# TATA MOTORS

## *Leading the Future*

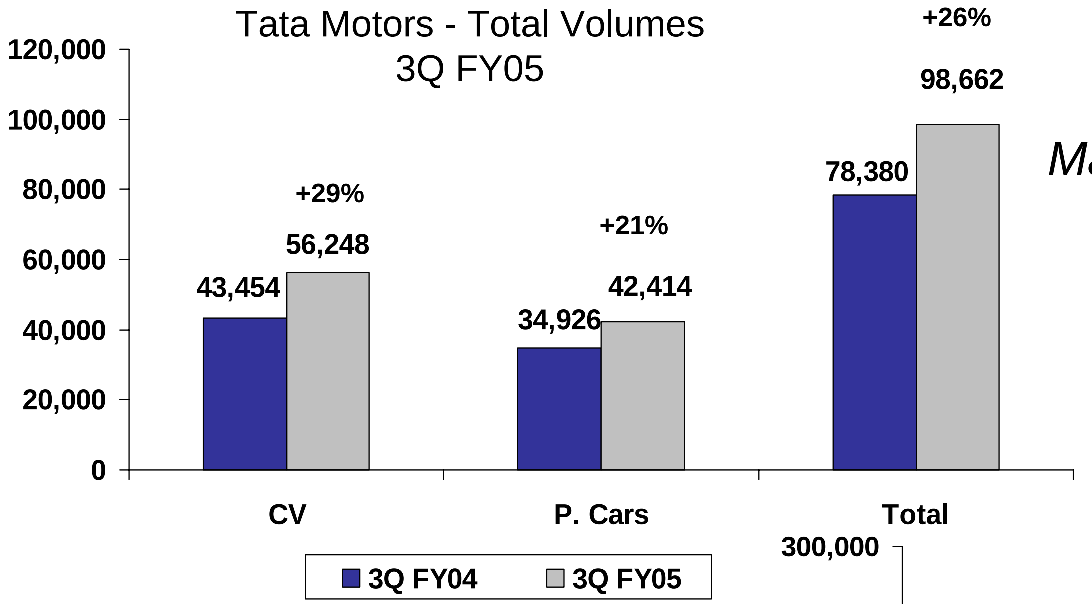
**Investor Presentation**
**DSP ML India Investor Conference, Hyderabad**
**February , 2005**

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

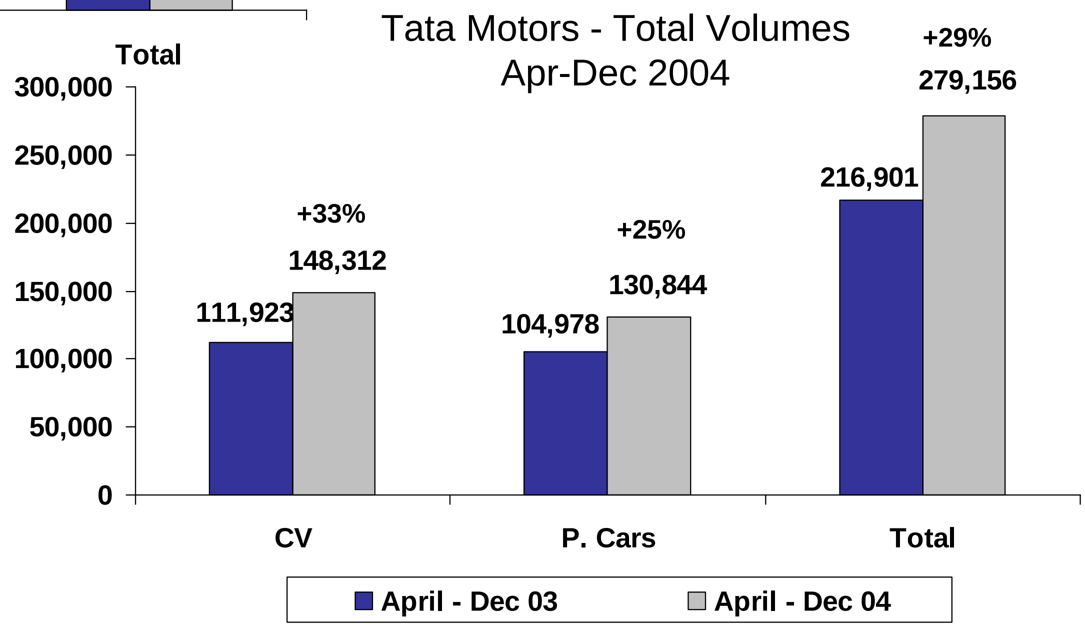
# Presentation Outline

- Review of YTD FY05 Performance
- Financial Performance
  - 3Q & YTD FY05 Indian GAAP (Unconsolidated)
  - YTD FY05 Indian GAAP (Consolidated)
- Review of Subsidiaries & Associates
- Strengthening Customer Financing
- Steps Forward

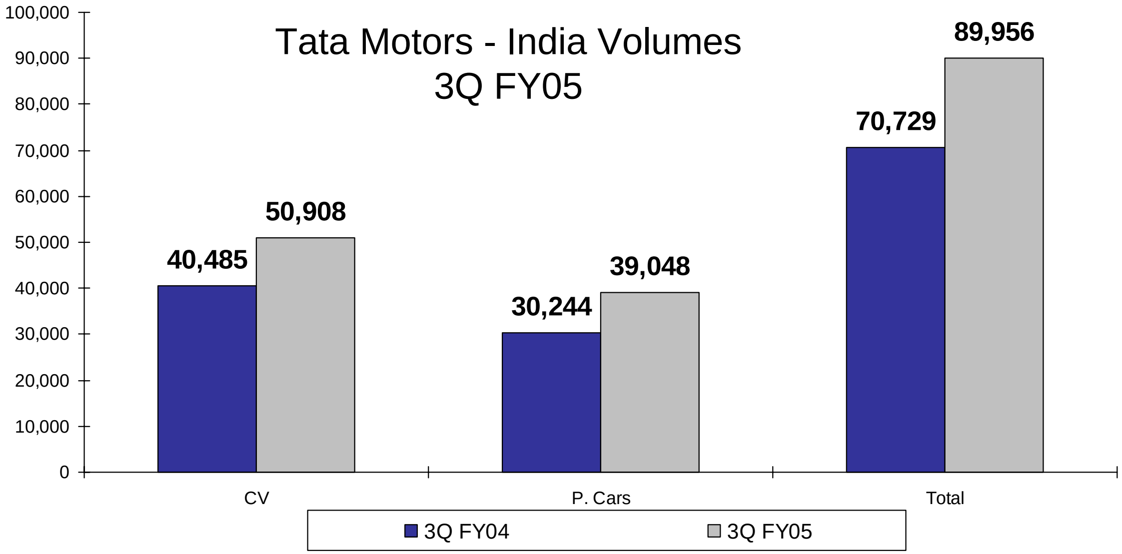
# Tata Motors – 3Q FY05 & YTD Volume Growth




*Maintaining Growth on a higher base*

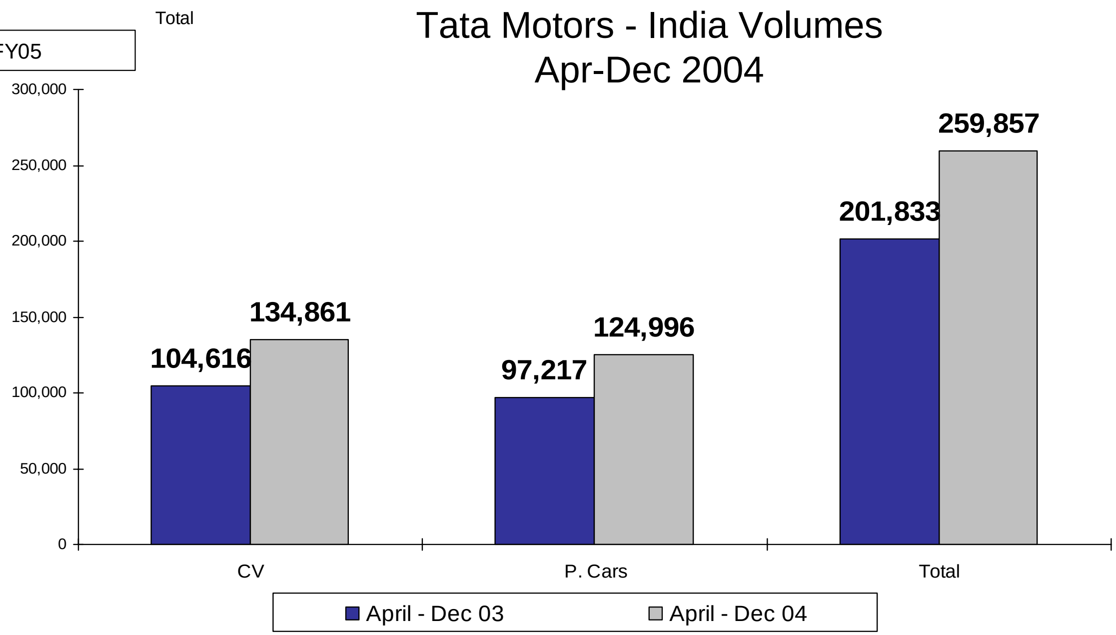


# Capturing Domestic Growth




Comparative Growth Rates
3Q FY05

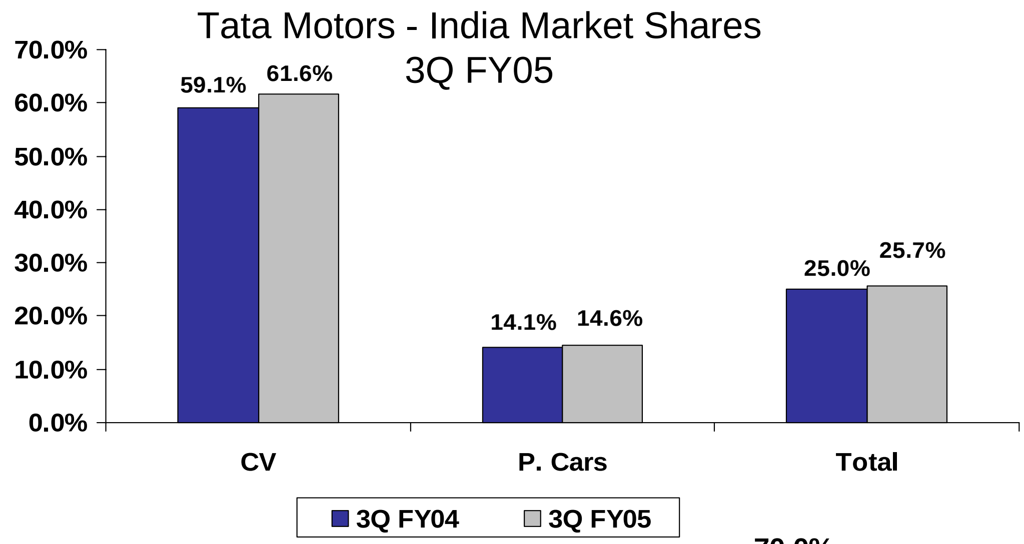
| | CV | PV | Total |
|---|---|---|---|
| Tata Motors | 26% | 29% | 27% |
| Industry | 21% | 25% | 24% |

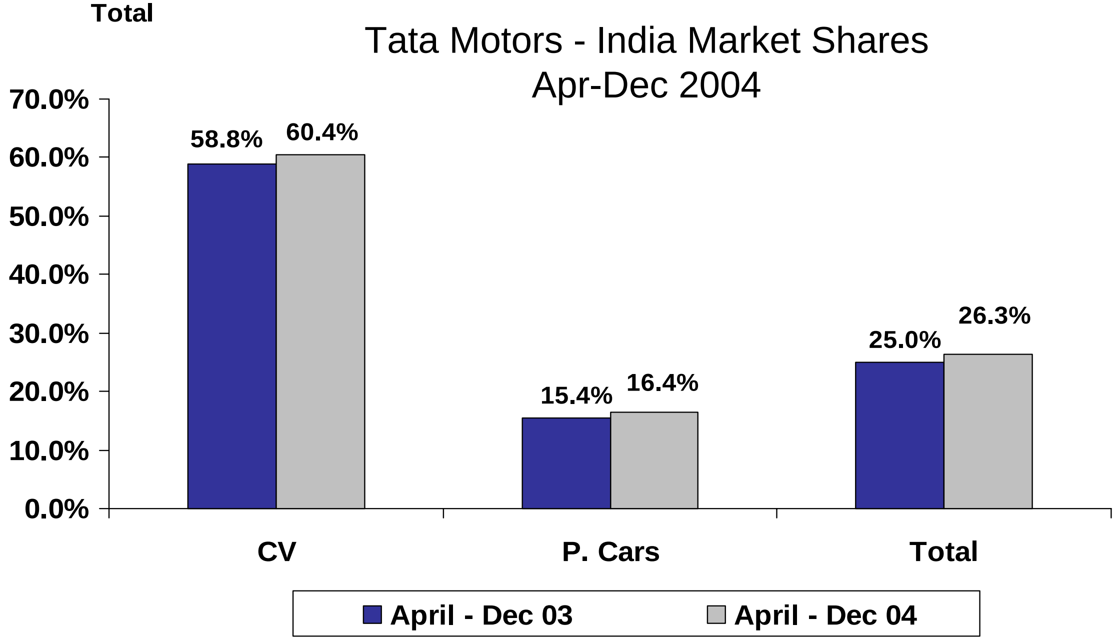



Comparative Growth Rates
Apr-Dec 2004

| | CV | PV | Total |
|---|---|---|---|
| Tata Motors | 29% | 29% | 29% |
| Industry | 26% | 21% | 22% |

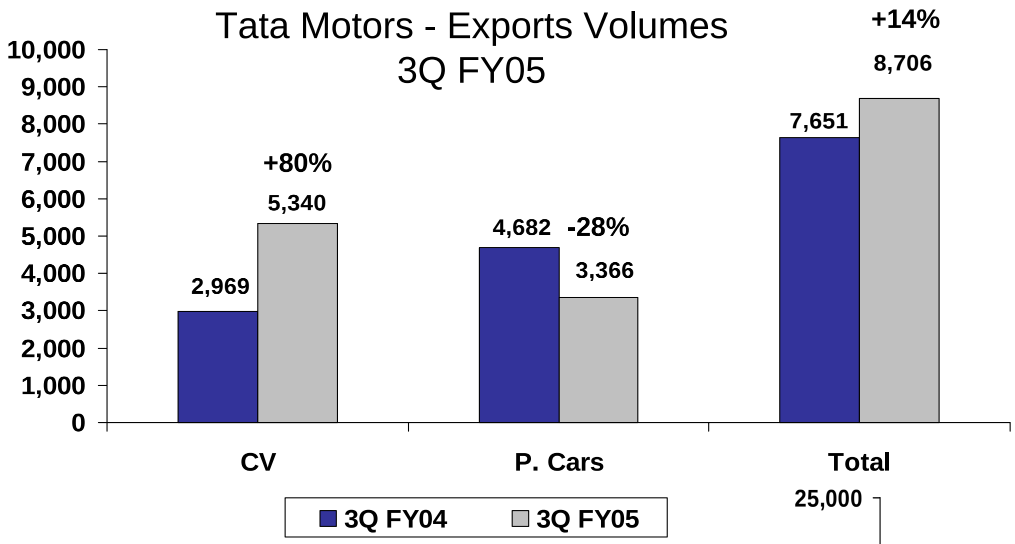
# Increasing Market shares

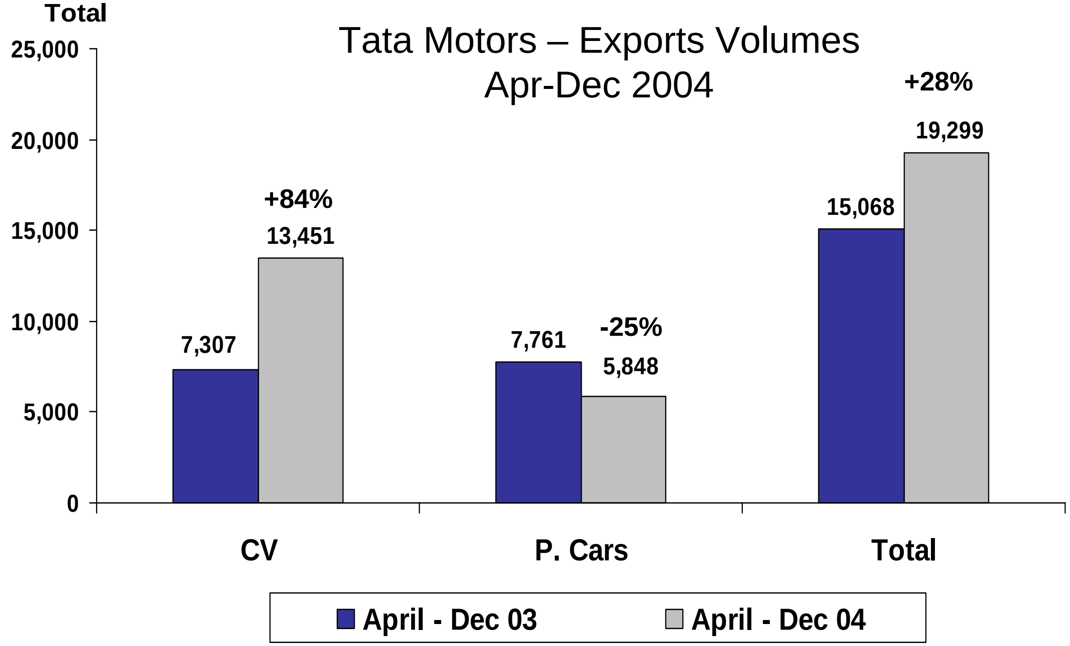



*Source - SIAM*

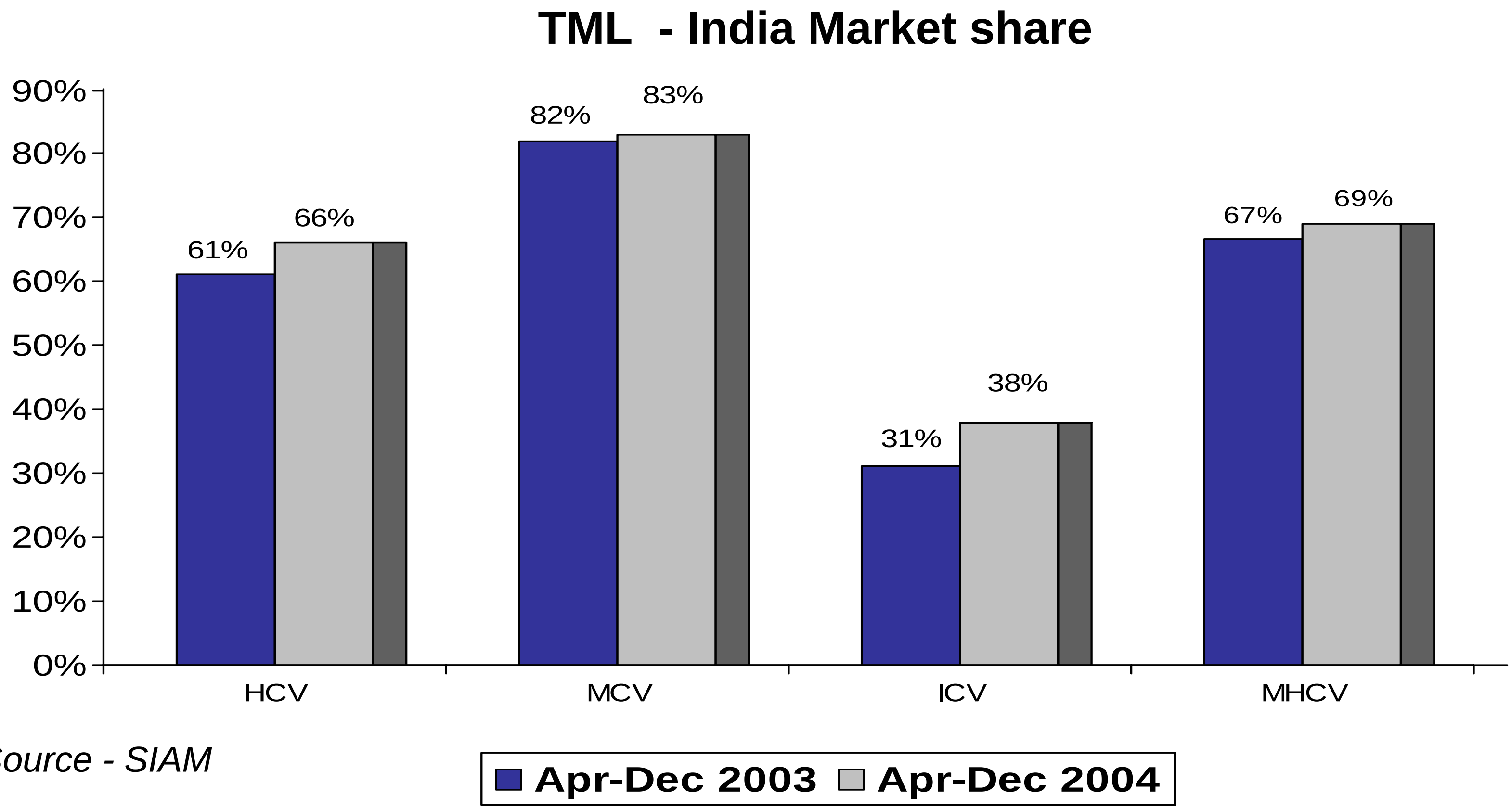
# Increasing Exports Volumes




***The PV exports volumes were impacted due to discussions with MG Rover during the period***

# Strengthening position in MHCV Truck segment




*Source - SIAM*

- HCV proportion in the industry wide M/HCV Truck volumes has increased from 40% in FY03 to 44% in FY04 and FY05
- Tata Motors Tractor Trailer volumes have grown from 2,486 units in Apr-Dec 2003 to 4,376 units in Apr-Dec 2004 (+76%)

# Underlying demand factors remain strong

- Freight rates have increased in the last 6 months signaling good freight demand on the ground


*Source: Industry*

- NHDP progress as on Dec. 31, 2004

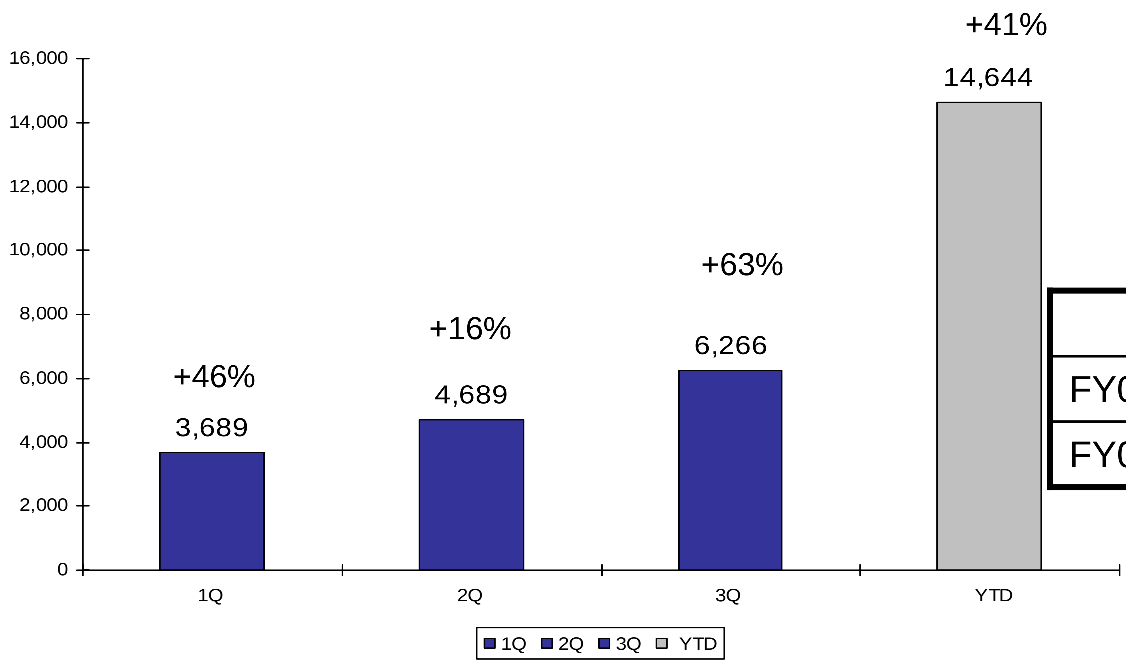
| | Total Length (in Kms) | Planned date of completion | Completed | Under Implementation | Balance to be Awarded |
|---|---|---|---|---|---|
| GQ | 5,846 | Dec-05 | 74% | 26% | - |
| NS-EW | 7,300 | Dec-07 | 9% | 5% | 79% |
| Port Connectivity & others | 1,133 | Dec-07 | 23% | 40% | 37% |
| Total |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

*Source: NHAI*

- Process for awarding contracts on NS-EW has also begun

# Growth in Pick-up segment

Tata Motors - India Volume growth in Pick-ups

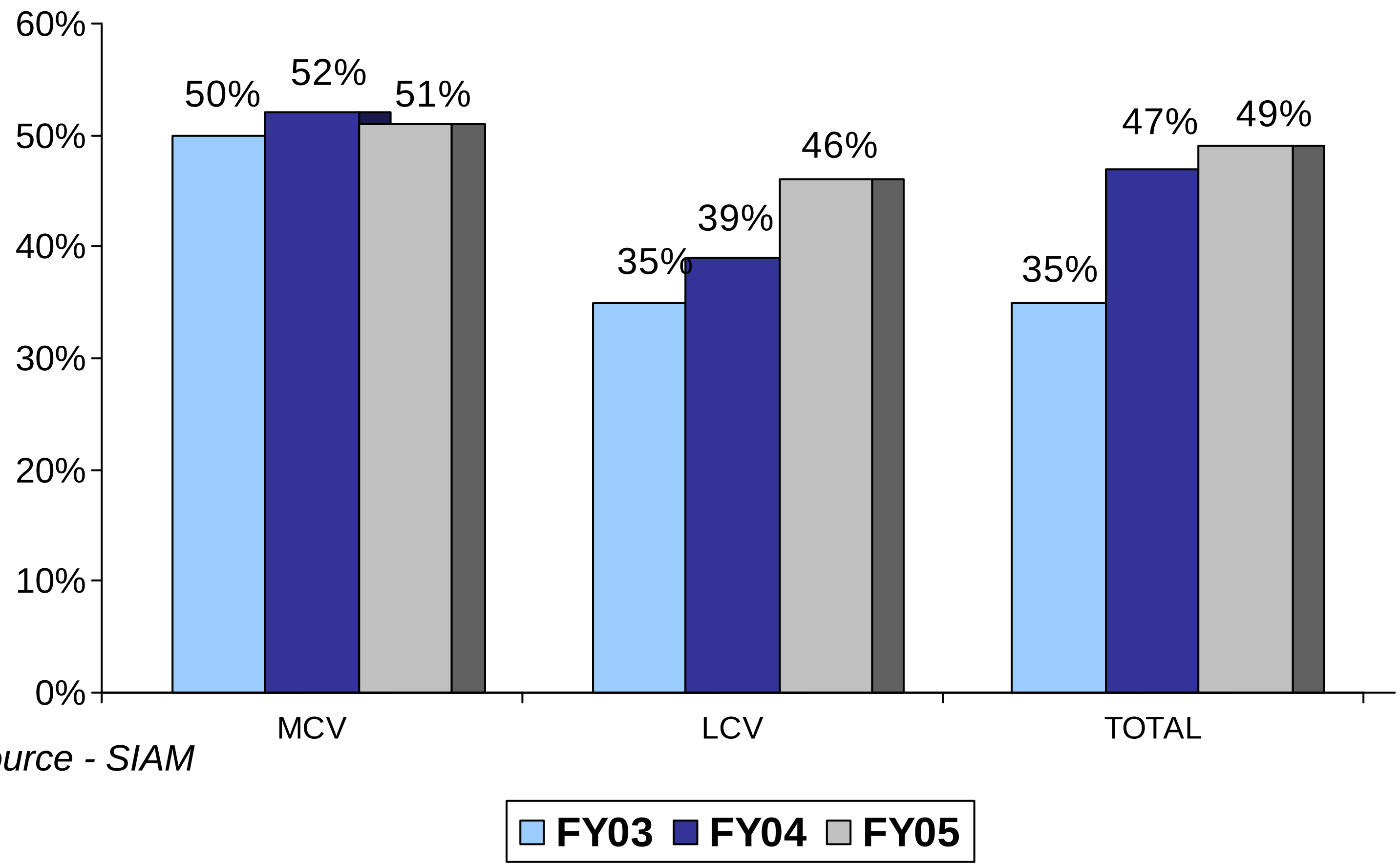



Tata Motors - India Market Share in Pick-ups

| | 1Q | 2Q | 3Q | Apr-Dec |
|---|---|---|---|---|
| FY05 | 33% | 37% | 42% | 38% |
| FY04 | 36% | 40% | 34% | 37% |

- *Market share of 46.6% achieved in December 2004 – highest ever market share.*
- *Smaller Pick-up (to be launched in CY05) will further strengthen Tata Motors' position in this market*

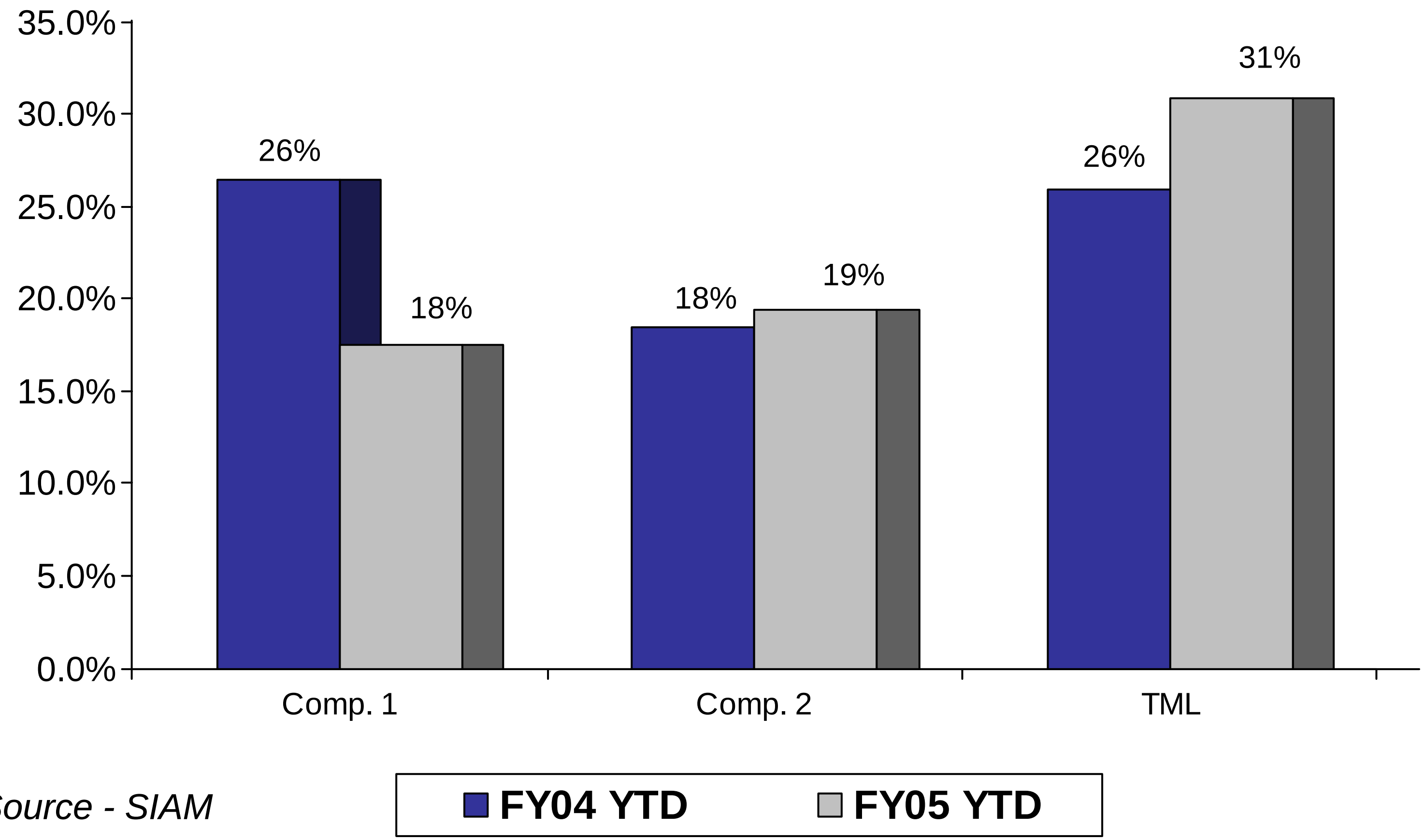
# Trends in Bus market




*Source - SIAM*

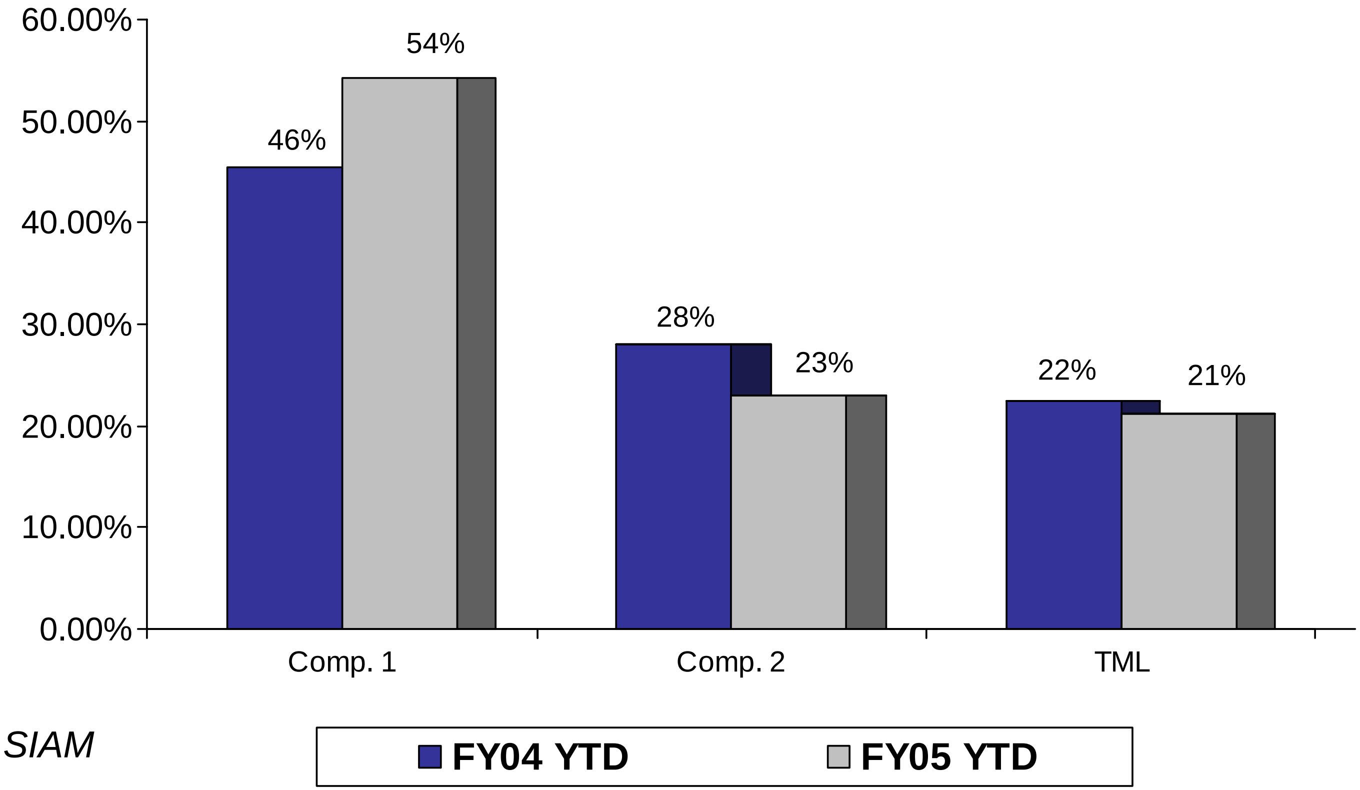
- *While bus market has shown very marginal YTD growth of 3%, TML has been able to increase its market share especially in the Light Bus market.*

# Maintaining Leadership in the entry-level Sedan market




*Source - SIAM*

# Compact Segment Market Share




*Source - SIAM*

- TML has been able to maintain its market share in this segment, in the face of high customer incentives from  the competition in 3Q FY05
- Segment volumes also includes competition models priced below Rs 300,000 (included in Compact segment as per SIAM classification). Excluding these models, TML market share has witnessed an increase in the segment.

# Consolidating Customer Recognition

- 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 leads the TNS Cost of Ownership Study 2004
  - Operating cost of Rs 2.3 per km against the next best figure of Rs 2.45 per km.
- Safari tops the MUV/SUV segment in the J D Power India APEAL Study 2004 for the second year in a row
- 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.

# People's Car – The Innovation Challenge

- **Concept**

  A Five-seater car with on-Road Price between two-wheelers & current lowest priced car in India.

- **Models**

  Three trim levels – Base, Middle, High (buyer would have the flexibility to upgrade from one level to another).

- **Safety**

  In compliance with all domestic safety standards.

- **Progress**

  Finalizing building blocks like structure, material & power train (diesel/petrol).

- **Launch date**

  Roughly 3 years from now.

# Exports Initiatives

- Focused positioning & marketing in selective countries

  E.g.

  - S Africa
    - Ind. Vol. - 360,000 units – primarily comprising of P. Cars and Pick-ups
    - TML products positioned as “Value for Money”
    - Despatches started in 2Q FY05 and total volumes have crossed 2,000+ for 3Q FY05
  - Sri Lanka
    - CV Ind. Vol. - 13,800 – primarily MHCV & LCV
    - Positioned against second-hand imports of Japanese vehicles
    - CV exports of around 700 vehicles in 3Q FY05 and around 1,800 units YTD
  - Russia & East Europe
    - Targeting the LCV Truck market in Russia
    - Operations already started in Ukraine through CKD Bus assembly
  - The strategy is being replicated in other key markets of South-East & South Asia, Southern Europe, Middle East and Africa regions

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# Financial Performance (Indian GAAP Unconsolidated)

| Rs mn | 3Q | | | Apr-Dec | | | Full Year |
|---|---|---|---|---|---|---|---|
| | FY04 | FY05 | Change | FY04 | FY05 | Change | FY04 |
| Net Revenue | 33,996 | 43,649 | 28.4% | 90,798 | 120,861 | 33.1% | 132,232 |
| EBITDA | 4,902 | 5,811 | 18.6% | 12,606 | 15,305 | 21.4% | 18,818 |
| *EBITDA Margin* | *14.4%* | *13.3%* | | *13.9%* | *12.7%* | | *14.2%* |
| Other Income | 167 | 247 | | 499 | 1,365 | | 589 |
| Net Interest | 474 | 414 | | 1,272 | 1,228 | | 1,613 |
| Dep. & Amortisation | 942 | 1,008 | | 2,839 | 3,059 | | 3,826 |
| Prod. Dev. Exp. | 9 | 62 | | 200 | 486 | | 516 |
| PBT before Extra-ord. Items | 3,644 | 4,573 | 25.5% | 8,795 | 11,897 | 35.3% | 13,452 |
| Extra-ord. Items | (26) | (10) | | (256) | (31) | | (529) |
| PBT | 3,617 | 4,563 | 26.1% | 8,539 | 11,866 | 39.0% | 12,923 |
| Tax | 1,509 | 1,401 | | 3,361 | 3,378 | | 4,820 |
| Net Profit | 2,109 | 3,162 | 49.9% | 5,179 | 8,488 | 63.9% | 8,103 |
| Basic EPS (Rs) (non-annualised) | 6.5 | 8.8 | 35.0% | 16.1 | 23.6 | 46.9% | 22.7 |

# YTD FY05 Financial Performance (Indian GAAP Consolidated)

| Rs mn | Apr-Dec FY05 | Full Year FY04 |
|---|---|---|
| Net Revenue | 136,143 | 139,247 |
| EBITDA | 17,489 | 20,783 |
| *EBITDA Margin* | *12.8%* | *14.9%* |
| Other Income | 1,011 | 562 |
| Net Interest | 1,357 | 1,938 |
| Dep. & Amortisation | 3,724 | 4,372 |
| Prod. Dev. Exp. | 486 | 516 |
| PBT before Extra-ord. Items | 12,933 | 14,518 |
| Extra-ord. Items | (40) | (70) |
| PBT | 12,893 | 14,449 |
| Tax | 3,931 | 5,308 |
| Profit after Tax | 8,962 | 9,141 |
| Share in Profit of Associates | 270 | 181 |
| Minority Interest | (50) | (44) |
| Other Adjustments | | (124) |
| Net Profit | 9,183 | 9,153 |
| Basic EPS (Rs) (non-annualised) | 25.6 | 27.9 |

Note : These two periods are not comparable

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# Tata Motors - Portfolio of Businesses

- **Tata Motors**
  - *Automotive*
    - *Commercial Vehicles*
    - *Passenger Vehicles*
  - *Non Automotive*
    - *Auto Components*
    - *Cons. Equipment*
    - *Customer Financing*
    - *Engg. Tech. Services*

92% of TML FY04 Revenues
US GAAP

8% of TML FY04 Revenues
US GAAP

# Subsidiaries - Operational highlights

- **HVAL**
  - 31% increase in YTD Volumes
  - Capacity Utilisation at 142%
  - Productivity Improvement of 32%
  - Nil Debt as on Dec. 31, 2004
- **HVTL**
  - 26% increase in YTD volumes
  - Capacity utilisation at 108%
  - Interest cost down 67% YoY
    - Borrowings reduced by 62% from March 2004- proposes to be a zero debt company by the end of this fiscal
- **Telcon**
  - Market leaders in excavators with 55% market share
  - Volume Increase of 27%YTD
  - Capacity utilisation at 87% YTD FY05 from 67% YTD FY04.
  - 50% reduction in interest cost

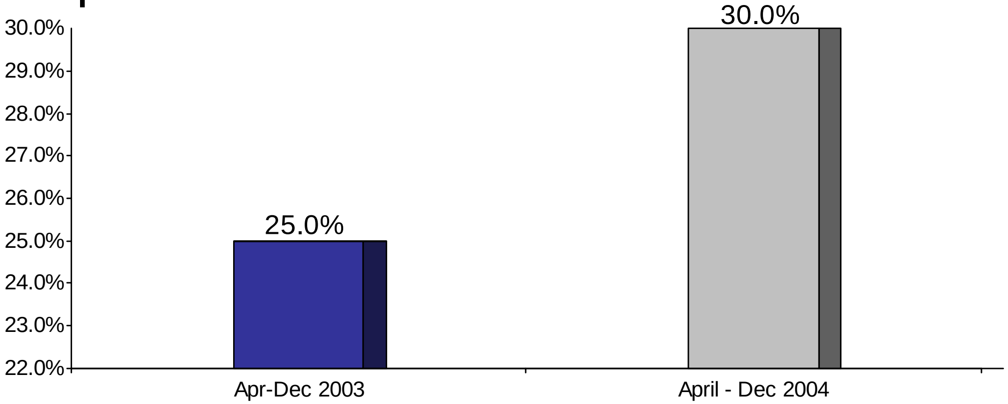
# Subsidiaries - Operational highlights

- **Tata Technologies (TTIL)**
  - Global OEM clients
    - General Motors, Ford, DaimlerChrysler, Toyota, Volkswagen, Honda, Nissan, Fiat, Boeing and Airbus
  - Non-TML business contributes to 40% of revenues

- **TAL Manufacturing Solutions**
  - Turnaround performance through the following performance drivers
    - Improved order position
    - Firm offer funnel > 5 times (Rs. 1,500 mn) of Order plan (Rs. 290 mn)
    - Improved Working Capital Management
    - Manpower right sizing

# Tata Daewoo Commercial Vehicle

- Significant improvement in S. Korean HCV market share




- Financial Performance

| (Rs mn) | April-Dec 2003 | April-Dec 2004 | Change |
|---|---|---|---|
| Revenue | 7,695 | 9,235 | 10.2% |
| PAT | 144 | 161 | 11.8% |

Note : KRW 1= INR 0.03824 as on Dec. 31, 2003 KRW 1 = INR 0.04164 as on Dec. 31, 2004

- Slowdown in S. Korean economy due to appreciating KRW and exports slowdown
- Plans to launch Novus in certain international markets and India

# Tata AutoComp Systems (TACO)

- Objective of global footprint in Auto Comp. manufacturing and engineering services
- Currently, 12 JVs and 2 wholly-owned companies
  - JV route for accessing technology for domestic market
  - Offering access to Indian market and production base in India to global OEM Auto suppliers
  - Provide engg. services for the JV partners' global requirements
- Has association with key global OEM suppliers as JV partners
  - Johnson Control
  - Yazaki Corp.
  - Faurecia (Product Licence Agreement)
  - Knorr Bremse
  - Toyo Radiator
  - Ficosa
  - Owens Corning
- TACO and its JVs together achieved a revenue base (summation of all entities) of Rs 10 bn during Apr-Dec 2004 (+29% YoY). Exports account for 10% of these revenues.

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# Tata Finance merger with TML

Merger of Tata Finance Ltd. with TML was approved by the Board of Directors of both the Companies on 10$^{th}$ January, 2005

- Appointed date of merger : April 01, 2005
- Scheme of merger : 8 ordinary shares of Tata Motors Ltd. for every 100 equity shares of Tata Finance Ltd
- TML equity base to expand by 15.9 million shares (in scenario of non-cancellation of cross-holdings) implying 4% equity dilution for TML

# Importance of formidable captive financier

**Additional value propositions of Captive financier**

| | | |
|---|---|---|
| 5 | Envelop additional profits by extended value chain of financing | • De-risking from cyclicality of auto sales business<br>• Source of stable stream of annuity revenue<br>• Improvement in EPS |
| 4 | Capture complete vehicle life cycle | • Extend value chain by combining financing offerings with insurance, fleet management, operating leases, re-finance, spares & service financing, fuel cards |
| 3 | Enhance customer loyalty | • Increase customer loyalty with more customer touch points<br>• Increase repeat purchase, buying of spares and services |

**Generic benefits of financier**

| | | |
|---|---|---|
| 2 | Better Synchronization with retail market | • Capture early signals of industry trends & retail buying patterns<br>• Continuous feedback on product economics and life cycles<br>• Improve replacement demand, control replacement cycle |
| 1 | Bundling financing with the products | • Expand / develop the markets<br>• Flexibility in sales and pricing to make offerings more attractive<br>• Enhancement of channel profitability and relationship |

## Need for Merger between Tata Finance and TML

- Bureau of Hire Purchase & Credit (BHPC), in-house financing division of TML, finances approx. 9% of TML's domestic retail sales
- Tata Finance Ltd. (TFL) finances approx. 8% of TML's domestic retail sales
- BHPC and TFL formed joint marketing front end, Tata Motor Finance (TMF), in Aug. 2003 with an objective to leverage complimentary strengths and operational synergies
- The model achieved early success (disbursements and market share have improved substantially than on a stand alone basis)
- Momentum to be maintained by leveraging synergies between the two companies through merger

# TML expects significant upside in Automotive Financial Services

- **Advantages to TML**
  - Build a formidable captive financier
  - De-risk the revenue stream from the cyclicality of vehicles sales business
  - Ensure customer loyalty by enveloping a complete value chain of customer's life cycle spending on vehicles
  - Generate sustainable profit stream

- Automotive Financial services form an important & integral business for all the global Automotive OEMs
  - Manufacturers captive units dominate the financing industry in US, Europe and other markets
    - Accounting for 39 - 44% of OEMs' total retail sales
  - GMAC, Ford Credit, Chrysler Financial Corporation , Toyota Financial Services, etc., have played an important role in their parent company's growth
    - Contribute 16 - 48% to the net income

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# Tata Motors' future growth

- Key elements of growth
  - Opportunities in the domestic market resulting from structural changes
    - TML – strong competitive position
    - New Product launches
  - Focus on non-cyclical revenue streams
  - International business opportunities
    - Product & market expansion
- Strategy execution
  - Organic - Capacities & Products
  - Inorganic

# Near-term Challenges Affecting Performance

- Steel price increases
  - Likelihood of steep increase in steel prices
- Impact of Emission compliance measures
  - From April 2005, 11 cities will migrate to Euro III while the rest of the country will migrate to Euro II emission norms.
  - Cost implications of this may lead to advancement of demand in 4Q FY05 leading to sluggish demand conditions in FY06
- Increasing inflation
  - Expectation of interest rate hardening although marginal
  - Some impact on vehicle demand
- Fuel price increases

# Thank You

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