

## Tata Motors (NYSE : TTM)

### Q3 FY09 Review

#### Snapshot

#### Standalone Q3 FY09 Financials (Indian GAAP)

	Q3 FY09 (Rs mn)	Q3 FY08 (Rs mn)	Change (%)	Q3 FY09 (*) (US\$ mn)	Q3 FY08 (**) (US\$ mn)
Revenue (Net of excise)	47586.2	72518.3	-34.4%	952.5	1836.4
EBITDA	916.50	8197.4	-88.8%	18.4	207.6
EBITDA %	1.93%	11.30%	(938) bps	1.93%	11.30%
Profit before Tax	(4191.5)	6651.0	-163.0%	(83.9)	168.4
Net Profit	(2632.6)	4990.5	-152.8%	(52.7)	126.4
Basic EPS - Ordinary Shares	(5.51)	12.95	N.M	(0.11)	0.32
Basic EPS - 'A' Ordinary Shares	(5.51)	-	N.M	(0.11)	-

(\*) Average Conversion rate for Q3 FY09: 1US\$ = Rs 49.96

(\*\*) Average conversion rate for Q3 FY08: 1US\$ = Rs 39.49

#### Standalone 9M FY09 Financials (Indian GAAP)

	9M FY09 (Rs mn)	9M FY08 (Rs mn)	Change (%)	9M FY09 (*) (US\$ mn)	9M FY08 (**) (US\$ mn)
Revenue (Net of excise)	187659.2	199813.0	-6.1%	4157.3	4941.0
EBITDA	11,186.3	21608.6	-48.2%	247.8	534.3
EBITDA %	5.96%	10.81%	(485) bps	5.96%	10.81%
Profit before Tax	2839.5	18784.2	-84.9%	62.9	464.5
Net Profit	4098.4	14926.5	(72.5)%	90.8	369.1
Basic EPS - Ordinary Shares	9.82	38.73	(74.5)%	0.22	0.86
Basic EPS - 'A' Ordinary Shares	10.32	-	-	0.23	-

(\*) Average Conversion rate for 9M FY09: 1US\$ = Rs 45.14

(\*\*) Average conversion rate for 9M FY08: 1US\$ = Rs 40.44

## Business Review

### Standalone Q3FY09 Financials (Audited)

- Tata Motor's Net Revenue for Q3 FY09 was Rs. 47.6 bn; down by 34.4% Y-o-Y.
- Impacted by steep volume decline, adverse product mix and high material prices, EBITDA declined by 88.8% in Q3FY09 to Rs.916 Mn. EBITDA margin stood at 1.93%.
- The Company posted a loss after tax of Rs. 2633 mn, includes a notional exchange loss (net) on revaluation of foreign currency borrowings, deposits and loans given of Rs. 2265 mn as compared to profit after tax of Rs. 4991 mn, which included a notional exchange gain (net) on revaluation of foreign currency borrowings, deposits and loans given of Rs. 275 crores in the corresponding quarter in the previous year.

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**Table 1: Volume Summary**

	<b>Q3 FY09</b>	<b>Q3 FY08</b>	<b>Change</b>
Total CVs	49,546	82,568	(40.0)%
Total PVs*	42,187	49,284	(14.4)%
<b>Total Domestic Sales</b>	<b>91,733</b>	<b>131,870</b>	<b>(30.4)%</b>
Exports	7,027	12,756	(44.9)%
<b>Total Volumes</b>	<b>98,760</b>	<b>144,608</b>	<b>(31.7)%</b>

\* include sales of FIAT vehicles

- In the October-December quarter of the Financial Year 2008-09, the automotive sector in India suffered severe contraction in demand, arising from major financial and other market upheavals. This exacerbated the lack of liquidity and unavailability of consumer finance. This, along with contraction in freight movement in many segments of the industry, led to a massive drop in the M&HCV segment demand. High interest rates and peak commodity prices also affected the industry and the supply chain.
- The overall CV industry declined by 43.9% while TML's Commercial vehicle business declined by 40.0% supported by a diversified product portfolio. Consequently Tata Motors gained substantial market share both in MHCV and LCV segments.
- While the passenger vehicle industry declined by 16.5% affected by high interest rate and restricted credit availability, TML's Passenger vehicle business declined by a lower 14.4%. The rate of decline was arrested due to encouraging response to new products introduced – Indigo CS and Indica Vista. Going ahead ramping up of the capacity of Indica Vista would help the company to arrest decline in small car market share.
- The export volumes of the Company registered a decline of 44.9%% during Q3FY09, due to global economic slowdown and credit crunch, especially in prime markets which witnessed adverse impact on automotive demand.

### Significant events:

Tata Motors celebrated the 10th anniversary of the launch of the Indica on December 30, 2008. To mark this milestone, a 10th Anniversary Limited Edition Indica Vista was launched. In the first decade, close to 940,000 Indicas had been produced and the platform has spawned off close to 1.2 million vehicles. The Indica has remained a bestseller throughout in the industry figuring in the top 3 selling list of cars for most of the years. It achieved a peak sale of 144,690 in 2006-07 and the new generation Indica Vista was launched in August this year to a continuing pull even in today's depressed market conditions.

## Economic Scenario

### Key Highlights of Q3 FY09

#### 1. GDP Growth

As per the latest data released by the Central Statistical Organization (CSO), GDP grew by 7.6 per cent in the quarter ended Sep 2008. This growth was a tad lower than 7.9% of the previous quarter and significantly lower than the 9.3% growth in July – Sep'07. While decline in growth was witnessed across sectors, there was a visible momentum deceleration in interest rate sensitive sectors.

Agriculture and allied activities declined from 4.8% to 2.9% while services declined from 10.5% to 9.6% on a y-o-y basis. The largest drop was seen in the industry sector where y-o-y growth fell from 9.7% to 6.2%. The prime reason was manufacturing sector which fell from 9.2% to 5% and construction sector which fell from 11.8% to 9.7%. All the sectors with the lone exception of Electricity, gas and water supply experienced GDP drop on a sequential basis during the quarter ended Sep'08.

It is largely expected that the growing impact of the liquidity crisis would cause the real sector growth for the balance of the year to decline further. The Prime Minister of India has stated that despite the global economic downturn, the fundamentals of the Indian economy continue to remain strong and the country is expected to achieve a growth rate of about 7 per cent this year which will be among the highest in the world

**(source: CMIE,RBI)**

Table 1: Quarterly trends in GDP Growth (%)

	2007-08	2008-09	2008-09
	Q2	Q1	Q2
Agriculture	4.8	3.1	2.9
Industry	9.7	7.0	6.2
Services	10.5	10.0	9.6
GDP	9.3	7.9	7.6

*Source: CSO*

#### 2. Industrial Growth

Industrial growth remains highly moderated by the persistent high interest rate scenario and slowing economy. Compared with the decline of 0.3% in the month of Oct'08, the IIP recorded a growth of 2.4% in Nov 2008. The cumulative growth for the period April-November 2008-09 stands at 3.9% over 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 at 4% during the period Apr – Nov 2008. On the basis of use-based classification, consumer goods growth accelerated to 4.4% in November following a decline of 2.2% in October largely led by non-durables segment, Capital goods fell 2.3% in November compared with +2.9% in the previous month.

**Table 2: Index of Industrial Production**

		Oct'08 vs Oct'07 Growth	Nov'08 vs Nov'07 Growth %	Apr-Nov'08	Apr-Nov'07	Growth (%)
Categories		%	Growth %			
IIP	General	(0.4)%	2.4%	268.7	258.6	3.9%
Sectoral	Mining	2.8%	0.5%	167.8	162.3	3.4%
	Mfg.	(1.2)%	2.4%	287.9	276.7	4.0%
	Electricity	4.4%	3.1%	222.6	216.4	2.9%
Use-based	Basic	2.7%	2.3%	226.3	218.6	3.5%
	Capital	3.1%	(2.3)%	375	348.7	7.5%
	Intermediate	(3.7)%	2.6%	261.8	261.5	0.1%
	Consumer			293.4	276.9	6.0%
	- Consumer Durables	(3.0)%	(4.2)%	376.2	375.1	4.3%
	- Consumer Non-Durables	(2.0)%	7.3%	270.8	254.4	6.4%

(Source: CSO)

### 3. Infrastructure Index

During April-Nov 2008-09, six core-infrastructure industries having a combined weight of 26.7% in the Index of Industrial Production registered a growth of 3.6% (provisional) against 6.4% during the corresponding period of the previous year. All sectors other than coal witnessed lower growth compared with last year. Coal production grew 8.6% during Apr – Nov'08 compared with 4.3% in the corresponding period of last year while Crude Oil production registered a growth of (-) 0.6% compared to a growth of 0.6% during the same period of 2007-08. The Petroleum refinery production registered a growth of 3.8% compared to 8.3%, Finished (carbon) Steel production grew by 3.3% compared to an increase of 7.0%, Electricity generation grew by 2.8 compared to 7.0% and Cement Production grew by 6.4% in Apr – Nov'08 compared to an increase of 8.1% during the same period of 2007-08.

(Source: GOI- MINISTRY OF COMMERCE INDUSTRY)

### 4. Inflation

Inflation as measured by year-on-year variations in the wholesale price index (WPI) has declined to 5.91 per cent for the week ended December 27, 2008. Higher base effect, softening of the crude prices and in other main-line input commodities continued to result in softening of inflation. Further softening of inflation would offer the RBI greater leeway in easing monetary policy further. Inflation target continues to be below 5% for the medium-term while the immediate goal would be to bring inflation down to 7% by March 31, 2009.

### 5. Interest rates

RBI has reiterated that an inflation rate of 7% would be its main objective. However financial stability is now top priority and interest rates have been softened in order to ease liquidity and arrest the moderation of growth. In a move to alleviate the pressure of India's credit market due to impact of global liquidity constraints, the RBI undertook a series of reduction in CRR and the policy rates over the past few months. It has cumulatively cut the CRR by 400bps (from 9% to 5%), the repo rate by 350bps (from 9% to 5.5%) and

the reverse repo by 200bps (from 6% to 4%) since mid- September 2008. The total liquidity injected into the system since Sept via the CRR cuts and various liquidity measures is estimated to be about Rs. 3 trillion (US\$60bn). It remains to be seen how rapidly and effectively these measures translate into lower interest rates and easier availability of credit to the productive sectors. Recently in its third quarter Monetary Policy review, the RBI decided to maintain Policy Rates and Cash Reserve Ratio (CRR) at the current levels.

## 6. Freight Rates

For the period ending Dec'08, the freight rates increased 0.5% on a y-o-y basis. As oil prices tumbled rapidly from its peak in July, the government announced a cut in petrol prices by Rs 5 per litre and diesel by Rs 2 per litre in early December 2008. This reduction negated the Rs 5 per litre increase in petrol prices announced in June this year, but the Rs 2 cut in diesel prices is lower than the Rs 3 per litre price increase in June. Compared with the previous quarter the freight rates have declined by 1.1% while diesel price has declined by about 5.8% thus positively impacting the profits of truck operators, negated by the increased borrowing costs and other operational costs. .

## 7. National Highway Development Project (NHDP)

As elucidated in the below table, 29.3% of the national highway development and other road projects under NHAI was completed as on 30<sup>th</sup> Nov 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 0.6% was complete as on 30<sup>th</sup> Nov 2008.

**Table 3:** Status of the NHDP as on 30th November 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	97.52%	2.48%	0%
<b>NS-EW</b>	7,300	40.62%	45.97%	11.25%
<b>Port Connectivity &amp; others</b>	1,342	69.23%	12.74%	1.94%
<b>NHDP Phase III</b>	12,109	4.82%	12.31%	82.86%
<b>NHDP Phase V</b>	6,500	0.58%	15.26%	84.15%
<b>Total</b>	31,755	29.25%	18.84%	51.41%

(Source: NHAI)

## 8. Fiscal Stimulus

With a view to counter the impact of global recession on India's economic growth, in early December 2008 the government announced a fiscal stimulus package that includes additional plan spending of Rs200bn (US\$4bn), a 4% cut in the CENVAT rate for all products except petroleum and those with a CENVAT rate of less than 4%, as well as sector-specific measures, focusing on exports, housing and SMEs. The government has also permitted India Infrastructure Finance Company (IIFCL) to raise tax free bonds to the tune of Rs100bn to enable it to refinance long-tenor infrastructure loans and facilitate financial closure for infrastructure projects under the PPP route.

A second stimulus package was announced in early Jan'09 with co-ordinated monetary measures of RBI including relaxation of ECB norms for access to external market, authorization for IIFCL to raise additional Rs.300 bn after the earlier approved amount of Rs.100 bn is effectively utilized, and permitting state governments to raise additional borrowing to the tune of Rs300bn (US\$6bn) for capital expenditure.

To counter recessionary trends being faced by the automobile segment, the government has announced measures such as an accelerated line of credit to NBFCs for the purchase of commercial vehicles to be provided by public sector banks, depreciation of 50% to be provided for commercial vehicles purchased

during CY09 and States, as a one time measure upto 30.06.2009, to be provided assistance under the JNNURM (Jawaharlal Nehru National Urban Renewal Mission) for the purchase of buses for their urban transport systems.

Tata Motors welcomes the positive steps announced in the fiscal package and believes that while some of the above steps would help commercial vehicles, the government needs to work on ensuring that ultimately liquidity reaches customers at reasonable costs to substantially stoke demand.

## Commercial Vehicle Segment

### Highlights

- Impacted by severe liquidity crunch and slowing economy CV domestic sales volumes decreased by 40% y-o-y to 49,546 units in Q3FY09 as compared to 82,568 units in Q3FY08.
- CV market share increased by 420 basis point at 67.0% for the quarter; from 62.8% in Q3FY08.

### Company Performance in Domestic CV Segment

**Table 4: CV Domestic Sales Volumes**

	<b>Q3 FY09</b>	<b>Q3 FY08</b>	<b>Change</b>	<b>9M FY09</b>	<b>9MFY08</b>	<b>change</b>
M/HCVs	17,971	43,882	(59.0)%	86,704	112,440	(22.9)%
LCVs	31,575	38,686	(18.4)%	108,488	102,873	5.5%
<b>Total CVs</b>	<b>49,546</b>	<b>82,568</b>	<b>(40.0)%</b>	<b>195,192</b>	<b>215,313</b>	<b>(9.3)%</b>

**Table 5: CV Market Shares**

	<b>Q3 FY09</b>	<b>Q3 FY08</b>	<b>9M FY09</b>	<b>9MFY08</b>
M/HCVs	66.3%	63.2%	60.9%	60.3%
LCVs	67.5%	62.5%	64.5%	63.8%
<b>Total CVs</b>	<b>67.0%</b>	<b>62.8%</b>	<b>62.8%</b>	<b>61.9%</b>

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

- CV industry registered a substantial volume decline of 43.9% during Q3FY09. In a challenging environment of non-availability of vehicle financing, high interest rates and, lower industrial growth and contraction of freight traffic, MHCV market recorded a decline of 61.3% y-o-y during the quarter and LCV's declined by 24.3%.
- Truck market recorded a decline in sales in Q3FY09 over corresponding period of last year. The industry volumes in the MHCV truck segment declined by 65.2% y-o-y, while industry volumes in the LCV truck segment declined by 31.7% y-o-y during Q3FY09.
- TML's volume in MHCV truck market declined by 62.8% during the quarter (Oct-Dec'08) compared to the corresponding period in the previous year. However TML's market share in the MHCV truck market increased from 65.6% in Q3 FY08 to 69.9% Q3 FY09.
- TML performance in MHCV bus market saw a decline of 19.0% in Q3FY09; however, on the other hand LCV bus market saw growth of 44.9% in Q3FY09 compared to corresponding period last year driven by the success of ACE Magic and Winger. Tata Motors' market share increased substantially from 68.5% in Q3FY08 to 86.3% in Q3FY09 in LCV passenger carrier segment.
- During an extremely challenging quarter Tata Motors has improved its market share position across every CV category on the back of its product network strength as well as the financing support of TMF and Tata Capital.
- Government's fiscal stimulus package, RBI's easy monetary policy and the diesel price reduction are expected to moderately help demand generation.

## Passenger Vehicle Segment

### Highlights

- Domestic passenger vehicle sales stood at 42,187 (including 1,011 Fiat vehicles) during Q3FY09; down by 14.4% y-o-y.
- Market share of Tata Motors vehicles stood at 12.9% in Q3FY09.

**Table 7: PV Domestic Sales Volumes**

	Q3 FY09	Q3 FY08	Change	9M FY09	9MFY08	change
Small Car	25,273	31,643	-20.1%	74,829	100,110	-25.3%
Entry Mid-size Car	9,765	5,746	69.9%	36,453	20,059	81.7%
UV	6138	11,269	-45.5%	27,821	30,967	-10.2%
Fiat	1,011	626	61.5%	3,404	2,339	45.5%
<b>Total PV</b>	<b>42,187</b>	<b>49,284</b>	<b>-14.4%</b>	<b>142,507</b>	<b>153,475</b>	<b>-7.1%</b>

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

	Q3 FY09	Q3 FY08	9M FY09	9MFY08
Small Car	12.6%	13.6%	11.8%	15.2%
Entry-level Mid-size Car	29.6%	29.9%	34.3%	30.4%
UV	15.8%	18.6%	17.3%	18.2%
Total PV	13.2%	12.9%	13.2%	13.9%

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

- The passenger vehicle industry registered a volume decline of 16.5% during Q3FY09, primarily due to, unavailability of finance, and high interest rates and high fuel prices. Utility vehicle segment declined the most by 35.8%, Impacted by the ad-hoc duty imposed on this segment in July.
- In this scenario the Company tried to arrest the decline through new products and increased support of the captive financing entity. In Passenger vehicle industry, Tata Motors' (including FIAT) market share increased from 12.9% in Q3FY08 to 13.2% in Q3FY09
- In the Small car segment, following the successful launch of Indica Vista in August FY09 and increasing sales of FIAT vehicles, Tata Motors' (including FIAT) market share improved from 11.4% in H1 FY09 to 12.6% in Q3. However, TML growth in this segment was limited by the ramp up capability of production.
- The entry-mid size car segment continued to clock a healthy growth. TML maintained its strong market position due to continued positive response to Indigo CS.
- In the Utility Vehicle segment, Tata Motors market share declined from 18.6% in Q3FY08 to 15.8% in Q3FY09 due to competitive pressures.
- Fiat volumes for 9M FY09 were 3,404 a growth of about 45.5%. Combined Tata-Fiat market share in the overall PV industry stood at 13.2% for the nine month period Apr-Dec'08.
- Tata Motors celebrated the 10th anniversary of the launch of the Indica on December 30, 2008. To mark this milestone, a 10th Anniversary Limited Edition Indica Vista was launched.

## International Business

### Highlights

- The Company's export volumes declined substantially by 44.9%% y-o-y during Q3FY09.

### Company Performance in International Business

**Table 10: Exports Volumes**

<b>Business Unit</b>	<b>Q3FY09</b>	<b>Q3FY08</b>	<b>Change</b>	<b>9M FY09</b>	<b>9MFY08</b>	<b>Change</b>
Commercial Vehicles	5,319	9,825	-45.9%	23,049	28,771	-19.9%
Passenger Vehicles	1,708	2,931	-41.7%	6,128	11,717	-47.7%
<b>Total Exports</b>	<b>7,027</b>	<b>12,756</b>	<b>-44.9%</b>	<b>29,177</b>	<b>40,488</b>	<b>-27.9%</b>

- Exports volume declined by 44.9% during the quarter impacted by the global economic slowdown and credit crunch especially, in prime markets which witnessed adverse impact on automotive demand.
- Passenger vehicles volumes declined by 41.7% due to decline in prime markets such as South Africa.
- Commercial vehicles too saw a 45.7% decline in volumes due to sharp drop in sales in markets like South Africa, and Sri Lanka.
- YTD the revenue from export business stood at Rs. 17 bn.

## Finance

- On the back of 32% decline in y-o-y volumes, the company registered a Net Revenue of Rs. 47.6 bn in Q3FY09; Realisation per vehicle consequently declined by 3.9%.
- In response to a weak market environment, Company tried to align the production in line with demand and also undertook other measures to contain overheads.
- However continued inflationary pressures on material costs and significant drop in the revenues caused the raw material cost as percentage of net revenues of the Company to rise by 590 bps. Past price increases partially mitigated the cost increase.
- Consequently, EBITDA for the quarter declined by 89% to Rs. 917 mn. EBITDA margin stood at 1.93%, down from 10.8% in the corresponding quarter of last year.
- High interest rate environment resulted in an increase of interest cost which stood at Rs.1684 mn for the quarter. Due to steep fall in topline, net interest cost as a % of revenue increased to 3.5%.
- Significant volatility in the currency exchange rates resulted in a notional forex valuation loss of Rs 2.26 bn during Q3FY09 on account of revaluation of foreign currency borrowings, deposits & loans given.
- Net Loss for the quarter stood at Rs.2.63 bn compared with a net profit of Rs.4.99 bn in corresponding quarter of last year.
- As on 31<sup>st</sup> Dec'08, the balance sheet size of the Company was Rs. 268.7 bn as compared to Rs 207 bn as on 30<sup>st</sup> Sep'08. Net of vehicle financing loans and receivables the Company's capital employed was Rs 244 bn as on 31<sup>st</sup> Dec'08.
- As on 31<sup>st</sup> December'08, 449.8 mn ordinary shares (Face value Rs.10) and 64.2 mn 'A' ordinary shares (Face value Rs.10) were outstanding on the balance sheet of Tata Motors. The increase in share capital was on account of the Rights Issue offer made by the Company.
- The Gross total debt (inc. FCCNs) stood Rs 141 bn as on 31<sup>st</sup> December'08 as compared to Rs.116 bn as on 30<sup>th</sup> Sep'08. The Company's Net Debt (Net of the surplus investible funds) stood at Rs 136 bn as on 31<sup>st</sup> December'08 while the Company's net debt to equity ratio stood at 1.13.
- In December 2008 the company launched the Fixed deposit scheme with attractive interest rates to the public and shareholders. The total amount raised as at close of Dec'08 was about Rs 1740 Mn.
- During the quarter ended December 31, 2008, the Company has sold its investment in Tata Tele Services Ltd. The resultant profit of Rs. 478 mn is included in the other income.
- Investments made during the quarter were Rs.900 Mn in TML Distribution Company limited and Rs. 51.75 Bn in TML Holdings Pte Limited (Singapore), mainly towards pre-payment of part of the Bridge loan raised for acquisition of Jaguar Land Rover.
- Upto Dec 31st 2008, 97.6% of the 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 about Rs. 25 bn on account of vehicle financing business as on 31st December, 2008, a reduction of Rs.8 Bn from the previous quarter.
- 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>31<sup>st</sup> Dec'08</b>	<b>30<sup>th</sup> Sep'08</b>	<b>30<sup>th</sup> June'08</b>
Inventory	36	35	39
Receivables (non-HP)	17	18	14

## Performance of Key subsidiaries

**Table 12: Key Subsidiary Financials**

Subsidiary	Turnover (Rs mn)		Change (%)	PAT (Rs mn)		Change (%)
	Oct-Dec'08	Oct-Dec'07		Oct-Dec'08	Oct-Dec'07	
<b>Tata Daewoo CV Ltd., Korea (TDCV) #</b>	6,049	9,376	(35.5)%	528	668	(21.0)%
<b>Telco Construction Equipment Co. Ltd (Telcon)</b>	4012	7140	(43.8)%	(411)	928	N.M
<b>Tata Technologies Ltd consolidated (TTL)</b>	3,332	2,704	23.2%	209	69	206.1%
<b>HV Transmissions Ltd (HVTL)</b>	245	517	(52.6)%	21	131	(84.3)%
<b>HV Axles Ltd (HVAL)</b>	274	544	(49.5)%	17	131	(87.5)%
<b>Tata Motors Finance Limited (TMFL)</b>	2,216	2,219	(0.1)%	(316)	76	N.M

## Operational Highlights of Key Subsidiaries

### Tata Daewoo Commercial Vehicles (TDCV)

- During Q3FY09, Korean commercial vehicle industry declined by 50.3% compared to Q3FY08; due to:
  - Higher base effect which was a result of pre-purchases by the customers prior to switch over from Euro III to Euro IV, effective January 1, 2008.
  - Unavailability of finance and higher interest rates for vehicle financing, and
  - Severe slowdown in economic activities due to the global financial crisis.
- Total sales of TDCV in Q3FY09 stood at 2,074 units a decline of 43.2% compared to 3,657 units in the corresponding period last year. Higher exports at 1,346 units in Q3FY09 compared to 877 units in Q3FY08 last year helped to partially offset the decline of sales in the domestic market.
- In the domestic market, TDCV volumes declined substantially by 73.8% to 728 units in Q3FY09 from 2,780 units sold in Q3FY08. Market share of TDCV in MHCV segment stood at 28.86% in Q3FY09.
- The capacity utilization for Q3 FY09 decreased to 49.8% from 73.0% in the corresponding period last year

### **Tata Technologies**

- During Q3FY09, quarterly revenue grew y-o-y by 23.2% (3,332 Mn to 2,744 Mn). PAT grew by 206% (209 Mn to 68.5 Mn).
- Factors driving growth in revenues & margins were:
  - Continued focus on large deals
  - Operational Efficiency driving improved margins
  - Received product contracts from existing clients as well as from new clients.
  - Focus on offshore projects.
- INCAT, a subsidiary of TTL is recognized as 'MSc Software' Value added Reseller of year

### **TELCON**

- During the quarter, investments in Construction Equipments witnessed slowdown due to Non-Availability of finance and high interest rates.
- Volumes of the company decreased substantially by 60% from 1,983 units in Q3FY08 to 783 units in Q3FY09.
- Maintained its market share in excavators which stood at 52% during Q3FY09.
- Market share in wheel loaders stood at 23% Q3FY09
- Market share in back hoe loaders stood at 9% during Q3FY09.
- Spares and Service revenue continue to grow.

### **HVAL & HVTL**

- **HVAL**  
During the quarter HVAL revenue declined by 49.5% to Rs 274 million for the corresponding period last year. PAT also declined substantially by 87.5% and stood at Rs 16.4 million.
- **HVTL**  
During the quarter HVTL revenue declined by 52.6% to Rs 245 million from the corresponding period last year. PAT also declined substantially by 84.3% and stood at Rs 20.5 million.

### **Vehicle Financing**

- Tata Motors undertakes its Vehicle Financing business through TMFL, TML (Vehicle Financing) and Tata Capital under the brand Tata Motor Finance (TMF).
- In line with the volume performance of Tata Motors, the volumes financed by TMF on a y-o-y basis also witnessed a decline. Consequently, YTD combined disbursements was Rs. 5,420 cr a decline of 9.1% from Rs 5,960 cr in 9M FY08.
- In passenger car financing, YTD market share stood at 32.2%, while market share in CV segment stood at 35.0%
- The book size at the end of Dec'08 for TMFL and TML (Vehicle Financing) stood at Rs 62.5 bn and Rs.25 bn respectively.

## **Jaguar Land Rover**

During (Oct- Dec'08) JLR wholesale volumes declined 35.2% to 49,186 from the corresponding period last year. The decline in volumes was mainly on account of fall in Land Rover sales which declined by 47.1% and stood at 34,476, reflecting much weaker trading conditions, especially in the US and UK, and the need to reduce stocks. However, Jaguar clocked a volume growth of 37.9% on the back of strong market response to Jaguar XF and stood at 14,710 during the period Oct-Dec '08

### **Wholesale Volumes**

	<u>Jan - Dec</u>		<u>Jun - Dec</u>		<u>Oct - Dec</u>	
	2008	2007	2008	2007	2008	2007
Jaguar	72,208	55,890	39,313	31,280	14,710	10,667
% change	29.2%		25.7%		37.9%	
Land Rover	187,519	232,654	95,372	141,478	34,476	65,195
% change	(19.4)%		(32.6)%		(47.1)%	
Total	259,727	288,544	134,685	172,758	49,186	75,862
% change	(10.0)%		(22.0)%		(35.2)%	

### **Production Volumes**

	<u>Jan - Dec</u>		<u>Jun - Dec</u>		<u>Oct - Dec</u>	
	2008	2007	2008	2007	2008	2007
Jaguar	72,483	53,821	37,028	28,867	13,287	9,315
% change	34.7%		28.3%		42.6%	
Land Rover	188,108	234,619	91,486	135,927	27,592	60,673
% change	(19.8)%		(32.7)%		(54.5)%	
Total	260,591	288,440	128,514	164,794	40,879	69,988
% change	(9.7)%		(22.0)%		(41.6)%	

## **Issues**

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

- The current global economic downturn has impacted the whole of the automotive industry and the premium segment in particular. The reporting period witnessed some of highest monthly sales declines in established markets for decades. Most manufacturers have announced production and headcount reductions.
- Jaguar Land Rover retail volumes Jan-Dec'08 stood at 252,036 units, a decline of 12.1% from the corresponding period last year. While Jaguar has witnessed a growth of 8.2%, Land Rover sales declined by 17.6%.
- The launch of the new Jaguar XF in January 2008 and its continued strong performance enabled Jaguar to deliver increased volumes for the calendar year despite a challenging external environment, which did impact the last three months.
- Land Rover sales were harder hit overall than Jaguar but continue to grow in new and emerging markets such as Russia, Brazil and China until the last months of the year and indeed Land Rover now leads bigger Germany premium competitors in sales in both Russia and Brazil.
- The reporting period saw significant efforts to reduce production and inventory through shift cut backs, extended breaks to employees and significant headcount reduction.

- Jaguar Land Rover has taken a number of cost reduction actions focused on both full-time and agency employees since September 2008 as key moves to achieving year-on-year efficiency improvements. In terms of full-time employees this includes a voluntary redundancy programme for around 200 hourly-paid volunteers introduced in October, which was oversubscribed and subsequently (in November) extended for around a further 300 employees. The programme has been completed in January.

It has also been followed in January by the introduction of a voluntary redundancy programme for 300 management grade employees which has just been opened. In parallel with these actions the company confirmed it would be reducing the need for agency support. Some 100 hourly-paid agency positions were removed in September and this was followed by the introduction of a programme to reduce agency support by a further 850 positions in November. Additionally, it has been confirmed in January that a further 150 salaried agency positions will be removed.

- This transition process away from Ford systems continued in line with separation plans during the period.
- Efforts to accelerate measures to reduce costs, increase operational efficiency and maintain vehicle quality, whilst protecting investment for environmental and product related actions, are ongoing.

## Shareholding Pattern

**Table 13: Shareholding Pattern as on December 31<sup>st</sup>, 2008**

	%
Tata Group	41.78
Daimler Chrysler	5.69
Indian Financial Institutions / MFs / Banks	13.20
ADR/GDR Holders / Foreign holders-DR status	13.10
Foreign Institutional Investors	9.18
Others	15.76
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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