



Tata Motors FY04 Review

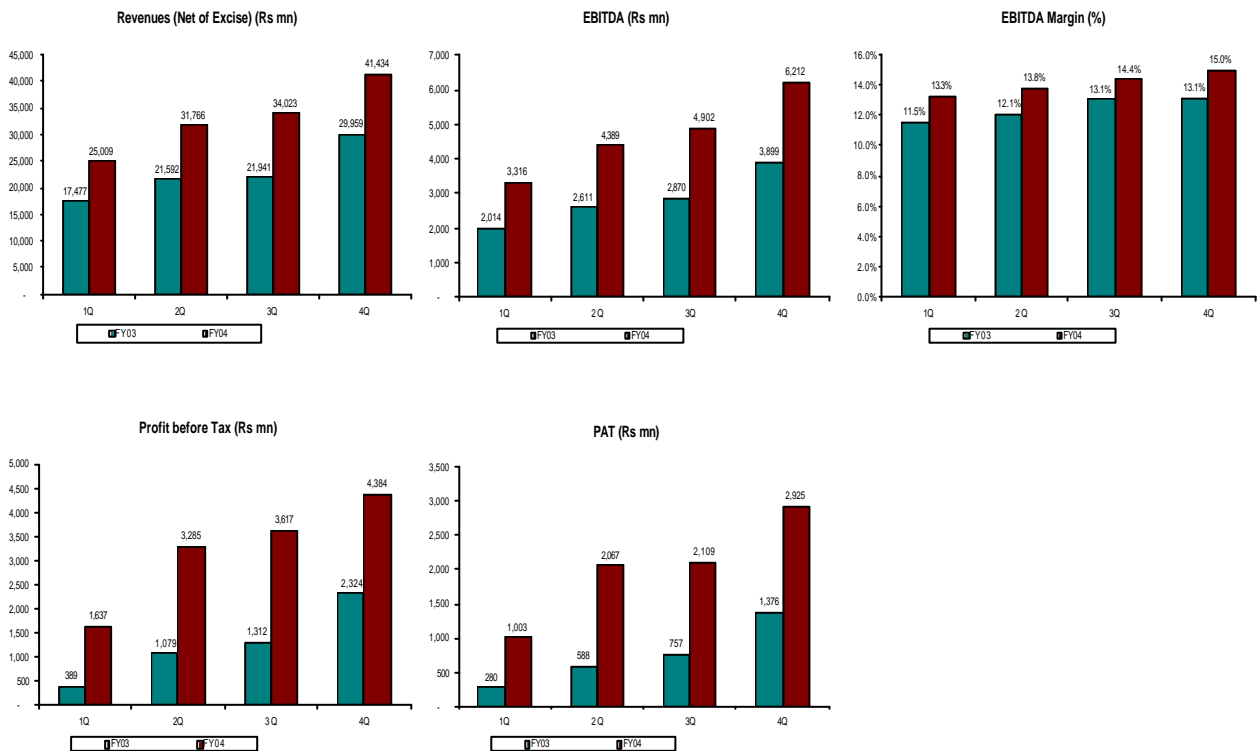
Snapshot

Unconsolidated FY04 Financials

	FY04 (Rs mn)	FY03 (Rs mn)	Change %	FY04 (*) (US\$ mn)	FY03 (**) (US\$ mn)
Volumes	314,259	219,859	+43%		
Revenue (Net of excise)	132,232	90,969	+45%	3,025	1,917
EBITDA	18,818	11,394	+65%	431	240
EBITDA %	14.2%	12.5%	+171 bps	14.2%	12.5%
Op. Cash Profit (Pre-Tax)	17,205	8,605	+100%	394	181
Extra-ordinary Items	(529)	(60)		(12)	(1)
Profit / (Loss) before Tax	12,923	5,104	+153%	296	108
Net Profit / (Loss)	8,103	3,001	+170%	185	63
Basic EPS	Rs 24.7	Rs 9.4	+163%	US\$ 0.56	US\$ 0.20

(*) Rate of exchange as of March 31, 2004: 1US\$ = Rs 43.71

(**) Rate of exchange as of March 31, 2003: 1US\$ = Rs 47.45



This document is also available on www.tatamotors.com

Business Review

Unconsolidated FY04 Financials

- In FY04, Tata Motors achieved the highest-ever Revenues in its history. Gross turnover in FY04 was Rs 155 bn, while Net Revenues were up 45% YoY to Rs 132 bn. The Company maintained its position as the largest automobile company in India.
- Annual vehicle sales volumes stood at 314,259 units; crossing the 300,000 mark for the first time. The unit growth was 43% in FY04.
- The Company posted its highest-ever Net Profit of Rs 8.1 bn during the fiscal, an increase of 170% compared to Rs 3.0 bn in FY03. Basic EPS of Rs 24.7, up 163% YoY.
- PBT stood at Rs 12.9 bn – an all time high for the Company; and an increase of 153% YoY.
- FY04 EBITDA registered a growth of 65% to Rs 18.8 bn; EBITDA margins expanded by 171 bps to 14.2% compared to 12.5% in FY03.
- In addition to the Interim Dividend of 40% in February 2004, the Company has proposed a final dividend of 40%, subject to the shareholder approval. Thus, the total dividend proposed for the full year is Rs. 8 per share.
- The increase in input prices and change in product mix have had some impact on the Company's performance. Internal cost reduction, operating leverage and increase in product net realizations have helped the Company in mitigating the impact of these pressures to some extent. However, the concerns on this front continue to remain.
- The Company's International Business more than doubled during the fiscal to Rs 10 bn from Rs 4.8 bn last year. International Business accounted for 7.6% of the Company's FY04 Net Revenues, up from 5.2% in FY03.
- On March 30, 2004, the Company acquired Daewoo Commercial Vehicle Co. Ltd, Korea (DWCV). The latter started operating as 100% subsidiary of Tata Motors from March 30, 2004 and its financials for only 2 days (March 30, 2004 onwards) have been incorporated in FY04 consolidated financial statements. The business integration of DWCV with the Company is under way and is expected to contribute significantly to the Company's international business.

Table 1: Volume Summary

	FY04	FY03	Change %
Commercial Vehicles	152,195	105,900	44%
Passenger Vehicles	140,018	104,150	34%
Total Domestic Sales	292,213	210,050	39%
Exports	22,046	9,809	125%
Total Volumes	314,259	219,859	43%

- The Company's volumes increased 43% during the year led by
 - volume growth across all product segments
 - market share gains in both CVs and PVs
 - consolidation of 207 DI Pickup and Indigo
 - increase in exports
 - conducive domestic business environment (sustained economic growth and low interest rates)
- The Company consolidated its position in domestic automobile market and improved its market share in CVs to 58.5% (+290 bps) and in PVs to 15.5% (+90 bps).

Consolidated FY04 Financials

- The key subsidiaries posted a strong profit performance in FY04.
- The consolidated Net Revenues of the Company were Rs 139 bn, up 45% in FY04.
- The Consolidated PAT (before share of minority interest and profit (loss) of associate companies) was Rs 9.1 bn in FY04 compared to PAT of Rs 3.2 bn in FY03.
- The Consolidated PAT (after share of minority interest and profit (loss) of associate companies) was Rs 9.2 bn in FY04 compared to PAT of Rs 3.0 bn in FY03.
- Basic EPS nearly tripled to Rs 27.9 in FY04.

Economic Scenario

3Q FY04 GDP grew by 10.4% YoY - agriculture being the key driver of this growth (+16.9%). Industry (+6.5%) and services (+9.0%) continued to perform well. With this performance, the economy is likely to record a GDP growth over 8% in FY04. Despite the high base, economists expect the economic growth to continue in FY05 with the GDP growth forecasts ranging between 6% and 6.5%. However, this view on the economic growth rate will need to be re-visited after the announcement of economic policies of the new Central government.

Table 2: Macro Economic Indicators

Growth (%)	Categories	FY04	FY03
IIP	General	6.8%	5.7%
Sectoral	Mining	5.1%	5.8%
	Mfg.	7.2%	6.0%
	Electricity	5.0%	3.2%
Use-based	Basic	5.4%	4.9%
	Capital	12.7%	10.5%
	Intermediate	6.2%	3.9%
	Consumer	7.1%	7.1%
	Consumer Durables	11.6%	-6.3%
	Consumer Non-Durables	5.7%	12.0%

Source: CSO

National Highway Development Project (NHDP)

The implementation of Golden Quadrilateral (GQ) project progressed with the completion of around 1,300 kms during the year. Cumulatively, around 45% (2,612 km) of the GQ has been completed till end-Mar. 2004. Preparatory work for a major portion of the NSEW corridor is under way. Self-funding nature of the project is expected to ensure planned roll-out in the future.

Table 3: Status of the NHDP as on Mar. 31, 2004

	Total length (In kms)	Date of completion	Completed	Under Implementation	Balance to be awarded
GQ	5,846	Dec-04	45%	55%	-
NSEW	7,300	Dec-07	8%	7%	85%
Port Connectivity & Others	1,016	Dec-07	21%	40%	39%
Total	14,162		24%	29%	47%

Key developments in the economy during FY04

- Sustained economic recovery – all round strong performance
- Buoyancy in industry and services
- Benign interest rate regime
- Continued infrastructure investment. Construction sector growth of around 7%
- Buoyancy in Capital Goods (+12.7%) and Consumer demand (+7.1%)
- Forex reserves of over US\$118 bn – a buffer against external shocks

Areas of Concern

- Pace of reforms under new government
- Steep rise in input prices (Steel, Rubber)
- Rise in international fuel prices
- Inflationary pressures and possibility of increase in interest rates
- FTA agreements with other countries

Outlook

- FY05 GDP growth rate expected to be around 6-6.5%
- Industry and Services growth to continue as a part of structural change. However, new economic policies will have a major bearing on the GDP growth rate. Also, monsoon will be a critical factor for the agricultural and consumer spending in the immediate near-term.

Commercial Vehicles – FY04 performance

- CV domestic sales volumes of 152,195 units – highest in the last seven years
- Domestic volume growth of 44%
- CV market share at 58.5%, gain of 290 bps
- Significant gain in LCV market share (+620 bps)
- Exports volumes of 10,953 units, up 54%

CV Domestic Business

The Company's domestic CV volumes grew significantly with buoyant sales in M/HCV and LCV segments.

Table 4: CV Domestic Sales Volumes

	FY04	FY03	Change
M/HCV	103,169	73,375	41%
LCV	49,026	32,525	51%
Total CV	152,195	105,900	44%

Table 5: CV Market Shares

	FY04	FY03
M/HCV	64.0%	63.5%
LCV	49.6%	43.4%
Total CV	58.5%	55.6%

- The Company's M/HCV truck volumes expanded by 43% and LCV trucks (inc. Pick-ups) increased by 60% in FY04 with strong growth across all the haulage segments. Growth was driven primarily by
 - Continued upturn in the economy, strong performance of agriculture, Government spending on infrastructure projects
 - Low cost finance
 - Replacement of old vehicles to comply with emission norms in certain metros
- Within M/HCV Truck category, Tractor-trailer segment recorded the highest growth of 140%. While the volume base is low in this segment, it is indicative of the trend in the Indian CV market. On the other end of the market, Pick-up volumes nearly quadrupled for Tata Motors while LCV Truck volumes (excl. Pick-ups) expanded by 22% during the year.
- The Company's bus volumes increased by 20% (M/HCV +24%, LCV +15%) during the year, against 15% for the industry.
- The average diesel price increased by 9% in FY04. Our benchmark freight rate index was up 3% indicating that the transporters were able to partly pass on the increased cost. In addition, they benefited from continued availability of freight and low cost retail finance. Going by certain benchmarks, it is evident that the transporters have been able to maintain their operational economics during the year.
- The Company's market share in M/HCV haulage segment improved to 66.3% and LCV haulage segment to 52.2% during FY04. The 620 bp market share gain in LCV haulage segment came from gains across the product categories – Pick-up (36% from 17%) and LCV Truck (68% from 65%). Launch of EX-series in LCV Truck market was a critical success factor in this segment.
- The Company's M/HCV bus volumes witnessed an increase of 24% in FY04 led by growth in the STU as well as private segment. The Company maintained its market share at 50.7% in this segment. In the LCV Bus segment, with the introduction of City Ride, the fully-built model, the Company has been able to improve its market share by 350 bps to 38.7%.
- With robust sales growth of 51% in the LCV segment, the Company improved its market share in FY04 to 49.6% (+620 bps), outperforming the industry in the haulage as well as passenger segments.
- Fully-built Vehicle sales increased to around 10,000 units, growth of around 40%.

- During the last two years, the Company has undertaken several initiatives to offer quality services to its customers through
 - Expansion of distribution (sales and service) network
 - Creation of Model Dealerships
 - Dealership Management System (DMS)
 - Key Account Management
- The Company has started offering integrated logistics solutions with value added products in several industry sectors such as cement and steel.
- The Company has introduced a 9-ton truck in the EX series in May 2004. The Company plans to launch the entire range of fully-built buses (12-60 seater) with contemporary design and technology, improved fuel efficiency and driving comfort. The Company will also introduce Bharat Stage-III compliant vehicles during the year.

CV International Business

The Company's CV exports registered a volume growth of 54% to 10,953 units during FY04.

Table 6: CV Exports Volumes

	FY04	FY03	Change
M/HCV	4,525	3,149	44%
LCV	6,428	3,948	63%
Total CV	10,953	7,097	54%

- The growth here is an outcome of the organic expansion in existing markets in terms of products and distribution. The focus on certain key markets yielded results during the fiscal.
 - The Company executed an order for 500 buses to Bangladesh during the year.
 - Exports of Pickups more than doubled during FY04, driven by increased shipments to European and SE Asian markets.
 - The Company has received an order for joint assembly of LCV trucks in Russia and has entered into collaboration for joint manufacturing of buses in Ukraine.
 - The Company has recently received an order for supplying buses to Senegal and is also providing technical assistance to build a bus assembly plant there.
- Simultaneously, the Company is using the Inorganic expansion route to improve its presence in international markets. In this direction, the first step was taken on March 30, 2004, when the Company acquired Daewoo Commercial Vehicle Co. Ltd, Korea (DWCV). This acquisition offers the following benefits to Tata Motors:
 - Annual capacity of 20,000 units
 - Access to S. Korea CV market in different segments
 - Opportunity to expand its presence in other the global markets through DWCV product portfolio
 - Access assembly technology for high-end Trucks

Passenger Vehicles

- Domestic PVs clocked highest-ever annual sales of 140,018 units.
- PV domestic volumes up 34%; outperform the industry growth
- FY04 PV market share of 15.5%, +90 bps
- Indigo maintains its leadership position in the mid-size car segment since launch.
- MUV domestic sales growth of 28%
- Exports volumes up 309% to 11,093 units

PV Domestic Business

The Company retained its #2 position in the domestic PV market with a sale of 140,018 units in FY04.

Table 7: PV Domestic Sales Volumes

	FY04	FY03	Change
Passenger Car	108,166	79,344	36%
MUV	31,852	24,806	28%
Total PV	140,018	104,150	34%

Table 8: PV Market Shares

	FY04	FY03
Compact Car	21.7%	24.2%
Entry-level Mid-size Car	25.9%	9.2%
MUV	22.0%	21.8%
Total PV	15.5%	14.6%

- Against the industry growth of 27%, the Company's PV volumes registered a growth of 34% during the fiscal. The market share expanded to 15.5%, up 90 bps from the previous year.
- The Company's annual Passenger Car sales crossed the 100,000-mark for the first time. Strong demand for the Indigo saw Passenger Car sales increase by 36% during the year.
- In its first full year of sales, Indigo achieved a market share of 26% in the entry-level C segment. The Indigo maintained its leadership position in the mid-size car segment since its launch. It was recognized as the being amongst the most successful brands launched in CY2003.
- Indica volumes were up 11% to around 80,200 units during the fiscal. It was among the top 3 selling car models in the country in FY04.
- The popularity of the Indica is reflected in the NFO Automotive - Total Customer Satisfaction Study 2003, where it was adjudged the Best Diesel Small Car. Indica DLX also won the "Best car award" in the Rs.3 lakh - Rs.5 lakh category at the BBC World's "Wheels 2003".
- The Company is working towards increasing the capacity in its Car Plant by 50% in FY05. These efforts and the recent launch of the new Indica V2 are expected to help the Company improve its position in the Compact Car segment.
- The Company recently unveiled a station wagon, the Indigo Marina, slated for launch in the domestic market in FY05.
- MUV sales were buoyant in FY04 with growth of 28% and a market share of 22% (+20 bps). The key growth drivers were reduction in excise duty, strong performance of the rural economy and availability of low cost retail finance. The Sumo variants introduced in FY03 have also received a positive market response. These factors resulted in Sumo registering its highest sales volume in last 6 years.
- The Company also launched the Petrol version of Safari during the year. This helped the volumes in the segment grow by 18% during the fiscal. Safari was also ranked the highest in the MUV-SUV category in the JD Power APEAL Study 2003.

PV International Business

The Company's PV exports more than quadrupled to 11,093 units during FY04.

Table 9: PV Exports Volumes

	FY04	FY03	Change
Passenger Car	8,897	2,121	319%
MUV	2,196	591	272%
Total PV	11,093	2,712	309%

- During the year, the Company exported over 6,500 units of the City Rover, since the commencement of shipments of Passenger Cars to MG Rover in 3Q FY04.
- Safari exports also improved significantly during the year following increased demand from European markets.
- The Company is also exploring other niche markets for export of its Passenger Vehicles.

Finance

- Strong operating cash flows, restructuring of the debt portfolio and low interest rates helped the Company to bring down its Gross Interest by 35% to Rs 2.1 bn during the fiscal.
- The Company has adopted accelerated amortisation policy in case of Product Development Expenses for minor product enhancements, facelifts and upgrades by fully amortising the expenses in the year of incurrence.
- FY04 Other Income comprises primarily of dividend income from investible surplus.
- The Company had an investible surplus of around Rs 18.1 bn as on March 31, 2004.
- The Company has provided for Rs 483 mn for diminution in the value of investment in 4Q FY04.
- The Company continues to pay Minimum Alternate Tax (MAT) due to tax shields available from the past operations.
- The Company's Balance sheet size as on March 31, 2004 was Rs 53.7 bn compared to Rs 41.6 bn as on March 31, 2003. The increase is primarily on account of increase in investible surplus and Rs 2.5 bn equity investment made in DWCV. Net of the investible surplus, the Company has been able to bring down the capital employed to Rs 35.6 bn as on March 31, 2004.
- The Company repaid/pre-paid debt worth Rs 6.2 bn in FY04.
- As on March 31, 2004, the gross total debt (inc. FCCBs) stood at Rs 12.6 bn. Net of the investible surplus, the Company was Net Debt-free. Net Debt as on March 31, 2004 was Rs (5.5) bn.
- The Company maintained a negative Net Working Capital position for the consecutive year as a result of effective inventory and receivables management.

Table 10: Working Capital

No. of Days	March 31, 2004	March 31, 2003
Inventory	27	39
Receivables (non-HP)	12	18

- The Company had raised US\$ 100 mn through issue of FCCBs in the international markets in July 2003. As on March 31, 2004, around 76% of the outstanding FCCBs have been converted into GDSs at a premium of Rs 240.745 per share.

Out of the 25.5 mn warrants issued by the Company during its Rights Issue in FY02, around 19.1 mn warrants have been converted, at a premium of Rs 110 per share as on March 31, 2004.

This has resulted in an increase of 33 mn shares in the Company's outstanding equity during the year.

- During FY04, the Company has incurred capital expenditure (including product development) of around Rs 3.25 bn.
- Free Cash Flow (after capex) generated during the fiscal was of the order of Rs 26.1 bn.

Subsidiary Companies – Performance

- DWCV which became a 100% subsidiary of the Company from March 30, 2004 onwards, has also been consolidated in the Company's operations from that date.

Table 11: Subsidiary Financials

Subsidiary	Net Turnover (Rs mn)		PAT (Rs mn)	
	FY04	FY03	FY04	FY03
Telco Construction Equipment Co. Ltd (Telcon)	6,489	4,887	207	41
Tata Technologies Ltd Consolidated (TTL)	1,363	1,055	80	32
HV Transmissions Ltd (HVTL)	1,060	889	173	47
HV Axles Ltd (HVAL)	1,174	977	297	(1)
TAL Mfg Solutions Ltd (TAL)	694	547	(332)	(282)
DWCV (*)	58	-	4	-
Sheba Properties	19	47	10	16
Minicar	8	8	5	4

(*) - Only for 2 days from March 30, 2004 onwards

Shareholding Pattern

Table 12: Shareholding Pattern as on 31st March, 2004

	%
Tata Group	33%
Daimler Chrysler	7%
Indian Financial Institutions / MFs / Banks	13%
GDR Holders / Foreign holders –DR status	8%
Foreign Institutional Investors	23%
Others	16%
Total	100%

The Company raised the limits for investment by Foreign Institutional Investors from 24% to 35% of the paid-up capital of the Company in Jan. 2004.

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