



Tata Motors (NYSE : TTM) Q2/H1 FY08 Review

Snapshot

Standalone Q2 FY08 Financials (Indian GAAP)

	Q2 FY08 (Rs mn)	Q2 FY07 (Rs mn)	Change (%)	Q2 FY08 (*) (US\$ mn)	Q2 FY07 (**) (US\$ mn)
Revenue (Net of excise)	66726.5	65852	1.3%	1645.94	1418.92
EBITDA	8255.5	7581.5	8.9%	203.64	163.36
EBITDA %	12.37%	11.51%	86 bps	12.37%	11.51%
Profit before Tax	6211.9	5863.9	5.9%	153.23	126.35
Net Profit	5268.4	4417.2	19.3%	129.96	95.18
Basic EPS (Non-annualised) (Rs./ US\$)	13.67	11.48	19.1%	0.34	0.25

(*) Average conversion rate for Q2 FY08: 1US\$ = Rs 40.54

(**) Average Conversion rate for Q2 FY07: 1US\$ = Rs 46.41

Consolidated Q2 FY08 Financials (Indian GAAP)

	Q2 FY08 (Rs mn)	Q2 FY07 (Rs mn)	Change (%)	Q2 FY08 (*) (US\$ mn)	Q2 FY07 (**) (US\$ mn)
Revenue (Net of excise)	82052.3	77247.1	6.2%	2023.98	1664.45
EBITDA	10829.9	9219.3	17.5%	267.14	198.65
EBITDA %	13.20%	11.93%	+126 bps	13.20%	11.93%
Profit before Tax	7366.2	7292.9	1.0%	181.70	157.14
Net Profit	5707.1	5364.4	6.4%	140.78	115.59
Basic EPS (Non-annualised) (Rs./ US\$)	14.81	13.95	6.2%	0.37	0.30

(*) Average conversion rate for Q2 FY08: 1US\$ = Rs 40.54

(**) Average Conversion rate for Q2 FY07: 1US\$ = Rs 46.41

Standalone H1 FY08 Financials (Indian GAAP)

	H1 FY08 (Rs mn)	H1 FY07 (Rs mn)	Change %	H1 FY08 ** (US\$ mn)	H1 FY07 * (US\$ mn)
Revenue (Net of excise)	127294.7	123347.6	3.2%	3110.82	2685.56
EBITDA	15777.2	13944.1	13.1%	385.57	303.68
EBITDA %	12.39%	11.30%	109 bps	12.39%	11.31%
Profit before Tax	12133.2	10846.4	11.9%	296.51	236.15
Profit after Tax	9936	8235.7	20.6%	242.82	179.31
Basic EPS (Non-annualised) (Rs./ US\$)	25.78	21.46	20.1%	0.63	0.47

(**) Avg Rate of exchange for April - Sept '07: 1US\$ = Rs. 40.92

(*) Avg Rate of exchange for April - Sept'06: 1US\$ = Rs. 45.93



Consolidated H1 FY08 Financials (Indian GAAP)

	H1 FY08 (Rs mn)	H1 FY07 (Rs mn)	Change %	H1 FY08 ** (US\$ mn)	H1 FY07 * (US\$ mn)
Revenue (Net of excise)	158365.1	144542.6	9.6%	3870.11	3147.02
EBITDA	21516.9	16953.7	26.9%	525.83	369.12
EBITDA %	13.59%	11.73%	+186 bps	13.59%	11.73%
Profit before Tax	14481.4	12658	14.4%	353.90	275.59
Net Profit	10679.3	9181.1	16.3%	260.98	199.89
Basic EPS (Non-annualised) (Rs./ US\$)	27.71	23.92	15.8%	0.68	0.52

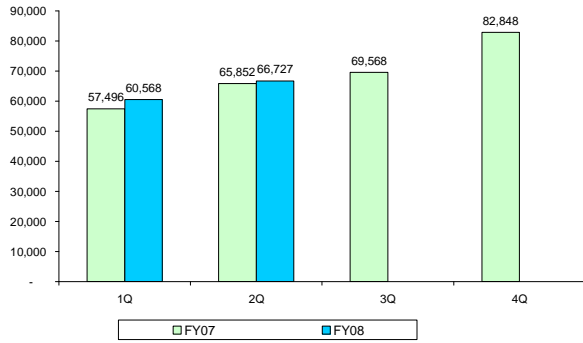
(**) Avg Rate of exchange for April - Sept '07: 1US\$ = Rs. 40.92

(*) Avg Rate of exchange for April - Sept'06: 1US\$ = Rs. 45.93

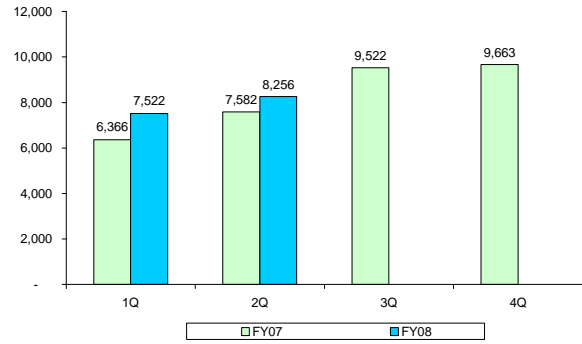
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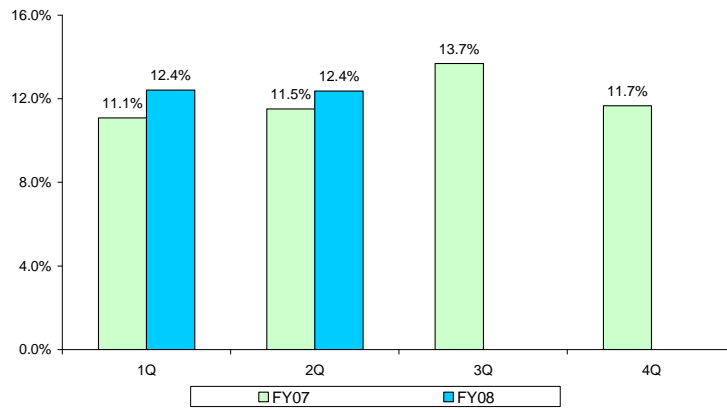
Revenues (Net of Excise) (Rs mn)



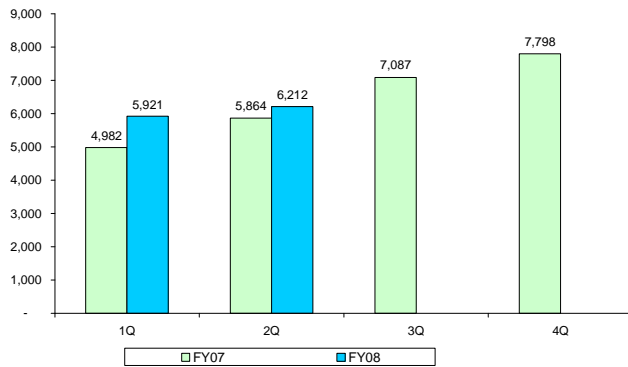
EBITDA (Rs mn)



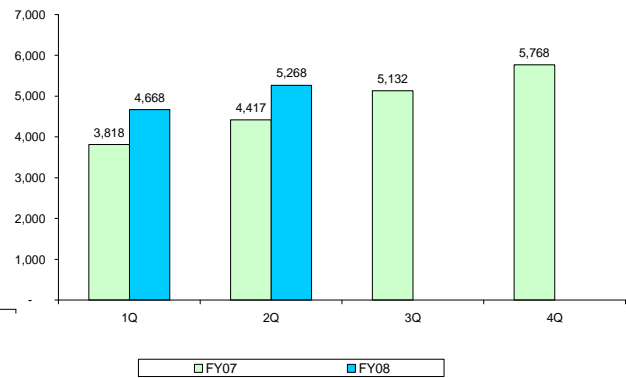
EBITDA Margin (%)



Profit before Tax (Rs mn)



PAT (Rs mn)





Business Review

Standalone Q2 FY08 Financials (Audited)

- Tata Motors' Net Revenue for Q2FY08 was Rs. 66.73 bn ; up by 1.3% Y-o-Y.
- EBITDA was Rs. 8.26 bn - up 9% y-o-y. EBITDA margins, stood at 12.37% for the quarter compared to 11.51% in Q2FY07.
- PBT for the quarter was Rs.6.2 bn, up 6 % y-o-y.
- The Company posted a PAT of Rs. 5.3 bn in Q2 FY08, up 19% y-o-y.

Table 1: Volume Summary

	Q2 FY08	Q2 FY07	Change	H1FY08	H1FY07	Change
Total CVs	71,112	70,811	0.4%	132,745	133,893	-0.9%
Total PVs*	51,618	54,830	-5.9%	104,191	104,981	-0.8%
Total Domestic Sales	122,730	125,641	-2.3%	235,218	238,186	-0.8%
Exports	13,843	14,063	-1.6%	27,732	27,224	1.9%
Total Volumes	136,573	139,704	-2.2%	264,668	266,098	-0.5%

* includes sales of FIAT vehicles

- Volume growth of the Company in the domestic market continues to be impacted by:
 - High Interest Rate regime
 - High base effect
- The export volumes of the Company registered a modest growth of about 2% during the period Apr-Sep'07.



Economic Scenario

Key Highlights of Q2 FY08

1. GDP Growth

As per the estimates released by CSO, the Indian economy continued on the high growth path with GDP coming in at 9.3% for the period Apr-June'07. During this period the agriculture sector grew by 3.8% and the industrial sector and services sectors by 10.6% each.

Given the continued investment momentum industrial and services sectors are expected to continue with strong growth while the above normal rainfall and higher acreage augurs well for agricultural growth. Hence despite the current domestic and global macro economic scenario, the Indian economic growth is projected to be strong, although at a relatively slower pace.

2. Industrial Growth

The interest rate hikes undertaken by RBI to tame inflation impacted consumption demand, while corporate spending seems to be largely unaffected. Data released by CSO indicates the index of industrial production for August 2007 at 10.7% compared to the 7.5% in July'07 (which was the slowest since October'06). The growth was contributed largely by the mining and manufacturing sectors which grew by 17.1% and 10.4% respectively. On a cumulative basis, growth in industrial output for apr-aug'07 stands at a robust 10.7%.

While consumer durables seem to be most impacted by the hardening interest rate, production of basic goods and capital goods showed accelerated growth.

Table 2: Macro Economic Indicators

Categories		Apr-Aug'07	Apr-Aug'06	Growth (%)
IIP	General	256.5	233.6	10.7%
Sectoral	Mining	160.9	152.7	5.4%
	Mfg.	274.1	248.4	10.3%
	Electricity	217.7	201.0	8.3%
Use-based	Basic	217.5	197.7	10%
	Capital	334.9	276.0	21.3%
	Intermediate	260.8	238.6	9.3%
	Consumer	256.5	234.6	9.3%
	- Consumer Durables	362.1	370.7	-2.3%
- Consumer Non-Durables	276.2	260.1	6.2%	

Source: CSO

It is expected that the industrial growth would regain momentum in the coming months on the back of improved consumption demand due to softening interest rates and festive offers.

3. Infrastructure Index

The Infrastructure Index grew at 6.6% during April-Aug 2007 as compared to 8.3% in April –Aug 2006. While all sectors except electricity witnesses deceleration in growth during this period, significant deceleration was noticed in Carbon steel, coal and crude petroleum.

4. Inflation

Headline Inflation, which began to decelerate from March '07, hit a five year low level of 3.23% on Sep 15, '07.

While higher base significantly contributed to the fall in inflation in most categories, especially manufactured products and fuels, easing of supply constraints also caused to rein in inflation in primary articles. While high base effect, capacity constraints and other factors are expected to push up inflation fall in some other items may neutralize the same.



5. Interest rates

Liquidity tightening and domestic inflationary pressures were largely responsible for pushing up interest rates over the past year. Currently monetary inflows into the country remain strong thereby boosting liquidity even while there is surplus liquidity in the banking system. Inflation also is below the RBI target of 4%. In the past few weeks, interest rates are showing signs of moderation even while the Finance Minister has asked the banks to prune lending rates for few sectors, including automobiles.

It appears that the softening of interest rates is vital to sustain the strong economic growth that the country has witnessed over the last few years.

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 moderate decline of 0.7% in our benchmark freight index as on 30th September, 2007 compared to that on 30th September, 2006. Diesel prices during this period have declined by 12.4%..

7. National Highway Development Project (NHDP)

As elucidated in the below table, 31% of the national highway development and other road projects under NHA1 was completed as on 30th September 2007. With substantial portion of the Golden Quadrilateral having been completed and significant portion of the NSEW corridor under implementation the focus of implementation has shifted to the Phase IIIA and Phase V.

Table 3: Status of the NHDP as on September 30th, 2007

	Total Length (in Kms)	Est. date of completion*	Completed	Under Implementation	Balance to be Awarded
GQ	5,846	2008	96%	4%	0%
NS-EW	7,300	2011	20%	68%	11%
Port Connectivity & others	1,342	2009	37%	63%	0%
Phase IIIA	4,000	2012	7%	44%	49%
Phase V	6,500	2014	-	2%	98%
Total	24,988		31%	32%	37%

(Source: NHA1, *CrisInfac)

Outlook

- CMIE expects the industrial growth to regain momentum in the coming months with interest rates experiencing downward pressure. It retains the real GDP growth forecast at 9.1% 07-08. While, in its Mid-term policy review the RBI indicated an expectation of 8.5% GDP growth for India in 2007-08.



Commercial Vehicle Segment

Highlights

- CV domestic sales volumes were flat in Q2FY08; 71,112 units in Q2FY08 as compared to 70,811 units in Q2FY07. CV market share stood at 61.5% for the quarter; down 300 bps from 64.6% in Q2FY07.
- CV domestic sales volumes declined by 1% in Apr-Sep'07; 132,745 units as compared to 133,893 units in H1FY08. CV market share declined 350 bps from 65.2% to 61.7%.
- The CV industry registered a volume growth of about 5% during Q2FY08. The industry volumes in the M/HCV segment declined by 6.7 % y-o-y, however industry volumes in the LCV segment grew by 21.6 % y-o-y during Q2FY08.
- Likewise, supported by 18.4% growth of the LCV category, the CV industry registered a volume growth of 4.4% during the first 6 months of the current financial year. The industry volumes in the M/HCV category declined by about 5 % y-o-y during this period.

Company Performance in Domestic CV Segment

Table 4: CV Domestic Sales Volumes

	Q2 FY08	Q2 FY07	Change	H1FY08	H1FY07	Change
M/HCVs	35,966	40,390	-11%	68,558	76,950	-11%
LCVs	35,146	30,421	16%	64,187	56,943	13%
Total CVs	71,112	70,811	0.4%	132,745	133,893	-0.9%

Table 5: CV Market Shares

	Q2 FY08	Q2 FY07	H1 FY08	H1 FY07
M/HCVs	59.4%	62.6%	59.2%	63.2%
LCVs	63.9%	67.5%	64.6%	68%
Total CVs	61.5%	64.6%	61.7%	65.2%

Source : SIAM

Table 6: CV – Segment wise Growth trends

Categories	Q2 FY08		H1 FY08	
	Industry	Tata Motors	Industry	Tata Motors
M/HCV	-6.7%	-11.4%	-5.2%	-11.1%
---- M/HCV Truck	-15.5%	-16.4%	-12.6%	-14.0%
---- ICV Truck	11.1%	8.1%	10.8%	4.0%
---- MCV Truck	-12.5%	-16.5%	-11.4%	-15.4%
---- HCV Truck	-23.6%	-20.9%	-18.7%	-16.5%
---- M/HCV Bus	65.3%	44.9%	61.2%	20.8%
LCV	21.6%	16.1%	18.4%	12.5%
---- LCV Truck	14.0%	3.8%	13.6%	6.1%
---- LCV Pickups	23.8%	10.6%	22.9%	12.9%
---- LCV Truck(excl Pickups)	-19.3%	-22.7%	-17.1%	-18.7%
---- LCV Bus *	72.3%	119.0%	46.9%	64.5%

* LCV Buses include Ace Magic & Winger



Tata Motors CV segment-wise Market Shares

Category	Q2 FY08	H1 FY08
M/HCV	59.4%	59.2%
---- M/HCV Truck	63.9%	63.5%
---- ICV Truck	45.5%	44.8%
---- MCV Truck	74.0%	73.3%
---- HCV Truck	65.8%	65.2%
---- M/HCV Bus	40.7%	38.6%
LCV	63.9%	64.6%
---- LCV Truck	63.6%	66.3%
---- LCV Pickups	64.1%	66.5%
---- LCV Truck (excl Pickups)	60.5%	64.8%
---- LCV Bus *	65.4%	57.2%
Commercial Vehicles	61.5%	61.7%

Source: SIAM

LCV Buses include Ace Magic & Winger

- Tata Ace goods carrier continuing with its excellent demand response averages sales of over 6,500 units per month for the period April – Sep'07. In order to meet the rise in demand, the company has set up an Ace dedicated plant in Uttarakhand where the total capacity would increase to about 225,000 units p.a. The plant commenced production in Q2FY08.
- The initial response to the newly launched Magic and Winger are very encouraging.



Passenger Vehicle Segment

Highlights

- Domestic TATA passenger vehicle sales declined by about 7% y-o-y to 50,638 units during Q2FY08.
- Company's Passenger vehicle sales for H1FY08 was 102,478 units, a decline of 1.7%. Consequently market share for the period dropped 200 bps to 14.2%.
- The passenger vehicle industry registered a volume growth of 11.8% and 12.4% during Q2FY08 and H1FY08 respectively.

Company Performance in Domestic PV Segment

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

Table 7: PV Domestic Sales Volumes

	Q2 FY08	Q2 FY07	Change	H1 FY08	H1 FY07	Change
Small Car	33,869	34,555	-2%	68,467	67,728	1.1%
Mid-size Car	7,111	8,327	-14.6%	14,313	16,643	-14%
UV	9,658	11,504	-16.2%	19,698	19,922	-1.1%
Total PV	50,638	54,386	-6.9%	102,478	104,293	-1.7%

Table 8: PV Market Shares

	Q2 FY08	Q2 FY07	H1 FY08	H1 FY07
Small Car	15.2%	17.5%	15.8%	17.7%
Entry-level Mid-size Car	27.4%	37.8%	30.7%	35.1%
UV	17.2%	21.7%	18%	19.8%
Total PV	13.6%	16.4%	14.2%	16.3%

Source : SIAM

- Industry volumes led by new launches, without which growth of 12.4% is a decline of 3.5%
- Company performance marginally impacted by virtue of a mature product portfolio growing against the high base effect of last year in a high interest rate driven, softening market this year
- Company's products have shown amongst the least decline in market share in the wake of new products
- New Safari range with 2.2 litre Common Rail Diesel engine, Sumo Victa with DI engine and New Indica V2 Turbo with ABS and Airbags launched in October to encouraging market response.



International Business

Highlights

- While the Company's export volumes declined by 1.6% in Q2FY08, volumes grew by 1.9% y-o-y during Apr-Sep'07.

Company Performance in International Business

Table 10: Exports Volumes

Business Unit	Q2FY08	Q2FY07	Change	H1 FY08	H1 FY07	Change
Commercial Vehicles	9,287	9,103	2%	18,946	16,895	12.1%
Passenger Vehicles	4,556	4,960	-8.1%	8,786	10,329	-14.9%
Total Exports	13,843	14,063	-1.6%	27,732	27,224	1.9%

- The key export destinations during Q2FY08 were South Africa, South Asia, Middle East and parts of Europe.
- The strong appreciation of the rupee impacted the export demand for the company's products during the year till date.
- Revenues from international business formed around 20% of the consolidated revenues of the company during April – Sep'07.



Finance

- The net revenues of the Company increased by 1.3% to Rs 66.7 bn during Q2FY08 from Rs 65.85 bn in Q2FY07. Operating profit (EBITDA) grew 9% y-o-y from Rs 7.58 bn in Q2FY07 to Rs 8.26 bn in Q2FY08. The net revenue for H1 FY07 stood at Rs 127.29 bn, an increase of 3% against Rs 123.35 bn of the corresponding period last year.
- The EBITDA margin for the quarter at 12.4% was higher than 11.5% of Q2FY07. The EBITDA margin for the period Apr-Sep'07 also expanded by 109 bps from 11.3% of previous year to 12.4%.
- The raw material cost as percentage of net revenues of the Company was 69.3% in H1FY08; up 110 bps from H1FY07 due to increased material cost as well as change in product mix.
- Average vehicle realization of the Company increased by 4% y-o-y each during the quarter and for the period Apr-Sep'07 on the back of price increases undertaken by the company.
- Aggressive Cost reduction measures undertaken by the company has provided benefit o the tune of Rs.1.13 bn upto Sep'07 this year. The company has surpassed the target of Rs.10 bn for the period FY06-08 before the timeline with a cumulative cost reduction of Rs.10.4 bn.
- The Company registered a forex gain of Rs 308.5 mn during Q2FY08 on account of revaluation of foreign currency borrowings, deposits & loans given as against a gain of Rs.101.6 mn in Q2 FY07. Corresponding impact for the period Apr-Sep in fiscal 08 and 07 were a gain of Rs.2.4 bn and a loss of Rs.354.2 mn respectively. Adjusting for the forex impact, the EBITDA margin for the company was 11.9% for Q2FY08 and 10.5% for H1FY08.
- Despite increase in the interest rates in the economy, the Company has retained its net interest to net revenue ratio at 1.4% for H1 FY08, same as H1 FY07.
- As on 30th Sep'07, the balance sheet size of the Company was Rs.162.65 bn as compared to Rs 136.68 bn as on 30th June'07. Net of vehicle financing loans and receivables the Company's capital employed was Rs.129.2 bn as on 30st Sep'07 against Rs 92.3 bn as on 30th June'07.
- The Gross total debt (inc. FCCNs) stood at Rs. 80.4 bn as on 30st Sep'07 as compared to Rs 54.6 bn as on 30th June'07. The Company's Net Debt (Net of the surplus investible funds) stood at Rs 41.99 bn as on 30th Sep'07 . As on 30th Sep'07, the Company's net debt to equity ratio stood at 0.56:1.
- Upto Sep 30, 2007, 99.9% of the 1% convertible Notes(due 2008) and 95.1% of the Zero coupon Convertible Notes (due 2009) have been converted into Ordinary Shares. There have been no conversions of the other FCCNs issued by the Company. As on 30th Sep'07, 385.46 mn shares (Face value Rs.10) were outstanding on the balance sheet of Tata Motors.
- The Company's Balance Sheet includes Receivables and loans of Rs. 33.4 bn on account of vehicle financing business as on 30th Sep, 2007.
- The following table shows the days of sales of inventory and receivables of the company.

Table 11: Current Assets

No. of Days	Sep'07	June'07	Sep'06
Inventory	32	36	35
Receivables (non-HP)	11	10	7

- Tata Motors Finance (TMF) disbursed Rs 45.7 bn during April –Sep'07, up 9% from Rs.41.84 bn in April –Sep'06. During Q2FY08, TMF financed about 37,600 units of vehicles, which is 3% higher than 36,300 units financed in Q2FY07. Consequently, the market share of TMF increased to 33.2% during April – Sep'07 from 31% in April –Sep'06.



Performance of Key subsidiaries

Table 12: Key Subsidiary Financials

Subsidiary	Turnover (Rs mn)		Change (%)	PBT (Rs mn)		Change (%)	PAT (Rs mn)		Change (%)
	H1 FY08	H1 FY07		H1 FY08	H1 FY07		H1 FY08	H1 FY07	
Tata Daewoo CV Ltd., Korea (TDCV)	14344.6	10321.8	39%	1,005.5	610.4	65%	719.8	443.9	62%
Telco Construction Equipment Co. Ltd (Telcon)	11737.2	7690.1	53%	2,244.0	1,043.9	115%	1474.0	682.2	116%
Tata Technologies Ltd (TTL)	5256.9	4678.8	12%	199.9	53.0	277%	109.3	40.6	169%
HV Transmissions Ltd (HVTL)	817.5	779.1	5%	258.6	295.4	-12%	169.8	193.3	-12%
HV Axles Ltd (HVAL)	837.0	867.2	-3%	343.6	395.1	-13%	224.3	268.4	-16%
Tata Motors Finance Ltd	4007.3	-	n.m.	702.1	-	n.m.	454.5	-	n.m.

Operational Highlights of Key Subsidiaries

Tata Daewoo

- Total MHCV Industry retail sale of 12,564 units in H1FY08 were up by 27.5% compared to 9,857 units in H1FY07 reversing a declining trend of the last two years.
- TDCV with a sale of 4180 units outgrew the industry with 74,9% and consequently increased the market share to 33.3% from 24.2%.
- The capacity utilization for H1FY08 increased to 55.1% compared to 38.6% in H1FY07.
- Exports from TDCV at 1222 units decreased by 16% y-o-y during H1FY08.

TELCON

- Registered 46% growth in volume sales in H1FY08
- Market share in excavators maintained at 53% during the Apr-Sep'07, same as H1FY07.
- Market share in wheel loaders & back hoe loaders at 10% in H1 FY08.
- Telcon recognized among the Top 50 in Global CE industry.

Tata Technologies Limited

- Early signs of the accrual of integration benefits with INCAT are visible as PAT increased by 2.5 times in H1 FY08 as compared to H1 of last year.
- Business performance impacted positively due to traction from various international Auto and aerospace OEMs.
- As the share of Revenues, America was the largest geographical segment, followed by Asia Pacific and Europe
- Business from Tata Motors accounts for less than 1/5th of the total business.



HVAL & HVTL

- YTD Performance impacted in line with performance of Commercial vehicle business.
- Value unlocking in one of the above subsidiaries is expected during the fiscal 2008.
- IPR for products sold by Tata Motors to HVAL/HVTL to facilitate growth of external customers

Vehicle Financing

- Tata Motors undertakes its Vehicle Financing business through TMFL and TML (Vehicle Financing), under the brand Tata Motor Finance (TMF).
- TMF increased its market share in Tata Motors vehicles from 31% in H1FY07 to 33% in H1FY08.
- In CV financing, increased its market share by 130 bps y-o-y to 34.2% in H1 FY08.
- The market share in Cars and Utility Vehicles for H1 FY08 came in at 31% and 37.5% respectively.
- The book size at the end of Sep '07 for TMFL and TML (Vehicle Financing) stood at about Rs.61 bn and Rs.33 bn respectively with the total book size of the Vehicle Financing business coming in at Rs.94 bn.

Shareholding Pattern

Table 13: Shareholding Pattern as on Sep 30, 2007

	%
Tata Group	33.42
Daimler Chrysler	6.64
Indian Financial Institutions / MFs / Banks	14.92
ADR/GDR Holders / Foreign holders-DR status	14.77
Foreign Institutional Investors	15.68
Others	14.57
Total	100.00



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