



## Tata Motors 1Q FY05 Review

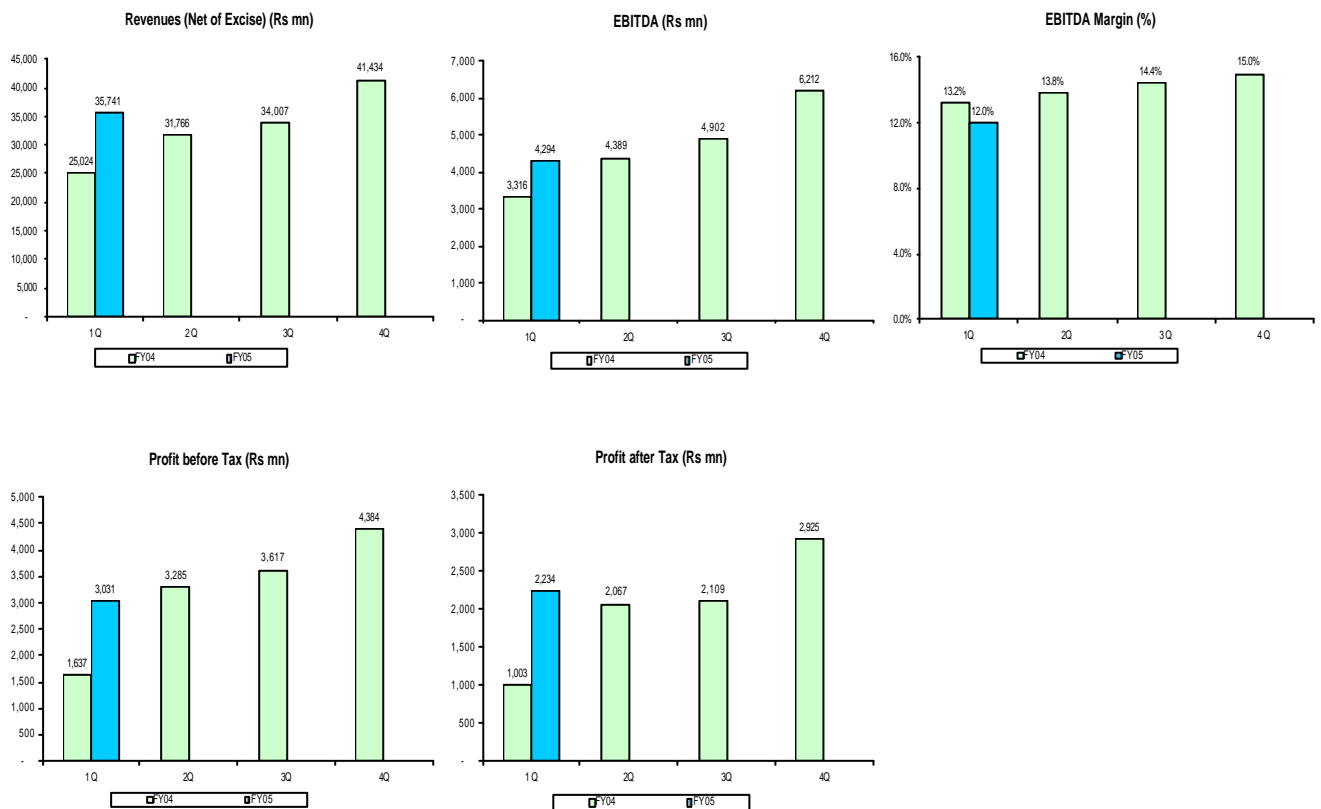
### Snapshot

#### Unconsolidated 1Q FY05 Financials

	1Q FY05 (Rs mn)	1Q FY04 (Rs mn)	Change %	1Q FY05 (*) (US\$ mn)	1Q FY04 (**) (US\$ mn)
Volumes (units)	84,918	60,396	41%		
Revenue (Net of excise)	35,741	25,024	43%	778	539
EBITDA	4,294	3,316	30%	93.5	71.4
EBITDA %	12.0%	13.3%	(123 bps)	12.0%	13.3%
Op. Cash Profit (Pre-Tax)	4,291	2,883	+49%	93.4	62.1
Extra-ordinary Items	(11)	(202)		(0.2)	(4.3)
Profit / (Loss) before Tax	3,031	1,637	+85%	66.0	35.2
Net Profit / (Loss)	2,234	1,003	+123%	48.6	21.6
Basic EPS (not annualised)	Rs. 6.26	Rs. 3.14		\$ 0.14	\$ 0.07

(\*) Rate of exchange as of June 30, 2004: 1US\$ = Rs 45.92

(\*\*) Rate of exchange as of June 30, 2003: 1US\$ = Rs 46.46



This document is also available on [www.tatamotors.com](http://www.tatamotors.com)

## Business Review

### Unconsolidated 1Q FY05 Financials

- Tata Motors Net Revenues increased by 43% YoY to Rs 35.7 bn during the quarter on the back of robust volume growth of 41%.
- The Company posted a PAT of Rs 2.2 bn in 1Q FY05, a 123% increase compared to Rs 1.0 bn in 1Q FY04.
- PBT for the quarter was at Rs 3.0 bn, up 85% YoY.
- EBITDA saw a growth of 30% to Rs 4.3 bn; EBITDA margins stood at 12.0% compared to 13.3% in 1Q FY04 due to input cost pressures and provision of mark-to-market currency loss by the Company.
- Going forward, fuel prices, monsoon and commodity prices will be the critical factors for vehicle demand and profitability.
- Following the acquisition of Daewoo Commercial Vehicle Company in March, 2004, the name of the Company has been changed to Tata Daewoo Commercial Vehicle Company Limited (TDWCV) with effect from May 29, 2004.
- Tata Motors' Board has approved of a proposal to list the Company's Depository Receipts Programme on the New York Stock Exchange (NYSE) through the conversion of the Company's existing GDRs into ADRs. This is intended to be a Level II listing without any concurrent fund raising and is expected to be completed later this fiscal.

**Table 1: Volume Summary**

	Tata Motors			Industry		
	1Q FY05	1Q FY04	Change %	1Q FY05	1Q FY04	Change %
Commercial Vehicles	39,877	26,643	50%	66,857	46,659	43%
Passenger Vehicles	40,781	30,118	35%	234,184	194,708	20%
<b>Total Domestic Sales</b>	<b>80,658</b>	<b>56,761</b>	<b>42%</b>	<b>301,041</b>	<b>241,367</b>	<b>25%</b>
Exports	4,260	3,635	17%	41,085	30,631	34%
<b>Total Volumes</b>	<b>84,918</b>	<b>60,396</b>	<b>41%</b>	<b>342,126</b>	<b>271,998</b>	<b>26%</b>

- The Company registered a strong volume growth of 41% during the quarter on the back of
  - robust sales in the domestic market
  - market share gains in CVs and PVs
  - improvement in international business volumes in CVs
- This performance helped the Company further improve its market share in the domestic four-wheeler automobile market in 1Q FY05 to 26.8%, a gain of 330 bps. The Company's market share in CVs moved up to 59.6% (+250 bps) and in PVs to 17.4% (+190 bps).

### Performance of key subsidiaries

- 1Q FY05 includes the performance of TDWCV for the first full quarter.
- TDWCV reported a turnover of Rs 3.4 bn and Profit before Tax of Rs 193 mn during the quarter.
- Both HVTL and HVAL have seen a marked improvement in their performance in 1Q.
  - Backed by a strong volume growth, the turnover of HVTL was up by 35% to Rs 285 mn, while that of HVAL improved 44% to Rs 311 mn
  - PBT of these companies more than tripled to Rs 92 mn and Rs 112 mn respectively
- Both, Telcon and TAL, have registered a significant improvement in their revenues and a turnaround profit performance as compared to 1Q last year.
- The combined turnover of the key six subsidiaries stood at Rs 6.5 bn as compared to Rs 2.2 bn in 1Q FY04 due to a strong performance of the domestic subsidiaries and inclusion of TDWCV.
- The six key subsidiaries posted a profit performance with a combined PBT of Rs 481 mn as against a loss of Rs 46 mn last year.

## Economic Scenario

In the first two months of FY05, the industrial economy saw continued growth across all sectors with the IIP moving up by 7.5%. On a sequential basis, however, IIP growth in May 2004 declined to 6.2% from 8.7% in the previous month.

**Table 2: Macro Economic Indicators**

Growth (%)	Categories	Apr-May'04	Apr-May'03
IIP	General	7.5	5.3
Sectoral	Mining	7.2	5.5
	Mfg.	7.6	5.5
	Electricity	6.9	3.6
Use-based	Basic	5.6	3.8
	Capital	11.3	7.1
	Intermediate	11.3	0.9
	Consumer	5.1	10.5
	Consumer Durables	9.4	5.9
	Consumer Non-Durables	3.7	12.0

Source: CSO

### National Highway Development Project (NHDP)

As of June 30, 2004, 27% of the targeted 14,279 km of NHDP was completed. The completion of Phase-I of the NHDP (Golden Quadrilateral - GQ) reached the half-way mark in June 2004. However, the delay in the award of contracts for Phase II of the NHDP may result in some time over-runs in this project.

**Table 3: Status of the NHDP as on June 30, 2004**

	Total length (In kms)	Planned Date of completion	Completed	Under Implementation	Balance to be awarded
GQ	5,846	Dec-04	49%	51%	-
NSEW	7,300	Dec-07	9%	6%	85%
Port Connectivity & Others	1,133	Dec-07	23%	31%	46%
Total	14,279		27%	26%	47%

(Source: NHAI)

### Union Budget 2004-05

The Union Budget 2004-05 proposals presented in July 2004 are in line with the National Common Minimum Programme (NCMP) of the UPA government with focus on agriculture and rural infrastructure.

Some of the salient features of the Budget impacting the Auto industry are:

- Weighted deduction of 150% on in-house R&D expenditure as against 100% previously
- Imposition of 2% education cess on all direct and indirect taxes. Cenvat credit is, however, allowed on the cess on indirect taxes.
- Increase in service tax rates from 8% to 10% and inclusion of transport booking agent in the service tax net. Cenvat credit has, however, now been made applicable to service tax.
- Import duty on steel input has been reduced from 15% to 10% while excise duty on steel and steel products has been increased from 8% to 12%.
- Decision to move towards a VAT regime effective April 1, 2005

The Budget assumes aggressive revenue collections which are contingent upon strong growth in the economy in the current fiscal.

### Outlook

- The secular drivers of infrastructure development and retail credit expansion continue to provide the long-term impetus to economic growth. However, the short-term growth is highly contingent upon the progress of the monsoon which, after a good initial start, has not been very encouraging. Under these circumstances, FY05 GDP growth rate is projected to be around 6-6.5% as against the initial expectation of around 7-8%.
- In the near term, the sustained increase in input prices and rise in global crude prices (to nearly US\$ 40/ BBL) continue to be a cause for concern.

### Commercial Vehicles – 1Q FY05 performance

- Total CV sales volumes up 53%
- Exports volumes more than doubled
- CV domestic market share of 59.6%, up 250 bps
- Significant market share gains in M/HCVs

**Table 4: CV Sales Volumes**

	1Q FY05	1Q FY04	Change
Domestic	39,877	26,643	50%
Exports	3,275	1,597	105%
<b>Total CV</b>	<b>43,152</b>	<b>28,240</b>	<b>53%</b>

### CV Domestic Business

The Company's domestic CV sales volumes in 1Q FY05 stood at 39,877 units, led by robust growth in the M/HCV as well as LCV segments. Domestic CV volumes increased by 50% during the quarter, outperforming the industry growth of 43%.

**Table 5: CV Domestic Sales Volumes**

	1Q FY05	1Q FY04	Change
M/HCV	27,381	17,341	58%
LCV	12,496	9,302	34%
<b>Total CV</b>	<b>39,877</b>	<b>26,643</b>	<b>50%</b>

**Table 6: CV Market Shares**

	1Q FY05	1Q FY04
M/HCV	67.0%	62.8%
LCV	48.1%	48.8%
<b>Total CV</b>	<b>59.6%</b>	<b>57.1%</b>

- Backed by growth across all the haulage segments, the Company's truck volumes witnessed an increase in 1Q FY05 - M/HCVs (+72%) and LCVs (+34%). The key growth drivers were consistent improvement in the economy, low cost retail finance, continued spending on infrastructure development and replacement demand from phasing out of old vehicles.
- The tractor-trailer segment witnessed a strong performance during the quarter.
- The Company registered market share gains across all the M/HCV haulage categories. Its market share in the M/HCV truck segment improved to 68.8%, a gain of 460 bps.
- The Company entered the 6ton payload category of the ICV haulage segment with the launch of the LPT 909 EX truck in May 2004. The nation-wide phased roll-out of the 909 EX is under way. This vehicle offers good payload capacity and operational profitability in its segment and has received a good initial customer response.
- In the LCV truck category, the Company's Pick-up volumes grew by 46% YoY, with a market share of 33% in 1Q. In the rest of the LCV truck market, the Company's market share expanded from 66% to 69% during the quarter.
- During the quarter, the average diesel price increased by 0.7% sequentially, despite a substantial increase in the international crude prices. Our benchmark freight rate index was down 7% indicating that the transporters margins were under some pressure during the quarter.
- The Company's bus volumes registered a modest increase of 9% YoY. The M/HCV bus volumes were subdued (-9% YoY) primarily on account of a high base in 1Q last year due to STU order execution. In the LCV bus segment, the Company registered a volume growth of 37%, double that of the industry growth, improving its market share to 45% (+610 bps).

### CV International Business

The Company's CV exports more than doubled to 3,275 units during the quarter.

**Table 7: CV Exports Volumes**

	<b>1Q FY05</b>	<b>1Q FY04</b>	<b>Change</b>
M/HCV	1,078	766	41%
LCV	2,197	831	164%
<b>Total CV</b>	<b>3,275</b>	<b>1,597</b>	<b>105%</b>

- This strong growth has resulted from the strategy of focusing on certain key markets.
  - The exports of Pick-ups improved on the back of increased shipments to markets in Europe and S. Asia.
  - During the quarter, the Company launched its Pick-ups, LCVs and buses in the S. Africa market. Other products are also expected to be introduced later in the fiscal.
- Tata Daewoo Commercial Vehicle Company Limited (TDWCV)
  - TDWCV registered sale of 1,388 units during the quarter and increased its market share to 27% of the Korean HCV market during the quarter.
  - In June 2004, TDWCV introduced 'NOVUS' in the Korea market - the first Korean Euro III designed and manufactured truck range. The NOVUS with its high performance electronic engine, new look cabin, Common Rail fuel injection system and upgraded safety features will enable the Company to compete in Korea as well as other international markets.

### Passenger Vehicles

- Total PV sales volumes up 30%
- PV domestic volumes up 35% compared to industry growth of 20%
- PV domestic market share of 17.4%, a gain of 190 bps
- Indigo in leadership position since launch; best selling sedan in the country
- Indica registered its highest ever quarterly domestic sales, crossing the 25,000 unit mark

**Table 8: PV Sales Volumes**

	1Q FY05	1Q FY04	Change
Domestic	40,781	30,118	35%
Exports	985	2,038	-52%
<b>Total PV</b>	<b>41,766</b>	<b>32,156</b>	<b>30%</b>

### PV Domestic Business

In 1Q FY05, Tata Motors registered a domestic PV sale of 40,781 units - its second best performance in any quarter.

**Table 9: PV Domestic Sales Volumes**

	1Q FY05	1Q FY04	Change
Compact Car	25,136	18,268	38%
Entry-level Mid-size Car	8,971	5,755	56%
UV	6,674	6,095	9%
<b>Total PV</b>	<b>40,781</b>	<b>30,118</b>	<b>35%</b>

**Table 10: PV Market Shares**

	1Q FY05	1Q FY04
Compact Car	23.5%	23.4%
Entry-level Mid-size Car	37.3%	25.8%
UV	17.8%	20.9%
<b>Total PV</b>	<b>17.4%</b>	<b>15.5%</b>

- During the quarter, the Company's PV domestic volumes grew by 35%, surpassing the industry growth of 20%. The market share improved to 17.4%, up 190 bps YoY.
- The Company's cumulative domestic Passenger Vehicle sales crossed the 700,000 unit mark in 1Q FY05.
- Indigo sales rose by 56%, significantly outperforming the segment growth of 9%. Consequently, Indigo improved its market share in the entry-level mid-size segment from 25.8% to 37.3% during the quarter. With this performance, Indigo retained its leadership position in its segment since launch - indicative of the continued customer acceptance of the brand. It continues to be the best-selling sedan in the country.
- In 1Q FY05, Indica achieved its highest-ever quarterly sales in the domestic market, crossing the 25,000 unit mark. Indica volumes were up 38% YoY. Indica market share in the Compact Car segment increased to 23.5%.
- The Company has undertaken the expansion of annual capacity in its Car Plant to over 200,000 units in the current fiscal.
- The Company's market share in the MUV segment stood at 17.8%, with a volume growth of 9% during the quarter. The Sumo variants introduced in FY03 continued to do well. The market share dropped in a growing market with new competitive offerings. The Company recently launched Sumo Victa – the face-lift version of the Sumo, with contemporary styling and enhanced features and is hopeful of making up for the lost market share during the fiscal.

## PV International Business

**Table 11: PV Exports Volumes**

	<b>1Q FY05</b>	<b>1Q FY04</b>	<b>Change</b>
Passenger Car	799	1,131	-29%
MUV	186	907	-79%
<b>Total PV</b>	<b>985</b>	<b>2,038</b>	<b>-52%</b>

- The Company exported around 1,000 PVs during the quarter, primarily to European markets.
- Some export shipments were deferred during the quarter while the Company addressed the robust domestic demand of the new Indica V2 and the Indigo.
- The Company has continued to make progress with exploring meaningful opportunities in other select export markets.
- Till June 2004, around 7,000 City Rovers have been shipped to MG Rover and the start of the LHD (Left-hand Drive) City Rover production for the EU market is yet to commence.

## Finance

- Other expenses during 1Q FY05 include provision towards mark-to-market currency loss.
- In April 2004, the Company raised US\$ 400 mn by issue of Foreign Currency Convertible Notes (FCCN) in the international market – the largest-ever international offering from India. The Notes were issued in two tranches – 2009 Notes aggregating US\$ 100 mn are zero coupon and redeemable at a discount of 4.89% and 2011 Notes carry a coupon of 1% p.a. and will be redeemable at a premium of 21.78%.
- Net Interest cost in 1Q was lower by 23% to Rs 416 mn as a result of strong operating cash flows and lower interest rates. Accessing low-cost international funds through FCCNs has also helped to bring down the interest cost.
- Other Income during the quarter mainly comprises of dividends from long-term investments and income from investible surplus.
- The Company has moved out of Minimum Alternate Tax (MAT) from this fiscal. The Company's deferred tax liability was negative during the quarter on account of reversal of deferred tax liability created in the earlier years in respect of depreciation.
- The Company had an investible surplus of around Rs 37.1 bn as on June 30, 2004.

**Table 12: Investible Surplus**

	Rs bn
Mutual Funds	18.1
Overseas deposits	15.6
Fixed deposits and ICDs	3.4

- The Company's Balance sheet size stood at Rs 74.6 bn as on June 30, 2004 as against Rs 53.7 bn as on March 31, 2004. Net of the investible surplus, the Company's capital employed was Rs 37.5 bn as of June 30, 2004.
- Out of the FCCBs issued in July 2003, around 87% have been converted into GDSs at a premium of Rs 240.745 per share as on June 30, 2004.

Around 87% of the outstanding warrants of 25.5 mn (from Rights Issue in FY02) have been converted, at a premium of Rs 110 per share as on June 30, 2004.

As a result, the Company's paid-up capital increased to Rs 3.58 bn during the quarter.

- The gross total debt (inc. FCCNs) was Rs 31.1 bn as on June 30, 2004. The Company's Net Debt (Net of the surplus investible funds) stood at negative Rs 0.6 bn.
- Continued focus on reduction in Working capital has helped the Company to maintain its Net Current Assets in the negative territory.

**Table 13: Working Capital**

No. of Days	June 30, 2004	June 30, 2003
Inventory	34	35
Receivables (non-HP)	9	18

- The Company has incurred capital expenditure (including product development) of around Rs 0.8 bn during the quarter.

## Key Subsidiary Companies – Performance

**Table 14: Subsidiary Financials**

Subsidiary	Turnover (Rs mn)		PBT (Rs mn)	
	1Q FY05	1Q FY04	1Q FY05	1Q FY04
Telco Construction Equipment Co. Ltd (Telcon)	1,976	1,399	77	(11)
Tata Technologies Ltd (TTL)	368	309	4	8
HV Transmissions Ltd (HVTL)	285	212	92	27
HV Axles Ltd (HVAL)	311	216	112	28
TAL Mfg Solutions Ltd (TAL)	200	106	3	(98)
Tata Daewoo Commercial Vehicle (TDWCV)	3,385	-	193	-

- In 1Q FY05, the combined turnover of the key subsidiaries stood at Rs 6.5 bn as compared to Rs 2.2 bn in 1Q FY04.
- These key subsidiaries posted a profit performance with a combined PBT of Rs 481 mn as against a loss of Rs 46 mn last year.
- The combined Capital Employed stood at Rs 16.8 bn compared to Rs 16 bn as on March 31, 2004.
- The combined debt of the subsidiaries as on June 30, 2004 was Rs 4.6 bn, lower by 13% during the quarter. On a like-to-like basis (after excluding TDWCV), the debt position is lower by 25% in 1Q.

## Shareholding Pattern

**Table 15: Shareholding Pattern as on June 30, 2004**

	%
Tata Group	33%
DaimlerChrysler	7%
Indian Financial Institutions / MFs / Banks	12%
GDR Holders / Foreign holders –DR status	7%
Foreign Institutional Investors	21%
Others	20%
<b>Total</b>	<b>100%</b>

## Investor Relations Contacts

### Dharmendra Grover

3<sup>rd</sup> Floor, Nanavati Mahalaya,  
Homi Mody Street,  
Fort,  
Mumbai – 400 001  
India

Phone: 91-22-5665 7237

Fax: 91-22-5665 7788

Email: [dgrover@tatamotors.com](mailto:dgrover@tatamotors.com)

### Radhika Koppikar

3<sup>rd</sup> Floor, Nanavati Mahalaya,  
Homi Mody Street,  
Fort,  
Mumbai – 400 001  
India

Phone: 91-22-5665 7230

Fax: 91-22-5665 7788

Email: [rvk@tatamotors.com](mailto:rvk@tatamotors.com)

## Disclaimer

Statements in this presentation describing the Company's objectives, projections, estimates, expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which the Company operates, changes in Government regulations, tax laws and other statutes and incidental factors.