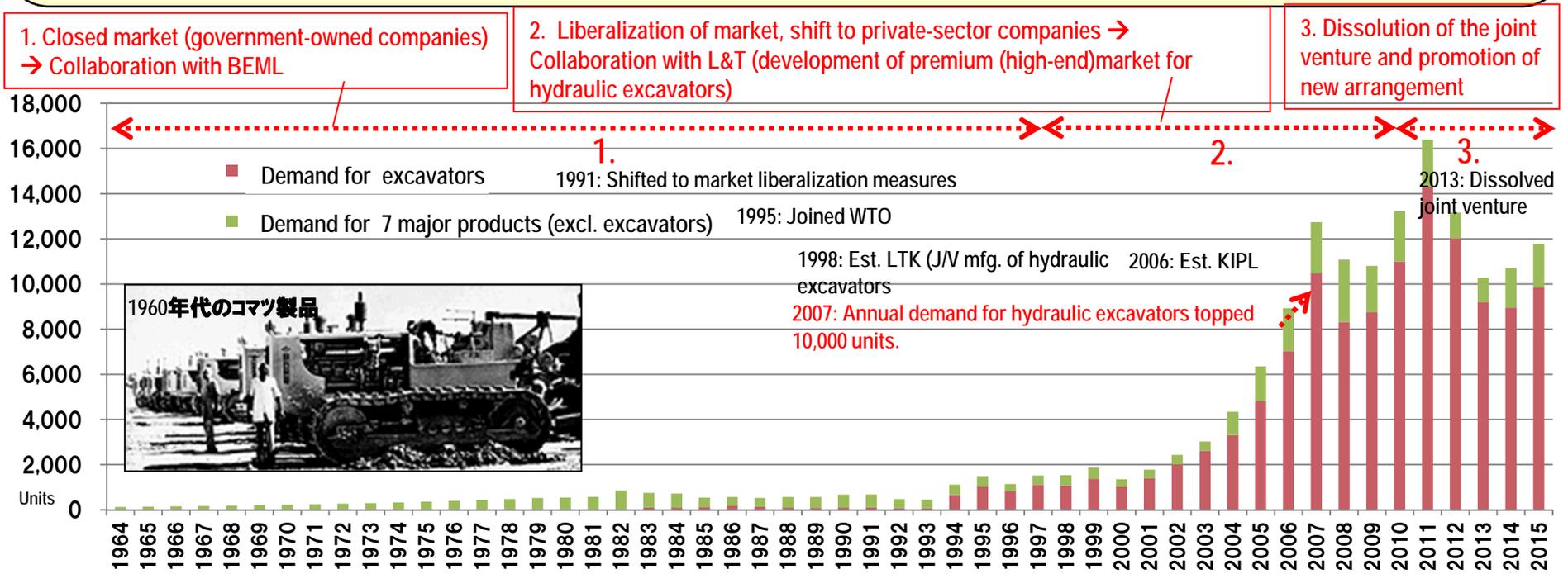
Sales and service distributor in India

- Established in 1938
- Consolidated sales: INR927.6 billion (About JPY1.8 trillion) for FY2014
- No. of employees (consolidated): 54,579 (as of March 31, 2014)
- Sales of industrial machinery represents about 4% of total sales for FY2014
- Komatsu designated L&T as distributor in India in 1998, when Komatsu established a joint-venture manufacturer of hydraulic excavators with L&T's Machinery Division.

**KOMATSU INDIA**



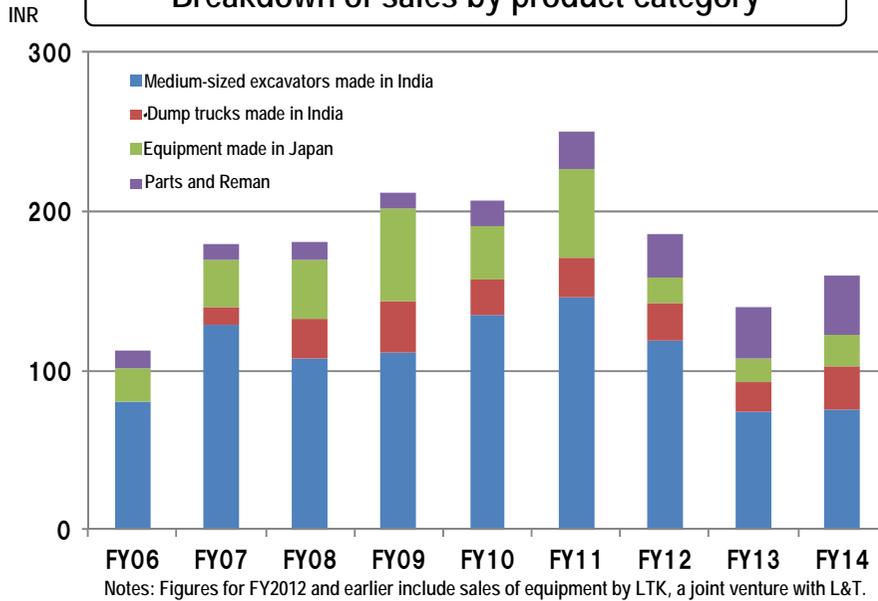
- Komatsu has conducted business in India for over 50 years. (Opened Komatsu's first overseas office in India in 1964.)
- After liberalization of the market, Komatsu began collaboration with Larsen & Toubro (L&T), a leading conglomerate of engineering and construction, and established a joint-venture manufacturer of hydraulic excavators in 1998.
- Komatsu began production of dump trucks for use in mines at KIPL, a wholly owned subsidiary, in 2006.
- Two partners dissolved the joint-venture manufacturer in April 2013 and entered a new business arrangement in which Komatsu is responsible for development and production of hydraulic excavators while L&T for sales and service.



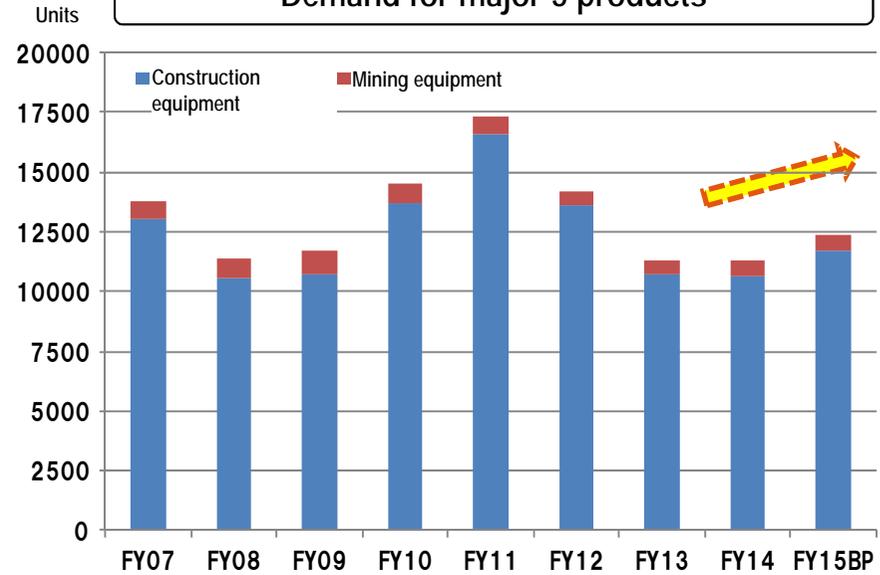
Market environment		Centered on business with the government	Expanding private-sector markets
Komatsu's efforts	Management	1964: Opened office in Calcutta. 1967: Relocated to Bangalore.	2006: Added marketing to KIPL 09: Assigned regional representative of India. Industrial Machinery Division created at KIPL
	Sales	1958 - 98: Sold by BEML (gov. owned company)	98: Sold by L&T, a private-sector company, 08 -- Dump truck exported by KIPL
	Mfg	Construction eqpt.	1958 - 98: Produced by BEML (gov. owned company) 98 - 13: Produced by LTK, a joint venture 13 -- : Produced by KIPL, a wholly owned subsidiary
		Mining eqpt.	-

Sales of construction and mining equipment in India accounted for about 2% of total sales thereof for FY2014. Although Indian demand is still low at about 4% of global demand, India has big growth potential in the future, which will surpass other regions.

Breakdown of sales by product category



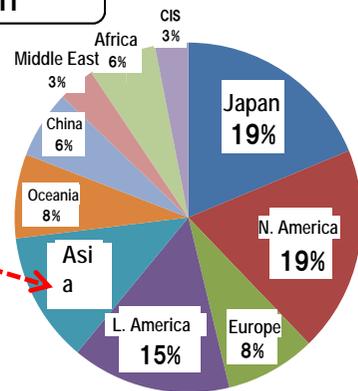
Demand for major 5 products



Construction and mining equipment: Breakdown of sales by region

Sales to outside customers: JPY1,761.3 billion for FY14

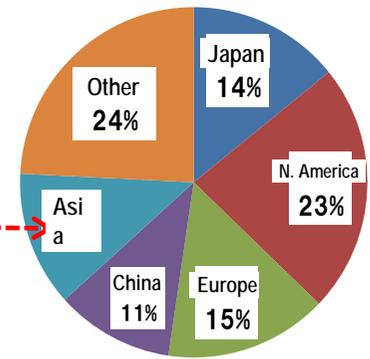
Asia: 12% (2% represented by India)



Major 7 products: Breakdown of sales by region

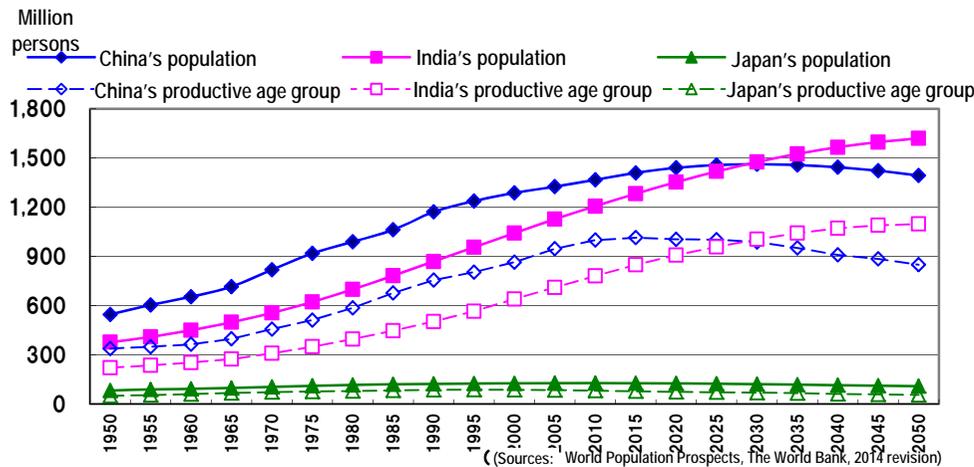
FY2014 demand: About 275,000 units

Asia: 12% (4% represented by India)

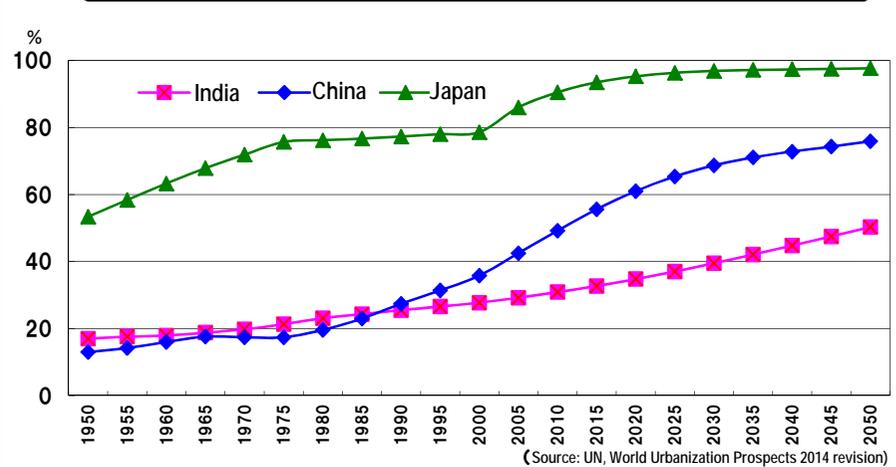


- India's population is projected to surpass that of China around 2030 and continue to increase until around 2050.
- India's GDP today is comparable to that of China 10 years ago. Because of democracy, the speed of GDP growth is slower but growth should last longer.
- Rate of urbanization is projected to increase and infrastructure investment should expand in the future.
- India is a leading producer of coal, limestone, iron ores and other minerals.

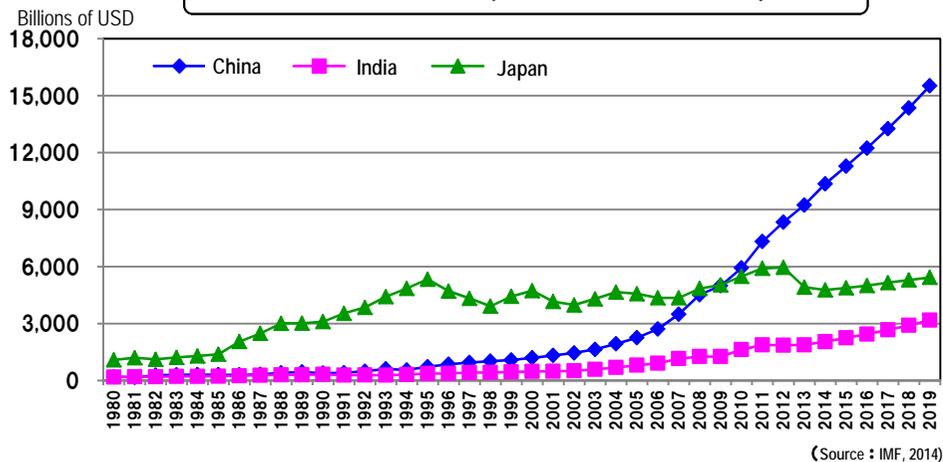
**Total population and productive age group (15 to 65 yrs old)**



**Urbanization rates**



**Nominal GDP (USD-denominated)**

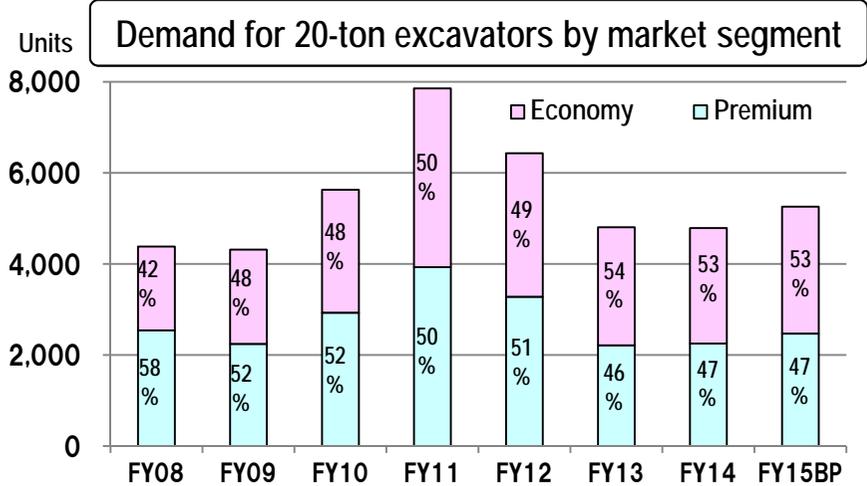


**Production volume of major minerals**

Minerals	Production volume (Million tons)	World's rank
Coal	563	3
Limestone	278	2
Iron ores	152	4
Bauxite	21.66	5
Zinc	1.49	5
Copper	0.14	8

(Source: Indian Bureau of Mines, 2014)

• We anticipate demand for construction equipment will increase by 10% in FY2015 from FY2014, as GDP is projected to grow, supported by improved market sentiment resulting from popular expectations on the new cabinet to implement infrastructure development.



Economy (old and inferior performance models with locally produced engines): Price-emphasized market

Premium (new and high-performance models with imported engines): Quality-emphasized market

Komatsu sells construction equipment at high prices on the premium market where customers appreciate machine performance and service quality.

- ⇒ Business which leads competitors by using ICT
- ⇒ Maintenance contract
- ⇒ Timely delivery of parts, etc.

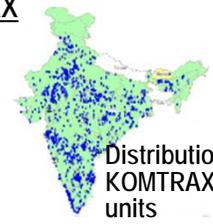
Number One share of the premium market by emphasizing operations designed to enhance customers' productivity.

### Activities in the construction equipment business



Penetrating the market through machine demonstrations designed to appeal quality of machines developed and produced by Komatsu technologies. Enclosing customers by offering high-quality product support.

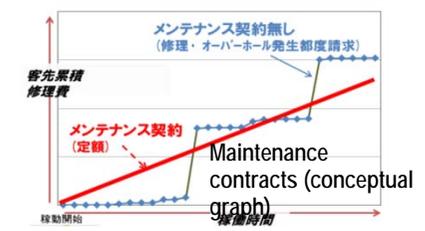
### KOMTRAX



Distribution of KOMTRAX-installed units  
Monitoring 2,381 units of PC210  
(as of August 2015)



Monitoring operating conditions of customers' machines and proposing ways to cut down operating costs by offering fuel-efficient operations.

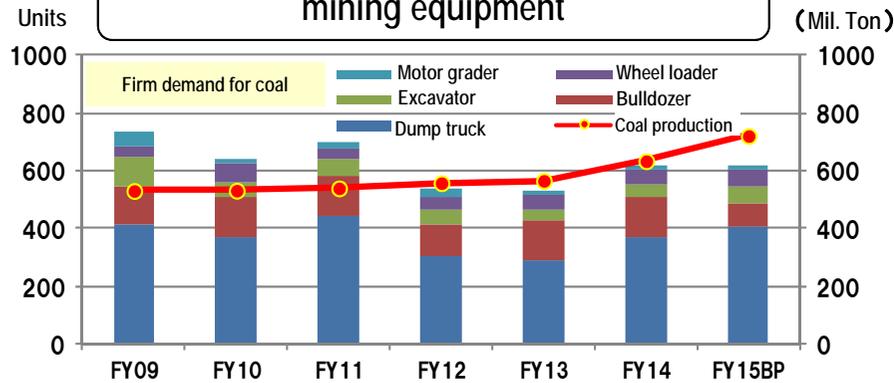


Parts delivery from the Nagpur depot, in the central region of India

Helping customers operate their machines stably and improve their productivity by offering periodic machine inspection, maintenance and repairs, as well as timely delivery of parts.

About 80% of total demand for mining equipment in India comes from the coal sector, and demand is growing in tandem with increasing production of coal.

Production volume of coal and demand for mining equipment



Improvement of jobsite operations with private-sector customers

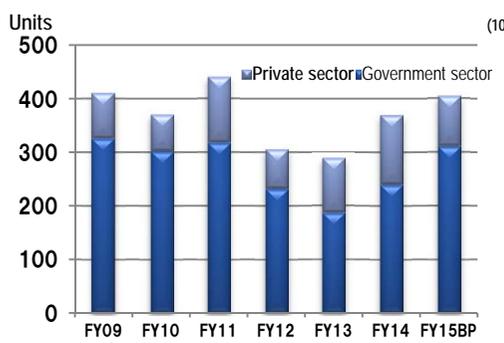


Proposing ways to cut down fuel consumption

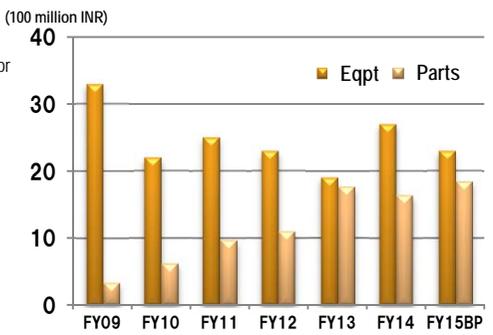
Improving haul road conditions (prolonging tire life)

Proposing improvement plans to top management by showing actual data and implementing the plans at jobsites.

Demand for dump trucks by sector



KIPL: Sales of mining equipment and parts



While successful bidders are chosen by the government only for their nominal prices, Komatsu promotes improvements of jobsite operations designed to reduce operating costs and improve productivity of top three private-sector customers by segment. As a result, Komatsu has achieved about 60% share of machines in their fleets, and steadily expanding sales of parts through service contracts, such as the Full Maintenance Contract.

Mining safety improvement activities

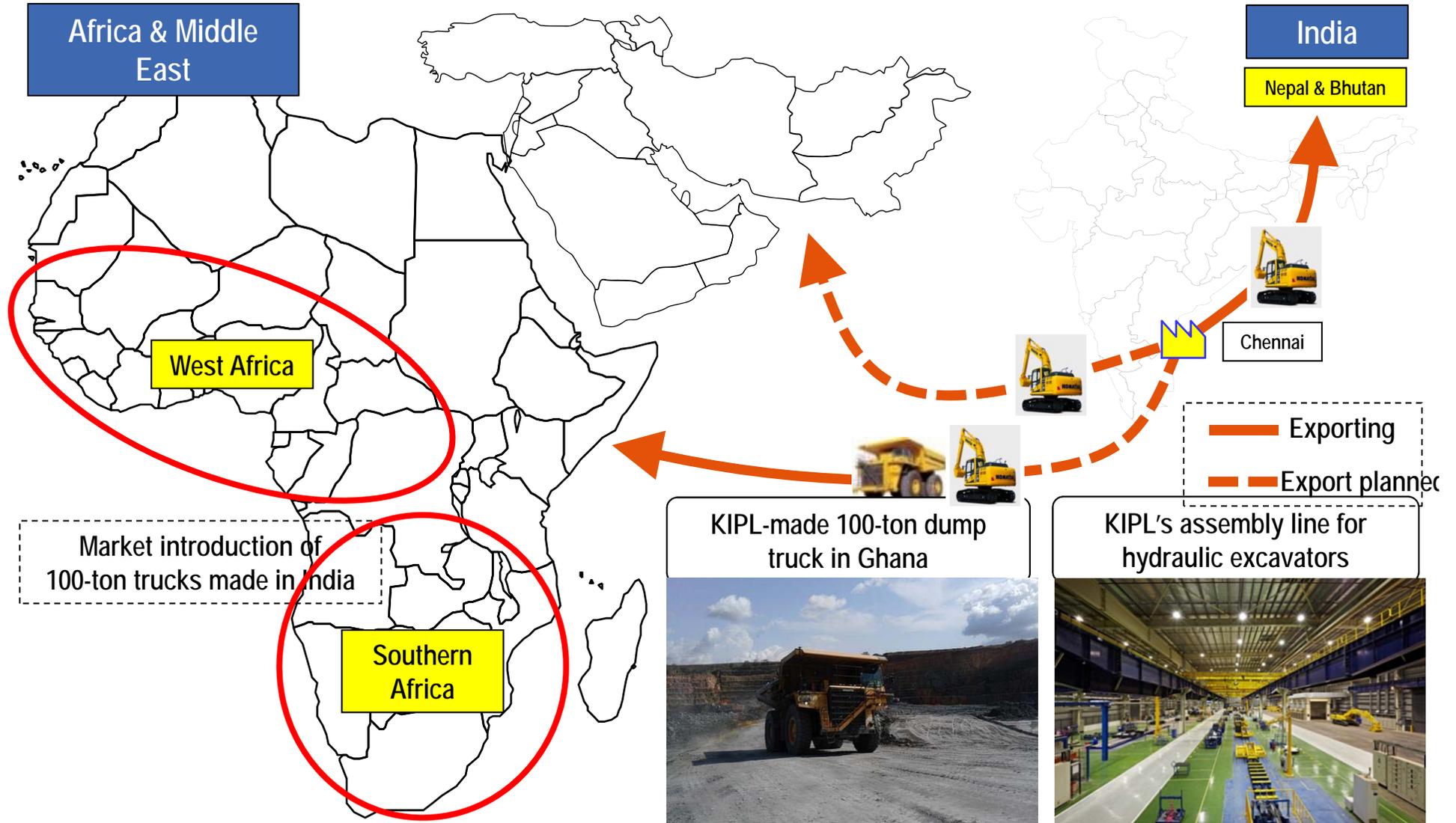


Operator training

Installation of lights

The number of accidents has considerably dropped since May 2012, when safety improvement activities started.

- As the export base for 100-ton dump trucks to Africa, Komatsu India Pvt. Ltd. (KIPL) has exported a total of 153 units of the 100-ton dump truck to nine countries.
- KIPL began exports of hydraulic excavators to Nepal and Bhutan, and is planning to start exports to Africa and the Middle East in 2015.



### For Industrial Training Institute (ITI)

#### 1. Provided welding equipment for training

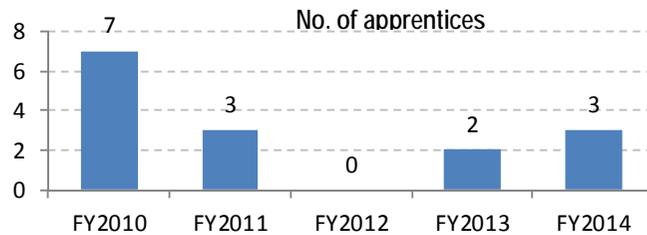


#### 2. Dispatching instructors from the Chennai Plant (since FY2010)

- Period: November to June every year (4hrs x twice a week)
- No. of students: 20 to 30



#### 3. Hiring excellent graduate as apprentice (since FY2010)



### Social contribution to local communities

#### 1. Plant tours for students of local schools (since FY2012)



11 tours for 439 visitors since FY2012



#### 2. Donations to local schools (since FY2008)

Instruments for experiment,  
Class room facilities, financial  
Support to teachers, etc.



#### Relief assistance to earthquake damages in Nepal

April 25, 2015: Magnitude 7.8 earthquake occurred.  
May 12: Magnitude 7.3 aftershock occurred.  
May 20: Dispatched KIPL staff members to Nepal to check the damages.  
June 15: Dispatched KIPL senior managers to Nepal to review the contents of assistance and decided to donate prefabricated houses to distributors with damaged buildings and local schools.



Planned site for distributor's building

#### Contents of assistance

- 1) Temporary 2-story office for distributor : 600m<sup>2</sup>  
Donation of prefabricated houses
  - 2) Donation of prefabricated house to damaged schools: 80m<sup>2</sup> x 5 units = 400m<sup>2</sup>
- Note: The above assistance includes set-up and assembly instructions.



Thank you for your interest.

