

## Tata Motors (NYSE : TTM)

### Q2 FY09 Review

#### Snapshot

#### Standalone Q2 FY09 Financials (Indian GAAP)

	Q2 FY09 (Rs mn)	Q2 FY08 (Rs mn)	Change (%)	Q2 FY09 (*) (US\$ mn)	Q2 FY08 (*) (US\$ mn)
Revenue (Net of excise)	70789	66727	6.1%	1615.9	1646.0
Adj. EBITDA ^	5753.7	5954.1	(3.3)%	131.3	146.9
Adj EBITDA %	8.13%	9.2%	107 bps	8.12%	9.2%
Profit before Tax	3580	6212	(42.4)%	81.7	153.2
Net Profit	3469	5268	(34.1)%	79.2	130.0
Basic EPS (Non-annualised)	9.0	13.67	(34.2)%	0.21	0.34

(\*)Average Conversion rate for Q2 FY09: 1US\$ = Rs 43.80

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

#### Standalone H1 FY09 Financials (Indian GAAP)

	H1 FY09 (Rs mn)	H1 FY08 (Rs mn)	Change (%)	H1 FY09 (*) (US\$ mn)	H1 FY08 (*) (US\$ mn)
Revenue (Net of excise)	140073	127295	10.0%	3278.9	3110.8
Adj. EBITDA ^	11058	11416	(3.1)%	258.9	278.9
Adj EBITDA %	7.89%	7.64%	25 bps	7.89%	7.64%
Profit before Tax	7030	12133	-42.1%	164.6	296.5
Net Profit	6730	9936	-32.3%	157.5	242.8
Basic EPS (Non-annualised)	17.45	25.78	-32.3%	0.41	0.63

(\*)Average Conversion rate for H1 FY09: 1US\$ = Rs 42.72

(\*\*) Average conversion rate for H1 FY08: 1US\$ = Rs 40.92

^Adj EBITDA excludes income of Rs 1994 mn from sale of IPR and CEQ activity in Q2 FY08. This amount formed a part of the Revenue in Q2FY08 and H1FY08

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

## Business Review

### Standalone Q2FY09 Financials (Audited)

- Tata Motor's Net Revenue for Q2 FY09 was Rs. 70.78 bn; up by 6.1% Y-o-Y.
- Total income from operations for the quarter and half year ended September 30, 2007: (a) Rs 1694 mn towards transfer of technology to two subsidiary companies and (b) a gain of Rs 300mn on transfer of activity relating to financing of construction equipment to Tata Capital. Adjusting for this the EBITDA was Rs.5.8 bn for the quarter, while EBITDA margins stood at 8.13% compared to 9.2% in Q2FY08.
- PBT for the quarter was Rs 3.6 bn, down 42.4% y-o-y.
- The Company posted a PAT of Rs 3.5 bn in Q2 FY09, down 34.1% y-o-y.

**Table 1: Volume Summary**

	<b>Q2 FY09</b>	<b>Q2 FY08</b>	<b>Change</b>
Total CVs	<b>74,237</b>	<b>71,112</b>	4.2%
Total PVs*	<b>47,870</b>	<b>51,618</b>	-7.3%
<b>Total Domestic Sales</b>	<b>122,107</b>	<b>122,730</b>	<b>-2.9%</b>
Exports	12,930	13,843	-6.6%
<b>Total Volumes</b>	<b>135,037</b>	<b>136,573</b>	<b>-1.1%</b>

\* include sales of FIAT vehicles

- Macro-economic parameters such as inadequate vehicle financing, high interest rates and high crude oil prices continued to impact the automobile industry during the quarter (July-Sep'08). The situation was further aggravated by global financial market crisis which created volatility in stocks and exchange rates and aggravated lack of liquidity.
- TML's Commercial vehicle business grew by 4.3%, driven largely by the continuing success of ACE truck, ACE Magic and Winger. New products in the MHCVs and LCV passenger carriers categories has helped to maintain/ gain market shares.
- TML's Passenger vehicle business declined by 7.3% due to matured product portfolio in addition to the liquidity crisis and high interest rates; however, continuing success of Indigo CS and encouraging response to Sumo Grande, Indica Vista is expected to boost Company's volume in the Passenger vehicle segment.
- The export volumes of the Company registered a decline of 6.6% during Q2FY09, due to market contraction in many of the prime export markets and impact of global slowdown.
- **Significant events:**
  - **Tata Nano Plant**

The Company in early October 2008 announced the relocation of the car manufacturing plant of the Tata Nano from Singur to Sanand in Gujarat due to continued disturbances and hostility at Singur. At Sanand, the integrated project to manufacture the Nano will comprise of a main plant, a vendor park and an ancillary park accommodating various small and medium units. The project is planned to be developed on an area of about 1,100 acres. The plant will initially produce 250,000 cars per

annum. The capacity would be expandable up to 500,000 cars per annum. While awaiting the Sanand plant's completion, the Company is exploring manufacturing the Nano at our existing facilities at Pune and Pantnagar, and launch the car in the last quarter of this financial year.

- **Rights Issue**

The Company made a Simultaneous and Unlinked Rights Issue of 62,276,164 Ordinary Shares of Rs.10/- each at a premium of Rs.330/- per share aggregating Rs.2185.39 crores and 62,276,164 'A' Ordinary Shares of Rs.10/- each at a premium of Rs.295/- per share aggregating Rs.1960.42 crores. The Issue was open for subscription for a period from September 29, 2008 to October 20, 2008.

In view of the unprecedented and turbulent impact of the global financial crisis on the Indian stock market in the last one month. The issue was fully subscribed mainly with (a) the underwriting agreement executed by the Company under which JM Financial Consultants Pvt. Ltd. and (b) Subscription by the promoters pursuant the undertaking given to subscribe to / or arrange subscription for any unsubscribed portion of the Issues.

The Company completed allotment of the securities on 27th October, 2008. In view of the above, the promoter holding in the Company has increased from 33.4% to 41.82% of the Ordinary Share Capital and the promoter holding is 84.27% of the 'A' Ordinary Share Capital of the Company.

- **New Product Launches**

1. On August 23, 2008, Tata Motors launched the next generation Indica, the Indica Vista. The new generation car has completely new interiors and a contemporary body with improved interior space and comfort. The Vista is powered by a range of internationally acclaimed powertrain - the new 75 bhp 1.3L Quadrajet Common Rail Diesel engine and the 65bhp, 1.2L CVCP Safire MPFI petrol engine. We believe the Vista would enable us to improve our volumes and overall market position in the industry on basis of very encouraging market response as production is ramped up.
2. The Company expanded its offering of the Indigo family through launch of 3 variants of Indigo CS. The new variants are the petrol GLX model and two diesel LX models - in the Turbo-charged Diesel with Intercooler and DICOR (Direct Injection Common Rail) engine options. Also, during the quarter, Tata Motors launched its passenger cars, Indica, Indigo and Indigo SW (Station Wagon) and the new pick up Xenon in D.R. Congo.

- **TML Distribution Company Limited**

TML Distribution Company Limited (TDCL), our wholly-owned subsidiary commenced operations from August 2008. TDCL will be engaged in the business of dealing and providing logistics support for distribution of TML products throughout India.

## Economic Scenario

### Key Highlights of Q2 FY09

#### 1. GDP Growth

As per the latest data released by the Central Statistical Organization (CSO), GDP grew by 7.9 per cent in the quarter ended June 2008. This was the lowest growth in the real GDP in any of the last 14 quarters. The prime reason behind the slow growth in the GDP in the June 2008 quarter was the poor growth clocked by the manufacturing sector. It grew by 5.6 per cent as compared to the 10.9 per cent growth clocked in the same quarter a year ago. Growth in electricity, gas & water also remained subdued at 2.6 per cent. The mining & quarrying sector grew by 4.8 per cent, while GDP from the agricultural sector rose by 3 per cent. It was the construction sector and the services, which pulled up the GDP growth during the June 2008 quarter. The construction sector grew by 11.4 per cent and the service sector grew by 10 per cent. The main driver of this growth was the trade, hotels, transport & communication segment, which grew by 11.2 per cent. The growth in finance, insurance & real estate was 9.3 per cent, while that in commercial, social & personal services was 8.4 per cent.

During its mid-term policy meet RBI revised the projection of overall GDP growth of 2008-09 to a range of 7.5-8.0%.

**(source: CMIE,RBI)**

Table 1: Quarterly trends in GDP Growth (%)

	2007-08	2008-09
	Q1	Q1
Agriculture	4.4	3.0
Industry	9.1	6.9
Services	11.0	10.0
GDP	9.2	7.9

*Source: CSO*

#### 2. Industrial Growth

Industrial growth was highly moderated by the high interest rate scenario, with the IIP growing at 7.1% and as low as 1.3% in Jul '08 and Aug'08 respectively compared to 7.1% and 10.7% in July'07 and Aug'07 respectively. The cumulative growth for the period April-August 2008-09 stands at 4.9% compared to 9.8% during the corresponding period of the pervious year.

The subdued performance of the manufacturing sector, which has a weightage of 80 per cent in IIP, continues to be the reason behind unimpressive industrial growth. While, on an average, the manufacturing sector grew at 9 per cent in 2007-08, it grew as low as 5.2 per cent in April-August 2008 on cumulative basis. The cumulative growth during April-August, 2008-09 over the corresponding period of 2007-08 in the three sectors viz Mining, Manufacturing and Electricity have been 4.1%, 5.2% and 2.3% respectively, which moved the overall growth in the General Index to 4.9%.

**Table 2: Index of Industrial Production**

Categories		Apr-Aug08	Apr-Aug'07	Growth (%)
IIP	General	269.5	256.9	4.9%
Sectoral	Mining	166.7	160.2	4.1%
	Mfg.	289.1	274.7	5.2%
	Electricity	222.6	217.7	2.3%
Use-based	Basic	225.5	217.3	3.8%
	Capital	361.9	331.5	9.2%
	Intermediate	264.0	262.2	0.7%
	Consumer	299.3	277.6	7.8%
	- Consumer Durables	376.2	362.2	3.9%
- Consumer Non-Durables	280.2	258.1	8.6%	

(Source: CSO)

## 2. Infrastructure Index

During April-July 2008-09, six core-infrastructure industries registered a growth of 3.7% (provisional) as against 6.6% during the corresponding period of the previous year. Out of the six sectors in the infrastructure index, the Crude Oil production registered a growth of (-) 0.9% (provisional) during April-July 2008-09 compared to (-) 0.3% during the same period of 2007-08. The Petroleum refinery production registered a growth of 5.4% (provisional) during April-July 2008-09 compared to 11.0% during the same period of 2007-08. Finished (carbon) Steel production grew by 3.8% (provisional) during April-July 2008-09 compared to an increase of 6.8% during the same period of 2007-08. Coal production grew by 7.7% (provisional) during April-July 2008-09 compared to an increase of 0.8% Electricity generation grew by 2.6% (provisional) during April-July 2008-09 compared to 8.1% during the same period of 2007-08. Cement Production grew by 6.5% (provisional) during April-July 2008-09 compared to an increase of 7.7% during the same period of 2007-08.

(Source: GOI- MINISTRY OF COMMERCE INDUSTRY)

## 3. Inflation

Inflation (WPI based) saw some softening towards the end of September from the peak. The average inflation for the month of September stood at 12.1% (3.5% in Sep'07), this was less than the average inflation for the quarter (1 Jul 2008- 31 Sep 2008), which stood at 12.33% (4.12% in Q2FY07) and less than the average of 12.5% for August '08 (4.1% in Aug '07). Higher base effect, softening of the crude prices and in other main-line input commodities towards the end of the quarter, resulted in softening of inflation. However, inflation is still above the RBI's comfort level of 5-5.5%.

## 4. Interest rates

Continuing its tight monetary policy to curb inflation, On July 29, 2008, RBI increased the repo rate from 8.50 per cent to 9.00 per cent with immediate effect. CRR was increased by 25 bps to 9%, however the reverse Repo was kept unchanged at 6%.

On October 6, 2008 on a review of the liquidity situation in the context of global and domestic developments, RBI cut CRR by 50 bps to 8.5%. It came into effect from Oct 11, '08. The RBI mentioned that this is temporary measure to ease liquidity crisis. On a review of the evolving liquidity situation and RBI's intervention in the FOREX market to prevent major depreciation of the Rupee, RBI further reduced the Cash Reserve Ratio (CRR) by 100 basis points to 7.50 per cent of NDTL (net demand and time liabilities) with effect from the fortnight beginning October 11, 2008, this is expected to release Rs 600 bn in the banking system. This was followed by a further reduction of CRR by 100 bps on October 15, 2008 from 7.5% to

6.5% in a move to inject liquidity in the financial markets with effect from October 11, 2008. This measure will release additional liquidity into the system of the order of INR400bn.

Additionally, In a rapid move the Reserve Bank decided to reduce the repo rate under the Liquidity Adjustment Facility (LAF) by 100 basis points to 8.0 per cent with immediate effect on 20<sup>th</sup> October 2008 to maintain financial stability,. The RBI's press release stated that this move is intended to alleviate the pressure of India's credit market due to impact of global liquidity constraints

#### 5. Freight Rates

Freight rates decreased marginally by 0.1%, during the second quarter of 2008. On a y-o-y basis, freight rates has risen by 4.1%, During this period diesel price has risen by 11.4%. Thus increase in freight rates has failed to keep pace with rise in diesel price –and this is likely to i) impact profits of truck operators marginally, and ii) encourage overloading.

#### 6. 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 30<sup>th</sup> Sep 2008. With substantial portion of the Golden Quadrilateral having been completed, the focus of implementation has shifted to the NSEW and Phase III Though work on NHDP – V is under implementation and only 0.4% was complete as on 30<sup>st</sup> Sep 2008.

**Table 3:** Status of the NHDP as on 30th September 2008

	<b>Total Length (in Kms)</b>	<b>Completed</b>	<b>Under Implementation</b>	<b>Balance to be Awarded</b>
<b>GQ</b>	5,846	97.47%	2.53%	0%
<b>NS-EW</b>	7,300	38.88%	47.71%	11.25%
<b>Port Connectivity &amp; others</b>	1,342	65.13%	32.94%	1.94%
<b>NHDP Phase III</b>	12,109	4.55%	12.859%	82.86%
<b>NHDP Phase V</b>	6,500	0.38%	15.546%	84.15%
<b>Total</b>	31,775	30.17%	19.95.%	49.40%

(Source: NHAI)

#### Outlook

In view of the current inflationary pressure and relatively high interest rates, growth forecast stands at 7.8% for 2008-2009. Industrial growth is likely to slow down due to both supply and demand side risks posed by rising input prices and interest rates. Services growth is expected to moderate marginally, although it would continue to be the main driver of growth. Agriculture is expected to grow by 2.5-3.0 per cent in 2008-2009.

The current elevated level of inflation is expected to continue till the calendar year-end on account of the low base. Inflation may ease off in the last quarter of the fiscal. Inflation for 2008-09 is expected to be in the range of 11.5-12.0 per cent.

(Source: Crisil)

## Commercial Vehicle Segment

### Highlights

- CV domestic sales volumes increased by 4.3% y-o-y; 74,235 units in Q2FY09 as compared to 71,112 units in Q2FY08.
- CV market share stood at 61.6% for the quarter; up 50 bps from 61.1% in Q2FY08.

### Company Performance in Domestic CV Segment

**Table 4: CV Domestic Sales Volumes**

	<b>Q2 FY09</b>	<b>Q2 FY08</b>	<b>Change</b>	<b>H1 FY09</b>	<b>H1FY08</b>	<b>change</b>
M/HCVs	32,993	35,966	-9.0%	68,781	68,558	0.3%
LCVs	41,244	35,146	14.8%	76,865	64,187	19.8%
<b>Total CVs</b>	<b>74,237</b>	<b>71,112</b>	4.3%	145,646	132,745	9.7%

**Table 5: CV Market Shares**

	<b>Q2 FY09</b>	<b>Q2 FY08</b>	<b>H1 FY09</b>	<b>H1FY08</b>
M/HCVs	59.1%	58.6%	59.6%	58.6%
LCVs	63.8%	63.8%	63.4%	64.5%
<b>Total CVs</b>	<b>61.6%</b>	<b>61.1%</b>	<b>61.5%</b>	<b>61.4%</b>

**Source: SIAM Industry Data and Company analysis**

- The CV industry registered a volume growth of 3.4% during Q2FY09. Under a challenging environment of inadequate vehicle financing and high interest rates and increase in diesel prices LCV posted robust growth of 17.9% y-o-y while on the other hand MHCV market recorded a decline of 9.5% y-o-y during the quarter.
- Truck market recorded a decline in sales in Q2FY09 over corresponding period of last year. The industry volumes in the MHCV truck segment declined by 10.5% y-o-y, while industry volumes in the LCV truck segment grew by 9.5% y-o-y during Q2FY09, driven mainly by mini-truck segment.
- TML's volume in MHCV truck market declined by 8.0% during the quarter (July-Sep'08) compared to the corresponding period in the previous year. However TML's market share in the MHCV truck market increased from 62.8% in Q2 FY08 to 64.5% Q2 FY09, mainly led by the new products introduced over the last few quarters.
- TML performance in MHCV bus market saw a decline of 13.9% in Q2FY09 due to base impact of unusually heavy H1 in FY08, while on the other hand LCV bus market saw an increase of 80.6% in Q2FY09 compared to corresponding period last year driven by success of ACE Magic and Winger. Tata Motors' market share increased substantially from 65.1 % in Q2FY08 to 75.8% in Q2FY09 in LCV bus segment.
- The uptrend in the LCV market continued in Q2FY09, which grew by 17.9% during the quarter. Tata market share in the LCV segment remained constant at 63.8% in Q2FY09 (July - Sept 08) compared to the corresponding period last year. LCV volumes of Tata Motors increased by 17.8% in Q2FY09 during the same period last year. The growth in LCV volumes was driven by ACE Magic and Winger supported by the pan India introduction and also on account of near completion of transfer the ACE production from Pune to Uttarakhand.

## Passenger Vehicle Segment

### Highlights

- Domestic passenger vehicle sales stood at 47,870 (including 1034 Fiat vehicles) during Q2FY09; down by 7.3% y-o-y.
- Market share of Tata Motors vehicles stood at 12.8% in Q2FY09.
- The Company remains among the top 3 players in the domestic PV market.

**Table 7: PV Domestic Sales Volumes**

	Q2 FY09	Q2 FY08	Change	H1 FY09	H1FY08	change
Small Car	23,883	33,869	-29.5%	49,556	68,467	-27.6%
Mid-size Car	13,635	7,111	91.8%	26,688	14,313	86.5%
UV	9,318	9,658	-3.5%	21,683	19,698	10.1%
Fiat	1,034	980	5.5%	2,393	1,713	39.7%
<b>Total PV</b>	<b>47,870</b>	<b>51,618</b>	<b>-7.3%</b>	<b>100,320</b>	<b>104,191</b>	<b>-3.7%</b>

**Table 8: PV Market Shares (including Fiat volume)**

	Q2 FY09	Q2 FY08	H1 FY09	H1FY08
Small Car	11.5%	15.6%	11.4%	16.2%
Entry-level Mid-size Car	34.6%	28.4%	36.5%	30.7%
UV	16.2%	17.1%	17.7%	18.0%
Total PV	13.0%	13.9%	13.1%	14.5%

**Source: SIAM Industry Data and Company analysis**

- The passenger vehicle industry registered a volume decline of 1.0% during Q2FY09, primarily due to, unavailability of finance, rising interest rates and low consumer confidence. Utility vehicle segment grew by 1.7% and passenger car segment declined by 1.1% y-o-y.
- In the Small car segment, Tata Motors' market share declined from 15.2% in Q2FY08 to 11.0% in Q2FY09, owing to its aging small car portfolio and intense competition. The new Indica Vista launched at a price range of Rs 3.49 Lacs to Rs 4.88 Lacs( ex-showroom Delhi) has received very positive reviews in media and this is expected to arrest the declining market-share as production is ramped up. Indica vista, has completely new interiors and a contemporary body with improved interior space and comfort. The Vista is powered by a range of internationally acclaimed powertrain - the new 75 bhp 1.3L Quadrajjet Common Rail Diesel engine and the 65bhp, 1.2L CVCP Safire MPFI petrol engine.
- Tata Motors' market share in the fast growing entry-mid size car segment grew from 28.4% in Q2FY08 to 34.6% in Q2FY09, due to continuing strong market response to the World's first compact sedan Indigo CS launched in 4QFY08. The Indigo family was the highest selling model in the country in the Entry mid-size segment, during Apr-Sep'08 with sales of 26,688 units.
- In the Utility Vehicle segment, Tata Motors market share declined from 17.1% in Q2FY08 to 16.2% in Q2FY09.
- Fiat volumes for H1 FY09 was 2393, a growth of about 40% combined Tata-Fiat market share in the overall PV industry stood at 13.0% as at Sep'08.

## International Business

### Highlights

- The Company's export volumes declined 6.6% y-o-y during Q2FY09.

### Company Performance in International Business

**Table 10: Exports Volumes**

Business Unit	Q2FY09	Q2FY08	Change	H1 FY09	H1FY08	Change
Commercial Vehicles	9,983	9,287	7.5%	17,732	18,946	-6.4%
Passenger Vehicles	2,947	4,556	-35.3%	4,420	8,786	-49.7%
<b>Total Exports</b>	<b>12,930</b>	<b>13,843</b>	<b>-6.6%</b>	<b>22,152</b>	<b>27,732</b>	<b>-20.1%</b>

- Exports volume declined by 6.6% during the quarter, due to decline in prime markets which witnessed adverse impact on automotive demand, in India and also on account of congestion at major ports that affected shipments.
- Sales declined by 35.3% in the passenger vehicles which saw decline in sales in markets such as South Africa, Spain and Ghana.

Commercial vehicles saw a 7.5% growth in volumes due to increased sales in markets like Ukraine and Russia; however growth was partially offset by decline in some traditional markets

## Finance

- The company registered a 6.1% y-o-y growth in net revenue to Rs.70.79 bn during Q2FY09.
- Significant cost increases were witnessed in raw material consumption and employee cost which witnessed y-o-y growth of 12.1% and 12.5% respectively. On account of inflationary pressures the company undertook increase of vehicle prices, which partially mitigated the cost increase. The raw material cost as percentage of net revenues of the Company rose by 180 bps (after adjusting for the above item of Rs.1994 Mn last year) to 72.9% in Q2FY09; from 71.1% in Q2FY08. The Company plans to aggressively pursue cost optimization through material cost reductions and process efficiencies.
- Total income from operations for the quarter and half year ended September 30, 2007: (a) Rs 1694 mn towards transfer of technology to two subsidiary companies and (b) a gain of Rs 300mn on transfer of activity relating to financing of construction equipment to Tata Capital. Adjusting for this the EBITDA was Rs.5.8 bn for the quarter, while EBITDA margins stood at 8.13% compared to 9.2% in Q2FY08
- The Company registered a notional forex valuation loss of Rs 2850.2 mn during Q2FY09 on account of revaluation of foreign currency borrowings, deposits & loans given. In Q2 FY08, the company had a forex gain of Rs 309 mn.
- Net interest expense during the quarter was Rs.1482.8 mn, an increase of 53.7% compared with Q2 FY08. The increase was mainly on account of rising interest rates and higher debt.
- During the quarter Company sold about 10 Mn shares held in Tata Steel. A profit of Rs. 358.8 crs crores on the sale is included in other income.
- Tax rate for quarter July – Sep'08 declined substantially and stood at 1.7 % as compared to 15.2% for same period last year, on account of Long Term capital gain on profit from sale of shares of Tata Steel and dividends received by Company on its Investments which are not taxable in the hands of the Company, and weighted deduction for the R&D expenditure.
- As on 30<sup>th</sup> Sep'08, the balance sheet size of the Company was Rs. 207 bn as compared to Rs 184 bn as on 30<sup>th</sup> June'08. Net of vehicle financing loans and receivables the Company's capital employed was Rs 174 bn as on 30<sup>th</sup> Sep'08.
- As on 30<sup>th</sup> September'08, 385.7 mn shares (Face value Rs.10) were outstanding on the balance sheet of Tata Motors.
- The Gross total debt (inc. FCCNs) stood Rs 116.4 bn as on 30<sup>th</sup> September'08 as compared to Rs. 94.9 bn as on 30<sup>th</sup> June'08. The Company's Net Debt (Net of the surplus investible funds) stood at Rs 112.5 bn as on 30<sup>th</sup> Septemebr'08 while the Company's net debt to equity ratio stood at 1.37. Post the Rights Issue, the company's Debt-Equity on a proforma basis is 0.91 : 1.
- Upto Sep 30th, 2008, 97.6% of the 1 Zero coupon Convertible Notes ( due 2009) have been converted into Ordinary Shares / ADSs. There have been no conversions of the other FCCNs issued by the Company.

- The Company's Balance Sheet includes Receivables and loans of Rs. 33 bn on account of vehicle financing business as on 30th September, 2008.
  
- The following table shows the days of sales of inventory and receivables of the company.

**Table 11: Current Assets**

<b>No. of Days</b>	<b>30<sup>th</sup> Sep'08</b>	<b>30<sup>th</sup> June'08</b>	<b>31<sup>st</sup> March'08</b>
Inventory	35	39	27
Receivables (non-HP)	18	14	11

## Performance of Key subsidiaries

**Table 12: Key Subsidiary Financials**

Subsidiary	Turnover (Rs mn)		Change (%)	PAT (Rs mn)		Change (%)
	Jul-Sept'08	Jul-Sept'07		Jul-Sept'08	Jul-Sept'07	
<b>Tata Daewoo CV Ltd., Korea (TDCV) #</b>	7825.2	6988.6	12.0%	222.6	410.2	-45.73%
<b>Telco Construction Equipment Co. Ltd (Telcon)</b>	7643.4	6960.0	9.8%	418.1	813.9	-48.63%
<b>Tata Technologies Ltd consolidated (TTL)</b>	3239.6	2595.7	24.8%	153.4	76.8	99.74%
<b>HV Transmissions Ltd (HVTL)</b>	383.8	422.3	-9.1%	37.7	95.7	-60.61%
<b>HV Axles Ltd (HVAL)</b>	417.0	435.4	-4.1%	42.4	126.4	-66.46%
<b>Tata Motors Finance Limited (TMFL)</b>	1997.7	2368.1	-15.6%	(124.5)	350.5	-135.52%

## Operational Highlights of Key Subsidiaries

### Tata Daewoo Commercial Vehicles (TDCV)

- During Q2FY09, Korean commercial vehicle industry saw a decline in volumes; HCV and MCV segment declined by 1% and 14% respectively in Q2FY09 due to:
  - Pre-purchases made by the customers prior to switch over from Euro III to Euro IV, effective January 1, 2008.
  - Rising Inflation, (currently at over 5.1%), declining Consumer spending/confidence, and decline in vehicle financing due to worsening credit markets.
- Total sales of TDCV in Q2FY09 stood at 2,575 units a decline of 6.7% compared to 2,762 units in the corresponding period last year. Higher exports at 1,166 units in Q2FY09 compared to 703 units in Q2FY08 last year helped to partially offset the decline of sales in the domestic market.
- In the domestic market, TDCV volumes declined by 31.6% to 1,409 in Q2FY09 from 2,059 units sold in Q2FY08. Market share of TDCV in MHCV segment stood at 33.5% in Q2FY09.

### **Tata Technologies**

- During Q2FY09, quarterly revenue grew y-o-y by 24.8% (2596.0 Mn to 3339.2 Mn). PBT grew by 68.4% (134.3 mn to 226.1 Mn). PAT grew by 99.7% (76.8 Mn to 153.8 Mn).
- Factors driving growth in revenues & margins were:
  - Continued focus on large deals
  - Received product contracts from existing clients as well as from new clients.
  - Focus on offshore projects.
  - Tax efficiencies.

### **TELCON**

- During the quarter, investments in Construction Equipments witnessed slowdown due to liquidity crunch and high interest rates.
- Volumes of the company decreased by 9% from 1807 units in Q2FY08 to 1,644 units in Q2FY09.
- Maintained its market share in excavators at 51% during Q2FY09.
- Market share in wheel loaders stood at 25% Q2FY09
- Market share in back hoe loaders stood at 11% during Q2sY09.
- Spares and Service revenue grew by 30% in Q2FY09 and constitutes 10% of the Revenues.
- The Company rolled out 20,000th machine from Dharwad plant.

### **HVAL & HVTL**

- **HVAL**  
During the quarter HVAL revenue declined by 4.1% to Rs 417 million for the corresponding period last year. PAT also declined substantially by 66.4% and stood at Rs 42.4 million from the corresponding period last year.
- **HVTL**  
During the quarter HVTL revenue declined by 9.1% to Rs 384 million from the corresponding period last year. PAT also declined substantially by 60.6% and stood at Rs 383.5 million from the corresponding period last year.

### **Vehicle Financing**

- Tata Motors undertakes its Vehicle Financing business through TMLFSL and TML (Vehicle Financing), under the brand Tata Motor Finance (TMF).
- YTD combined disbursements was Rs.3,884 cr a growth of 8.5% from Rs 3,579 cr in H1 FY08. TMF market-share in Tata Motors vehicles to 32.0% in H1 FY09.
- In passenger car financing, market share stood at 31.2% while market share in CV segment stood at 32.5%
- The book size at the end of September'08 for TMLFSL and TML (Vehicle Financing) stood at Rs 52.76 bn and Rs.32.99 bn respectively with the total book size of the Vehicle Financing business coming in at Rs.85.75 bn.

## **Jaguar Land Rover**

During (Jul-Sep'08) JLR wholesale volumes declined 11.2% to 61,421 from the corresponding period last year. The decline in volumes was mainly on account of fall in LandRover sales which declined by 19.1% and stood at 43,886. However, Jaguar clocked a volume growth of 17.5% on the back of strong market response to Jaguar XF and stood at 17,535 during the period July-Sep'08

### **Wholesale Volumes**

	July – Sep		June		June-Sep	
	2008	2007	2008	2007	2008	2007
Jaguar	17,535	14,925	7,068	5,688	24,603	20,613
% change	17.5%		24.3%		19.4%	
Land Rover	43,886	54,264	17,010	22,019	60,896	76,283
%change	-19.1%		-22.7%		-20.2%	
Total	61,421	69,189	24,078	27,707	85,499	96,896
% change	-11.2%		-13.1%		-11.8%	

### **Production Volumes**

	July – Sep		June		June-Sep	
	2008	2007	2008	2007	2008	2007
Jaguar	16,836	13,852	6,905	5,700	23,741	19,552
%change	21.5%		21.1%		21.4%	
Land Rover	44,771	54,167	19,123	21,087	63,894	75,254
%change	-17.3%		-9.3%		-15.1%	
Total	61,607	68,019	26,028	26,787	87,635	94,806
%change	-9.4%		-2.8%		-7.6%	

### **Jaguar Land Rover Business performance highlights**

- The current global economic downturn is impacting the whole of the automotive industry and the premium segment in particular. Jaguar Land Rover retail volumes Jan-Sep'08 stood at 214,480 units, a decline of 4.7% from the corresponding period last year. While Jaguar has witnessed a growth of 12.9%, Land Rover sales declined by 9.7%.
- The launch of the new Jaguar XF in January 2008 and its continued strong performance has enabled Jaguar to deliver increased volumes despite challenging external environment.
- Jaguar Land Rover continues to expand in new and emerging markets such as Russia, Brazil and China.
- In response to significant weakening of external environment and auto sales, Jaguar Land Rover is taking several steps to reduce production and inventory through shift cut backs, extended breaks to employees and headcount reduction.
- Jaguar Land Rover is in the process of its transition process away from Ford systems and infrastructure following its acquisition by Tata Motors. This transition process is proceeding in line with separation plans.

- Although increasing raw material and commodity prices continue to exert cost pressure, commodity price pressures have significantly reduced in the market versus their recent peak. If sustained, this together with current exchange rates is expected to have a beneficial impact on Jaguar Land Rover's performance.
- Jaguar Land Rover have intensified focus on measures to reduce costs, increase operational efficiency and maintain vehicle quality, whilst protecting investment for environmental and product related actions.
- Cross functional teams between Tata Motors and Jaguar Land Rover are already engaged in identifying various efficiency opportunities in Engineering, Sourcing, IT and other areas.

### Shareholding Pattern

**Table 13: Shareholding Pattern as on September 30, 2008**

	%
Tata Group	33.34%
Daimler Chrysler	6.64%
Indian Financial Institutions / MFs / Banks	14.91%
ADR/GDR Holders / Foreign holders-DR status	14.97%
Foreign Institutional Investors	14.91%
Others	13.95%
Total	100.00%

### Investor Relations Contacts

**Savitha Balachandran**

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

Phone: 91-22-6665 7237  
 Fax: 91-22-6665 7788  
 Email: savitha@tatamotors.com

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