



## Tata Motors 3Q FY05 Review

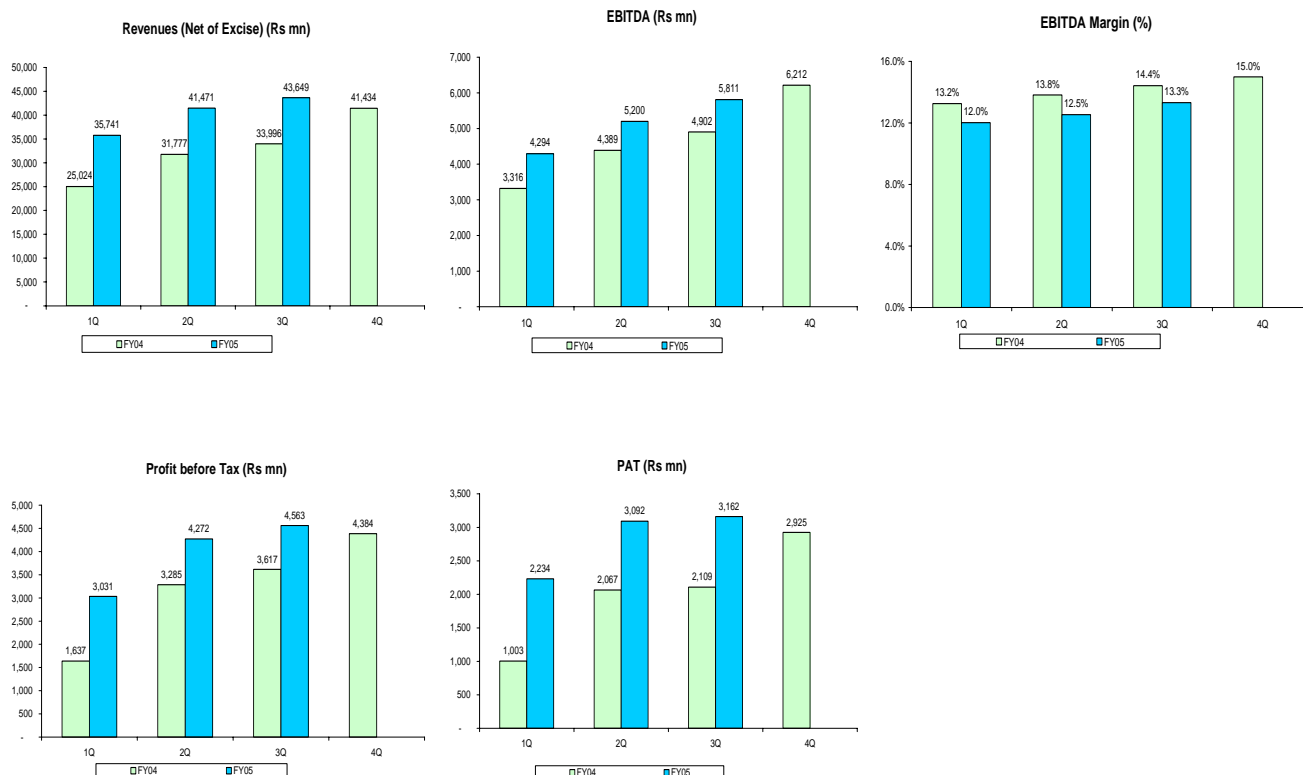
### Snapshot

#### Indian GAAP Unconsolidated Financials (Audited)

	3Q FY05 (Rs mn)	3Q FY04 (Rs mn)	Change %	3Q FY05 (*) (US\$ mn)	3Q FY04 (**) (US\$ mn)
Revenue (Net of excise)	43,649	33,996	28.4%	1,004	746
EBITDA	5,811	4,902	18.5%	134	108
EBITDA %	13.3%	14.4%	-111 bps		
Cash Profit (Pre-Tax)	5,643	4,594	22.8%	130	101
Extra-ordinary Items	(10)	(26)	-61.2%	(0)	(1)
Profit / (Loss) before Tax	4,563	3,617	26.1%	105	79
Net Profit / (Loss)	3,162	2,109	49.9%	73	46
Basic EPS (Non-annualised)	Rs 8.8	Rs 6.5	35.4%	US\$ 0.20	US\$ 0.14
	<b>Apr-Dec FY05</b>	<b>Apr-Dec FY04</b>	<b>Change</b>	<b>Apr-Dec</b>	<b>Apr-Dec</b>
	<b>(Rs mn)</b>	<b>(Rs mn)</b>	<b>%</b>	<b>FY05(*)</b>	<b>FY04 (**)</b>
				<b>(US\$ mn)</b>	<b>(US\$ mn)</b>
Revenue (Net of excise)	120,861	90,798	33.1%	2,781	1,992
EBITDA	15,305	12,606	21.4%	352	277
EBITDA %	12.7%	13.9%	-122 bps		
Cash Profit (Pre-Tax)	15,442	11,834	30.5%	355	260
Extra-ordinary Items	(31)	(256)	-87.9%	(1)	(6)
Profit / (Loss) before Tax	11,866	8,539	39.0%	273	187
Net Profit / (Loss)	8,488	5,179	63.9%	195	114
Basic EPS (Non-annualised)	Rs 23.6	Rs 16.1	46.9%	US\$ 0.54	US\$ 0.35

(\*) Rate of exchange as on December 31, 2004: 1US\$ = 43.46

(\*\*) Rate of exchange as on December 31, 2003: 1US\$ = Rs 45.59



**Indian GAAP Consolidated Financials (Audited)**

	<b>Apr-Dec FY05 (Rs mn)</b>	<b>Apr-Dec FY04 (*) (US\$ mn)</b>
Revenue (Net of excise)	136,143	3,132
EBITDA	17,489	402
EBITDA %	12.8%	
Cash Profit (Pre-Tax)	17,143	394
Extra-ordinary Items	(40)	(1)
Profit / (Loss) before Tax	12,893	297
Profit / (Loss) after tax	8,962	206
Net Profit after minority interest and share of profit / loss in associate companies	9,183	211
Basic EPS (Non-annualised)	Rs. 25.6	US\$ 0.6

(\*) Rate of exchange as on December 31, 2004: 1US\$ = 43.46

## Business Review

### Indian GAAP (Unconsolidated) Financial Summary 3Q FY05

- Tata Motors achieved Net Revenues of Rs 43.7 bn in 3Q FY05, up 28.4% YoY on the back of volume growth of 26%. YTD, Net Revenues stood at Rs 120.9 bn, up 33%.
- The Company posted a Net Profit of Rs 3.2 bn during the quarter compared to Rs 2.1 bn last year, up 49.9% YoY. For the April – December 2004 period, the Company achieved a Net Profit of Rs 8.5 bn, up 64%.
- Profit before Tax (PBT) stood at Rs 4.6 bn; up 26.1% YoY.
- 3Q EBITDA saw a growth of 18.5% to Rs 5.8 bn.
- The input prices, esp. steel and plastics, have been steadily increasing, and have put the margins under pressure. The Company has been able to partially mitigate these pressures through its ongoing cost reduction efforts and better vehicle realisations.

**Table 1: Volume Summary**

	3Q FY05	3Q FY04	Change	Apr-Dec FY05	Apr-Dec FY04	Change
Commercial Vehicles	50,908	40,485	26%	134,861	104,616	29%
Passenger Vehicles	39,048	30,244	29%	124,996	97,217	29%
<b>Total Domestic Sales</b>	<b>89,956</b>	<b>70,729</b>	<b>27%</b>	<b>259,857</b>	<b>201,833</b>	<b>29%</b>
Exports	8,706	7,651	14%	19,299	15,068	28%
<b>Total Volumes</b>	<b>98,662</b>	<b>78,380</b>	<b>26%</b>	<b>279,156</b>	<b>216,901</b>	<b>29%</b>

- The volume growth in 3Q came on the back of :
  - Robust industrial growth backed by manufacturing sector and increase in demand for both, capital goods and consumer goods.
  - Market share gains in CVs and PVs
  - Impressive growth in exports of CVs
- During the quarter, the Company improved its market share in CVs to 61.6% (+250 bps) and in PVs to 14.6% (+50 bps). YTD, the Company's market shares stand at 60.4% (+160 bps) in CVs and 16.4% (+90 bps) in PVs.
- Tata Motors was awarded 'Company of the Year' Award on Corporate Excellence for the year 2004 by The Economic Times. The Company was recognized as being amongst the Best Employers in India in the CNBC-Hewitt Survey.

### Indian GAAP (Consolidated) Financial Summary (Apr-Dec 2004)

- On a consolidated basis, the Company recorded revenues of Rs 136.1 bn for the period April – December 2004 driven by strong stand alone performance of the Company and that of its subsidiaries.
- The consolidated EBIDTA for the nine month period April-December 2004 stood at Rs 17.5 bn, with an EBIDTA margin of 12.9%.
- The consolidated PBT of the Company during April – December 2004 was Rs 12.9 bn.
- On a consolidated basis, the Company achieved Net Profit (after minority interest and share of profit / loss in associate companies) of Rs. 9.2 bn for April – December 2004 period.

## Economic Scenario

### Key Highlights of 3QFY05

#### 1. GDP Growth

In its Mid Term Review, the government revised the GDP growth forecast for FY05 downward to 6-6.5% from the earlier forecast of 6.5-7% on account of the adverse impact of erratic monsoon on agriculture. However, the industrial and services sectors continue to boost the economic growth of the country.

#### 2. Macro Economic Indicators – Industrial Production

The IIP moved up by 8.3% during April –November 04. The growth in the industrial sector during this period was backed by 9.4% growth in the Manufacturing Sector.

**Table 2: Macro Economic Indicators**

Categories		Growth (%)
IIP	General	8.3%
Sectoral	Mining	5.8%
	Mfg.	9.4%
	Electricity	7.0%
Use-based	Basic	6.0%
	Capital	14.9%
	Intermediate	7.8%
	Consumer	11.2%
	- Consumer Durables	17.2%
- Consumer Non-Durables	9.2%	

Source: CSO

The growth in the industrial sector is also signaled by 34% increase in non food credit as of December 04 against 17% increase in December 03.

#### 3. National Highway Development Project (NHDP)

Work on National Highways Development Programme (NHDP) is proceeding as per the targeted time plan. While ground work on Phase III of NHDP has already begun, for the first time, the government has indicated upgradation of 41,000 kms of remaining national highways not covered under the NHDP programme. Most of these highways which are single lane as of now are proposed to be at least double laned.

In addition, state governments are working towards developing feeder routes, which further adds up to the planned capex.

**Table 3: Status of the NHDP Project as on Dec. 31, 2004**

	Total Length (in Kms)	Planned date of completion	Completed	Under Implementation	Balance to be Awarded
GQ	5,846	Dec-05	74%	26%	-
NS-EW	7,300	Dec-07	9%	5%	79%
Port Connectivity & others	1,133	Dec-07	23%	40%	37%
Total	14,279		37%	17%	43%

#### 4. Inflation

2004 closed with the rate of inflation at an average 6.7% for December 04. The inflation during the quarter moderated to 7.3% in October 04 and 7.5% in November 04 against the high of 8.5% achieved during the second quarter.

While international crude oil prices continue to drive inflation, softening of prices of primary articles and manufactured products during the latter part of the quarter have helped in bringing down the inflation.

## 5. Crude Oil Prices

The prices of the crude oil in the international market rose sharply in the month of October 04 with the average price for the month touching \$ 49/bbl but moderated thereafter to average of \$43/bbl in November and \$40/bbl in December 04. Improvement in the supplies of crude oil and forecast of milder winters led to softening of the prices. However, the prices have rebounded in the last couple of weeks to around US\$46/bbl.

At this point of time, the domestic fuel prices are not being completely exposed to the variations in the global crude oil prices.

## 6. Interest Rates

The interest rates remained firm during the quarter with the yields on 10-year government bonds at 6.7% for October 04, 7.2% for November 04 and 6.8% for December 04. The hardening of interest rates has had a mild impact on the vehicle financing rates.

## 7. Foreign Trade

India's foreign trade has improved substantially with exports improving 23.4% (in US\$ terms) and imports improving by 33.6% (in US\$ terms) during April- December 04 over the corresponding period in previous year. The growth in exports is substantially higher than the 16% growth during April-December 2002-03. Food grains, iron ore, ferro alloys, electronic goods and petroleum products are key commodities driving the foreign trade.

## Outlook

- The new emission norms are expected to be implemented from April 1, 2005. There will be a cost impact which will lead to some increase in Automobile end-customer prices. This phenomenon is expected to lead to certain level of advancement of demand, more so in Commercial Vehicles, which will impact the demand patterns in FY06.
- Growth in industrial sector in the country is expected to continue, led mainly by growing manufacturing sector. Increase in investment demand, growing exports and expansion in non food credit are key indicators of the industrial growth in the country.
- The secular drivers of infrastructure development and retail credit expansion continue to provide the long-term impetus to economic growth.
- Sustained increase in input prices, uncertainty in global crude prices and firming of interest rate continue to be the critical risk areas.

## Commercial Vehicles

- Domestic volume growth of 26% Y-o-Y in 3Q FY05
- Market share in 3Q FY05 at 61.6%; gain of 250 bps
- Strong growth in intermediate and heavy truck segments
- Market share gains in Pick-ups and LCV buses.
- Significant increase in Exports volumes during the quarter

### CV Domestic Business

The Company registered domestic CV sales of 50,907 units during the quarter, +26% y-o-y.

**Table 4: CV Domestic Sales Volumes**

	3Q FY05	3Q FY04	Change	Apr-Dec FY05	Apr-Dec FY04	Change
M/HCV	34,221	27,995	22%	92,115	70,481	31%
LCV	16,687	12,490	34%	42,746	34,135	25%
<b>Total CV</b>	<b>50,908</b>	<b>40,485</b>	<b>26%</b>	<b>134,861</b>	<b>104,616</b>	<b>29%</b>

**Table 5: CV Market Shares**

	3Q FY05	3Q FY04	Apr-Dec FY05	Apr-Dec FY04
M/HCV	66.6%	65.2%	66.7%	64.5%
LCV	53.3%	48.8%	50.2%	49.8%
<b>Total CV</b>	<b>61.6%</b>	<b>59.1%</b>	<b>60.4%</b>	<b>58.8%</b>

- The buoyancy in the truck market continued in 3Q (+27% YoY) with the key growth drivers being :
  - growth in the industrial and mining (especially in the Eastern region) sectors
  - increase in foreign trade
  - improving trend in freight rates
  - focus on infrastructure development
  - low cost of vehicle financing
- The Company has received ARAI certification for its 497 TCIC (Direct Injection) engine complying with Euro III norms for use on commercial vehicles. The engine has been developed in-house and offers better performance in terms of torque, power and fuel efficiency.
- The shift towards HCVs continued during the quarter with the Company volumes increasing by 24% during the period.
- On the back of good customer response to 909 EX (launched in May 2004), the Company's ICV Trucks volumes more than doubled during 3Q FY05 with market share of 40.6% (30.6% last year).
- Freight rates remained firm during the quarter due to Railway's decision to increase the freight tariffs in November 2004 and good freight demand.
- The Company proposes to launch a range of fully built buses with seating capacity ranging from 16-67 nos. to cater to multiple customer needs in the bus market shortly.
- Significant volume growth of 26% was recorded in LCV passenger segments against industry volume growth of 4% during the quarter. The Company achieved market share of 46% in this segment during April – December 2004, +790 bps.
- In the pick-up segment, market share of 42% was achieved (+780 bps) during the quarter.

### CV International Business

The Company's CV exports grew by 80% to 5,340 units during the quarter.

**Table 6: CV Exports Volumes**

	3Q FY05	3Q FY04	Change	Apr-Dec FY05	Apr-Dec FY04	Change
M/HCV	1,389	1,248	11%	4,084	3,092	32%
LCV	3,951	1,721	130%	9,367	4,215	122%
<b>Total CV</b>	<b>5,340</b>	<b>2,969</b>	<b>80%</b>	<b>13,451</b>	<b>7,307</b>	<b>84%</b>

- LCV trucks and Pick-ups have been the drivers of growth in exports volumes during the third quarter. Southern Europe, Sri Lanka, South Africa and West Asia continue to be the key export markets.
- The company plans to strengthen its presence in Russia and Saudi Arabia in the near-term.
- TDWCV achieved volume sales of 955 units during October - December 2004. Its market share in the Korean HCV market during this period was 30.2%.

## Passenger Vehicles

- Domestic volumes up 29% against industry growth of 24% in 3QFY05
- Market share improved to 14.6% y-o-y during the quarter (+50 bps).
- Indigo remained market leader in its segment
- Indica maintains its quality market share in the segment.
- Indica was adjudged the "Best Diesel Small Car" for the second consecutive year.

## PV Domestic Business

**Table 7: PV Domestic Sales Volumes**

	3Q FY05	3Q FY04	Change	Apr-Dec FY05	Apr-Dec FY04	Change
Compact Car	22,207	16,742	33%	74,663	56,623	32%
Entry-level Mid-size Car	8,695	6,355	37%	27,861	19,593	42%
MUV	8,146	7,147	14%	22,472	21,001	7%
<b>Total PV</b>	<b>39,048</b>	<b>30,244</b>	<b>29%</b>	<b>124,996</b>	<b>97,217</b>	<b>29%</b>

**Table 8: PV Market Shares**

	3Q FY05	3Q FY04	Apr-Dec FY05	Apr-Dec FY04
Compact Car	17.9%	19.6%	21.1%	22.4%
Entry-level Mid-size Car	25.9%	24.4%	30.8%	25.9%
MUV	17.6%	20.1%	17.9%	20.9%
<b>Total PV</b>	<b>14.6%</b>	<b>14.1%</b>	<b>16.4%</b>	<b>15.4%</b>

- Indica volumes grew by 33% during 3QFY05 despite heavy festive discounts offered by competition. Indigo achieved a volume growth of 37% during 3QFY05 to maintain its leadership position in entry - level Mid-size segment. Indigo Marina did well in its first quarter of sales by virtually re-creating an extinct estate market in the country. Sumo Victa also found growing customer acceptance.
- The Company was the official 'Vehicle Supplier and Country Sponsor' of the first ever India-ASEAN Car Rally flagged off from Guwahati on 22<sup>nd</sup> November 2004.
- The Company received the "Carmaker of the Year" award from Overdrive magazine for 2<sup>nd</sup> consecutive year.
- The car plant received the Rockwell Excellence Award (Manufacturing Excellence Award) instituted by Frost and Sullivan for "Achieving Value – Excellence in Manufacturing through Automation" in December 2004 for "having made visible production improvements through the use of Automation Products and Technologies".
- Indica maintained its leadership position as the Best Diesel Small Car for the second consecutive year in the TNS - Total Customer Satisfaction Study 2004. Indica Diesel continues to lead for the third year in the NFO Automotive Cost of Ownership Study 2004 with an operating cost of Rs 2.3 per km against the next best figure of Rs 2.45 per km.
- For the second year in a row, Safari tops the MUV/SUV segment in the J D Power India APEAL Study 2004. Safari leads the industry on four of the eight measures: Vehicle Styling/Exterior, Seats, Ride/Handling/Braking and Comfort/ Convenience.
- Sumo, Indica and Indigo were amongst the seven most trusted four-wheeler brands that figured in the ET Most Trusted Automotive brands for 2004, conducted by ORG Marg and AC Nielsen.

## PV International Business

The Company's PV exports during the quarter were 3,366 units, -28% y-o-y.

**Table 9: PV Exports Volumes**

	3Q FY05	3Q FY04	Change	Apr-Dec FY05	Apr-Dec FY04	Change
Passenger Car	2,515	4,382	-43%	3,954	6,132	-36%
MUV	851	300	184%	1,894	1,629	16%
<b>Total PV</b>	<b>3,366</b>	<b>4,682</b>	<b>-28%</b>	<b>5,848</b>	<b>7,761</b>	<b>-25%</b>

- While overall levels of exports dipped temporarily, exports of Tata branded passenger vehicles are up by 52% for April- December'04 reflecting growth in existing markets and entry into new markets.
- The Company and MG Rover jointly re-affirmed their commitment to CityRover. The Company will be exporting Left Hand Drive and Turbo Charged Versions of CityRover in the near future.
- Since launch in Oct. 2004, over a 1,000 units of Tata Indica and Tata Indigo have been exported to South Africa.
- While Tata Safari continues to be exported in significant numbers to Algeria, the Company also launched Tata Indica and Tata Indigo in the country during the quarter.

## Finance

- Net Interest cost in 3Q at Rs 414.4 mn (down 13% YoY )
- Other Income of Rs. 246.5 mn during the quarter (3Q FY04 : Rs 166.6 mn) comprises of dividends from long-term investments, income from investible surplus and profit from sale of investments. The Company divested its investment in Sriram and Jaibharat Credit earning a profit of Rs 13 mn during the quarter.
- The Company's Balance sheet size stood at Rs 75.6 bn as on Dec. 31, 2004 as against Rs 53.7 bn as on Dec. 31 2003. Net of the investible surplus, the Company's capital employed was Rs. 45.8 bn as of Dec. 31, 2004.
- Out of the FCCNs issued in July 2003, around 89.4 % have been converted into ADSs at a premium of Rs 240.75 per share as on Dec. 31, 2004.
- The Company carried out the final round of conversion of outstanding warrants (from Rights Issue in FY02) during the quarter.
- Gross total debt (inc. FCCNs) was Rs 25.2 bn as on Dec. 31, 2004. The Company's Net Debt (Net of the surplus investible funds) stood at negative of Rs 4.6 bn.
- The Company had an investible surplus of around Rs 29.8 bn as on Dec. 31, 2004. a break up of the same is as below:

**Table 10: Investible Surplus**

	<b>Rs bn</b>
Mutual Funds	11.3
Overseas deposits	14.1
Fixed deposits and ICDs	4.4

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

**Table 11: Current Assets**

<b>No. of Days</b>	<b>Dec. 31, 2004</b>	<b>Dec. 31, 2003</b>
Inventory	35	35
Receivables (non-HP)	9	14

- The Company has incurred capital expenditure (including product development) of around Rs 5.1bn during April – December 04.
- Tata Motor Finance (TMF), the combined vehicle financing marketing arrangement of BHPC (of Tata Motors) and Tata Finance Ltd., disbursed around Rs 9.8 bn during 3QFY05 (+43% YoY). TMF financed 17.5% of the Tata Motors' domestic sales volume during October – December 04. Subsequent to the quarter, the Company's Board has approved the merger of Tata Finance Ltd. with the Company with the April 1, 2005 as the effective date of merger.

## Shareholding Pattern

**Table 12: Shareholding Pattern as on 31<sup>st</sup> December, 2004**

	%
Tata Group	33%
Daimler Chrysler	7%
Indian Financial Institutions / MFs / Banks	14%
ADR Holders / Foreign holders –DR status	11%
Foreign Institutional Investors	21%
Others	14%
<b>Total</b>	<b>100%</b>

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