

## Tata Motors (NYSE : TTM) Q1 FY10 Review

### Snapshot

#### Standalone Q1 FY10 Financials (Indian GAAP)

	<b>Q1 FY10</b>	<b>Q1 FY09</b>	<b>Change</b>	<b>Q1 FY10 (*)</b>	<b>Q1 FY09 (**)</b>
	<b>(Rs mn)</b>	<b>(Rs mn)</b>	<b>(%)</b>	<b>(US\$ mn)</b>	<b>(US\$ mn)</b>
<b>Revenue (Net of excise)</b>	64,046	69,284	(7.6)%	1300	1665
<b>EBITDA</b>	7,280	4,922	47.9%	148	118
<b>EBITDA %</b>	11.4	7.1	430 bps	11	7
<b>Profit before Tax</b>	5,481	3,451	58.8%	111	83
<b>Net Profit</b>	5,138	3,261	57.5%	104	78
<b>Basic EPS – Ordinary Shares</b>	9.93	8.46	17.4%	0.20	0.20
<b>Basic EPS - 'A' Ordinary shares</b>	10.43	N.A	NA	0.21	-

(\*) Average Conversion rate for Q1 FY10: 1US\$ = Rs 49.28

(\*\*) Average conversion rate for Q1 FY09: 1US\$ = Rs 41.62

## Business Review

### Standalone Q1FY10 Financials (Audited)

- Tata Motor's Net Revenue for Q1FY10 was Rs. 64 bn; decline of 7.6% Y-o-Y.
- Reduction of raw material prices and company's continued focus on cost efficiencies yielded considerable benefit as operating margin expanded to 11.4% for the quarter, an expansion of 430 basis points from 7.1% of Q1 FY09.
- PBT for the quarter was Rs 5.5 bn, up 59% y-o-y.
- The Company posted a PAT of Rs. 5.1 bn in Q1 FY10, up 58% y-o-y.

**Table 1: Volume Summary**

	<b>Q1 FY10</b>	<b>Q1 FY09</b>	<b>Change</b>
Total CVs	72,216	71,409	1.1%
Total PVs*	49,904	52,450	-4.9%
<b>Total domestic Sales</b>	<b>122,120</b>	<b>123,859</b>	<b>-1.4%</b>
Exports	5,220	9,220	-43.4%
<b>Total Volumes</b>	<b>127,340</b>	<b>133,079</b>	<b>-4.3%</b>

\* include sales of FIAT vehicles

- Volume growth of the Company in the domestic market was influenced by:
  - 28.0% light commercial vehicles segment, driven mainly by growth in ACE Truck and success of ACE Magic and Winger
  - 12.4% growth in small car segment, due to an exciting customer response to the Indica Vista.
- Competitive intensity and anticipation of new Indigo led to decline in TML's market share in the entry midsize segment from 38.6% to 25.2%, however market share has seen revival on m-o-m basis from April to June. Also, launch of the new sedan in H2FY10 would improve performance.
- The export volumes of the Company registered a decline of 43.4% during Q1FY09, due to market contraction in most of the prime export markets.
- **Significant events:**
  - On 23<sup>rd</sup> June 2009, Tata Motors' completed the process of selecting the first 100,000 owners of the Tata Nano from among the 2,06,703 final lists of applicants who had booked the car. The first 100,000 owners were selected through a computerised random selection process.
  - On 28<sup>th</sup> June 2009, Jaguar Land Rover's opened its first showroom in India. Jaguar Land Rover has confirmed Tata Motors as its exclusive importer and the world-class Ceejay House facility in Worli, Mumbai, will offer a wide range of both Jaguar and Land Rover vehicles, with a dedicated showroom section for each brand. The exciting new range of premium luxury vehicles available for the Indian market will include the Jaguar XF, XFR and XKR and Land Rover, Discovery 3, Range Rover Sport and Range Rover.
  - The Board of directors have appointed Mr Ravi Kant as non-executive vice Chairman of the Company following his retirement on June 1, 2009. Mr P.M Telang, previously ED - Commercial Vehicles, being elevated as the managing Director -India operations.

## Economic Scenario

### Key Highlights of Q1 FY10

#### 1. GDP Growth

The Indian economy grew by 6.7% in 2008-09 compared to 9.0% growth in 2007-08. Agriculture sector grew by 1.6% (4.9% in 2007-08), industry at 3.9% (8.1% in 2007-08) and services sector by 9.7% (10.9% in 2007-08). While the GDP growth slowed in all quarters of 2008-09, the last 2 quarters of the fiscal year saw GDP grow by 5.8% each against the backdrop of a global recession and liquidity crunch leading to a drop in demand. This was a significant deceleration from the growth of 7.8% and 7.7% seen in Quarter 1 and 2.

According to the India Meteorological Department (IMD), on an all-India area weighted basis, cumulative rainfall was still 36% below normal up to July 8, although that is an improvement from 46% below normal up to July 1. This will adversely affect agricultural growth leading to lower disposable income in the agricultural sector. However some of the government initiatives in the form of social welfare schemes like National Rural Employment Guarantee Scheme (NREGS), Bharat Nirman, etc., will result in higher allocation of funds to the rural economy and will supplement rural incomes, thus offsetting some of the negative impact. Overall, consumption is likely to continue to grow but at a slower pace. Investment may fall given the liquidity crisis and slowing demand. Government expenditure could increase as the GOI is following a liberal compensatory expenditure package to help revive the economy.

According to CRISIL, despite the policy measures announced in the recent 2009-2010 Union Budget, the India's economic growth is unlikely to exceed 6.5% in 2009-10, given the prevailing global economic slowdown.

Annual Trends in GDP growth (%)

	2006-07	2007-08	2008-09
<b>Agriculture</b>	4.0	4.9	1.6
<b>Industry</b>	11.0	8.1	3.9
<b>Services</b>	11.5	10.9	9.7
<b>GDP</b>	9.9	9.0	6.7

(Source: CSO, Crisil)

#### 2. Industrial Growth

Affected by the economic slowdown industrial sector growth was considerably hampered in the first two months of Fiscal 2010 with the IIP growing at 1.2% and 2.7% in April '09 and May'09 respectively. The cumulative growth for the period April-May 2008-09 stands at 1.9% over the corresponding period of the previous year. The performance of the manufacturing sector continues to be the reason behind unimpressive industrial growth. While, on an average, the manufacturing sector grew at 5.6% per cent in 2008-09, it grew as low as 1.5 per cent in April-May 2009 period. The cumulative growth during April-May, 2009-10 over the corresponding period of 2008-09 in the three sectors viz Mining, Manufacturing and Electricity have been 3.8%, 1.5% and 5.1% respectively, which moved the overall growth in the General Index to 1.9%.

Table 2: Macro Economic Indicators

	Categories	Apr-May'09	Apr-May'08	Growth (%)
IIP	General	275.7	270.5	1.9%
Sectoral	Mining	180.9	174.3	3.8%
	Mfg.	293.4	289.1	1.5%
	Electricity	235.6	224.2	5.1%
Use-based	Basic	235.4	225.9	4.2%
	Capital	313.3	331	-5.3%
	Intermediate	280.6	263	6.7%
	Consumer	309.1	313	-1.2%
	- Consumer Durables	436.5	372	17.3%
	- Consumer Non-Durables	282	299.4	-5.8%

Source: CSO

### 3. Infrastructure Index

The Infrastructure Index grew at 3.9% during April-May 2009 as compared to 2.7% during April-May 2008. Out of the six sectors in the infrastructure index, The Crude Oil production registered a growth of -3.7% (provisional) during April-May 2008-09 compared to 2.1% during the same period of 2008-09. The Petroleum refinery production registered a growth of -4.4% (provisional) during April-May 2009-10 compared to 2.1% during the same period of 2008-09. Finished (carbon) Steel production grew by 2.1% (provisional) during April-May 2008-09 compared to an increase of 1.4% during the same period of 2007-08. Coal production grew by 11.8% (provisional) during April-May 2008-09 compared to an increase of 9.5% during the same period of 2008-09. Electricity generation grew by 5.1% (provisional) during April-May 2009-10 compared to 1.7% during the same period of 2008-09. (Source: GOI- MINISTRY OF COMMERCE INDUSTRY)

### 4. Inflation

India's annual rate of inflation dropped to minus 1.55 percent for the week ended on June 27, from minus 1.30 percent the week before, according to official data released. India's annual rate of inflation turned negative for the week ended on June 6, for the first time since the new wholesale price index (WPI) series started in 1995. The inflation rate had last turned negative in 1977. The price index for primary articles rose 0.3 percent, mainly due to higher prices of fish marine, and fruits and vegetables. While that for fuel and power remained unchanged at its previous week's level of 327.9 (provisional) while manufactured products declined by 0.1 percent.

### 5. Interest rates

During the RBI policy meet for the year 2009-10 dated 21<sup>st</sup> April 2009, the policy stance was to ensure a policy regime that will enable credit expansion at viable rates while preserving credit quality so as to support the return of the economy to a high growth path while maintaining a monetary and interest rate regime supportive of price stability and financial stability. Accordingly the Repo and Reverse Repo rate was reduced by 25 bps from 5.0 percent to 4.75 percent and from 3.5 to 3.25 per cent with immediate effect.

Although liquidity pressures have eased, demand pick up is expected to show some lag. Under RBI's signaling, the PLR of major banks may come down in the next two quarters. However the net impact of the government's borrowing to support the fiscal deficit of over Rs. 400,000 crs on liquidity and the interest rates remain to be seen.

### 6. Freight Rates

Freight rates, decreased marginally by 0.35% during the first quarter of 2009. On a y-o-y basis, freight rates have fallen by 0.9%. Diesel prices were increased by 6.5% on 2<sup>nd</sup> July 2009. The fuel cost forms more than 60% of the operating cost of transporters. Rise in Diesel prices and fall in the freight rates will impact truckers' profitability adversely.

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

As elucidated in the below table, 33.1% of the national highway development and other road projects under NHAI was completed as on 30<sup>th</sup> June 2008. Substantial amount of work was completed on NS-EW corridor, where up to 51.5% of work was completed as of 30<sup>th</sup> June 2009 compared to 47.0% completed as of 31<sup>st</sup> March 2009.

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

	Total Length (in Kms)	Completed	Under Implementation	Balance to be Awarded
<b>GQ</b>	5,846	98.0%	2.0%	0%
<b>NS-EW</b>	7,300	51.5%	36.3%	10.0%
<b>Port Connectivity &amp; others</b>	1,342	78.7%	19.4%	1.9%
<b>NHDP Phase III</b>	12,109	7.3%	16.8%	75.8%
<b>NHDP Phase V</b>	6,500	2.0%	13.9%	84.1%
<b>Total</b>	31775	33.1%	18.0%	48.4%

(Source: NHAI)

**Outlook**

According to CRISIL, monetary easing and the fiscal stimulus by the Government notwithstanding, the prevailing Global economic slowdown is expected to pull down growth further in 2009-10. It expects growth to slide further in the first half of FY10, and post a mild recovery beginning third quarter. The economy is expected to grow at around 6.0-6.5 per cent in 2009-2010. After that as Global economies recover and the impact of the monetary loosening on the economy kicks in, growth in India will too pick up. CRISIL expects the GDP to grow by an estimated 7.2 per cent 2010-11. Post 2010-11 the economy should continue to grow by 8 per cent

## Commercial Vehicle Segment

### Highlights

- CV domestic sales volumes increased by 1.1% y-o-y; 72,216 units in Q1 FY10 as compared to 71,409 units in Q1 FY09.
- CV market share stood at 67.4% for the quarter; up substantially by 640 bps from 61.0% in Q1FY09.

### Company Performance in Domestic CV Segment

**Table 4: CV Domestic Sales Volumes**

	<b>Q1 FY10</b>	<b>Q1 FY09</b>	<b>Change</b>
M/HCVs	26,633	35,757	-25.5%
LCVs	45,583	35,652	28.0%
<b>Total CVs</b>	<b>72,216</b>	<b>71,409</b>	<b>1.1%</b>

**Table 5: CV Market Shares**

	<b>Q1 FY10</b>	<b>Q1 FY09</b>
M/HCVs	68.5%	59.3%
LCVs	66.7%	62.8%
<b>Total CVs</b>	<b>67.4%</b>	<b>61.0%</b>

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

- The CV industry registered a volume decline of 8.4% during Q1 FY10. LCV posted robust growth of 20.4% y-o-y, however reduced economic activity and freight movement continue to impact MHCV market which recorded a decline of 35.5 % y-o-y during the quarter.
- Truck market recorded modest growth in sales in Q1FY10 over corresponding period of last year. The industry volumes in the MHCV truck segment decreased substantially by 38.9% y-o-y, industry volumes in the LCV truck segment grew by 17.4% y-o-y during Q1FY10, mainly led by ACE magic and Truck.
- TML gained market-share across all Commercial vehicle segments.
- North and East regions showed some signs of stability while south and west regions continue to remain weak.
- ACE Truck, ACE magic and Winger continue to post robust growth in a challenging market condition.
- MHCV truck y-o-y decline narrowed to ~40% in Q1FY10 compared with -65% and -59% in Q3 and Q4FY09.
- While MHCV passenger carriers industry declined by 16.2%, TML grew by 10.6% on the back of good orders from STU's, resulting in market-share increase of 13.7% to 56.4%

## Passenger Vehicle Segment

### Highlights

- Domestic passenger vehicle sales stood at 49,904 (including 4,058 Fiat vehicles) during Q1FY10; down by 4.9% y-o-y.
- Market share of Tata Motors vehicles stood at 11.3% in Q1FY10.
- The Company remains among the top 3 players in the domestic PV market.

**Table 7: PV Domestic Sales Volumes**

	Q1 FY10	Q1 FY09	Change
Small Car	28,858	25,673	12.4%
Mid-size Car	8,923	13,053	-31.6%
UV	8,065	12,365	-34.8%
Fiat	4,058	1,359	198.6%
<b>Total PV</b>	<b>49,904</b>	<b>52,450</b>	<b>-4.9%</b>

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

	Q1 FY10	Q1 FY09
Small Car	11.1%	10.8%
Entry-level Mid-size Car	25.2%	38.6%
UV	18.7%	24.1%
Total PV	11.3%	12.9%

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

- Passenger vehicle industry registered growth of 3.0 %, mainly driven by new products supported by easing access to finance and low interest rates.
  - Passenger car segment grew by 4.7%.
  - UV segment declined by 16.0%
- In the Small car segment, Tata Motors' market share increased from 10.8% in Q1FY09 to 11.1% in Q1FY10, due to the continued success of Indica Vista, which has received an overwhelming response by the customer since its launch in August 2008.
- Competitive intensity and anticipation of new Indigo led to decline in Tata Motors' market share in the entry midsize segment from 38.6% to 25.2%, however market share has seen revival on m-o-m basis from April to June. Also, the new Indigo which will be launched in 2HFY10 will help to improve the market-share in future.
- In the Utility Vehicle segment, Tata Motors market share declined substantially 24.1% in Q1FY09 to 18.7% Q1FY10. Market-share was mainly impacted due to increased competition in the segment and new launches by the competitors.
- Fiat vehicle sales increased substantially by 198.6% y-o-y to 4,058 units during the quarter.
- Fiat India Ltd launched premium hatchback Grande Punto.
- Names of 1,000,00 Nano allottees were declared; deliveries will commence in July'09.
- On 28<sup>th</sup> June 2009, Jaguar Land Rover's opened its first showroom in India. Jaguar Land Rover has confirmed Tata Motors as its exclusive importer and the world-class Ceejay House facility in Worli, Mumbai, will offer a wide range of both Jaguar and Land Rover vehicles, with a dedicated showroom section for each brand.

## International Business

### Highlights

- The Company's export volumes declined 43.4% y-o-y during Q1FY10.

### Company Performance in International Business

**Table 10: Exports Volumes**

<b>Business Unit</b>	<b>Q1FY10</b>	<b>Q1FY09</b>	<b>Change</b>
Commercial Vehicles	4,267	7,747	-44.9%
Passenger Vehicles	953	1,473	-35.3%
Total Exports	5,220	9,220	-43.4%

- Exports volume declined by 43.4% during the quarter, due to decline in prime markets due to the ongoing global economic slowdown and contraction in liquidity.
- Sales declined 35.3% in the passenger vehicles which saw decline in sales in markets such as South Africa, Turkey. However sales in Italy increased.
- Commercial vehicles saw a 44.9% decline in volumes due to lower sales in its prime markets like South Sri Lanka and Ukraine.

## Finance

- The company registered 7.6% y-o-y decline in net revenue to Rs.64.05 bn during Q1FY10 impacted mainly by a 4.3% decline in volume and change in mix.
- Benefits of reduced raw material prices and cost reduction measures undertaken by the company in the past year have yielded considerable reduction in cost as reflected in the 11% decline in expenditure. Significant favorable impact is witnessed in raw material consumption which declined to 66.8% of Net revenue during the quarter compared with 72% in the corresponding quarter of previous year.
- Consequently, Company's operating profit (EBITDA) improved 48% to Rs. 7280 mn. Operating margin was the highest in the last 5 quarters at 11.4% ( Q1FY09 : 7.1% )
- On the back of investments made by the company in the past years towards various product development programmes and capacities, Depreciation and Product development expenditure on a y-o-y basis grew by 27% to Rs. 2403 mn. As a % of Net Revenues they saw a marginal increase to 3.8% in Q1FY10 as compared with 3.6% in full year FY09.
- Increased debt taken by the company during the previous year in the wake of tumultuous global environment, to support its product programmes, investments and working capital requirements caused interest costs to increase. Net interest cost for the quarter came in at Rs. 2535 mn.
- During the quarter ended June 30, 2009, the company gained a profit of Rs. 3189 mn from sale of long term investments which is reflected in the other income.
- Profit before tax was Rs. 5480 mn, a growth of 59% and Profit after tax grew 58% to Rs.5137.6 mn.
- As on 30<sup>th</sup> June'09, the balance sheet size of the Company was Rs. 292 bn as compared to Rs 264 bn as on 31<sup>st</sup> March'09. Net of vehicle financing loans and receivables the Company's capital employed was Rs 274 bn as on 30<sup>th</sup> June'09 against Rs.248 bn as on 31<sup>st</sup> March'09.
- The Gross total debt (inc. FCCNs) stood Rs 174 bn as on 30<sup>th</sup> June'09 as compared to Rs. 132 bn as on 31<sup>st</sup> March'09. The Company's Net Debt (Net of the surplus investible funds) stood at Rs 169 bn as on 30<sup>th</sup> June'09. The increase in debt was mainly on account of issue of Rs.42 bn of low coupon premium redemption bonds in May'09 as part of refinancing of the acquisition bridge loan taken by the company and increased collection of Fixed Deposits. As on 30<sup>th</sup> June'09, the Company's net debt to equity ratio stood at 1.56:1 (0.99:1 as of March 31, 2009). The company remains committed to reduce the leverage through divestment of investments, internal accruals and capital raising at appropriate time.
- The company prepaid USD150 mn, part of the refinanced USD 1 Bn acquisition loan at the UK SPV, mainly through proceeds from sale of long term investments.
- The Company's Balance Sheet includes Receivables and loans of Rs. 18 bn on account of vehicle financing business as on 30th June, 2009.
- The following table shows the days of sales of inventory and receivables of the company.

**Table 11: Current Assets**

No. of Days	30 <sup>th</sup> June'09	31 <sup>st</sup> March'09	30 <sup>th</sup> June'08
Inventory	32	28	39
Receivables (non-HP)	23	18	14

## Shareholding Pattern

**Table 13: Shareholding Pattern as on June 30<sup>th</sup>, 2009**

	% holding ( voting )
Promoter	41.98
Daimler	5.61
FII	8.58
Non-FII Institutions	12.29
ADR / GDR	12.91
Others	18.63

## 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

## Disclaimer

Statements in this presentation describing the Company's objectives, projections, estimates, expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include, among others, economic conditions affecting demand / supply and price conditions in the domestic and overseas markets in which the Company operates, changes in Government regulations, tax laws and other statutes and incidental factors.