



Tata Motors (NYSE: TTM) FY07 Review

Snapshot

Stand Alone FY07 Financials (Audited Indian GAAP)

	FY07 (Rs mn)	FY06 (Rs mn6)	Change %	FY07 (*) (US\$ mn)	FY06 (**) (US\$ mn)
Revenue (Net of excise)	275,352	206,535	33%	6,085	4,663
Operating Profit	33,137	25,757	29%	732	582
Operating Profit %	12.03%	12.47%			
Profit before Tax	25,732	20,534	25%	569	464
Profit after Tax	19,135	15,289	25%	423	345
Basic EPS	Rs.49.8	Rs.40.6	23%	US\$1.10	US\$0.92

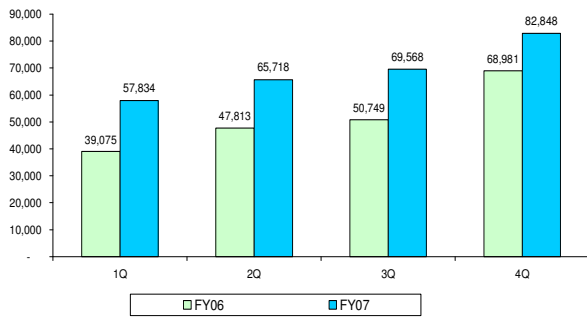
(*) Average Rate of exchange for FY07: 1US\$ = Rs 45.25

(**) Average Rate of exchange for FY06: 1US\$ = Rs 44.29

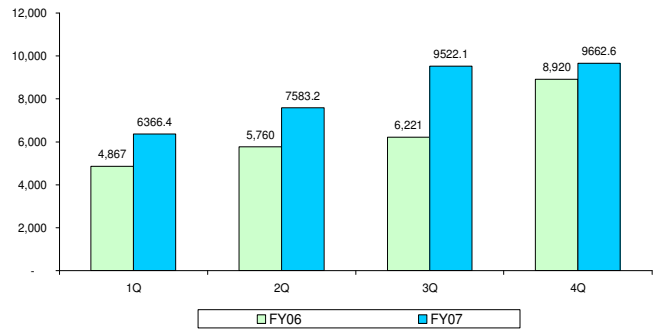
Consolidated FY07 Financials (Audited Indian GAAP)

Rs mn	FY07 (Rs mn)	FY06 (Rs mn)	Change %	FY07 (*) (US\$ mn)	FY06 (**) (US\$ mn)
Revenue (Net of excise)	324,264	237,695	36%	7,166	5,367
Operating Profit	41,158	30,483	35%	910	688
Operating Profit %	12.69%	12.82%			
Profit before Tax	30,881	23,490	31%	682	530
Net Profit	21,700	17,281	26%	480	390
Basic EPS	Rs.56.43	Rs. 45.86	23%	US\$1.25	US\$1.04

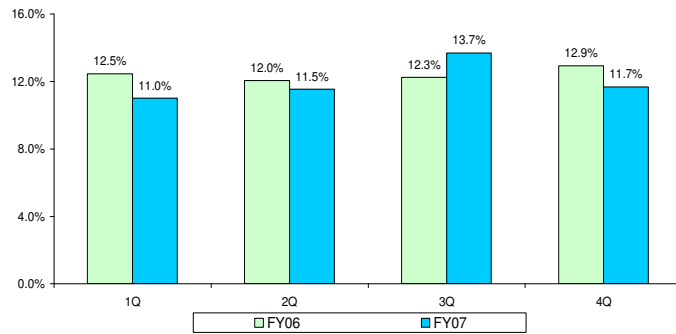
Revenues (Net of Excise) (Rs mn)



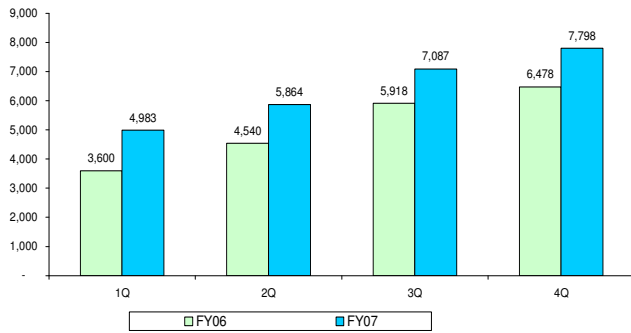
EBITDA (Rs mn)



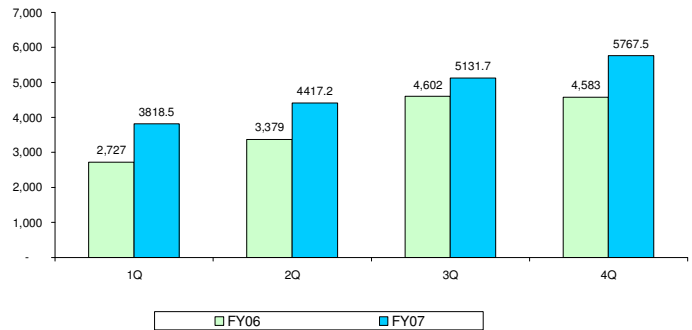
EBITDA Margin (%)



Profit before Tax (Rs mn)



PAT (Rs mn)



Business Review

Unconsolidated FY06 Financials (Audited)

- The Company sold 580,280 units of vehicles during FY07, an increase of 28% from 454,129 units sold in FY06. Details are given in the table below.
- Tata Motors' Net Revenue in FY07 was Rs 275.4 bn, up 33.3% y-o-y from Rs 206.5 bn in FY06.
- EBITDA grew 29% y-o-y to Rs 33.1 bn in FY07 from Rs. 25.8 bn in FY06; EBITDA margin for FY07 was 12.03% as compared to 12.47% in FY06.
- PBT for the year was Rs 25.7 bn, up 25.3% y-o-y from Rs 20.5 bn in FY06.
- PAT for FY07 was Rs 19.1 bn, up 25.2% y-o-y from Rs 15.3 bn in FY06.
- The Company proposed a dividend of Rs 15 per share (Face Value : Rs 10) for FY07.

Table 1: Volume Summary**

	FY07	FY06	Change %
Commercial Vehicles	298,586	214,836	39%
Passenger Vehicles	228,220	189,070	21%
Total Domestic Sales	526,806	403,906	30%
Exports	53,474	50,223	6%
Total Volumes	580,280	454,129	28%

** Includes Fiat Sales

- The key drivers for the volume growth of 28% during FY07 are:
 - M/HCV volumes growth driven by robust growth in the economy and overloading ban
 - More than doubling of Ace Volumes
 - Safari volumes increasing by more than four times during the fiscal
 - Launch of passenger car variants and facelift versions
- The Company crossed the 500,000th mark of unit sales during the fiscal.

Economic Scenario

Key Highlights of FY07

1. GDP Growth

As per the advance estimates released by Central Statistical Organisation (CSO), the country is expected to post a robust growth of 9.2% for fiscal 2006-07. While the agricultural sector is expected to record a modest growth of 2.7% during the fiscal, the industrial and services sectors are expected to post a growth of 10.0% and 11.2%, respectively.

GDP growth during the third quarter of FY07 was 8.6% as compared to 7.6% achieved in 3QFY06. The agricultural sector recorded a growth of 1.5%, the industrial sector recorded 9.9% growth and the services sector recorded a growth of 11.3% during 3QFY07.

2. Infrastructure Index

During FY07, Infrastructure Index recorded 8.6% growth as against 6.2% recorded in FY06. Petroleum refinery products with 12.6% growth, finished steel with 10.9% growth and cement sector with 9.1% growth drove the infrastructure growth during the said period. While electricity sector with 7.3% and crude petroleum with 5.6% growth improved their performance during FY07 from 5.1% and -5.3%, respectively, during FY06, growth in coal sector declined to 5.9% from 6.6% during the said period.

3. Index of Industrial Production

IIP registered a growth of 11.3% during FY07 as compared to 8.2% growth registered during FY06. While on a sectoral basis, manufacturing sector led the growth with 12.3%, on the use based classification, capital goods and intermediate goods categories recorded healthy growth, the growth in consumer goods category witnessed a slow down from the previous fiscal.

Table 2: IIP

Categories		Apr'06 - Mar'07	Apr'05-Mar'06	Growth (%)
IIP	General	246.6	221.5	11.3%
Sectoral	Mining	162.8	154.9	5.1%
	Mfg.	263.0	234.2	12.3%
	Electricity	204.7	190.9	7.3%
Use-based	Basic	209.2	189.8	10.2%
	Capital	312.9	265.8	17.7%
	Intermediate	241.7	216.4	11.7%
	Consumer	276.6	251.4	10.0%
	- Consumer Durables	381.5	349.9	9.0%
- Consumer Non-Durables	252.4	228.8	10.3%	

Source: CSO

4. Inflation

During 2006-07, the Wholesale Price Index of the country grew by 5.4% as compared to a growth of 4.4% recorded in the previous fiscal. (Source: CSO) It touched a two-year high of 6.73 % during the fiscal. As per the latest Economic Survey, inflation growth in the economy was led primarily by the supply side constraints.

Specifically, the increase in the inflation rate during the year was driven by:

- Sharp increase in prices of primary articles especially food articles.
- Inflation in manufactured products also increased from 3.1% in 2005-06 to 4.4% in 2006-07. However, inflation in the fuel group stood at 5.5% in 2006-07 as compared to 8.9% in 2005-06.

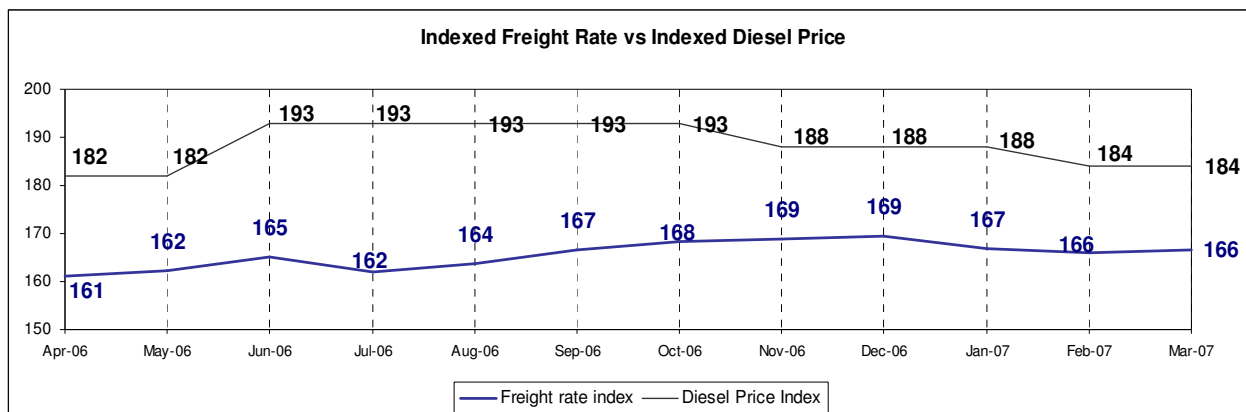
5. Interest rates

In an aggressive move to contain inflation within 5-5.5%, RBI increased the repo rates by 1.25% and CRR by 1.5% during FY07. Consequently, there was a substantial increase in borrowing costs of the corporates.

6. Freight Rates

Strict implementation of the overloading ban across most parts of the country and healthy freight availability following robust GDP & IIP growth resulted in a sharp increase in the freight rates in the country. Consequently, growth in benchmark freight rate index touched almost 20% y-o-y till September'06. However, due to high base effect, the growth in the index moderated at around 2-3% by the end of the fiscal.

On the other hand, diesel price index remained largely flattish with 1.1% growth registered during the fiscal, with the government decreasing the fuel prices twice during the fiscal after increasing them once in the beginning of the year.



7. National Highway Development Project (NHDP)

38% of the targeted 24,971 km of road development was completed as on 31st March'07. Pace of the road development work during the fiscal was rather sluggish due to constraints like land acquisition problems and delay in signing of the Concessions Agreement.

Table 3: Status of the NHDP as on 31st March'07

	Total Length (in Kms)	Planned date of completion	Completed	Under Implementation	Balance to be Awarded
GQ	5,846	Dec-06	95%	5%	0%
NS-EW	7,300	Dec-07	15%	71%	14%
Port Connectivity & others	1,325	Dec-07	33%	65%	2%
Phase IIIA	4,000	Dec-09	0.8%	44.2%	55%
Phase V	6,500	Dec-12	-	2%	98%
Total	24,971		29%	33%	38%

(Source: NHAI)

8. Railways

During the year, the freight earnings of Indian Railways increased by nearly 16% and the freight carried increased by 9.2% y-o-y during the period. Indian Railways recorded a cash surplus before dividend of Rs 200 bn in 2006-07 - a 36% y-o-y increase, largely as a result of increased receipts, especially from goods traffic movement. The improved performance in the freight segment can be attributed to improvement in wagon turnaround time, rise in per wagon payload and better utilisation of existing rolling stock. However, we have not observed any shift in modal share of transport away from road sector except for cement and steel commodities.

Outlook

- While CSO has estimated a GDP growth of 9.2%, CMIE has projected 9.0% for 2006-07. It is expected that growth in manufacturing and services sectors, partially offset by low growth in agriculture and allied sectors, will drive this growth (source CMIE).

The GDP growth estimates given by other agencies for fiscal 2007-08 are as below:

ADB	RBI	CRISIL
8%	8.5%	7.9-8.4%

Risk of increase in interest rates is likely to moderate the buoyant growth in industrial and services sectors during the current fiscal. Input cost pressures are also likely to continue to exist in the current fiscal.

- RBI proposes to contain inflation close to 5.0% in 2007-08 and has set a medium term target of 4.0-4.5%. Crisil has also stated that inflation is likely to remain in the range of 5.0-5.5% in 2007-08.
- As per CMIE, money supply position is expected to remain strong following the rising bank deposits, growing demand for credit and forex inflows in the current fiscal. However, some growth moderation is expected because of monetary tightening measures undertaken by RBI.
- Trade performance in the country is expected to moderate a little in 2007-08 following the recent strengthening of the currency and infrastructure bottlenecks in the country. (source : CMIE)

Commercial Vehicle Segment

Highlights

- CV domestic sales volumes in FY07 at 298,586 units in FY07 grew 39% from 214,836 unit sales in FY06.
- CV market share increased to 64% in FY07 from 61% in FY06, an increase of 270 bps.

Domestic CV Industry

- During FY07 the CV industry registered a volume growth of 33.3%, which was surpassed by 39% volume growth of Tata Motors' commercial vehicle segment.
- Details of industry and the Company performance in M/HCV segment during FY07 are as given below :

Table 4:

FY07	Industry Sales	y-o-y Growth	Tata Motors Sales	y-o-y Growth
M/HCV Trucks	246,862	37.6%	159,173	36.8%
M/HCV Buses	28,738	2.2%	13,669	11.3%
Total	275600	32.8%	172,842	34.4%

- Details of industry and Company performance in LCV segment during FY06 are as given below :

Table 5:

FY07	Industry Sales	y-o-y Growth	Tata Motors Sales	y-o-y Growth
Pick Ups	132,067	63.5%	90,614	88.8%
LCV Trucks (excl Pickups)	36,436	-9.9%	23,227	-15.6%
LCV Buses	23,779	6.4%	11,907	11.2%
Total	192,282	33.9%	125,744	45.9%

Source: SIAM

Company Performance in Domestic CV Segment

Table 6: CV Market Shares

	FY07	FY06
M/HCVs	62.9%	62.0%
LCVs	65.4%	60.1%
Total CVs	63.9%	61.2%

Source: SIAM

- The Company concluded the year with the highest sales growth among Commercial Vehicle players. Consequently CV market share improved 270 bps to 63.9% from 61.2% in FY07 thus maintaining the market leadership position. During fiscal 2007 buoyancy in industrial & infrastructure sectors together with the overloading restrictions aided a growth of 37.6% in MHCV truck industry during the year. With a growth of 36.8% the Company's share of the MHCV truck market slipped marginally to 64.7% from 64.9% in FY06.
- The Company outgrew the industry in both the high growth segments - HCV trucks and ICV trucks. Volumes in the HCV truck segment of the Company grew by about 72% y-o-y. (industry growth - 70%). Tata Motors' improved its market share in this segment from 62.9% in FY06 to 63.6% during FY07. ICV truck segment of the Company grew 25.5% y-o-y in fiscal 2007 (industry growth-12.4%) thereby improving the market share from 42.2% to 47.1%.
- Volumes in MCV truck segment of the Company grew by 1.8% y-o-y. The growth in this shrinking segment lagged the industry growth of 5.4%. Consequently, the market share for the segment stood at 77% during the fiscal against a share of 79.7% in FY06.
- Volumes in the bus segment of Tata Motors registered a 11.2% y-o-y increase from 22,982 units in FY06 to 25,522 units in FY07.
- Driven largely by the continued growth of the mini-truck and the pickup vehicles, the LCV truck segment of the company registered a volume of 113,841 units in FY07. With a growth of 50.7% against an industry growth of 39%, TATA Motors increased its market share from 62.1% in FY06 to 67.6% in FY07.
- Over 70,000 units of Tata Ace were sold during FY07 in the domestic market. The Greenfield plant at Uttarakhand dedicated to Ace and its variants has recently commenced operation.

Passenger Vehicle Segment

Highlights

- 228,220 units of Tata Motors & FIAT PVs sold in domestic market during FY07; up 20.7% y-o-y
- Tata Motors' market share stood at 16.4% for FY07.

Domestic PV Industry

- The overall passenger vehicle industry registered a volume growth of 20.7% during FY07.
- The industry and Company performance of the segments in which Tata motors' operates is as given below:

Table 7: PV Domestic Sales Volumes

FY07	Industry Sales	y-o-y Growth	Tata Motors Sales	y-o-y Growth
Compact Car	752,916	31.4%	144,690	29.7%
Mid Size	206,431	-3.5%	34,310	-12.9%
Utility Vehicles	220,199	13.2%	47,892	26.3%

Company Performance in Domestic PV Segment

The Company retained its #2 position in the domestic PV market.

Table 8: PV Market Shares

	FY07	FY06
Compact Car	19.2%	19.5%
Entry-level Mid-size Car	38.0%	33.0%
UV	21.7%	19.5%
Total PV	16.4%	16.5%

Source : SIAM & Company analysis

- The Company sold a total of 226,892 units of Tata branded passenger vehicles in FY07 as compared to 188,861 units sold in FY06, an increase of 20.1% y-o-y.
- Over 1300 units of FIAT vehicles were sold during the year.
- The Company maintained its market share position despite production loss due to fire in the plant.
- Indica Xeta launched in the last quarter of fiscal FY06 continues to receive enthusiastic response from the market. During the year, the Company added a 1.2 litre engine option to the Xeta range.
- While the industry volume growth in the entry level mid size segment declined by over 27%, the launch of the new range of Indigo by TATA Motors has helped to arrest the company's volume decline in the segment to 16.5%. The market share increase from 33% in FY06 to 38% in FY07.
- During FY07, the Company outperformed the Utility vehicle segment with a growth of over 26% (Industry: 13%). Safari sales at 15,816 for the fiscal have been highest for any fiscal since launch.

International Business

Highlights

- Exports of vehicles by the Company increased by a modest 6% y-o-y from 50,223 units in FY06 to 53,474 units in FY07.

Company Performance in International Business

Table 6: Exports Volumes

Business Unit	FY07	FY06	Change
Commercial Vehicles	35,653	30,186	18%
Passenger Vehicles	17,821	20,037	-11%
Total Exports	53,474	50,223	6%

- South Africa, South Asia, Turkey, and parts of Europe were the key export destination for the Company during FY07. These countries together contributed around 70% of the total vehicle sales during FY07.
- The Company licenced its pickup manufacturing technology to Fiat for manufacture and sale of pickup under the latter's brand in South America.
- During the year, the Company set up a joint venture company with Thonburi, Thailand to manufacture and sell pick ups in Thailand.
- The Company initiated passenger vehicles exports to Ghana during the fiscal.
- Revenues from international business formed around 18% of the consolidated revenues of the company during FY07 as compared to 17% in FY06.

Finance

- As on 31st March 2007, the total number of outstanding shares of Tata Motors stood at 385.4 mn (Face value Rs.10). The market capitalization of the Company was Rs 280 bn as on 31st March 2007.
- During FY06, the Company registered a 28.7% growth in its operating profit (EBITDA) from Rs 25.8 bn in FY06 to Rs 33.1 bn during FY07. The EBITDA margin for the year was 12.03% compared to 12.5% in FY06.
- During FY07, increase in average vehicle realisation and favourable shift in product mix helped the Company offset the increased input cost pressures. Prices of non-ferrous metals and increase in tyre prices posed particular challenge during the year.
- During FY07, the Company achieved cost reduction of Rs 4.6 bn as compared to Rs 3.0 bn targeted for the year.
- During FY07 the company reported forex gain of Rs 1,304.8 mn as compared to a loss of Rs. 185.3 mn in FY06.
- Other income of Rs 2.5 bn earned during FY07 (FY06 : Rs 2.9 bn) comprises of profit on sale of investments, dividends from long-term investments and income from investible surplus.
- Following the expansion in debt portfolio of the Company and significant increase in interest rates during the fiscal, the net interest cost of the Company increased 38.3% to Rs 3,130 mn in FY07 from Rs 2,264 mn in FY06. However, net interest cost as % of net revenues has remained constant at 1.1%.
- The Gross total debt (inc. FCCNs) stood at Rs 40.09 bn as on 31st March'07 as compared to Rs 29.4 bn as on 31st March'06. The Company's Net Debt (Net of the surplus investible funds) was Rs 33 bn as on 31st March '07 compared to Rs 21.3 bn as on 31st March'06. As on 31st March'06, the Company's net debt to equity ratio stood at 0.44: 1.
- While most of the capex funding requirement was met through internal accruals, the Company had to resort to short-term borrowing to support the newly formed vehicle financing subsidiary and meet working capital requirements during the year.
- While 99.94% of USD 100 mn 1% Convertible Notes (due 2008) were converted till 31st March'07, 93.89% of USD 100 mn Zero Coupon Convertible Notes (due 2009) were converted into ADRs/ordinary shares by 31st March'07.
- The balance sheet size of the Company as on 31st March'07 was Rs 116.66 bn as compared to Rs 90.96 bn as on 31st March 2006. Net of vehicle financing business, the Company's capital employed was Rs 73.7 bn as on 31st March '07 as compared to Rs. 46.1 bn as on 31st March'06.
- Receivables and loans on account of vehicle financing business on the Company's Balance Sheet as on 31st March'07 were Rs 42.9 bn as compared to Rs 44.9 bn as on 31st March 2006.
- The Company had an investible surplus of around Rs.7.1 bn as on 31st March'07.
- The following table shows the days of sales of inventory and receivables of the company.

Table 7: Current Assets

No. of Days	31 st March'07	31 st March'06
Inventory	29	31
Receivables (non-HP)	9	10

Performance of Key subsidiaries

Table 8: Key Subsidiary Financials

Subsidiary	Turnover (Rs mn)		Change (%)	PBT (Rs mn)		Change (%)	PAT (Rs mn)		Change (%)
	FY07	FY06		FY07	FY06		FY07	FY06	
Tata Daewoo CV Ltd., Korea (TDCV)	23,336	15,849	47.2%	1,133	777	45.7%	830	583	42.3%
Telco Construction Equipment Co. Ltd (Telcon)	18,277	13,050	40.1%	2,804	1,368	105.0%	1,839	868	111.7%
TML Financial Services Ltd (TML FSL)	1,602			201			128		
Tata Technologies Ltd (TTL)	9,605	5,450	76.2%	247	194	27.0%	163	116	4%
HV Transmissions Ltd (HVTL)	1,756	1,277	37.5%	736	455	61.6%	450	301	49.5%
HV Axles Ltd (HVAL)#	1,967	1,439	36.7%	963	693	39.0%	579	463	25.1%

* Includes INCAT financials

Turnover is Net of excise duty

Operational Highlights of Key Subsidiaries

TDCV

- Volumes in the heavy commercial vehicle industry in Korea was almost stagnant with 0.8% growth during the fiscal .
- TDCV sold 8,630 units during FY07 compared to 5,924 units during FY06, an increase of 46% y-o-y.
- While the domestic market share of TDCV in stood 24.0% in FY07 compared to 25.5% in FY06.
- Exports from TDCV registered a 46.8% y-o-y growth during the year.
- The capacity utilisation at TDCV improved to 42.7% during FY07 from 28.2% during FY06.

TELCON

- With Sales of 5,359 units, Telcon registered 46.5% y-o-y growth in volume sales from 3,657 units sold in FY06.
- Continued to be market leader in excavators during the FY06 with 53% market share.
- During FY07, market share in wheel loaders and backhoe loaders was maintained at 23% & 10% respectively.
- As a part of on going relationship with Hitachi, Telcon launched large sized Zaxis excavators (ZX 370& 470) and Hitachi Sumitomo cranes in India.
- Also, joint development teams have been formed for several business initiatives, including research & development and component & machinery sourcing.

Vehicle Financing

- The total vehicle financing disbursement during the fiscal is Rs 94.15 bn. Of this, Rs 39.86 bn were disbursed by TMLFSL and the rest by Tata Motors.
- Average book size of the business was Rs. 85.5 bn as on 31st March'07.
- NIM of TMLFSL for FY07 was in the range of 5.5 - 6.5%.

TTL

- Integration of TTL with INCAT has extended beyond the scheduled deadline.
- Business structuring was initiated during the year to facilitate leveraging of offshore capabilities.

HVAL & HVTL

- 120,575 units of axle sets processed by HVAL during the year ; growth of 55%
- 125,556 units of gearboxes processed by HVTL during the year ; growth of 47%
- Capacity expansion initiated in line with market opportunities.

Shareholding Pattern

Table 9 : Shareholding Pattern as on 31st March'07

Tata Group	33.43%
Daimler Chrysler	6.65%
Indian Financial Institutions / MFs / Banks	16.50%
ADR/GDR Holders / Foreign holders-DR status	11.06%
Foreign Institutional Investors	19.84%
Others	12.52%
Total	100.00%

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