

Tata Motors (NYSE : TTM) 1Q FY06 Review

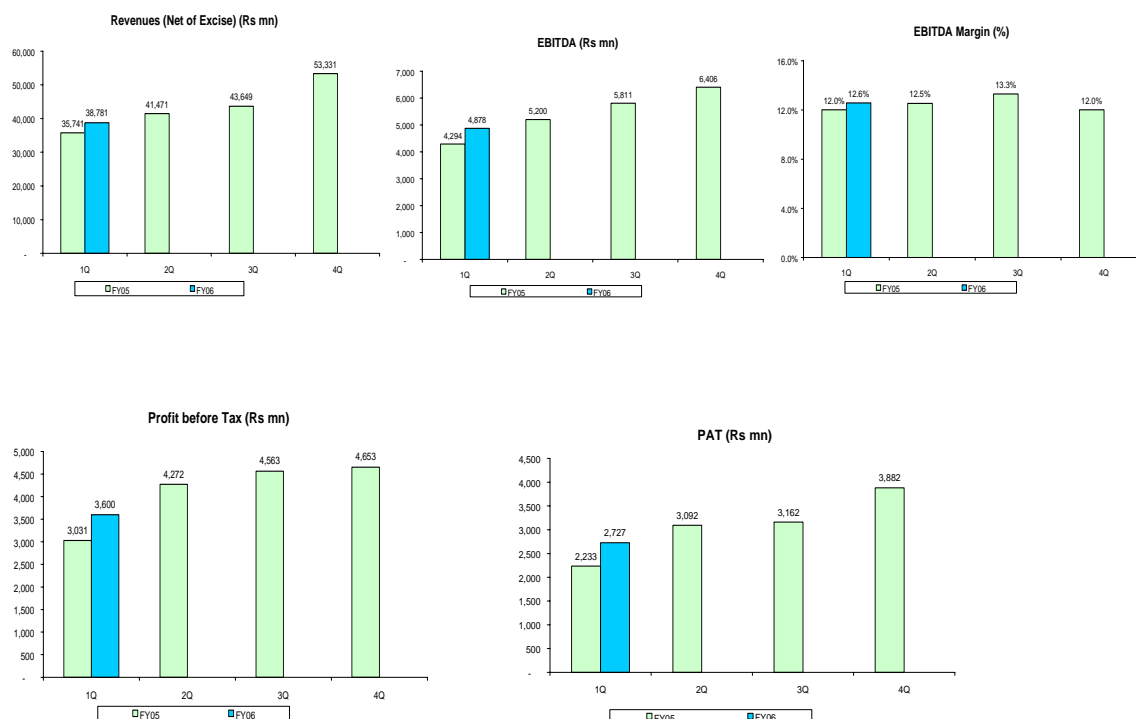
Snapshot

Unconsolidated 1Q FY06 Financials (Indian GAAP)

	1Q FY05 (Rs mn)	1Q FY06 (Rs mn)	Change %	1Q FY05 (**) (US\$ mn)	1Q FY06 (*) (US\$ mn)
Revenue (Net of excise)	35,721	38,781	8.6%	777.9	891.3
EBITDA	4,294	4,878	13.6%	93.5	112.1
EBITDA %	12.0%	12.6%	+60bps	12.0%	12.6%
Cash Profit (before Tax)	4,291	4,950	15.4%	93.4	113.8
Extra-ordinary Items	-10.7	-10.1	-5.6%	-0.2	-0.2
Profit before Tax	3,031	3,600	18.8%	66.0	82.7
Net Profit	2,234	2,727	22.1%	48.6	62.7
Basic EPS (Non-annualised)	Rs. 6.26	Rs. 7.25	15.8%	\$0.14	\$0.17

(*) Rate of exchange as on June. 30, 2005: 1US\$ = Rs 43.51

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



This document is also available on www.tatamotors.com

Business Review

Unconsolidated 1Q FY06 Financials (Audited)

- Tata Motors' Net Revenue for 1QFY06 was Rs. 38.8 bn ; up by 8.6% Y-o-Y.
- EBITDA was Rs. 4.9bn - up 13.6% Y-o-Y. EBITDA margins stood at 12.6% for the quarter compared to 12.0% in 1Q FY05.
- Improved margins during 1QFY06 despite low volume growth mainly on account of control on raw material costs due to cost reduction and revenues from vehicle financing business.
- PBT for the quarter was Rs 3.6 bn, up 18.8% Y-o-Y.
- The Company posted a PAT of Rs. 2.7 bn in 1Q FY06, up 22.1% Y-o-Y.

Table 1: Volume Summary

	1Q FY05	1Q FY06	Change
Total CVs	39,877	37,228	-7%
Total PVs	40,781	41,191	1%
Total domestic Sales	80,658	78,419	-3%
Exports	4,260	9,073	113%
Total Volumes	84,918	87,492	3%

- Volume growth in the domestic market during the first quarter of FY06 remained stagnant mainly on account of uncertainty created by last minute change in the emission regulations that came into effect as on 1st April, 2005. The uncertainty resulted from Government's decision in March 2005, to continue the Bharat Stage I emission norms in seven states of the country for the first half of FY06.

The Government announced the new safety standards, which too, came into effect from 1st April, 2005.

Consequently, the component supply, particularly for Bharat Stage I vehicles, together with the delay in obtaining the necessary vehicle certifications became a bottleneck and adversely effected the overall production of vehicles, given the vast range of commercial vehicles offered by the Company.

- The volume growth of 113% in the export market during 1QFY06 was very encouraging and was mainly led by increase in exports of passenger cars and light commercial vehicles.
- The Company launched the first mini truck – Tata Ace on 6th May, 2005 in the four Southern states of the country and has received an enthusiastic response from the market.
- Merger of Tata Finance Ltd. with Tata Motors Ltd. has been approved the Hon'ble High Court of Judicator Of Bombay. The results for the first quarter therefore include the operating performance of the erstwhile Tata Finance Ltd.

Economic Scenario

Key Highlights of 1Q FY06

1. Macro Economic Indicators

Robust growth in industrial sector continued in to the first two months of Fiscal 2006 with the IIP growing at 9.6% during this period. Manufacturing sector continues to drive this growth, which is also reflected in the highest increase in the index for capitals good during April – May 2005.

Table 2: Macro Economic Indicators

Categories		Apr-May'04	Apr-May'05	Growth (%)
IIP	General	190.9	209.3	9.6%
Sectoral	Mining	148.8	153.5	3.2%
	Mfg.	198.0	218.8	10.5%
	Electricity	179.6	191.9	6.9%
Use-based	Basic	169.9	181.8	7.0%
	Capital	190.9	227.0	18.9%
	Intermediate	204.9	209.3	2.1%
	Consumer	204.2	237.8	16.5%
	- Consumer Durables	269.4	321.0	19.2%
- Consumer Non-Durables	189.1	218.6	15.6%	

Source: CSO

2. Infrastructure Index

The Infrastructure Index grew at 4.9% during April –May 2005 as compared to 8.2% growth recorded during the same period in the last fiscal. While steel, coal, electricity and cement recorded a growth during the first two months of the fiscal, there was a decline in the crude petroleum and petroleum refinery sectors.

3. Rise in inflation

An average inflation rate of 5.2% was recorded during the first quarter of FY06. This was primarily led by increase in fuel prices and increase in prices of food grains. While the Crude Oil prices continued to soar in the international market, the domestic prices of diesel were contained by the Government during the first quarter.

4. Interest rates

As a follow up to hardening of the interest rates globally, the domestic yields on the Government securities increased by 25 bps during the first quarter of FY06. However, there has been no adverse impact on the vehicle demand as also on the operating profitability of the commercial vehicle operators.

5. Freight Rates

As on 30th June, 2005, the benchmark freight rate index was 6% higher than that on 30th June, 2004, thereby indicating a strong freight demand in the economy and the truck operator's ability to pass on the costs to the consumers. The diesel price index as on 30th June 2005 was 27% higher than that on 30th June 2004. The benchmark diesel price index continues to be higher than the freight rate index.

A price hike of Rs. 2.50/litre in diesel and Rs. 2.00/litre in petrol was announced by the Government in early July 2005.

6. National Highway Development Project (NHDP)

The Government has postponed the date of completion of the Golden quadrilateral by six months to September, 2006. However, contracts are being awarded by the government to avoid any further delays in completion.

Table 3: Status of the NHDP as on June. 30, 2005

	Total Length (in Kms)	Planned date of completion	Completed	Under Implementation	Balance to be Awarded
GQ	5,846	Sep-06	84%	16%	-
NS-EW	7,300	Dec-07	10%	34%	56%
Port Connectivity & others	1,167	Dec-07	33%	37%	30%
Total	14,313		42%	27%	31%

(Source: NHAI)

Outlook

- FY06 GDP growth rate has been projected by various agencies to be around 6.5-7% (*source : CMIE, RBI etc.*)
- The Industrial growth in the country is likely to continue, supported by adequate liquidity and strong consumer demand.
- The interest rates could possibly harden further as a follow up to any increase in US Fed rates during the year.
- Increase in input prices, unabated hike in global crude prices and expectation of interest rate hardening continue to be a cause of concern.

Commercial Vehicles

- CV domestic sales volumes of 37,231 units, a decline of 7% in 1Q FY06
- CV market share at 55.2% during 1QFY06.
- Exports volumes of 5,714 units, up 74% Y-o-Y.
- Tata Ace launched.

CV Domestic Business

Table 4: CV Domestic Sales Volumes

	1Q FY05	1Q FY06	Change
M/HCVs	27,381	21,990	-20%
LCVs	12,496	15,238	22%
Total CVs	39,877	37,228	-7%

Table 5: CV Market Shares

	1Q FY05	1Q FY06
M/HCVs	67.1%	56.6%
LCVs	48.1%	53.3%
Total CVs	59.7%	55.2%

- Change in the emission standards, implementation of VAT and introduction of new safety standards and the consequent component supply constraint resulted in industry volumes of commercial vehicles being stagnant during 1QFY06.
- The company's volumes of commercial vehicles declined 6.7% during 1QFY06.
- 15.6% decline in the Company's M/HCV truck volumes was offset by a 26% increase in the LCV truck volumes during 1Q FY06, resulting in an overall decline of 3.6% in the total truck volumes during the first quarter of FY06.
- While the volumes in the HCV segment (Multi-axle vehicles and Tractor trailers) decreased by 11% and that of MCV segment declined by 27%, the ICV volumes grew by 56.2% during the first quarter of FY06.
- The Company has steadily gained market share in the total commercial vehicle segment during 1QFY06 from 49.6% in April'05 to 56.6% in May'05 to 57.4% in June'05.
- While the market share of the M/HCVs stood at 56.6% in 1QFY06 compared to 67.1% in 1QFY05, the market share of LCVs at 53.3% was 520 bps higher than the same period in the previous year.
- At 38.9%, the Company's market share in ICV segment for 1QFY06 was up 640 bps Y-o-Y.
- The Company's bus volumes declined 27.3% Y-o-Y during 1QFY06. While MCV bus volumes were nearly half of those in the 1QFY05, the LCV bus volumes grew by 5.2%.
- Pick up volumes, complemented with sales of Tata Ace, almost doubled during 1QFY06 compared to the same period in the previous year, thereby resulting in an increase of 1700 bps in its market share to 49.5% during 1QFY06. The Company was the market leader in this segment during this period.
- The Company has received enthusiastic response to the pilot launch of Tata Ace in four States of South India and Maharashtra. As on 30th June, 2005, around 2,500 numbers of Tata Ace had been sold.

CV International Business

The Company's CV exports registered a volume growth of 74% at 5,714 units during 1Q FY06.

Table 6: CV Exports Volumes

	1Q FY05	1Q FY06	Change
M/HCVs	1,078	1,389	29%
LCVs	2,197	4,325	97%
Total CVs	3,275	5,714	74%

- The LCV exports (excluding pick ups) increased by 127.8% Y-o-Y during the first quarter of FY06.
- Exports of pick ups increased 78.1% Y-o-Y during 1QFY06.
- South Africa, Sri Lanka, West Asia and South East Asia were the key export markets for commercial vehicles in 1QFY06.
- TDCV achieved volume sales of 1,098 units (down 20.9% Y-o-Y) during April- June, 2005 with its market share being maintained at around 29% in the Korean HCV market. The Korean HCV market declined 26% during April-June, 2005.

Passenger Vehicles

- 41,191 units of passenger vehicles sold during the first quarter of FY06.
- Exports of PVs grew by 241% Y-o-Y during 1QFY06; 3,359 units exported.
- Utility vehicle unit sales grew by 10% Y-o-Y during 1QFY06 in the domestic market.
- Passenger car volumes in the domestic market were marginally down by 0.8% Y-o-Y.

PV Domestic Business

The Company continued to be the second largest player in the domestic PV market.

Table 7: PV Domestic Sales Volumes

	1Q FY05	1Q FY06	Change
Compact	25,136	24,999	-0.5%
Entry-level Mid-size	8,971	8,849	-1.4%
UV	6,674	7,343	10.0%
Total PV	40,781	41,191	1.0%

Table 8: PV Market Shares

	1Q FY05	1Q FY06
Compact	23.5%	19.6%
Entry-level Mid-size	25.3%	20.5%
UV	17.8%	16.6%
Total PV	17.4%	16.1%

- The industry volumes of passenger vehicles for 1QFY06 grew by 9.3% against a 20.3% growth in the corresponding period in the previous year.
- The industry growth of passenger car volumes during 1QFY06 was 8.2% compared to 17.4% in 1QFY05.
- During 1QFY06, the unit sales of passenger cars of the Company reduced marginally by 0.8% and the market share declined by 160bps to 17.2%.
- Launch of Sumo Victa during FY05 continues to boost sales of Utility Vehicles and the company achieved a 10% Y-o-Y increase in sales volumes during 1Q FY06. The market share, however, declined 120bps during the period.

PV International Business

The Company's PV exports were 3,359 units (+241% Y-o-Y) during 1Q FY06.

Table 9: PV Exports Volumes

	1Q FY05	1Q FY06	Change
Passenger Car	799	3,292	312%
UV	186	67	-64%
Total PVs	985	3,359	241%

- A growth of 312% in the passenger car exports is largely driven by exports of Tata Indica.
- The key countries of export during the first quarter of FY06 were South Africa, Turkey, Europe and Sri Lanka.

Finance

- The financials of the Company reflect merger of Tata Finance Ltd., Telco Dadaji Dhackjee Ltd. and Suryodaya Capital and Finance (Bombay) Ltd. with Tata Motors Ltd.
- Pursuant to the merger, the Balance Sheet size of Tata Motors Ltd stood at Rs.78.1bn as on 30th June 2005 against Rs.71.7bn on 31st March, 2005. Net of the investible surplus, the Company's capital employed was Rs 61.8 bn as of June 30, 2005 against Rs. 45.9 bn as of 31st March, 2005.
- Net Interest cost in 1QFY06 was Rs.510.1 mn compared to Rs.415.8 mn in the corresponding period last year. The increase in interest cost is mainly on account of loans acquired from Tata Finance post the merger, partially offset by interest earned by the Company during 1QFY06.
- Other Income of Rs.582.9 mn during the quarter (1Q FY05 : Rs.412.4 mn) comprises of dividends from long-term investments and income from investible surplus
- Gross total debt (inc. FCCNs) was Rs 28.1 bn as on June 30, 2005 as compared to Rs.24.7bn as on 31st March, 2005. The Company's Net Debt (Net of the surplus investible funds) stood at Rs 11.84 bn against negative Rs.9 bn as on 31st March, 2005.
- The Company had an investible surplus of Rs 16.24 bn as on June. 30, 2005.
- Post the merger of Tata Finance, the Working Capital of the Company, net of Investible surplus has increased from negative Rs.20.4 bn to negative of Rs. 2.8 bn.

Table 10: Current Assets

No. of Days	June 30, 2005	June 30, 2004
Inventory	38	33
Receivables (non-HP)	7	9

- The increase in inventories is mainly on account of supply chain mismatches.
- The Company has incurred capital expenditure (including product development) of around Rs 1960 mn during the first quarter of FY06.
- For the period April'05 – June'05, 17,393 contracts were booked by Tata Motors Finance, up 37.6% y-o-y. The market share of TMF increased from 15.3% in 1QFY05 to 22.1% in 1QFY06.

Performance of Key subsidiaries

Table 11: Key Subsidiary Financials

Subsidiary	Turnover (Rs mn)		Change (%)	PBT (Rs mn)		Change (%)	PAT (Rs mn)		Change (%)
	1Q FY05	1Q FY06		1Q FY05	1Q FY06		1Q FY05	1Q FY06	
Tata Daewoo CV Ltd., Korea (TDCV)	3,616.7	3,351.5	-7%	206.7	69.5	-66%	144.5	54.6	-62%
Telco Construction Equipment Co. Ltd (Telcon)	1,751.2	2,273.6	30%	84.3	156.6	86%	54.1	97.4	80%
Tata Technologies Ltd (TTL)	392.5	488.9	25%	6.5	25.7	293%	7.4	19.3	162%
HV Transmissions Ltd (HVTL)	285.0	261.8	-8%	91.6	84.4	-8%	51.2	54.5	6%
HV Axles Ltd (HVAL)	316.0	275.7	-13%	111.9	116.3	4%	70.6	78.3	11%
TAL Mfg Solutions Ltd (TAL)	200.3	143.8	-28%	3.4	(29.1)		3.4	(30.1)	

Operational Highlights of Key Subsidiaries

TDCV

- Despite 26% decline in the Commercial vehicle industry in Korea during April- June 2005, TDCV nearly managed to maintain its market share of around 29%.
- During 1QFY06, exports from TDCV increased 113% Y-o-Y.
- Margins continued to be under pressure on account of appreciation of Korean Won against the dollar to the extent of 15% in the last twelve to fifteen months.

TTL

- Onsite revenues grew by 35% in 1QFY06.
- 9 new customers added during the quarter.

TELCON

- Registered 46% growth in volume sales in 1QFY06.
- Held 51% market share in excavators during the first quarter of FY06.
- Increased market share in wheel loaders to 25% during 1QFY06 against 23% in 1QFY05.
- Increased market share in back hoe loaders to 8% during 1QFY06 against 6% in 1QFY05.
- Debtors reduced to 42 days of sale as on 30th June 2005 from 56 days of sale as on 30th June, 2004.

TAL

- Lesser scheduled deliveries during 1QFY06
- Change in Product Mix

HVAL & HVTL

- Revenues and profitability were stagnant largely due to low volume growth of M/HCV segment of Tata Motors.

Shareholding Pattern

Table 12: Shareholding Pattern as on June 30, 2005

	%
Tata Group	32.35
Daimler Chrysler	7.08
Indian Financial Institutions / MFs / Banks	14.82
ADR/GDR Holders / Foreign holders-DR status	8.97
Foreign Institutional Investors	22.01
Others	14.77
Total	100.00

Investor Relations Contacts

Manish Gupta

1st Floor, Bombay House,
24, Homi Mody Street,
Fort,
Mumbai – 400 001
India

Phone: 91-22-5665 7211
Fax: 91-22-5665 8060
Email: guptam@tatamotors.com

Mona Bahi

3rd Floor, Nanavati Mahalaya,
Homi Mody Street,
Fort,
Mumbai – 400 001
India

Phone: 91-22-5665 7230
Fax: 91-22-5665 7788
Email: mona@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.