



Tata Motors (NYSE: TTM) 3Q FY07 Review

Snapshot

Standalone 3Q FY07 Financials (Audited Indian GAAP)

	3QFY07 (Rs mn)	3QFY06 (Rs mn)	Change %	3Q FY07** (US\$ mn)	3Q FY06 * (US\$ mn)
Revenue (Net of excise)	69,568	50,749	37%	1,546	1118
EBITDA	9,522	6,221	53%	212	137
EBITDA %	13.69%	12.26%	+143 bps	13.69%	12.26%
Profit before Tax	7,087	5,918	20%	157	130
Profit after Tax	5,132	4,602	12%	114	101
Basic EPS (Non-annualised)	Rs.13.32	Rs.12.23	9%	US\$0.3	US\$ 0.27

Standalone Financials (Audited Indian GAAP) for April- December 2006

	Apr-Dec FY07 (Rs mn)	Apr-Dec FY06 (Rs mn)	Change %	Apr-Dec FY07 ^^ (US\$ mn)	Apr-Dec FY06 ^ (US\$ mn)
Revenue (Net of excise)	192,507	137,556	40%	4,220	3109
EBITDA	23,472	16,838	39%	515	381
EBITDA %	12.19%	12.24%	-05 bps	12.19%	12.24%
Profit before Tax	17,934	14,058	28%	393	318
Profit after Tax	13367.4	10707.7	25%	293	242
Basic EPS (Non-annualised)	Rs.34.78	Rs 28.46	22%	US\$ 0.76	US\$ 0.64

Consolidated 3Q FY07 Financials (Audited Indian GAAP)

Rs mn	3QFY07 (Rs mn)	3QFY06 (Rs mn)	Change %	3Q FY07** (US\$ mn)	3Q FY06 * (US\$ mn)
Net Revenue	81,760	59,698	37%	1,817	1315
EBITDA	11,680	7,733	51%	260	170
EBITDA Margin	14.29%	12.95%	+133bps	14.29%	12.95%
PBT	8,744	7,024	24%	194	155
Net Profit	6020.7	5506.7	9%	134	121
Basic EPS (non-annualised)	Rs.15.63	Rs.14.64	7%	US\$ 0.35	US\$0.32

Consolidated Financials (Audited Indian GAAP) for April- December 2006

Rs mn	Apr-Dec FY07 (Rs mn)	Apr-Dec FY06 (Rs mn)	Change %	Apr-Dec FY07 ^^ (US\$ mn)	Apr-Dec FY06 ^ (US\$ mn)
Net Revenue	226,496	158,762	43%	4,965	3588
EBITDA	28,642	20,120	42%	628	455
EBITDA Margin	12.65%	12.67%	-02 bps	12.65%	12.67%
PBT	21,403	15,971	34%	469	361
Net Profit	15201.8	12054.9	26%	333	272
Basic EPS (non-annualised)	Rs. 39.56	Rs. 32.04	24%	US\$ 0.87	US\$ 0.72

(**) Average Conversion Rate for 3QFY07: 1US\$ = Rs 45.00

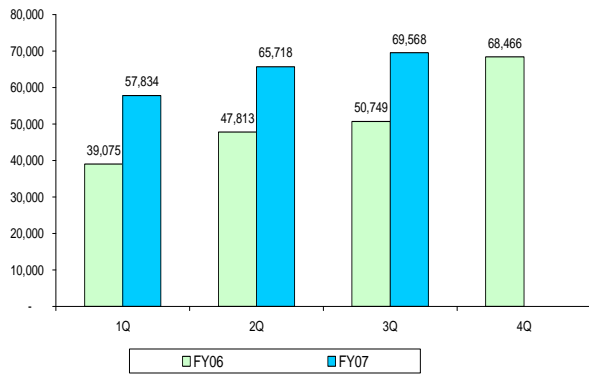
(*) Average Conversion Rate for 3QFY06: 1US\$ = Rs.45.39

(^^) Average Conversion Rate for April- Dec FY07: 1US\$ = Rs. 45.62

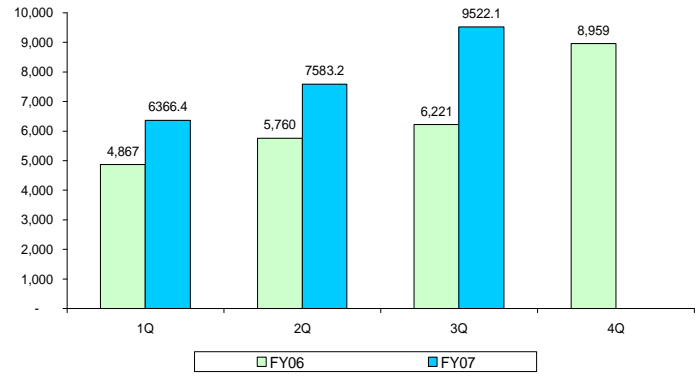
(^) Average Conversion Rate for April- Dec FY06: 1US\$ = Rs. 44.25

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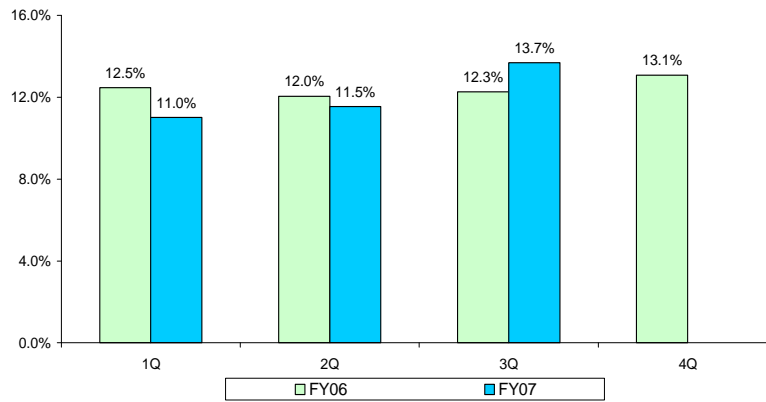
Revenues (Net of Excise) (Rs mn)



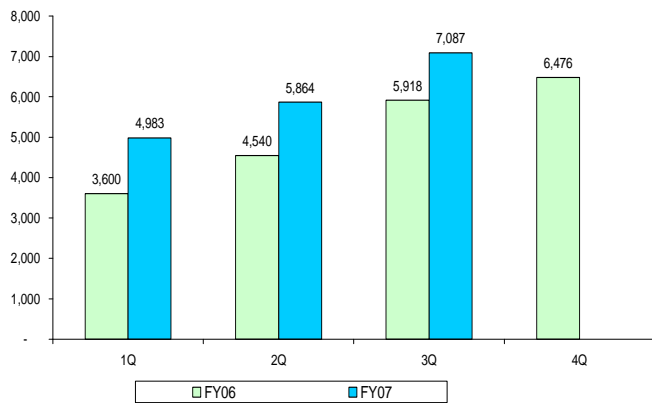
EBITDA (Rs mn)



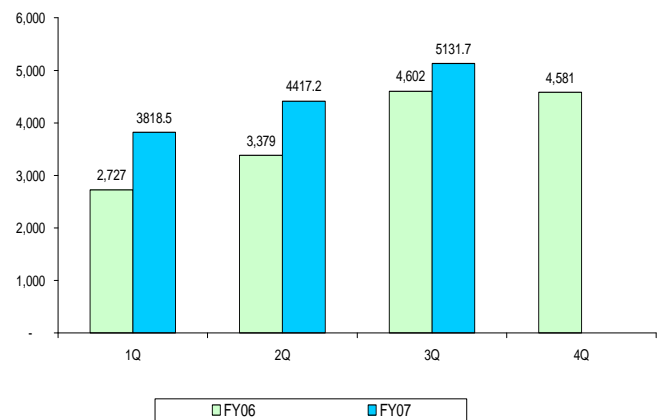
EBITDA Margin (%)



Profit before Tax (Rs mn)



PAT (Rs mn)



Business Review

Unconsolidated 3Q FY07 Financials (Audited)

- Tata Motors Net Revenue increased by 37% Y-o-Y to Rs. 69.6 bn in 3QFY07 from Rs 50.7 bn in 3QFY06.
- 27% growth in sales volumes during 3QFY07. Details are given in the table below.
- EBITDA up 53% to Rs.9.5 bn in 3QFY07 from Rs 6.2 bn in 3QFY06; EBITDA margin at 13.69% during the current quarter as compared to 12.26% in the corresponding quarter of the previous year.
- PBT for the quarter was Rs. 7.09 bn up 20% from Rs 5.9 bn in 3QFY06.
- The Company posted PAT of Rs. 5.13 bn in 3Q FY07, a 11.5% y-o-y increase compared to Rs.4.6 bn in 3Q FY06.

Table 1: Volume Summary

	3Q FY07	3Q FY06	Change	Apr-Dec'06	Apr-Dec'05	Change
Total CVs	77,226	56,077	38%	211,119	143,420	47%
Total PVs **	52,714	43,369	22%	157,007	127,517	23%
Total domestic Sales	129,940	99,446	31%	368,126	270,937	36%
Exports	11,610	11,782	-1%	38,834	34,849	11%
Total Volumes	141,550	111,228	27%	406,960	305,786	33%

** Does not include Fiat Sales

- The key drivers for the volume growth of 27% during 3QFY07 are:
 - Robust volume growth in M/HCV segment
 - Volume growth in light commercial vehicles
 - Volume growth in Utility Vehicles
- On 30th October, 2006, the company crossed the four-million sales mark in India since the roll out of the first vehicle.
- Tata Motors and Thonburi Automotive Assembly Plant Co, the Thailand-based independent assembler of automobiles, announced formation of a 70 : 30 joint venture company in Thailand to manufacture, assemble and market pickup trucks.
- Pursuant to MoU signed in July 2006, Tata Motors and Fiat Auto jointly announced an agreement for the formation of an industrial joint venture to manufacture passenger vehicles, engines and transmissions for the Indian and overseas markets.

Economic Scenario

Key Highlights of 3Q FY07

1. GDP Growth*

Indian economy continued to show impressive growth with the real GDP of the country growing by 9.2% in the second quarter of 2006-07, as compared to 8.4% in the corresponding period of the previous year. Agricultural sector grew by 1.7%, industrial sector (including construction) grew by 10.3% and the services sector grew by 10.9% during the same period.

For the first half of 2006-07, the real GDP of the economy grew by 9.1% y-o-y as compared to 8.5% growth registered in the corresponding period of the previous year. While the agricultural sector grew by a modest 2.6%, the industrial sector (including construction) and the service sectors recorded a healthy growth of 10% and 10.7% respectively during the same period.

*Source : CMIE, CSO

2. Infrastructure Index

The growth rate of Infrastructure Index for April – November 2006 was 7.8% as against 5.2% in the corresponding period in the previous year. All the core sectors led by petroleum refining (13.5% growth), cement sector (10.2% growth) and finished steel sector (7.1%) registered growth during this period.

3. Index of Industrial Production

IIP registered a growth of 15.1% in the period April- November 2006. This is almost double than 8.3% growth recorded in the corresponding period in the previous year. Manufacturing sector continues to lead the growth on a sectoral basis. On a use - based classification, capital goods and consumer goods categories recorded 24.4% and 16.1% growth, respectively.

Table 2: IIP

	Categories	Apr-Nov'06	Apr-Nov'05	Growth (%)
IIP	General	245.8	213.6	15.1%
Sectoral	Mining	161.1	148.2	8.7%
	Mfg.	262.9	225.4	16.6%
	Electricity	199.3	188.5	5.7%
Use-based	Basic	209.0	184.2	13.5%
	Capital	305.7	245.7	24.4%
	Intermediate	239.8	214.3	11.9%
	Consumer	277.8	239.3	16.1%
	- Consumer Durables	394.7	340.3	16.0%
- Consumer Non-Durables	250.9	216.0	16.2%	

Source: CSO

4. Inflation

The Wholesale Price Index (WPI) of the country grew by 5.0% during the period April - December 2006 against 4.6% recorded in the corresponding period of the previous year.

The increase in the inflation rate is largely on account of the high commodity prices and manufactured goods. Headline inflation in recent months, has largely been driven by primary & manufactured products. The rise in prices of most manufactured goods is mainly a result of the rising demand and inadequate availability of key raw materials.

5. Interest rates

RBI announced a two stage increase in Cash Reserve Ratio (CRR) by 50 bps with effect from 25th December'06 and 6th January'07. This development is expected to further tighten liquidity in the country and also result in increase in interest rates in the country. However, backed by strong economic and industrial development, the credit demand is expected to continue to remain strong.

In line with the rising interest rate scenario, IRRs in the vehicle financing business of the Company increased by 50-75 bps. Despite this increase there has been a 54% increase in volumes of the vehicle financing business during the quarter.

6. Freight Rates

As on 31st December'06, benchmark freight rate index registered a 12% y-o-y increase. During the quarter, freight rates continued to firm up on account of sustained buoyancy in the economic and industrial growth resulting in healthy freight availability. Correspondingly, with diesel price index registering a growth of only 6%, truck operators continue to maintain their profitability position.

7. National Highway Development Project (NHDP)

Post the addition of Phase IIIA and Phase V to NHDP, 25% of the targeted 27,110 km of road development was completed as on 30th November'06.

Table 3: Status of the NHDP as on November 30th, 2006

	Total Length (in Kms)	Planned date of completion	Completed	Under Implementation	Balance to be Awarded
GQ	5,846	Dec-06	94%	6%	0%
NS-EW	7,300	Dec-07	12%	73%	15%
Port Connectivity & others	1,325	Dec-07	32%	65%	3%
Phase IIIA	6,139	Dec-09	0.5%	18%	81.5%
Phase V	6,500	Dec-12	-	2%	98%
Total	27,110		25%	29%	46%

(Source: NHAI)

8. Railways

The freight earnings of Indian Railways during the period April-December 2006 increased by nearly 18.4% and the freight carried increased by 9.7% y-o-y during the period. In a major step towards privatisation of container services in cargo business, the Indian Railways has recently signed concession agreements with 14 players to handle container transport operations.

Outlook

- The Planning Commission has raised the 11th five-year plan growth target of GDP to 9% p.a.
- Although international oil prices have softened, demand pressures and an unfavourable base effect is expected to push inflation closer to 6 per cent by the end of the fiscal. The average inflation for the year, however, will remain at 5.0-5.5 per cent (Source : Crisil).
- Increase in the prices of commodities like aluminium, rubber, copper etc is expected to impact the input costs.
- Going ahead, liquidity is likely to remain stretched but will recover from current levels on account of foreign inflows and the sterilisation carried out by the RBI. It is expected that the yield on the 10-yr G-sec will settle at 7.8-8.0 per cent by March 2007 (Source : Crisil).
- Credit demand is expected to continue on account of sustained economic growth in the country (Source : Crisil).

Commercial Vehicle Segment

Highlights

- CV domestic sales volumes grew by 38% y-o-y; sold 77,226 units in 3QFY07 against 56,075 units sold in 3QFY06
- CV market share stood at 64.0% for the quarter.

Company Performance in Domestic PV Segment

Table 4: CV Domestic Sales Volumes

	3Q FY07	3Q FY06	Change	Apr-Dec'06	Apr-Dec'05	Change
M/HCVs	44,824	33,558	34%	121,776	85,602	42%
LCVs	32,402	22,519	44%	89,343	57,818	55%
Total CVs	77,226	56,077	38%	211,119	143,420	47%

Table 5: CV Market Shares

	3Q FY07	3Q FY06	Apr-Dec'06	Apr-Dec'05
M/HCVs	64.2%	66.2%	63.6%	62.0%
LCVs	63.7%	60.7%	66.4%	57.7%
Total CVs	64.0%	63.9%	64.7%	60.2%

Source : SIAM

- CV industry registered a volume growth of 37.5% during 3QFY07 and 37.2% during April- December'06.
- During 3QFY07, industry volumes in the M/HCV segment grew by 38% y-o-y and those in LCV segment grew by 37% y-o-y. During April – December'06, industry volumes of M/HCV segment increased by 39.1% and those of LCV segment grew by 34% y-o-y.
- The M/HCV truck segment registered a volume growth of 37.7% y-o-y from 30186 unit sales in 3QFY06 to 41567 unit sales in 3QFY07.
- With 23,701 unit sales in 3QFY07, HCV truck segment grew 83.5% y-o-y from 12,918 units sold in 3QFY06.
- ICV truck volumes registered 19.6% growth y-o-y from 3884 unit sales in 3QFY06 to 4645 units sold 3QFY07.
- However, there was a 1.2% y-o-y decline in MCV truck sales from 13,384 units sold in 3QFY06 to 13,221 units sold in 3QFY07 on account of continued shift in the truck market in favour of heavy trucks. Consequently, during the quarter, market share in the overall M/HCV truck segment declined from 69.7% to 66.5% in the corresponding period last year.
- At 30,002 units, the LCV goods carrier segment of Tata Motors registered 49.4% volume growth during 3QFY07 from 20,079 units sold in 3QFY06. The market share in this segment grew by 300bps from 62.3% in 3QFY06 to 65.3% in 3QFY07.
- An average of 6200 units of Tata Ace were sold during 3QFY07. The Pick up segment, including Tata Ace, grew by 90.0% y-o-y from 12761 units sold in 3QFY06 to 24,249 units sold in 3QFY07. The market share in this segment increased to 66.3% during the current quarter from 59.8% in the corresponding period in the previous year.
- The total bus segment of Tata Motors at 18,284 units registered a volume growth of 22% y-o-y during April-Dec'06 against an industry growth of 4% during this period. The market share has increased 700 bps to 49.6%.

Passenger Vehicle Segment

Highlights

- Domestic PVs sales increased 22% y-o-y during 3QFY06; from 43,369 units to 52,714 units.
- 157,007 units were sold during April – December'06; up 23% y-o-y from 127,517 unit sales in April- December'05.

Company Performance in Domestic PV Segment

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

Table 7: PV Domestic Sales Volumes (without Fiat sales)

	3Q FY07	3Q FY06	Change	Apr-Dec'06	Apr-Dec'05	Change
Compact Car	34,633	25,309	37%	102361	75399	36%
Entry-level Mid-size Car	6,656	8,724	-24%	23,299	27,192	-14%
UV	11,425	9,336	22%	31,347	24,926	26%
Total PV	52,714	43,369	22%	157,007	127,517	23%

Table 8: PV Market Shares

	3Q FY07	3Q FY06	Apr-Dec'06	Apr-Dec'05
Compact Car	18.5%	17.6%	19.3%	18.4%
Entry-level Mid-size Car	37.2%	33.2%	35.6%	31.3%
UV	21.7%	19.7%	20.5%	18.3%
Total PV	15.7%	15.6%	16.1%	15.8%

Source : SIAM/Company data

- The passenger vehicle industry registered a volume growth of 20.8% during 3QFY06 and during April – December'06.
- During 3QFY07, industry volumes of utility vehicle segment grew by 10.4% and that of the passenger car segment grew by 22.3% y-o-y. During April – December'06, the utility vehicle volumes of the industry grew by 12% and passenger car volumes of the industry grew by 22.7% y-o-y.
- Despite the launch of new competition vehicle during the quarter, the Company increase its market share in the compact car segment to 18.5% in 3QFY07 compared to 17.6% in 3QFY06.
- While the entry level mid size segment of the passenger car industry declined by nearly 32% in 3QFY07, decline in Tata Motors' sales was limited to 24% during the period. The Company retained its market leadership in this segment with 37.2% market share in 3QFY07.
- At more than 3,600 units, Tata Safari volume sales in 3QFY07 grew almost three times compared to those in 3QFY06.

International Business

- With export of 11,611 vehicles, export volumes of the Company declined marginally by 1% y-o-y during 3QFY07. Depreciation of Rand continued to adversely impact exports to South Africa in 3QFY07. During April- December'06, the Company's export volumes increased by 11% y-o-y to 38,835 units from 34,849 units in April- December'05.
- While the commercial vehicle exports during the quarter increased by 27% y-o-y, the export of passenger vehicles declined by 47%.

Table 6: Exports Volumes

Business Unit	3Q FY07	3Q FY06	Change	Apr-Dec'06	Apr-Dec'05	Change
Commercial Vehicles	9,230	7,273	27%	26,125	20,843	25%
Passenger Vehicles	2,380	4,509	-47%	12,709	14,006	-9%
Total Exports	11,610	11,782	-1%	38,834	34,849	11%

- The key export destinations during 3QFY07 were South Africa, South Asia, Turkey and parts of Europe.
- The Company introduced passenger vehicles in Ghana during the quarter.
- Revenues from international business formed around 16% of the consolidated revenues of the company during April – December'06.
- Tata Motors and Thonburi Automotive Assembly Plant Co, the Thailand-based independent assembler of automobiles, announced formation of a 70 : 30 joint venture company in Thailand to manufacture, assemble and market pickup trucks.

Finance

- On the back of a 37% growth in net revenue to Rs.69.57 bn, the Company registered a 53.1% y-o-y growth in its EBIDTA. EBIDTA during 3QFY07 was Rs. 9,522.1 mn compared to Rs 6,220.5 mn in 3QFY06. The EBITDA margin for the quarter stood at 13.7% compared to 12.3% in 3QFY06.
- The raw material cost as percentage of net revenues of the Company increased to 68.5% in 3QFY07 from 67.5% in 3QFY06, largely on account of input price increase.
- The cost reduction programme of the Company is progressing well on target, with the Company having achieved Rs. 2.8bn of the targeted annual cost reduction till 31st December, 2006.
- The operating margin of the company was positively impacted by a nearly 8% increase in the average vehicle realisation during the quarter. The margin expansion was largely driven by price increase undertaken for commercial and utility vehicles and the overall volume growth registered by the Company during 3QFY07.
- The on going new product development programs have resulted in a 3.5 time y-o-y increase in product development expenses of the Company during 3QFY07.
- Despite increase in interest rates in the economy, the Company has retained its net interest to net revenue ratio at 1.2% for 3QFY07.
- As on 31st December 2006 the total number of outstanding shares of Tata Motors stood at 385.32 mn (Face value Rs.10). The market capitalization of the Company was Rs.346.85 bn as on 31st December 2006 ; up 41% y-o-y.
- The Gross total debt (inc. FCCNs) stood Rs 40.25 bn as on 31st December'06 as compared to Rs.46.12 bn as on 30th Sept, 2006. The Company's Net Debt (Net of the surplus investible funds) stood at Rs 35.33 bn as on 31st December'06 compared to Rs 41.36 bn as on 30th September'06. The Company's net debt to equity ratio stood at 0.51: 1.
- Out of the FCCBs issued in July 2003 and April 2004 (conversion due 2009), around 99.94% and 92.63% respectively, had been converted into equity shares/ADRs by 31st December'06.
- As on 31st December'06, the balance sheet size of the Company was Rs 117.09 bn compared to Rs 117.30 bn as on Sep. 30, 2006. Net of the vehicle financing business, the Company's capital employed was Rs 67.8 bn as on 31st December 2006 as against Rs 66 bn as on 30th September 2006.
- Receivables and loans on account of vehicle financing business on the Tata Motors' Balance Sheet as on 31st December 2006 stood at Rs 49.3 bn compared to Rs. 51.3 bn as on 30th September 2006.
- The Company had an investible surplus of around Rs. 4.92 bn as on 31st December, 2006.
- The following table shows the days of sales of inventory and receivables of the company.

Table 7: Current Assets

No. of Days	30 th September'06	31 st December'06
Inventory	35	40
Receivables (non-HP)	7	9

- The Company has incurred capital expenditure of around Rs 15.7 bn till 31st December'06.

Performance of Key subsidiaries

Table 8: Key Subsidiary Financials

Subsidiary	Turnover (Rs mn)		Change (%)	PBT (Rs mn)		Change (%)	PAT (Rs mn)		Change (%)
	3QFY07	3QFY06		3QFY07	3QFY06		3QFY07	3QFY06	
Tata Daewoo CV Ltd., Korea (TDCV)#	5,897.6	4,249.3	39%	309.0	333.8	-7%	224.7	247.4	-9%
Telco Construction Equipment Co. Ltd (Telcon)	4,862.5	3,289.8	48%	746.2	374.6	99%	493.4	242.9	103%
Tata Technologies Ltd (TTL) conso	2,468.6	2,211.3	12%	88.9	140.8	-37%	34.0	100.9	-66%
HV Transmissions Ltd (HVTL)	471.5	331.0	42%	201.1	123.0	63%	133.4	82.3	62%
HV Axles Ltd (HVAL)	530.2	386.7	37%	275.3	181.9	51%	179.5	119.8	50%
TML Financial Services Ltd (TMLFSL)	520.7			63.1			39.3		

Subsidiary	Turnover (Rs mn)		Change (%)	PBT (Rs mn)		Change (%)	PAT (Rs mn)		Change (%)
	Apr-Dec'06	Apr-Dec'05		Apr-Dec'06	Apr-Dec'05		Apr-Dec'06	Apr-Dec'05	
Tata Daewoo CV Ltd., Korea (TDCV)	16,219.4	11,091.9	46%	919.4	612.4	50%	668.7	458.1	46%
Telco Construction Equipment Co. Ltd (Telcon)	12,514.7	8,958.4	40%	1,790.1	813.6	120%	1,175.6	521.3	126%
Tata Technologies Ltd (TTL)	7,164.0	3,292.5	118%	141.9	204.8	-31%	74.6	145.7	-49%
HV Transmissions Ltd (HVTL)	1,250.6	904.8	38%	496.5	318.1	56%	326.7	209.4	56%
HV Axles Ltd (HVAL)	1,397.4	1,004.5	39%	670.5	456.1	47%	447.9	303.8	47%
TML Financial Services Ltd (TMLFSL)	538.2	-	n.m.	67.3	-	n.m.	42.1	-	n.m.

Indian GAAP

** Data for period June – December'06

Operational Highlights of Key Subsidiaries

TDCV

- TDCV registered total sales volume of 5,993 units during April - Dec'06 against 3907 units during April - Dec'05, up 53.4 % y-o-y. Of the above, 2,227 units were exported from TDCV during the first nine months, up 32.1% from 1,686 units exported in the corresponding period in the previous year.
- While the domestic market share of TDCV in MCV segment stood at 26.2% for April - Dec'06, that in HCV segment declined to 22.0% from 27.7% in April- Dec'05. The HCV industry in Korea continues to witness a declining trend.

TTL

- During April – December'06, with 50% share of revenues, America was the largest geographical segment , followed by Asia Pacific and Europe.

TELCON

- Telcon volume sales registered 48% growth; from 2,504 units in April – December'05 to 3,709 units in April-December'06. The volume growth surpassed the industry growth of 47% during the quarter.
- Telcon continues to be the market leader in excavator segment with a share of 53% during April-December 2006. Market share in wheel loaders sustained at is 21% and at 10% in backhoe loaders segment.
- Telcon introduced new products in the market during the quarter and expanded its dealership network in the country.
- The Company reported zero debt position as on 31st December'06.

HVAL & HVTL

- Efforts on towards expansion to business to non Tata Motors customers

TMLFSL

- TML Financial Services Ltd. began operations in September'06 with a capital of Rs 3.5 bn.
- The total vehicle financing disbursal during the fiscal is Rs 63.7 bn. Of this, Rs 15.4 bn were disbursed by TMLFSL and the rest by Tata Motors.

Shareholding Pattern

Table 9 : Shareholding Pattern as on December 31, 2006

Tata Group	33.40%
Daimler Chrysler	6.60%
Indian Financial Institutions / MFs / Banks	15.50%
ADR/GDR Holders / Foreign holders-DR status	9.02%
Foreign Institutional Investors	22.60%
Others	12.88%
Total	100.00%

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