



Tata Motors (NYSE : TTM) 2Q FY05 Review

Snapshot

Unconsolidated 2Q FY05 Financials (Indian GAAP)

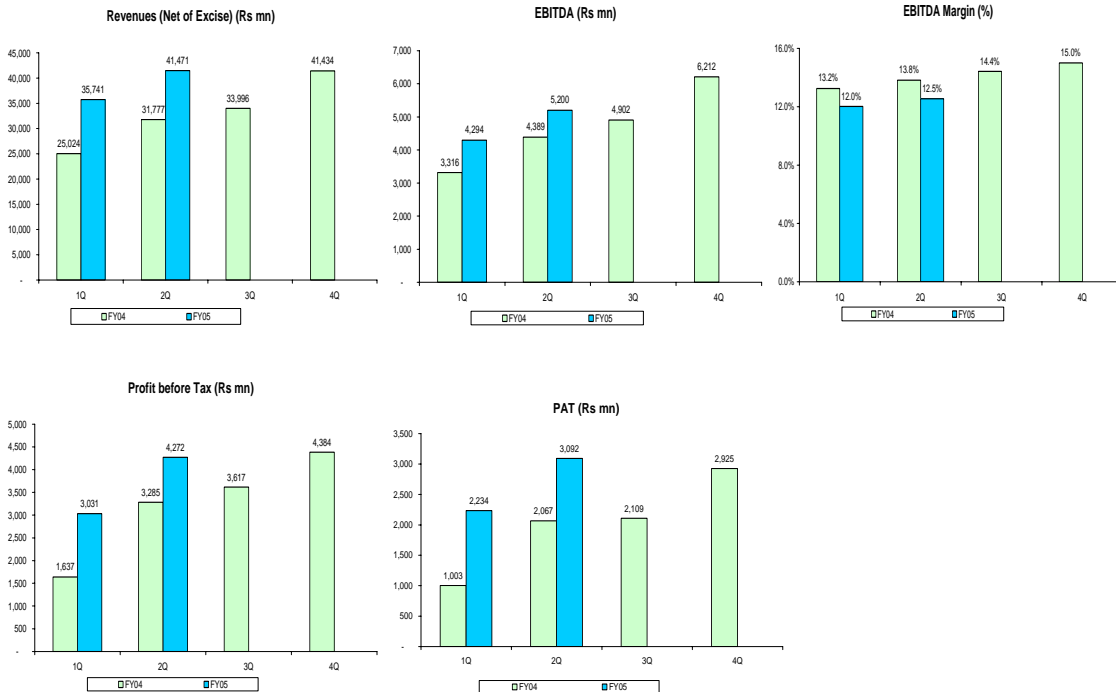
	2Q FY05 (Rs mn)	2Q FY04 (Rs mn)	Change %	2Q FY05 (*) (US\$ mn)	2Q FY04 (**) (US\$ mn)
Revenue (Net of excise)	41,471	31,777	31%	901	699
EBITDA	5,200	4,389	18%	113	97
EBITDA %	12.5%	13.8%	-127bps	12.5%	13.8%
Cash Profit (before Tax)	5,508	4,357	26%	120	96
Extra-ordinary Items	(10)	(29)	-65%	(0.2)	(0.6)
Profit before Tax	4,272	3,285	30%	93	72
Net Profit	3,092	2,067	50%	67	45
Basic EPS (Non-annualised)	Rs 8.6	Rs 6.5	33%	US\$ 0.19	US\$ 0.14

Unconsolidated 1H FY05 Financials (Indian GAAP)

	1H FY05 (Rs mn)	1H FY04 (Rs mn)	Change %	1H FY05 (*) (US\$ mn)	1H FY04 (**) (US\$ mn)
Revenue (Net of excise)	77,211	56,802	36%	1,678	1,250
EBITDA	9,494	7,704	23%	206	170
EBITDA %	12.3%	13.6%	-127bps	12.3%	13.6%
Cash Profit (before tax)	9,799	7,239	35%	213	159
Extra-ordinary Items	(21)	(230)	-91%	(0.5)	(5.1)
Profit before Tax	7,303	4,922	48%	159	108
Net Profit	5,326	3,070	73%	116	68
Basic EPS (Non-annualised)	Rs 14.9	Rs 9.6	55%	US\$ 0.32	US \$ 0.21

(*) Rate of exchange as on Sep. 30, 2004: 1US\$ = Rs. 46.01

(**) Rate of exchange as on Sep. 30, 2003: 1US\$ = Rs 45.45



This document is also available on www.tatamotors.com

Business Review

Unconsolidated 2Q FY05 Financials (Audited)

- Tata Motors Net Revenue increased by 31% YoY to Rs. 41.5 bn during the quarter on the back of 22% growth in sales volumes.
- EBITDA grew 18% to Rs. 5.2 bn; EBITDA margins stood at 12.5% compared to 13.8% in 2Q FY04.
- Margins have declined primarily due to increase in raw material prices, esp steel and plastics, where the prices moved up significantly in the months of May and June but the full impact has been felt in the second quarter. Going forward, we expect the overhang of input prices to remain.
- PBT for the quarter was Rs 4.3 bn, up 30% YoY.
- The Company posted a PAT of Rs. 3.1 bn in 2Q FY05, a 50% increase compared to Rs. 2.1 bn in 2Q FY04.

Table 1: Volume Summary

	2Q FY05	2Q FY04	Change	1H FY05	1H FY04	Change
Total CVs	44,076	37,426	18%	83,953	64,131	31%
Total PVs	45,167	36,855	23%	85,948	66,973	28%
Total domestic Sales	89,243	74,281	20%	169,901	131,104	30%
Exports	6,333	3,844	65%	10,593	7,417	43%
Total Volumes	95,576	78,125	22%	180,494	138,521	30%

- The key drivers for the volume growth of 22% during 2Q FY05 are:
 - Domestic demand growth
 - Market share gains
 - International business growth
- During the quarter, the Company listed on the NYSE (NYSE: TTM) through conversion of its outstanding GDSs into ADSs. This was a Level II listing without any concurrent fund raising.
- The Company also received the First CSIR Diamond Jubilee Technology Award for Tata Indica during the quarter.

Performance of Key Subsidiaries

- The key six subsidiaries (TDWCV, Telcon, HVAL, HVTL, TTL and TAL) of the Company posted a combined PBT of Rs 484 mn during 2Q FY05 on Revenues of Rs 5.9 bn as compared to Rs 107 mn and Rs 2.4 bn respectively in 2Q FY04. The key drivers for this improved performance are:
 - Acquisition of TDWCV
 - Marked improvement in performance of all the subsidiaries (including turnaround performance of TAL)
- With this performance, these six subsidiaries have posted a combined PBT of Rs 969 mn in 1H FY05.
- Tata Daewoo Commercial Vehicle Ltd., Korea (TDWCV) reported Revenue of Rs 3 bn (US\$ 65 mn) on volume sales of 1,198 units during July – Sep 2004 with a PBT of Rs 67 mn (US\$ 1.5 mn).
- Telcon, HVAL and HVTL sustained their improved Revenue and Profit performance during the quarter backed by strong construction equipment and commercial vehicle markets.
- TAL continued its turnaround performance during 2Q FY05 with a PBT of Rs 4 mn against a loss of Rs 126 mn in 2Q FY04.

Economic Scenario

Key Highlights of 2Q FY05

1. GDP Growth

GDP of the country grew by 7.4% during April-June 2004. While mining and quarrying grew at 6.1%, manufacturing at 8%, agriculture sector grew by only 3.4%.

The second quarter of the fiscal witnessed erratic monsoons. There was a 13% shortfall in the rainfall during this year along with the temporal variation. This is expected to have an adverse impact on the agriculture sector. However, economic growth during second quarter has been backed by growth in industrial sector.

2. Infrastructure Index

Growth rate in Infrastructure Index for April – Sep 2004 was 5.8 % against 4.7% for the same period in the previous year.

3. Macro Economic Indicators

In the first five months of FY05, the industrial economy saw continued growth across all sectors with the IIP moving up by 7.9%. On a sequential basis, however, IIP growth in August 2004 declined to 7.9% from 8.5% in July 2004.

Table 2: Macro Economic Indicators

Growth	Categories	Apr-Aug 2004	Apr-Aug 2003
IIP	General	7.9%	5.9%
Sectoral	Mining	5.1%	4.1%
	Mfg.	8.2%	6.5%
	Electricity	7.7%	2.4%
Use-based	Basic	4.9%	4.1%
	Capital	14.3%	9.2%
	Intermediate	8.8%	4.4%
	Consumer	8.3%	8.5%
	- Consumer Durables	13.0%	5.6%
- Consumer Non-Durables	6.8%	9.4%	

Source: CSO

4. Rise in inflation

The second quarter of the fiscal witnessed inflation rate rising with a peak rate of 8.33% during week ended August 7, 2004. It steadily rose from 6.9% in July 2004 to 7.7% in Sep. 2004 against 4-5% last year. Inflationary pressures are being exerted by spurt in global crude prices, increase in metal prices, demand pressures in the manufacturing sector.

5. Crude Prices breach \$50 mark

International prices of Brent crude oil rose to a high of USD 46/ bbl during the quarter on account of supply constraints causing a demand and supply imbalance. The Nymex crude price also closed up on \$50/bbl mark towards the end of the quarter.

However, the increase in local fuel prices has been contained so far by the government through reduction in excise and customs duties.

6. Interest rates

With the interest rates firming up globally and the inflationary pressures persisting in the domestic economy, there is a bias for an upward trend in interest rates in India.

The vehicle financing rates, however, have remained stable (have moved down in certain cases) due to sufficient liquidity in the system and stiff competition in the vehicle financing market.

7. National Highway Development Project (NHDP)

As of Sep. 30, 2004, 29% of the targeted 14,279 km of NHDP was completed against 27% as on June 30, 2004.

Table 3: Status of the NHDP as on Sep. 30, 2004

	Total Length (in Kms)	Planned date of completion	Completed	Under Implementation	To be Awarded
GQ	5,846	Dec-04	54%	46%	-
NS-EW	7,300	Dec-07	9%	6%	85%
Port Connectivity & others	1,133	Dec-07	23%	31%	46%
Total	14,279		29%	24%	47%

(Source: NHAI)

8. Truckers' Strike

The truckers across the country went on a strike for nine days in August 2004. The main reason for the strike was clarification required for incidence and collection of 10% service tax on freight booking agents.

In the second week of Sep. 2004, the government put a moratorium on collection on service tax from the freight industry till mid-November 2004 and a committee has been set up to resolve this issue and to work on the modalities of computation and collection.

9. Regulations affecting Auto Industry

The BS – III emission norms in 11 cities and BS - II emission norms in rest of the country are slated to be introduced in April 2005. Tata Motors is geared up to meet these new emission norms.

Ministry of Environment and Forests (MoEF) has notified the next stage Noise Norms to be implemented from 1st April, 2005 for all the vehicles across the country. However, SIAM has put up a representation that Noise Norms for CVs and UVs be aligned with the introduction of Bharat Stage (BS) III emission norms (i.e. for rest of the country except for the 11 cities, these norms should be introduced along with BS III emission norms later).

Outlook

- The secular drivers of infrastructure development and retail credit expansion continue to provide the long-term impetus to economic growth. The growth will be driven further by revival in the Industrial Sector. Agriculture sector, on the other hand, has been adversely hit because of erratic monsoon this year. FY05 GDP growth rate projection continues to be around 6 - 6.5%.
- In the near term, the sustained increase in input prices, rise in global crude prices and expectation of interest rate hardening continue to be serious causes for concern.
- The compliance with new emission norms is expected to have some cost implication and may also result in shift in demand pattern during the last quarter of this fiscal.

Commercial Vehicles

- CV domestic sales volumes of 44,076 units, growth of 18% in 2Q FY05
- CV market share at 59.7 % for the quarter
- Exports volumes of 4,837 units, up 73% during the quarter

CV Domestic Business

Table 4: CV Domestic Sales Volumes

	2Q FY05	2Q FY04	Change	1H FY05	1H FY04	Change
M/HCVs	30,513	25,075	22%	57,894	42,456	36%
LCVs	13,563	12,351	10%	26,059	21,675	20%
Total CVs	44,076	37,426	18%	83,953	64,131	31%

Table 5: CV Market Shares

	2Q FY05	2Q FY04	1H FY05	1H FY04
M/HCVs	66.4%	64.7%	66.7%	63.9%
LCVs	48.8%	51.6%	48.4%	50.4%
Total CVs	59.8%	59.7%	59.7%	58.6%

- The Company's truck volumes grew by 20% in 2Q FY05 with the base effect and external factors like oil prices, inflation) impacting the rate of growth. This growth was driven primarily by
 - Strong industrial sector backed by manufacturing and mining segments
 - Replacement of old vehicles with a new range to benefit from lower fuel consumption, greater loading capacity and lower maintenance cost
- The Company's volumes in the HCV segment (Multi-axle vehicles and Tractor trailers) have shown a marked improvement with growth of 36% during the quarter. The market share also improved to 68.5% compared to 61.1% YoY. HCVs formed 43% of the Company's M/HCV Truck volumes during 2Q FY05 compared to 40% in 2Q FY04.
- With the launch of 909 EX, ICV volumes recorded YoY growth of 107% in 2Q FY05.
- At 69.1%, the Company has improved its market share in M/HCV truck market for the 2QFY05 from 67.2% in 2Q FY04. This has been supported by an increase in market share across all M/HCV truck product categories and all domestic regional markets.
- In the LCV segment, Pick-up volumes of Tata Motors grew by 16% during 2Q FY05.
- The Company's bus volumes remained stagnant (+2% YoY) during the quarter as compared to a decline of 1% in industry volumes. Consequently, the Company improved its market share to 48.3% in 2Q FY05 compared to 47.1% in 2Q FY04.
- In a first of its kind initiative, the Company organised a nationwide '**Sunshine Service Week**' between Oct. 8 and Oct. 12, 2004 simultaneously at all its 500 plus sales and service outlets. This free service campaign included free checks of the commercial vehicles brought to any of the Company sales and service outlets; and technical guidance to drivers and customers.

CV International Business

The Company's CV exports registered a volume growth of 73% to 4,837 units during 2Q FY05.

Table 6: CV Exports Volumes

	2Q FY05	2Q FY04	Change	1H FY05	1H FY04	Change
M/HCVs	1,618	1,127	43%	2,696	1,844	46%
LCVs	3,219	1,676	92%	5,416	2,494	117%
Total CVs	4,837	2,803	73%	8,112	4,338	87%

- The primary driver for the exports volumes has been the growth in Pick-up volumes in key markets of Southern Europe, Sri Lanka, South Africa and West Asia.
- Other products of the Company continue to make inroads into South Asia.
- The Company is awaiting the announcement of the decision from the Government of South Africa in regards to the Taxi Project.
- With focus on South Africa, the Company's presence is expected to improve further in this market.
- The Company also exported CKD kits of LCVs to Ukraine and CBUs to Russia.
- TDWCV achieved volume sales of 1,198 units during July – Sep. 2004 with its market share improving to 31.4% in the Korean HCV market during this period, compared to 28.5% during April – June 2004.

Passenger Vehicles

- Domestic PVs clock sales of 45,167 units (+23% YoY) during the quarter.
- Indigo crossed 50,000 cumulative mark in August 2004 within 20 months of its launch, the fastest by a Sedan model in the Indian market.
- Indigo Marina and Sumo Victa launched during the quarter.
- 2Q FY05 PV market share increased to 17.2%

PV Domestic Business

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

Table 7: PV Domestic Sales Volumes

	2Q FY05	2Q FY04	Change	1H FY05	1H FY04	Change
Compact	27,320	21,613	26%	52,456	39,881	32%
Entry-level Mid-size	10,195	7,483	36%	19,166	13,238	45%
UV	7,652	7,759	-1%	14,326	13,854	3%
Total PV	45,167	36,855	23%	85,948	66,973	28%

Table 8: PV Market Shares

	2Q FY05	2Q FY04	1H FY05	1H FY04
Compact	22.3%	24.3%	22.9%	23.8%
Entry-level Mid-size	30.9%	27.3%	32.2%	26.7%
UV	18.2%	22.0%	18.0%	21.3%
Total PV	17.2%	16.7%	17.3%	16.1%

- Indigo retained its position as the #1 model in the entry-level Mid-size segment with a market share of 30.9% during 2Q FY05.
- Indica volumes were up 26% to around 27,320 units during 2Q FY05.
- The Company has been able to expand its market share in a competitive market environment of new launches, price reductions and customer discounts.
- The Car plant is in the process of increasing its capacity to 225,000 units annually which is expected to be completed by the end of this fiscal.
- UV sales declined marginally during 2Q FY05 due to vendor supply constraints.
- The Company launched Sumo Victa – face-lift version of the Tata Sumo - during the quarter. This has enabled Sumo volumes to increase by 39% YoY in 2Q FY05.
- The Company expanded its range of passenger cars with the launch of Indigo Marina on Sep. 15, 2004. The car has been well received by the customers and has enabled to grow the Indigo family volumes to 3,818 units in Sep. 2004 against the monthly average of 3,070 units during April – August 2004.

PV International Business

The Company's PV exports were 1,496 units (+44% YoY) during 2Q FY05.

Table 9: PV Exports Volumes

	2Q FY05	2Q FY04	Change	1H FY05	1H FY04	Change
Passenger Car	639	619	3%	1,438	1,750	-18%
UV	857	422	103%	1,043	1,329	-22%
Total PVs	1,496	1,041	44%	2,481	3,079	-19%

- Tata Safari exports to countries like Algeria, Italy and Spain were significant during the quarter.
- Southern Europe and South Asia were significant markets for Indica exports.
- The Company has initiated its entry into South Africa with Passenger Car launch in October, 2004.
- Discussions with MG Rover on repositioning of CityRover are continuing.
- The Company is also conducting a feasibility study to explore possibility of entering Chinese market.

Finance

- Net Interest cost in 2Q at Rs 398 mn was up 53% YoY because of interest cost of funds raised through FCCNs in April 2004, increase in discounting charges and non incurrence of extra ordinary interest receipts in 2Q FY04, partially offset by interest saving through repayment of costly debt during the quarter.
- Other Income of Rs. 706 mn during the quarter (2Q FY04 : Rs 228 mn) comprises of dividends from long-term investments, income from investible surplus and profit from sale of investments. The Company partially sold its investment in Haldia Petrochemicals earning a profit of Rs 285.3 mn during the quarter.
- The Company's Balance sheet size stood at Rs 75.4 bn as on Sep. 30, 2004 as against Rs 48.8 bn as on Sep. 30, 2003. Net of the investible surplus, the Company's capital employed was Rs 40.4 bn as of Sep. 30, 2004 against Rs. 39.6 bn as of Sep. 30, 2003.
- Out of the FCCBs issued in July 2003, around 87.4 % have been converted into ADSs at a premium of Rs 240.745 per share as on Sep. 30, 2004.
- 88.6% of the 25.5 mn outstanding warrants (from Rights Issue in FY02) have been converted, at a premium of Rs 110 per share as on Sep. 30, 2004. As a result, the Company's paid-up capital increased to Rs 3.59 bn during the quarter.
- Gross total debt (inc. FCCNs) was Rs 28.6 bn as on Sep. 30, 2004. The Company's Net Debt (Net of the surplus investible funds) stood at negative of Rs 6.4 bn.
- The Company had an investible surplus of around Rs 35 bn as on Sep. 30, 2004. a break up of the same is as below:

Table 10: Investible Surplus

	Rs bn
Mutual Funds	17.2
Overseas deposits	15.7
Fixed deposits and ICDs	2.1

- Continued focus on reduction in Working capital has helped the Company to reduce its working capital requirements considerably.

Table 11: Current Assets

No. of Days	Sep. 30, 2004	Sep. 30, 2003
Inventory	33	36
Receivables (non-HP)	9	16

- The Company has incurred capital expenditure (including product development) of around Rs 1.6 bn during the quarter and Rs 2.8 bn during 1H FY05.
- Tata Motor Finance (TMF), the combined vehicle financing marketing arrangement of BHPC (of Tata Motors) and Tata Finance Ltd., disbursed around Rs 7 bn during 2QFY05 (+28% YoY). The total number of contracts booked during the quarter was around 13,700, amounting to 15.3% of Tata Motors domestic sales volume. During 1H FY05, TMF's disbursements amounted to Rs. 13 bn towards customer financing of 15.5% of Tata Motors domestic vehicle sales.

Performance of Key subsidiaries

Table 12: Key Subsidiary Financials

Subsidiary	Revenues (Rs mn)		Change (%)	PBT (Rs mn)		Change (%)
	2Q FY05	2Q FY04		2Q FY05	2Q FY04	
Tata Daewoo CV Ltd., Korea (TDWCV)	2,998			67		
Telco Construction Equipment Co. Ltd (Telcon)	1,649	1,317	25%	117	72	64%
Tata Technologies Ltd (TTL)	484	349	39%	68	20	234%
HV Transmissions Ltd (HVTL)	295	276	7%	100	54	85%
HV Axles Ltd (HVAL)	322	290	11%	127	87	47%
TAL Mfg Solutions Ltd (TAL)	174	153	14%	4	(126)	n.m.

Subsidiary	Revenues (Rs mn)		Change (%)	PBT (Rs mn)		Change (%)
	1H FY05	1H FY04		1H FY05	1H FY04	
Tata Daewoo CV Ltd., Korea (TDWCV)	6,411			262		
Telco Construction Equipment Co. Ltd (Telcon)	3,625	2,716	33%	194	60	222%
Tata Technologies Ltd (TTL)	877	658	33%	75	29	160%
HV Transmissions Ltd (HVTL)	580	488	19%	192	81	136%
HV Axles Ltd (HVAL)	633	506	25%	239	115	108%
TAL Mfg Solutions Ltd (TAL)	374	271	38%	8	(224)	n.m.

Shareholding Pattern

Table 13: Shareholding Pattern as on Sep. 30, 2004

	%
Tata Group	33%
Daimler Chrysler	7%
Indian Financial Institutions / MFs / Banks	15%
ADR/GDR Holders / Foreign holders–DR status	7%
Foreign Institutional Investors	21%
Others	17%
Total	100%

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