

Tata Motors (NYSE : TTM) Q1 FY08 Review

Snapshot

Standalone Q1 FY08 Financials (Indian GAAP)

	Q1 FY08 (Rs mn)	Q1 FY07 (Rs mn)	Change (%)	Q1 FY08 (*) (US\$ mn)	Q1 FY07 (**) (US\$ mn)
Revenue (Net of excise)	60,568	57,496	5%	1,466	1,265
EBITDA	7,522	6,366	18%	182	140
EBITDA %	12.42%	11.07%	+135bps	12.42%	11.07%
Profit before Tax	5,921	4,982	19%	143	110
Net Profit	4,668	3,818	22%	113	84
Basic EPS (Non-annualised)	Rs.12.11	Rs.9.97	21%	\$0.29	\$0.22

(*) Average conversion rate for Q1 FY08: 1US\$ = Rs 41.31

(**)Average Conversion rate for Q1 FY07: 1US\$ = Rs 45.44

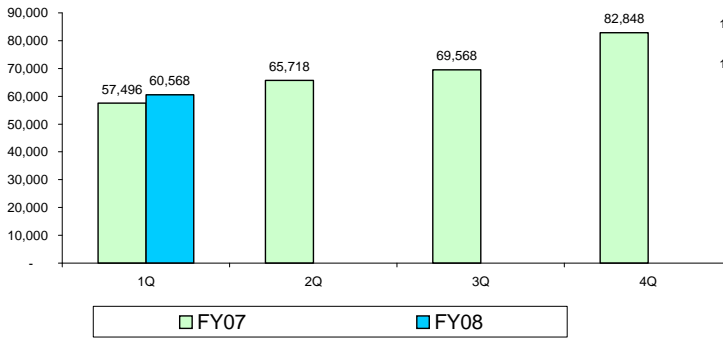
Consolidated Q1 FY08 Financials (Indian GAAP)

	Q1 FY08 (Rs mn)	Q1 FY07 (Rs mn)	Change (%)	Q1 FY08 (*) (US\$ mn)	Q1 FY07 (**) (US\$ mn)
Revenue (Net of excise)	76,313	67,333	13%	1,847	1,482
EBITDA	10,670	7,740	38%	258	170
EBITDA %	13.98%	11.50%	+249bps	13.98%	11.50%
Profit before Tax	7,116	5,366	33%	172	118
Net Profit	5,159	3,802	36%	125	84
Basic EPS (Non-annualised)	Rs.12.9	Rs.9.97	29%	\$0.31	\$0.22

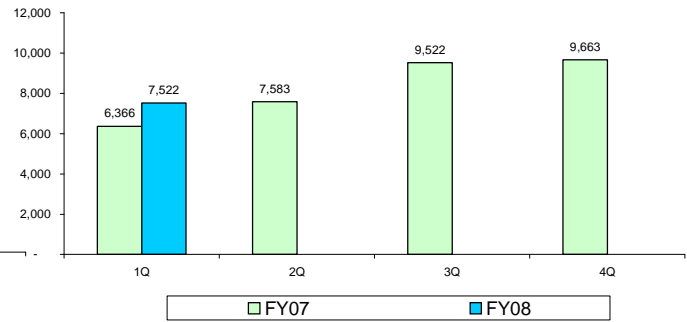
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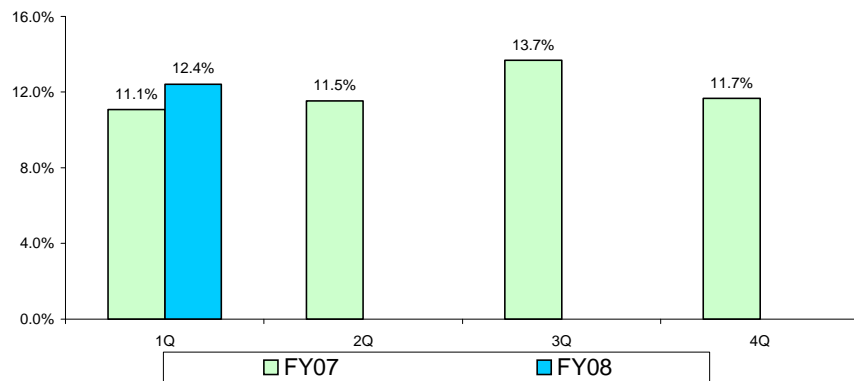
Revenues (Net of Excise) (Rs mn)



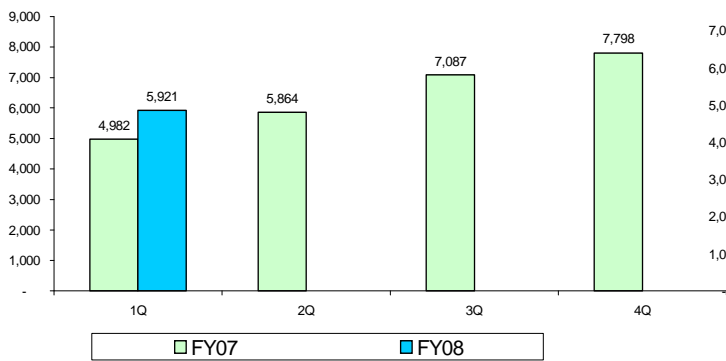
EBITDA (Rs mn)



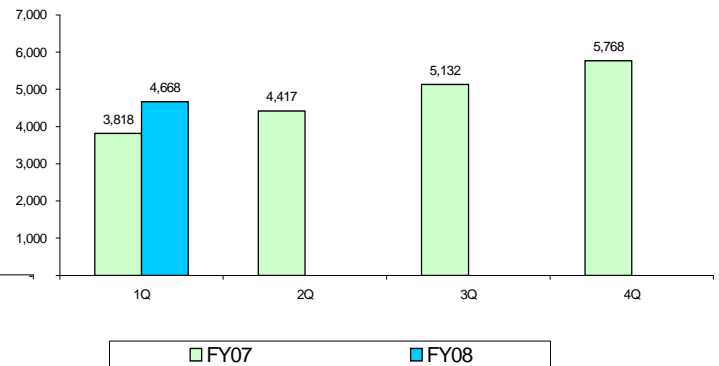
EBITDA Margin (%)



Profit before Tax (Rs mn)



PAT (Rs mn)



Business Review

Standalone 1Q FY08 Financials (Audited)

- Tata Motors' Net Revenue for 1QFY08 was Rs. 60.6 bn ; up by 5% Y-o-Y.
- EBITDA was Rs. 7.5 bn - up 18 % y-o-y. EBITDA margins, stood at 12.42% for the quarter compared to 11.07% in 1QFY07.
- PBT for the quarter was Rs 5.9 bn, up 19 % y-o-y.
- The Company posted a PAT of Rs. 4.7 bn in 1Q FY08, up 22 % y-o-y.

Table 1: Volume Summary

	1Q FY08	1Q FY07	Change
Total CVs	61,633	63,082	-2%
Total PVs*	52,573	50,151	5%
Total domestic Sales	114,206	113,233	1%
Exports	13,889	13,161	6%
Total Volumes	128,095	126,394	1%

* includes sales of FIAT vehicles

- Volume growth of the Company in the domestic market was impacted by:
 - High Interest Rate regime
 - High base effect
- The export volumes of the Company registered a modest growth during 1QFY08, having registered a 6% growth during the period.

Economic Scenario

Key Highlights of 1Q FY08

1. GDP Growth

As per the revised estimates released by CSO, the Indian economy continued on the high growth path with GDP coming in at 9.4% for FY07. This is the fourth continued year of 8+% growth of the Indian economy with the FY07 growth being the highest growth post 1991. During 2006-07, the agriculture sector grew by 2.7% and the industrial sector by 10.9%. Services sector grew by 11% during the same period.

A quarterly breakup of the economic growth in all the three sectors is tabulated below:

	1QFY07	2QFY07	3QFY07	4QFY07	FY07
Agriculture	2.8%	2.9%	1.6%	3.8%	2.7%
Industry	10.6%	11.3%	10.6%	11.2%	10.9%
Services	11.7%	11.8%	11%	9.9%	11%

Source : CMIE

2. Industrial Growth

Amidst skepticism about the impact of higher interest rates, industrial sector continued its robust growth in to the first two months of Fiscal 2008 with the IIP growing at 13.6% and 11.1% in April '07 and May'07 respectively. The cumulative growth for the period April-May 2007-08 stands at 11.7% over the corresponding period of the pervious year. Manufacturing sector continues to be the significant driver of this growth.

Table 2: Macro Economic Indicators

Categories		Apr-May'07	Apr-May'06	Growth (%)
IIP	General	258.7	231.6	11.7%
Sectoral	Mining	164.4	159.6	3.0%
	Mfg.	276.1	244.9	12.7%
	Electricity	220.4	202.2	9.0%
Use-based	Basic	218.1	199.4	9.4%
	Capital	311.2	262.3	18.6%
	Intermediate	258.7	234.1	10.5%
	Consumer	292.8	259.7	12.7%
	- Consumer Durables	371.9	358.3	3.8%
- Consumer Non-Durables	274.6	237.0	15.9%	

Source: CSO

3. Infrastructure Index

The Infrastructure Index grew at 8.1% during April-May 2007 as compared to 7.2% in April -May 2006. Out of the six sectors in the infrastructure index, four sectors – Petroleum refinery products, finished steel, electricity and cement witnessed significant growth in comparison to the nearly flat growth of coal and crude petroleum.

4. Inflation

Inflation began to decelerate from a level of 6.5% in March '07 to an average of 4.4% in June '07.

For the week ended June 30, 2007, the annual rate of inflation was at 4.27%. Inflation has been fuelled mainly by rise in prices of non-food agricultural articles and the major contributor in this category was increase in prices of oil seeds which saw a jump of around 30% in March '07. However, its growth rate has come down to around 28% in June '07.

Primary articles have also contributed significantly to this growth. Inflation in food articles stood at 10.3% in April '07. Major contributors to this surge in prices were meat & fish, milk & eggs, sugar,

wheat, pulses, fruits and vegetables. Current inflation in India is mainly as a result of supply constraints and not of excess liquidity. However, the arrival of wheat and other Rabi crops has led to decline in food prices in recent weeks.

5. Interest rates

The interest rates, especially for short term, hardened further with RBI announcing a 25 bps increase in the repo rates from 7.5% to 7.75% on March 30, '07. Simultaneously, RBI also hiked the Cash Reserve Ratio (CRR) in stages, by 25 bps effective April 14, '07 and another 25 bps effective April 28, '07, leading to total hike of 50 bps from 6% to 6.5%. Liquidity tightening and domestic inflationary pressures were the key reasons for the hike in the domestic interest rates.

Consequently, there has been an upward revision of vehicle financing rates during the quarter.

6. Freight Rates

Higher addition in the freight carrying capacity in the previous year FY07 coupled with increased competition from Railways, have led to a flattish growth of 0.7% in our benchmark freight index as on 30th June, 2007 compared to that on 30th June, 2006.

As a result of reduction in the diesel prices by Rs.3 / liter in February '07 and subsequently stabilization of the prices at that level, led to a 12% y-o-y decline in the diesel price index as on 30th June, '07.

7. National Highway Development Project (NHDP)

As elucidated in the below table, 30% of the national highway development and other road projects under NHAI was completed as on 30th June 2007. With substantial portion of the Golden Quadrilateral having been completed, the focus of implementation has shifted to the NSEW and Phase IIIA.

Table 3: Status of the NHDP as on June. 30, 2007

	Total Length (in Kms)	Planned date of completion	Est. date of completion*	Completed	Under Implementation	Balance to be Awarded
GQ	5,846	Dec-05	2006	96%	4%	0%
NS-EW	7,300+	Dec-07	2010	18%	70%	11%
Port Connectivity & others	1,342	Dec-04	2008	35%	65%	0%
Phase IIIA	4,000	Dec-09	2011	3.2%	44.9%	52%
Phase V	6,500	Dec-09	2014	-	2%	98%
Total	24,988			30%	33%	37%

(Source: NHAI, *CrisInfac)

Outlook

- The Indian economy is projected to grow at the rate of 8.5-9% during FY08 (source: CMIE, CII,, PM's EAC)
- Robust Industrial growth, driven largely by the buoyancy in the capital goods segment, is expected to continue during fiscal 2008.
- Increase in interest rates as a result of expected shrinkage in liquidity, both in domestic and global economy, and an upsurge in the international crude oil prices are likely to be the key economic challenges.

Commercial Vehicle Segment

Highlights

- CV domestic sales volumes declined by 2% y-o-y; 61,633 units in 1QFY08 as compared to 63,082 units in 1QFY07
- CV market share stood at 61.9% for the quarter; down 400 bps from 65.9% in 1QFY07.

Domestic CV Industry

- The CV industry registered a volume growth of 3.9% during 1QFY08.
- The industry volumes in the M/HCV segment declined by 3.4 % y-o-y, however industry volumes in the LCV segment grew by 14.8 % y-o-y during 1QFY08.

Company Performance in Domestic CV Segment

Table 4: CV Domestic Sales Volumes

	1Q FY08	1Q FY07	Change
M/HCVs	32,592	36,563	-11%
LCVs	29,041	26,519	9%
Total CVs	61,633	63,082	-2%

Table 5: CV Market Shares

	1Q FY08	1Q FY07
M/HCVs	59.0%	63.9%
LCVs	65.5%	68.7%
Total CVs	61.9%	65.9%

Source : SIAM Industry Data

Table 6: CV Growth vs. Market Shares Matrix

Growth vs. Market Share Matrix	Growth		Market Share	
	Industry	Tata Motors	1Q FY07	1Q FY08
ICV Trucks	10.4%	-0.9%	49.0%	43.9%
MCV Trucks	-10.2%	-14.2%	75.8%	72.4%
HCV Trucks	-13.4%	-11.7%	63.4%	64.6%
Total M&HCV Trucks	-9.3%	-11.3%	64.5%	63.1%
M&HCV Bus	55.6%	-5.1%	58.3%	35.5%
Total M&HCVs	-3.4%	-10.8%	63.9%	59.0%
Pickups	21.8%	15.8%	73.1%	69.6%
LCV Trucks (w/o pickups)	-14.6%	-14.4%	69.4%	69.5%
LCV Bus	23.4%	13.4%	50.7%	46.6%
Total LCVs	14.8%	9.5%	68.7%	65.5%
Total CVs	3.9%	-2.3%	65.9%	61.9%

Source: SIAM Industry Data

- Tata Ace sales averaged at around 6,000 units per month for the period April – June'07. In order to meet the rise in demand, the Ace capacity is increased from 60,000 units p.a. to around 90,000 units.. The company is also in the process of setting up an Ace dedicated plant in Uttarakhand of a total capacity of 225,000 units p.a. The plant is expected to commence production shortly.

Passenger Vehicle Segment

Highlights

- Domestic TATA passenger vehicle sales of 51,840 units during 1QFY08; up 3.9% y-o-y
- Market share of 14.9 % achieved in 1QFY08.

Domestic PV Industry

- The passenger vehicle industry registered a volume growth of 12.9 % during 1QFY08.
- During 1QFY08, industry volumes of utility vehicle segment grew by 10.9 % and that of the passenger car segment grew by 12.7% y-o-y.

Company Performance in Domestic PV Segment

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

Table 7: PV Domestic Sales Volumes

	1Q FY08	1Q FY07	Change
Small Car	34,598	33,173	4.3%
Mid-size Car	7,202	8,316	-13.4%
UV	10,040	8,418	19.3%
Total PV	51,840	49,907	3.9%

Table 8: PV Market Shares

	1Q FY08	1Q FY07
Small Car	16.4%	17.8%
Entry-level Mid-size Car	30.6%	32.7%
UV	19.0%	17.6%
Total PV	14.9%	16.2%

Source : SIAM Industry Data

Table 9: PV Growth vs. Market Share Matrix

Growth vs. Market Share Matrix	Growth		Market Share	
	Industry	Tata Motors	1Q FY07	1Q FY08
Small Cars	13.3%	4.3%	17.8%	16.4%
Entry Mid-size	-18.5%	-23.8%	32.7%	30.6%
UV	10.9%	19.3%	17.6%	19.0%
Total PV	12.9%	3.9%	16.2%	14.9%

Source : SIAM Industry Data

International Business

Highlights

- The Company's export volumes increased 5.5% y-o-y during 1QFY08.

Company Performance in International Business

Table 10: Exports Volumes

Business Unit	1QFY08	1QFY07	Change
Commercial Vehicles	9,659	7,792	24%
Passenger Vehicles	4,230	5,369	-21%
Total Exports	13,889	13,161	5.5%

- The key export destinations during 1QFY08 were South Africa, South Asia, Middle East and parts of Europe.
- Depreciation of Rand continued to adversely impact exports of PVs to South Africa in Q1 FY07 leading to y-o-y 21% decline in total PV exports.
- Revenues from international business formed around 20% of the consolidated revenues of the company during April – June'07.

Finance

- In a rising cost scenario, pressure on margins was visible as the company's raw material cost as percentage of net revenues of the Company rose by 220 bps to 69.7% in 1QFY08; from 67.5% in 1QFY07.
- Average vehicle realisation of the Company increased by 3.9% during the quarter. However, the margins were under pressure on account of increase in commodity prices and the domestic fuel prices, partially offset by the positive impact of the ongoing cost reduction programme.
- Cost reduction in 1Q FY08 stood at Rs.426 mn.
- The Company registered a forex gain of Rs 2,059 mn during 1QFY08 on account of revaluation of foreign currency borrowings, deposits & loans given. However, it also included Rs.570 mn on account of the notification of the Companies (Accounting Standard) Rules, 2006, with effect from April 1, 2007, which required the foreign exchange differences in respect of certain liabilities for the acquisition of imported assets to be recognized in the profit & loss account against earlier requirement of adjusting these to the carrying cost of such fixed assets. . In Q1 FY07, the company had a forex loss of Rs 456 mn.
- Despite increase in the interest rates in the economy, the Company has retained its net interest to net revenue ratio at 1.3% for Q1 FY08 same as Q1 FY07.
- As on 30th June'07, the balance sheet size of the Company was Rs. 136.7 bn as compared to Rs 116.7 bn as on 31st March'07. Net of vehicle financing loans and receivables the Company's capital employed was Rs 92.3 bn as on 30th June'07 against Rs.73.7 bn as on 31st March'07.
- As on 30th June'07, 385.42 mn shares (Face value Rs.10) were outstanding on the balance sheet of Tata Motors.
- The Gross total debt (inc. FCCNs) stood Rs 54.6 bn as on 30th June'07 as compared to Rs. 40.1 bn as on 31st March'07. The Company's Net Debt (Net of the surplus investible funds) stood at Rs 47.2 bn as on 30th June'07 . As on 30th June'07, the Company's net debt to equity ratio stood at 0.64:1.
- During the quarter ended June 30, 2007, 100 Zero coupon FCCN (2009) have been converted into 7,651 Ordinary Shares of Rs.10 each at a premium as per the terms of the issue. In addition to this, during the quarter, the Company raised funds aggregating US \$ 490 mn (Rs.19,945.4 mn) by issue of Zero Coupon Convertible Alternative Reference Securities (CARS) which are convertible into shares / securities as per the terms of the issue. Unless previously converted, redeemed or purchased and cancelled as per the terms of the issue, these will be redeemed on July 12, 2012 at 131.82% of the principal amount.
- The Company's Balance Sheet includes Receivables and loans of Rs. 44.4 bn on account of vehicle financing business as on 30th June, 2007.
- The Company had an investible surplus of around Rs. 7.4 bn as on 30th June, 2007.
- The following table shows the days of sales of inventory and receivables of the company.

Table 11: Current Assets

No. of Days	30 th June'07	31 st March'07
Inventory	36	29
Receivables (non-HP)	10	9

- Tata Motors Finance (TMF) disbursed Rs 23.4 bn during April –June'07, up 12% from Rs.20.9 bn in April –June'06. During 1QFY08, TMF financed 40,683 units of vehicles, which is 8% higher than 37,626 units financed in 1QFY07. Consequently, the market share of TMF increased to 35.6% during April – June'07 from 33.3% in April –June'06.

Performance of Key subsidiaries

Table 12: Key Subsidiary Financials

Subsidiary	Turnover (Rs mn)		Change (%)	PBT (Rs mn)		Change (%)	PAT (Rs mn)		Change (%)
	1Q FY08	1Q FY07		1Q FY08	1Q FY07		1Q FY08	1Q FY07	
Tata Daewoo CV Ltd., Korea (TDCV)	7,356.1	4,666.8	58%	445.7	280.8	59%	309.6	204.4	51%
Telco Construction Equipment Co. Ltd (Telcon)	4,777.7	3,286.0	45%	1,004.4	478.0	110%	660.1	311.3	112%
Tata Technologies Ltd (TTL)	2,661.2	2,258.5	18%	65.6	18.7	250%	32.5	9.5	243%
HV Transmissions Ltd (HVTL)	394.7	374.0	6%	112.5	145.9	-23%	74.1	97.1	-24%
HV Axles Ltd (HVAL)	401.6	424.4	-5%	145.8	217.6	-33%	98.0	143.9	-32%
TML Financial Services Ltd (TMLFSL)	1,451.3	-	n.m.	163.1	-	n.m.	104.3	-	n.m.

Operational Highlights of Key Subsidiaries

TDCV

- During 1QFY08, volumes in the Korean M&HCV segment of the commercial vehicle industry increased by 33.7% y-o-y.
- With sale of 2,780 units, TDCV recorded a total volume growth of 70.2% y-o-y in 1QFY08.
- In the domestic market, TDCV registered a volume growth of 122.5% y-o-y from 1,016 units sold in 1QFY07 to 2,261 units sold in 1QFY08. The Market share of TDCV stood at 30.9% during the first quarter of FY08.
- Exports from TDCV at 519 units decreased by 15.9% y-o-y during 1QFY08.

TTL

- Post the acquisition of INCAT, TTL has increased its global share of revenues with 75% business coming international markets.

TELCON

- Registered 40% growth in volume sales in 1QFY08
- Market share in excavators at 53% during the first quarter of FY08 against 54% in Q1FY07.
- Increased Market share in wheel loaders to 26% in 1Q FY08, up from 16% during 1QFY07
- Market share in back hoe loaders stood at 9% during 1QFY08 .
- Debtors reduced to 28 days of sale as on 30th June 2007 from 38 days of sale as on 30th June, 2006.

HVAL & HVTL

- Value unlocking in one of the above subsidiaries is expected during the fiscal 2008.

Vehicle Financing

- Tata Motors undertakes its Vehicle Financing business through TMLFSL and TML (Vehicle Financing), under the brand Tata Motor Finance (TMF).
- TMF increased its market share in Tata Motors vehicles from 33.3% in 1Q FY07 to 35.6% in 1Q FY08.
- In CV financing, increased its market share by 300 bps y-o-y to 37.8% in 1Q FY08.
- The market share in Cars and Utility Vehicles for 1Q FY08 came in at 31.4% and 39.3% respectively.
- The book size at the end of June '07 for TMLFSL and TML (Vehicle Financing) stood at Rs.5,278 cr and Rs.4,328 cr respectively with the total book size of the Vehicle Financing business coming in at Rs.9,606 cr.

Shareholding Pattern

Table 13: Shareholding Pattern as on June 30, 2007

	%
Tata Group	33.43
Daimler Chrysler	6.64
Indian Financial Institutions / MFs / Banks	12.92
ADR/GDR Holders / Foreign holders-DR status	14.88
Foreign Institutional Investors	18.01
Others	14.14
Total	100.00

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