



**TATA MOTORS**

*Leading the Future*

*February 2004*

**TATA MOTORS**



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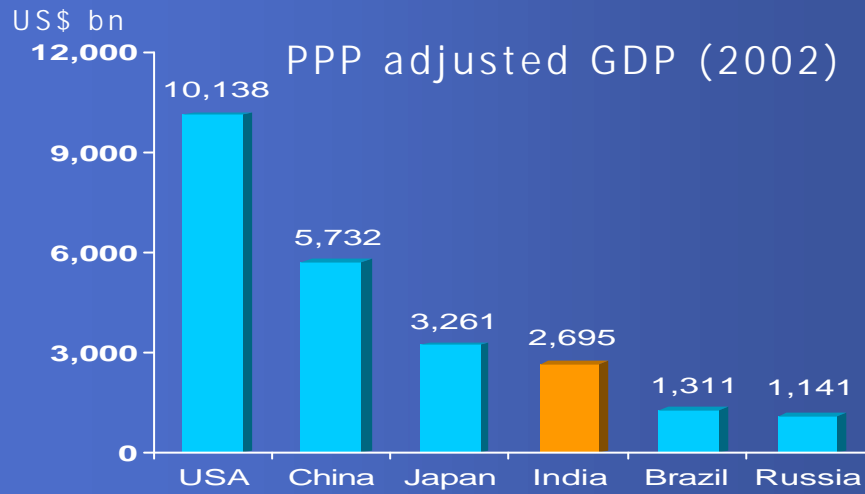


## Presentation outline

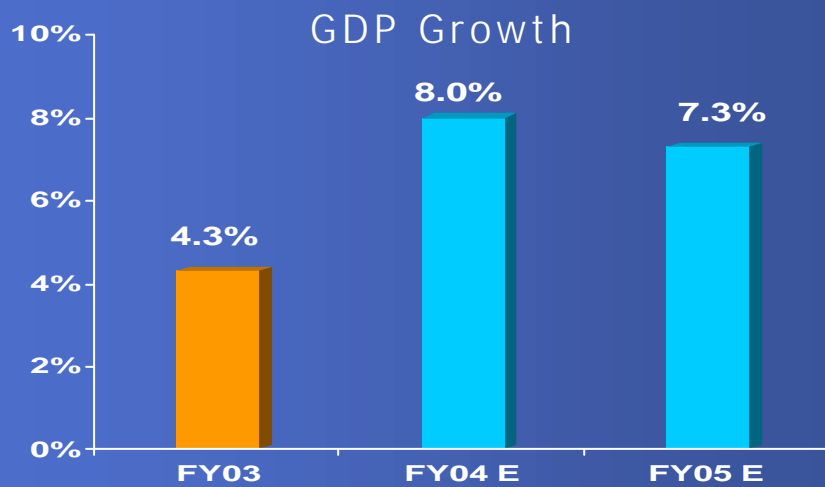
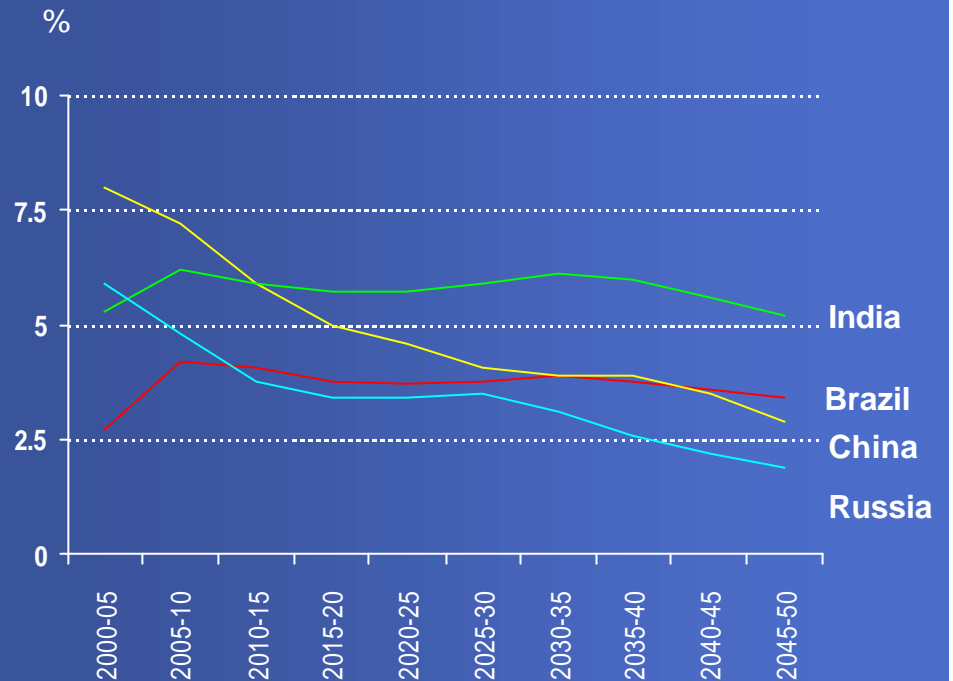
- ▶ India Economy – Emerging from the shadows
- ▶ Growth Catalysts
- ▶ Potential impact & Tata Motors response
  - Domestic Business
  - International Business
- ▶ Tata Motors – Financial Highlights
- ▶ The Way Forward



# India Economy – Emerging from the shadows



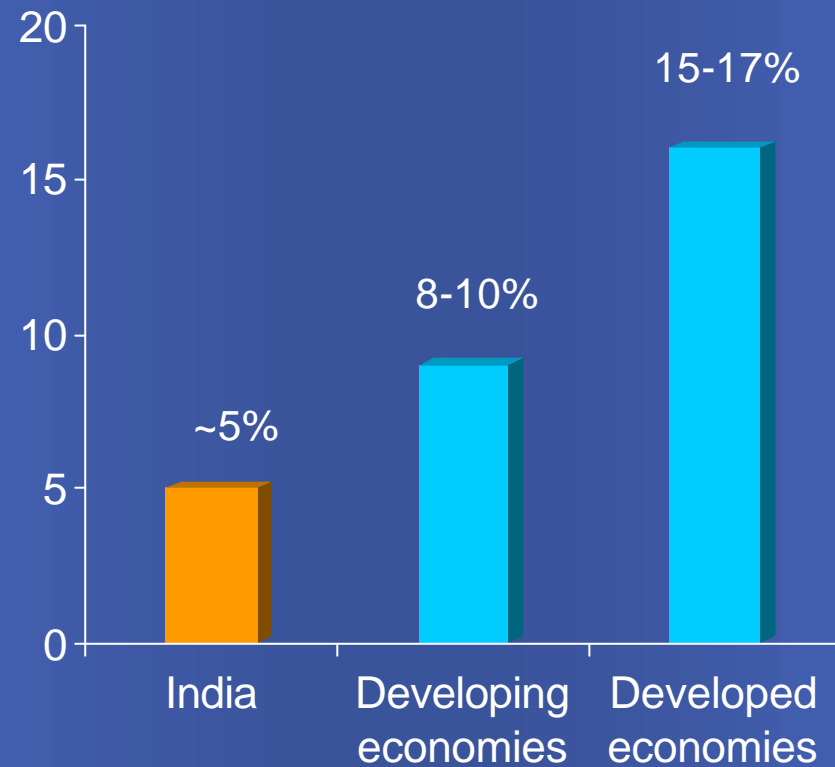
### Forecasted GDP growth



*India Economy - highest growth potential among the emerging economies*

## Implications for India Auto industry

Contribution to Industrial Output



*Economic Development offers a great growth opportunity for India Auto & Related activities*



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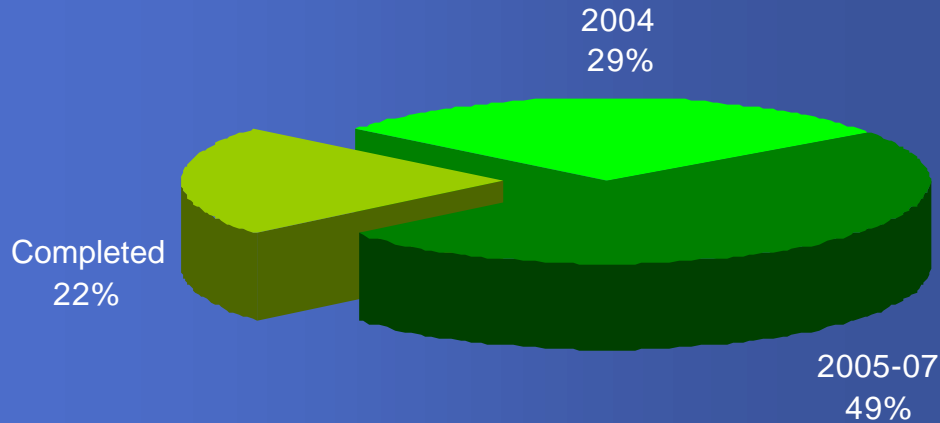
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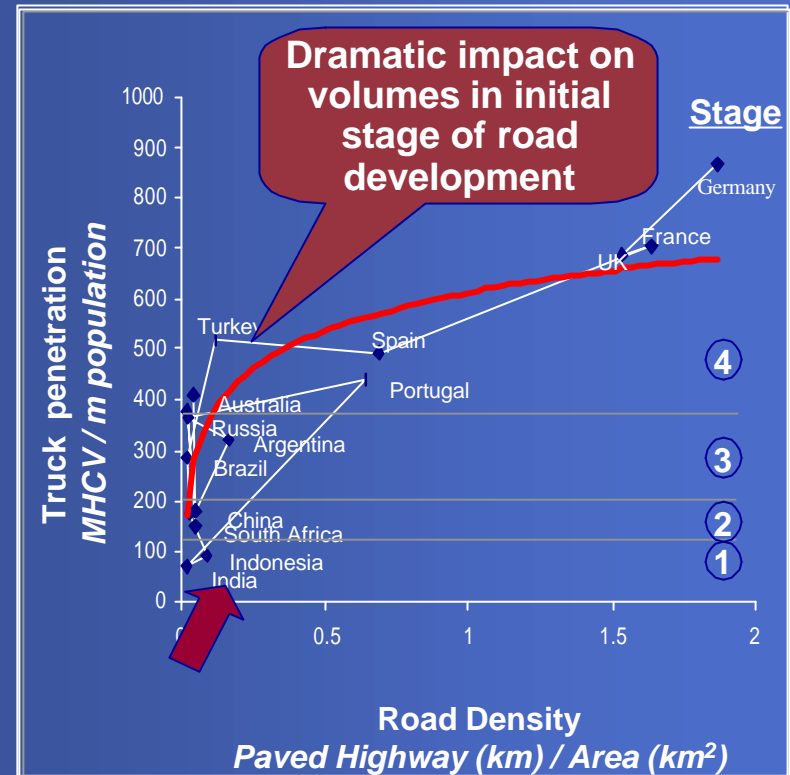
# Impact of Road Development programme

Year-wise completion schedule of NHDP

Planned length – 14,000 km



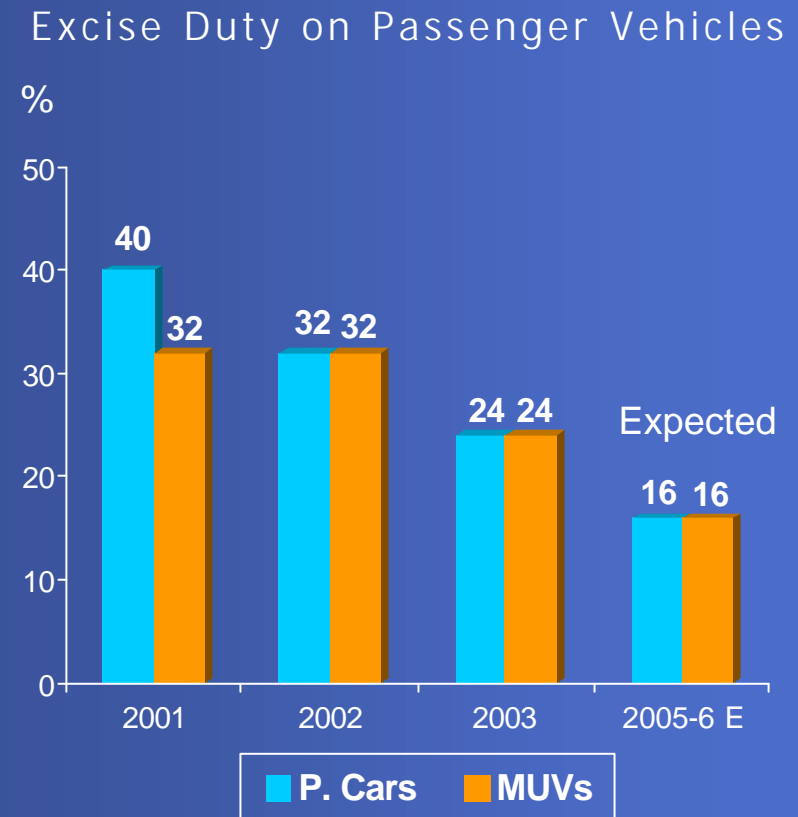
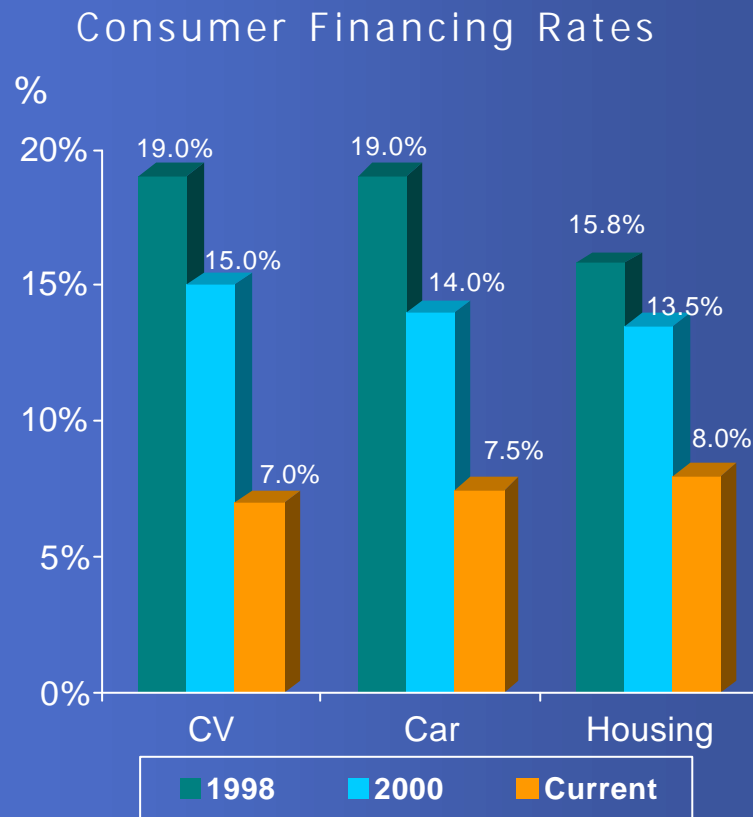
Source: NHAI



*Between 1997 - 2002, Highway length in China increased by around 15,000 km and CV volumes nearly doubled from 1.2 mn to 2.1mn ...*  
*..... Indicative of likely future directions in Indian market*



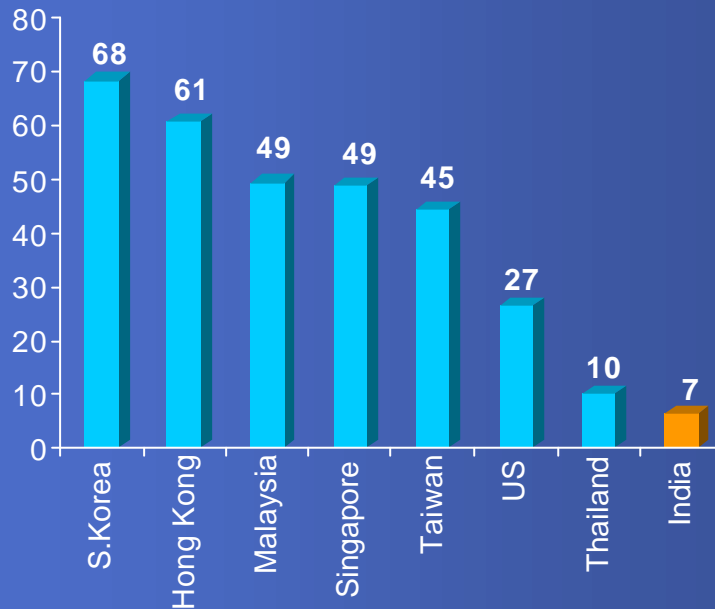
## Benign Interest & lower Excise Duty benefiting consumer



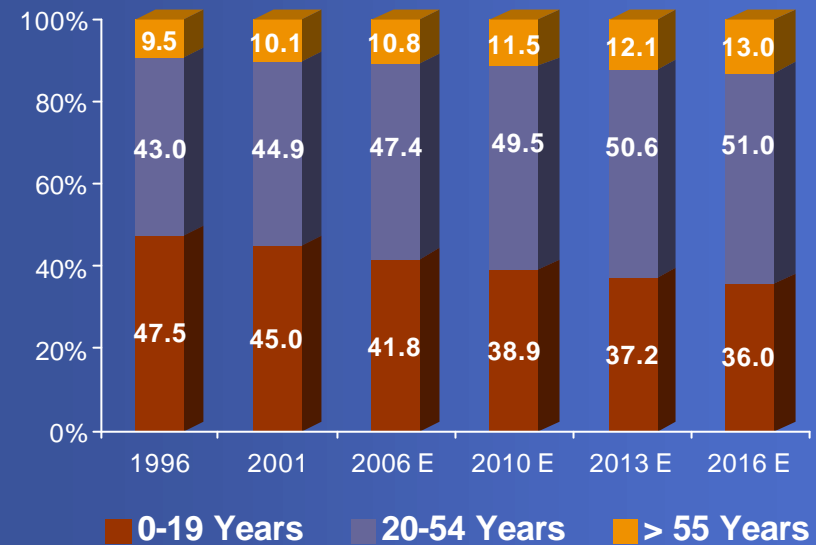
*Rising incomes coupled with lower purchase cost  
will have a positive impact on demand*

# Favourable Consumer dynamics

Consumer Financing  
as % of GDP



Projected Demographic profile



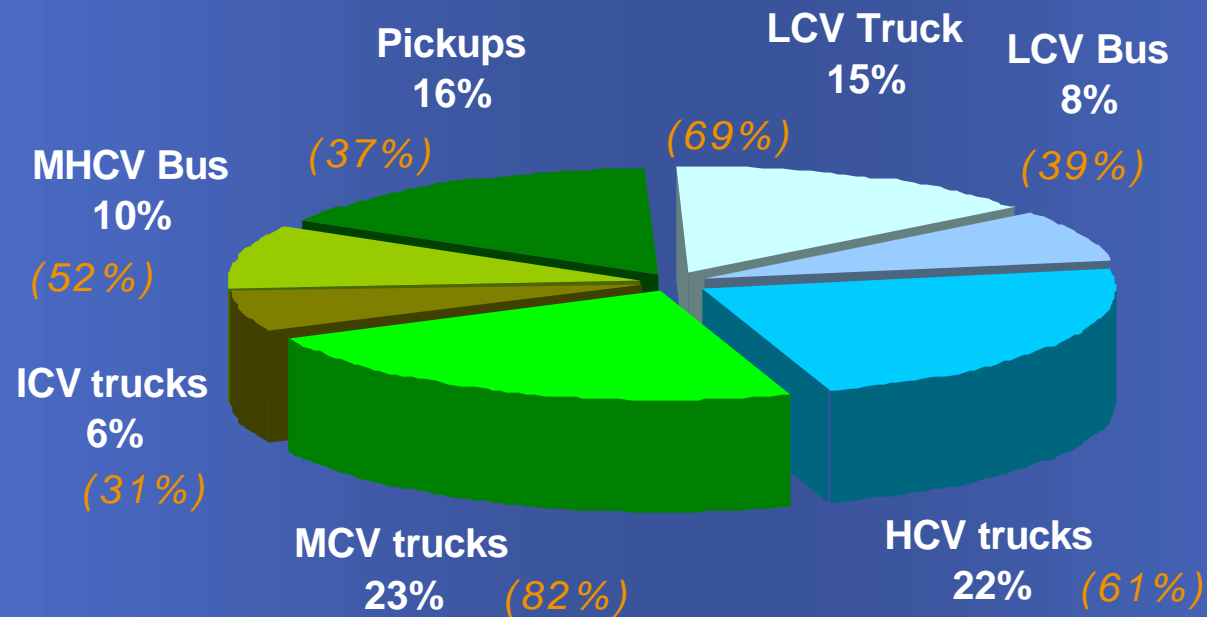


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## India Commercial Vehicle market



Figures in parentheses denote Tata Motors market share in individual segment

Market size

FY03: 192,000 units

Apr-Dec'03: 178,000 units +36%

**Tata Motors' Market share: 59%**

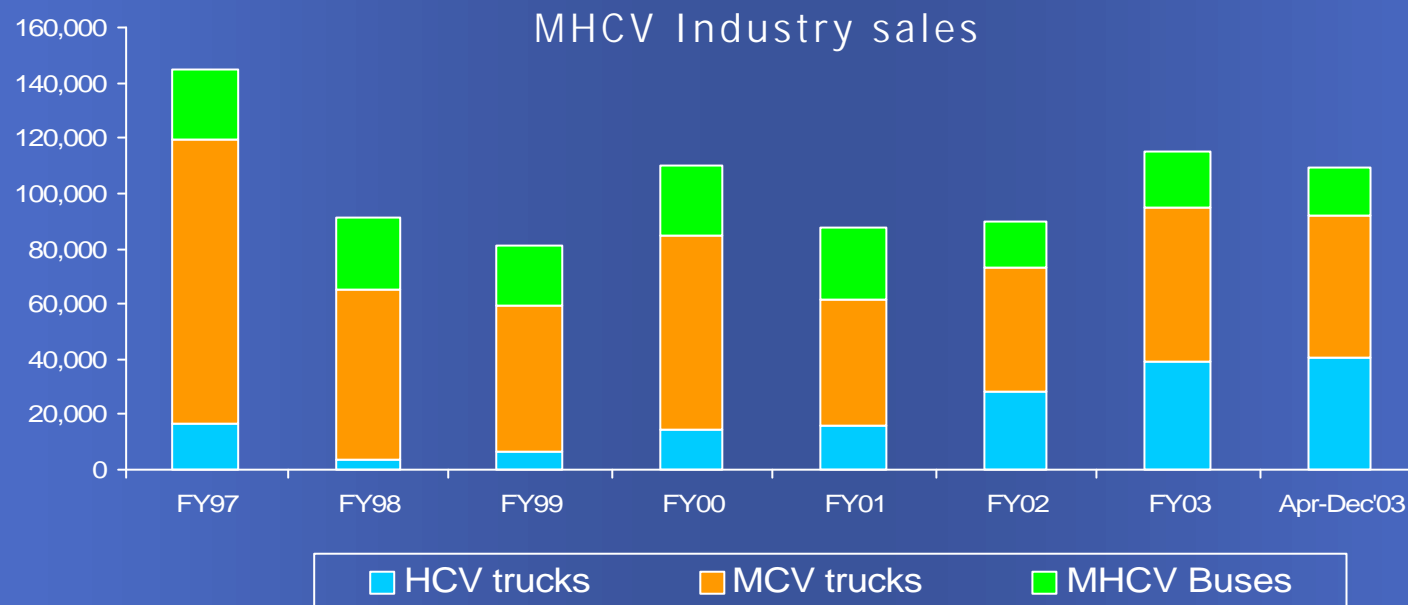
No. of players : 9

No. of foreign players: 2

Market share: 0.2%

*Tata Motors – Leading the CV market*

## Impact of catalysts on MHCV .....

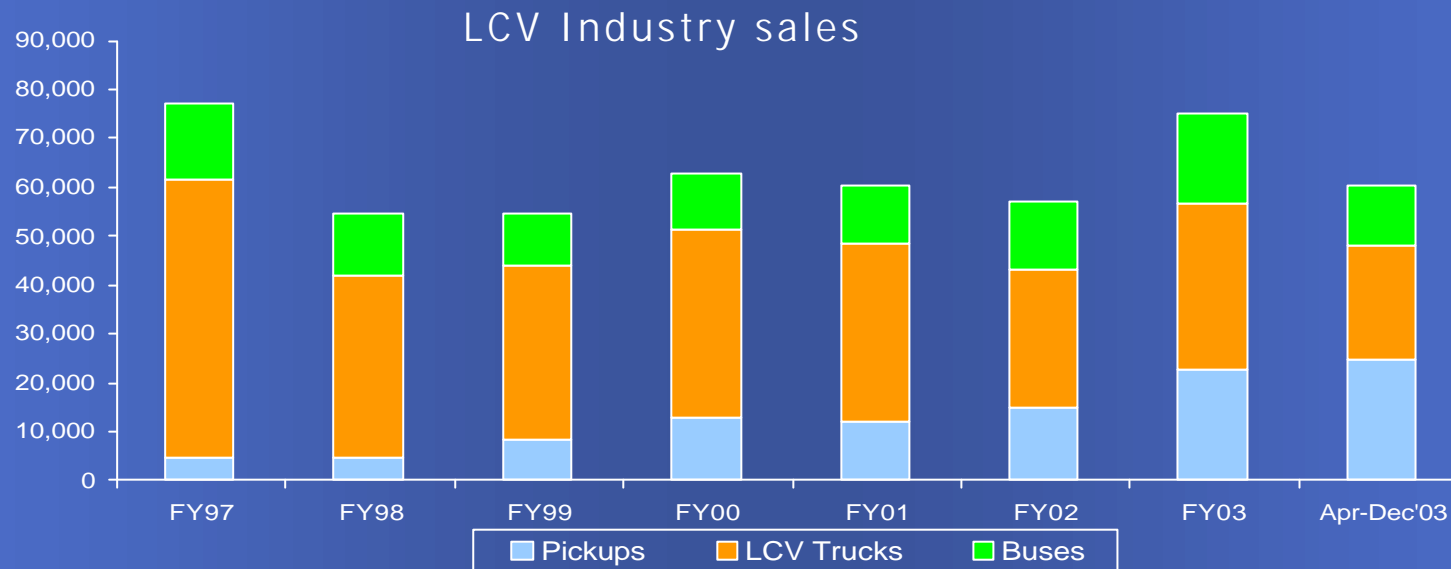


- ▶ Proportion of HCV trucks (>25 MT GVW) has improved significantly over last couple of years.
- ▶ HCV Trucks account for 37% of MHCVs (up from 12% in FY97)
- ▶ Future growth segments: Tractor-trailers, Higher power-to- weight ratio CVs

*Tata Motors in a leadership position with HCV truck market share of 61%*



## ... and LCVs



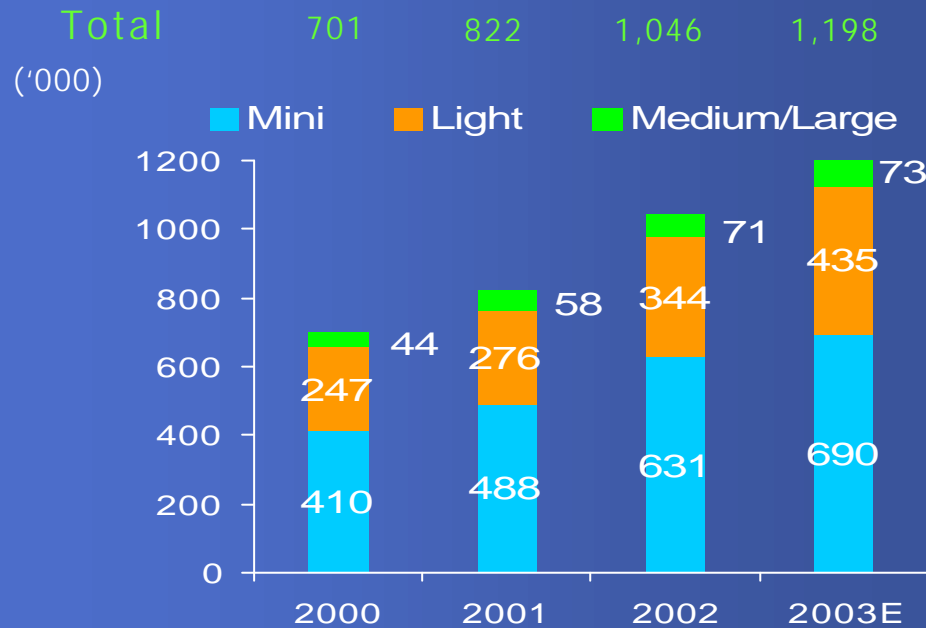
- ▶ Proportion of pickups up from 6% in FY97 to 41%
- ▶ Growth in Pickup segment due to
  - Desegregation of load at low end
  - Launch of Tata 207DI pickup which has expanded the market
- ▶ Future growth segments: Smaller LCVs

*Tata Motors – captured market share of 37% in the Pick-up segment with 207 DI*

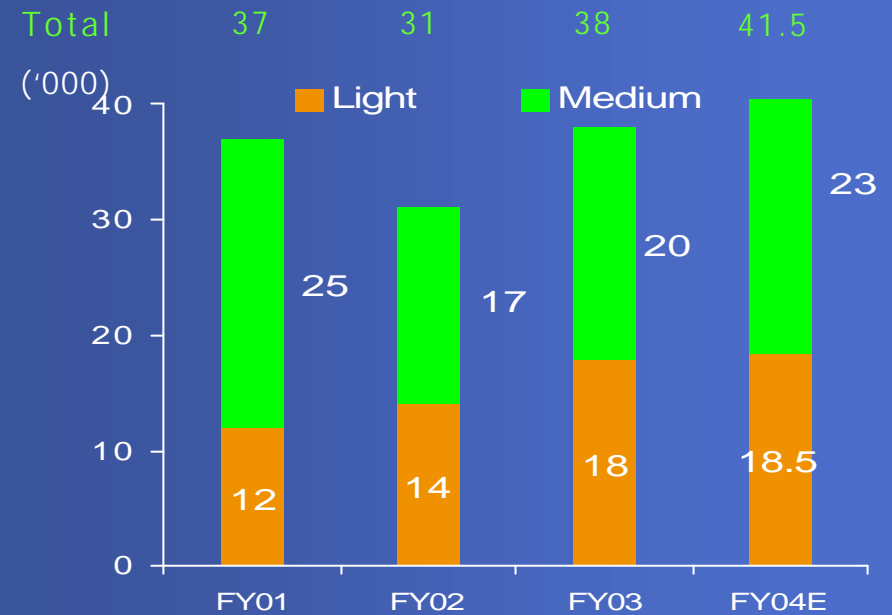


## Upside potential In Bus demand

China Bus market



India Bus market



- High growth potential in both MCV and LCV buses
  - Road development
  - Compliance with emission norms
  - Move towards privatisation

*Tata Motors' market share at 52% in MCV Bus and 39% in LCV Bus*



## Capturing the upswing in Commercial Vehicles



### ▲ Focus on Total CV solutions

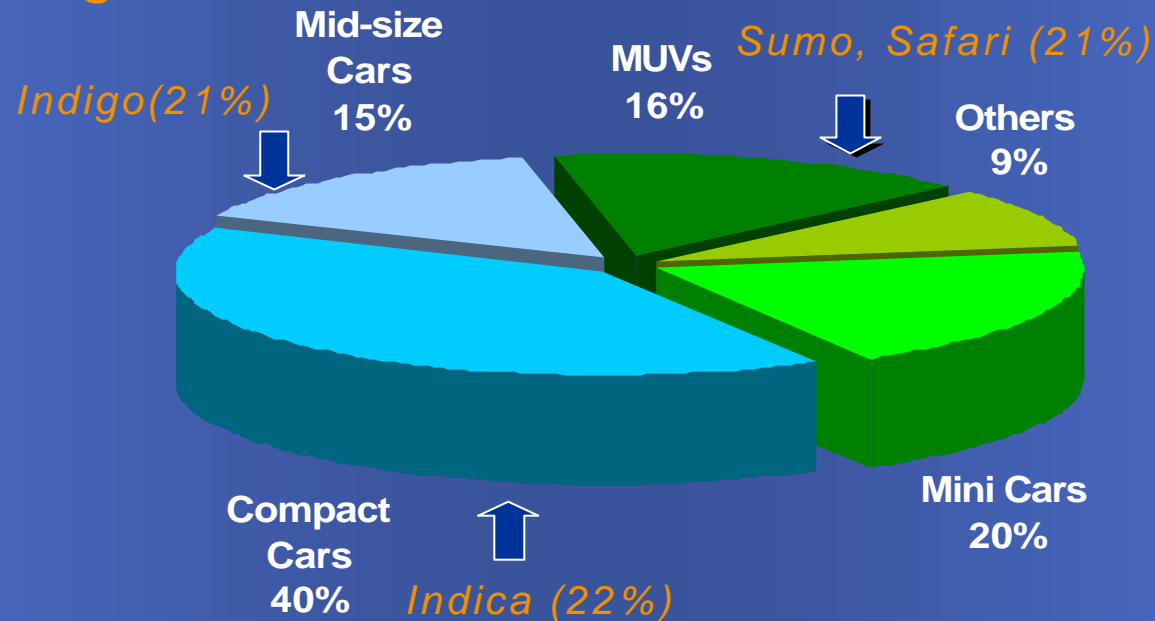
- Truck of the Future to match global standards with higher Power-to-Wt. ratio
- Smaller LCV
- Industry-specific freight solutions

### ▲ Range of fully-built buses

- Advanced technology
- Improved fuel efficiency, reliability and comfort
- Contract manufacturing for body-building



## India Passenger Vehicle market



Figures in parentheses denote Tata Motors market share in individual segment

### Market size

FY03: 715,000 units

Apr-Dec'03: 628,700 units +26%

**Tata Motors Market share: 15.5%**

No. of players : 13

No. of foreign players: 9

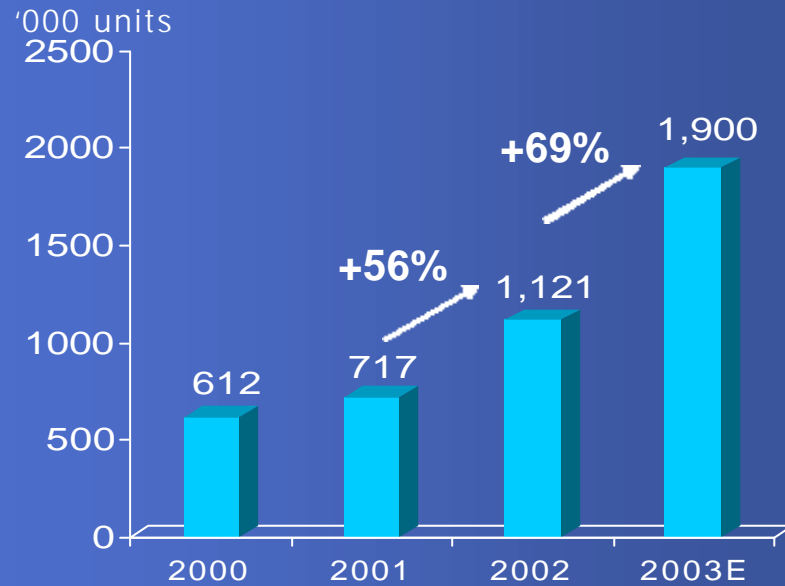
(excluding MUL)

Market share: 28%

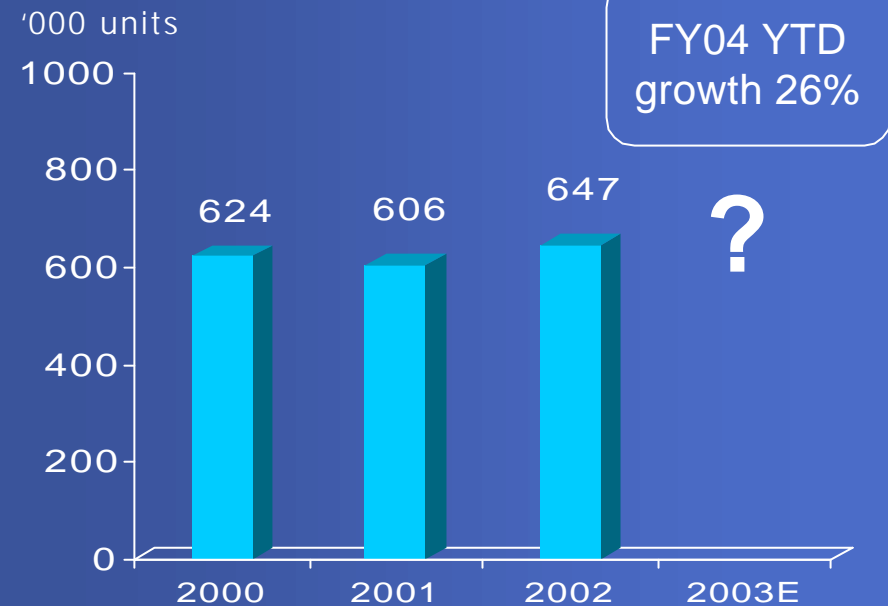
**Tata Motors' current product range addresses 70% of the market  
Opportunity in the Mini Car segment**

## Growth drivers for India PV market

China PV market



India PV market



Release of pent-up demand in 2002 & 2003

- Price cuts by OEMs
- Easing of Regulations
- Low cost finance
- Finance availability

Similar conditions in India

- Excise duty reduction
- Low cost finance
- Finance availability
- New product launches



## Leveraging capabilities to launch new products

- ▶ Tata Indigo – launched in Dec. 2002
  - Leadership position with 26% market share
  - Cumulative sales of over 25,000 units
- ▶ Safari Petrol – launched in Sep. 2003
- ▶ New Indica V2 launched and Indigo Marina unveiled in Jan. 2004

### **New Indica V2**

*(launched in Jan. 2004)*



### **Indigo Marina**

*(unveiled in Jan. 2004)*

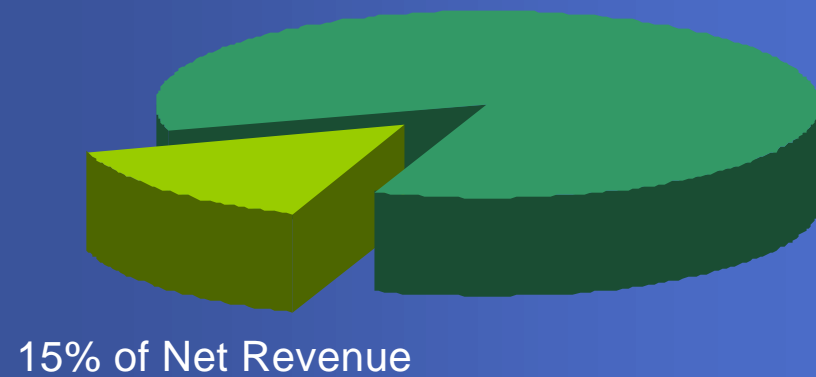


*Indica Sport and New MUV platform in the pipeline*

## De-risking the Revenue Profile

- ▶ Spares
- ▶ Vehicle Financing
- ▶ Reconditioned Vehicles / Aggregates
- ▶ Marine & Industrial Engines
- ▶ International Business

Revenue from Non-cyclical Business  
Apr-Dec'03



*Plan to increase it to around 20% of Net Revenue in next 2-3 years*



## International Business

### Commercial vehicles

- ▶ Customer focused initiatives being implemented in select key countries
- ▶ Exploring both organic and inorganic routes for revenue growth
- ▶ Improving sales and service channel penetration in key countries
- ▶ Exploring opportunities in
  - China
    - Joint manufacturing and selling of CVs
    - Sourcing aggregates
  - S. Africa & CIS countries for buses



## Potential Daewoo Commercial Vehicle acquisition

### ▲ Daewoo Commercial Vehicle Co. (DWCV)

- Second largest HCV truck manufacturer in Korea with 26% market share in its segment
- Presence in transport and special-purpose applications
- 20,000 annual capacity plant in Kunsan, established in 1996

### ▲ Tata Motors, the preferred bidder - Due diligence currently on

### ▲ Opportunity for Tata Motors

- Introduce DWCV's HCV range in potential international markets
- Advance introduction of high power-to-weight ratio vehicles in India
- Know-how and technology for assembling high-end trucks from DWCV; useful in "Truck of the Future" project
- Access to S. Korea market for MCVs and ICVs
- S. Korea as a base for Tata Motors' exports to other Asian markets
- Access to R&D capabilities in CVs

## International Business

### Passenger vehicles

- ▶ Commenced export of City Rover to UK
  - Over 4,000 cars shipped in 3Q FY04
- ▶ Distribution of Safari in Europe through Phoenix Venture Holdings



**City Rover**  
*(for European markets)*



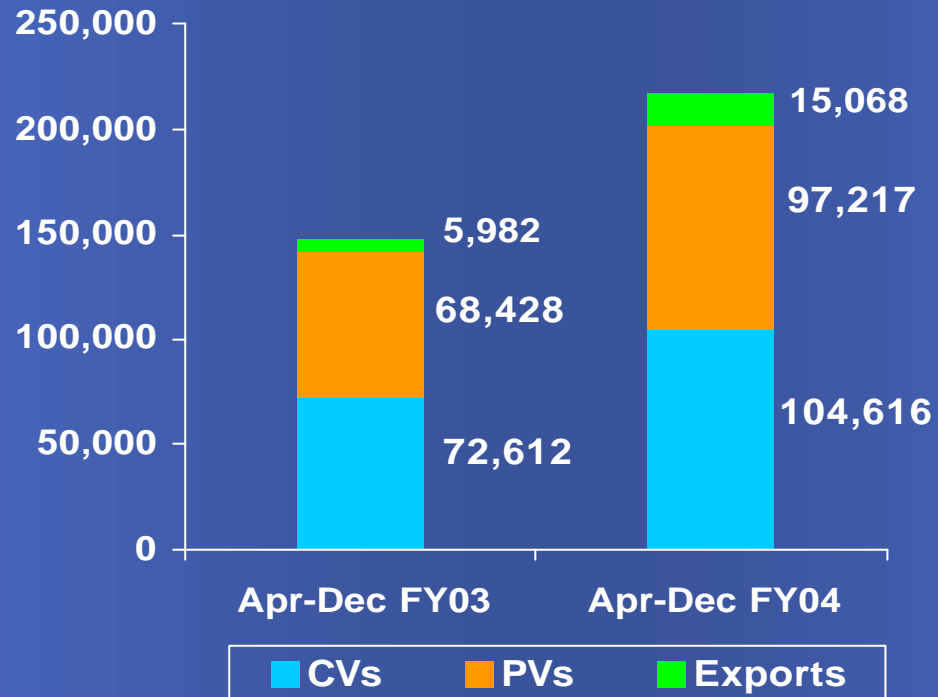
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## Strong volume growth

Total volumes 147,022 216,901 (+48%)



### April-December FY04

CVs: Volumes +44%      Market share: 59% (+340 bps)  
PVs: Volumes +42%      Market share: 16% (+180 bps)  
Exports: Volumes +152%



## Apr-Dec FY04 Financial performance

- ▶ Net Revenues of Rs 91 bn (+49% YoY)
- ▶ EBITDA up 68% to Rs 12.6 bn
- ▶ EBITDA margin of 13.9% compared to 12.3% in Apr-Dec FY03
- ▶ Pre-tax Cash Profit of Rs 11.8 bn (up 117% YoY)
- ▶ PBT up 207% to Rs 8.5bn
- ▶ PAT of Rs 5.2 bn, +219%
- ▶ Interim Dividend of 40%

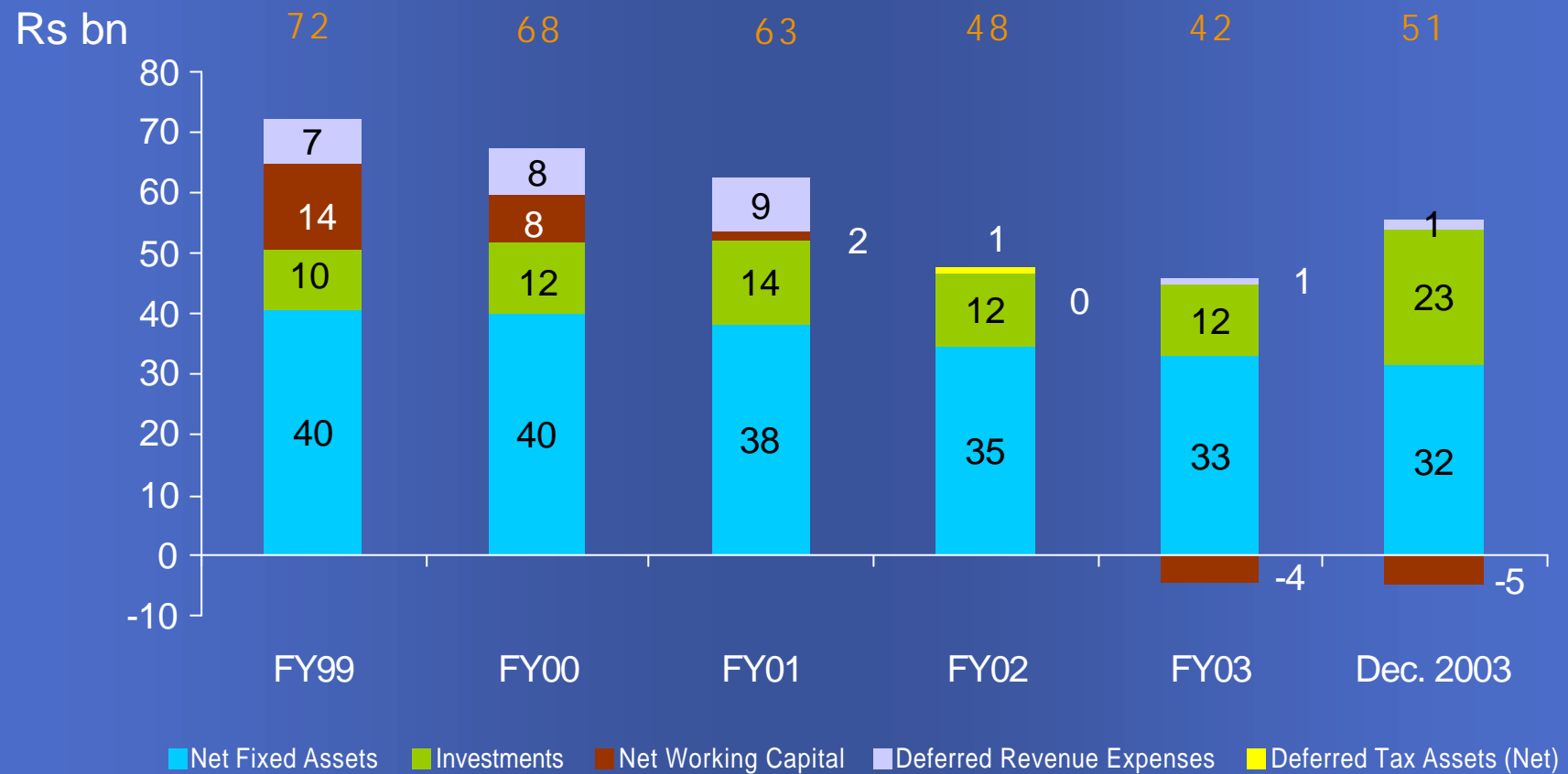
Quarterly EBITDA Margins



*Tata Motors – the largest Automotive Company in India*

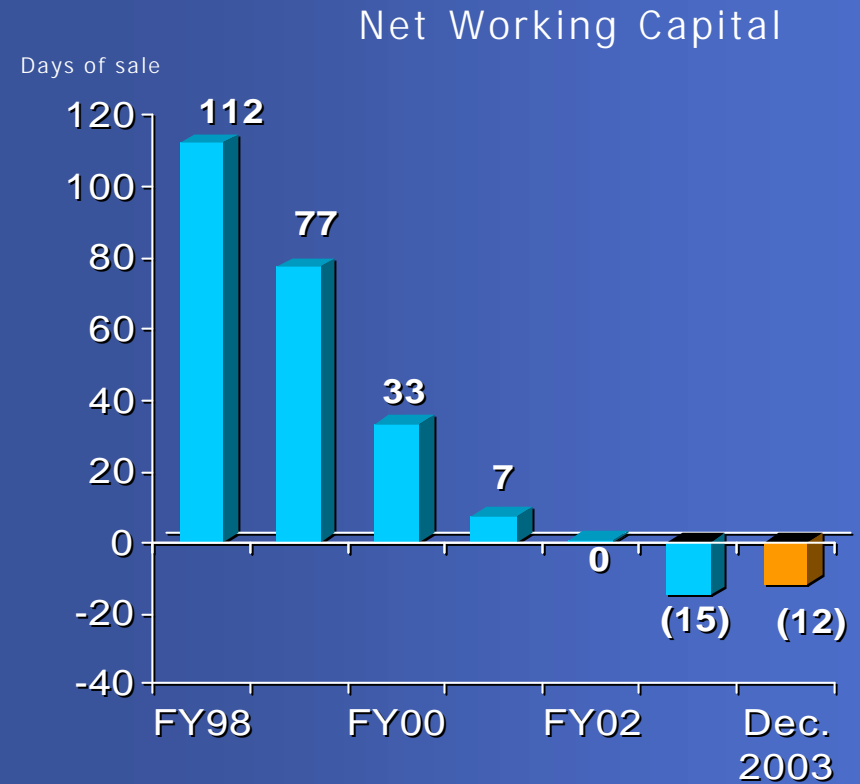
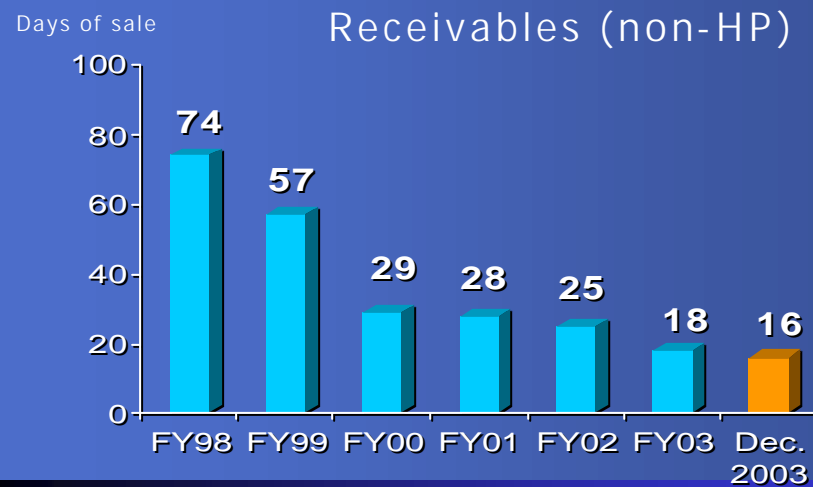
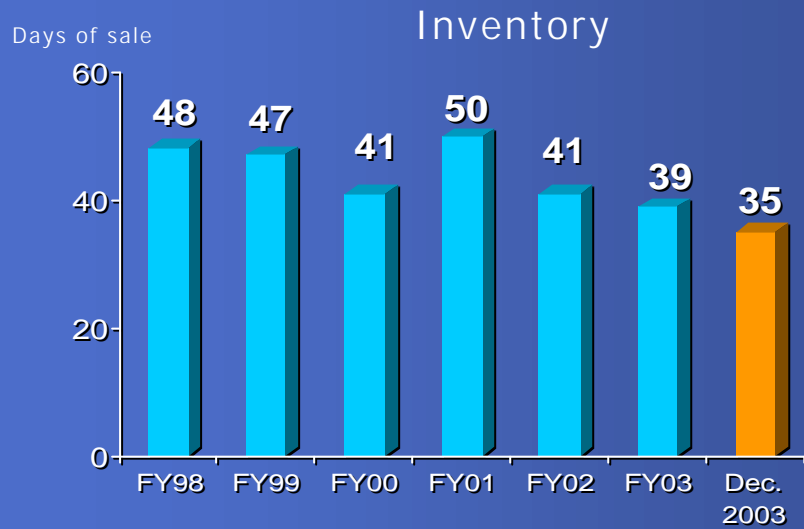


## Effective Balance Sheet management



*Investible surplus of Rs 12.4 bn as on Dec. 31 2003*

## Tighter fiscal discipline

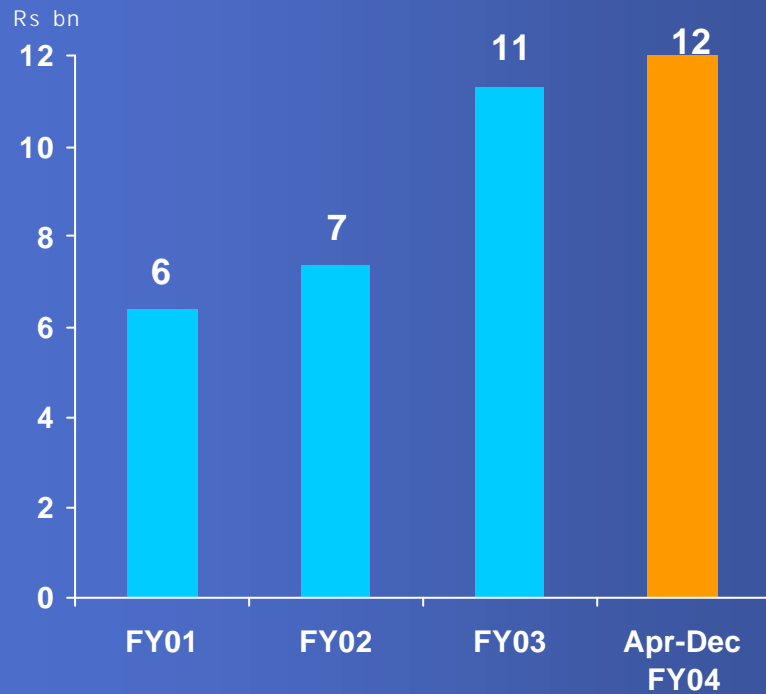


*Negative Working Capital maintained during first 9 months of FY04*

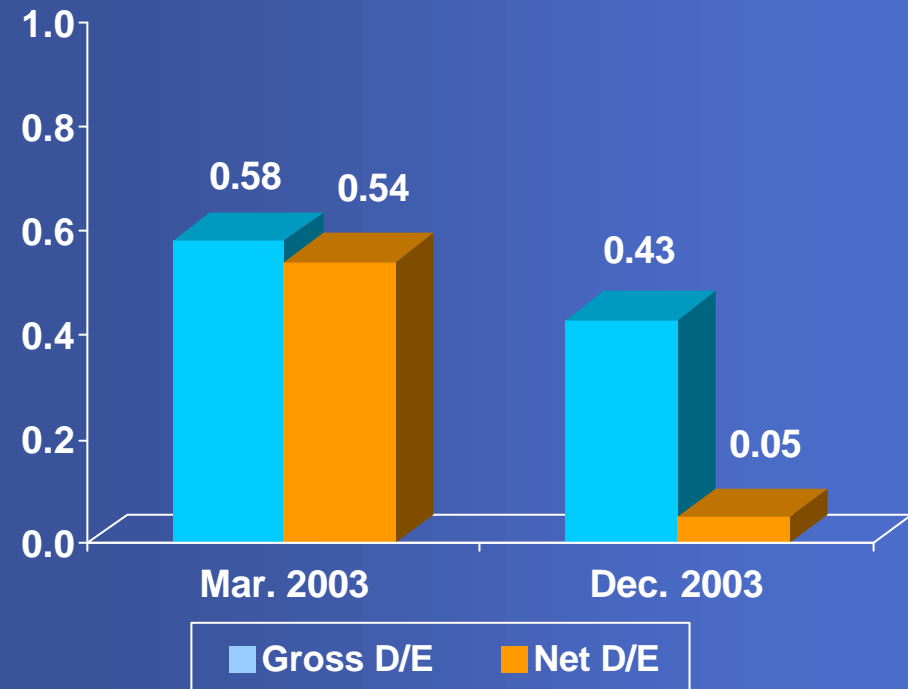


## Stronger Cash Flows & Debt reduction

Free Cash Flow



D/E position



*Net Debt down to Rs 1.7 bn as on Dec. 31, 2003  
from Rs 13.8 bn as on Mar. 31, 2003*

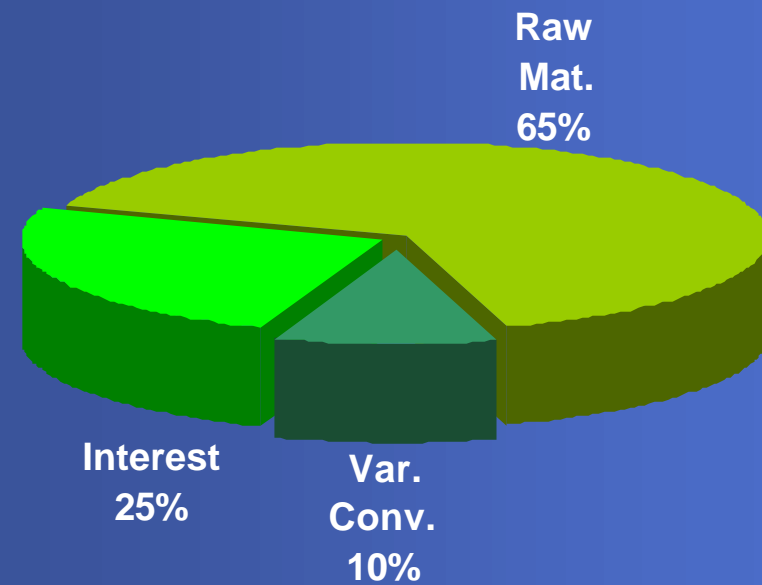
## Cost reduction – Phase I

Total Cost Reduction

Rs bn



Cost Reduction Elements  
FY01 – FY03



*Total Cost reduction of Rs 9.5 bn in last three years*



## Cost reduction – Phase II (FY05 – FY07)

- ▲ Cost pressures on account of
  - Rising input costs (*Steel, tyres*)
  - Change in product mix (*Higher proportion of new products and exports*)

*Intensify internal cost reduction efforts to mitigate rising input costs*

- ▲ Areas for cost reduction
  - Product content, design, manufacturing and assembly processes
  - Supplier partnering to bring down component and sub-assembly prices
- ▲ Approaches
  - Cross Functional Teams
  - Value Engineering at Tata Motors and suppliers' end
  - E-sourcing
  - Value chain analysis



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## Gearing Capex to support growth

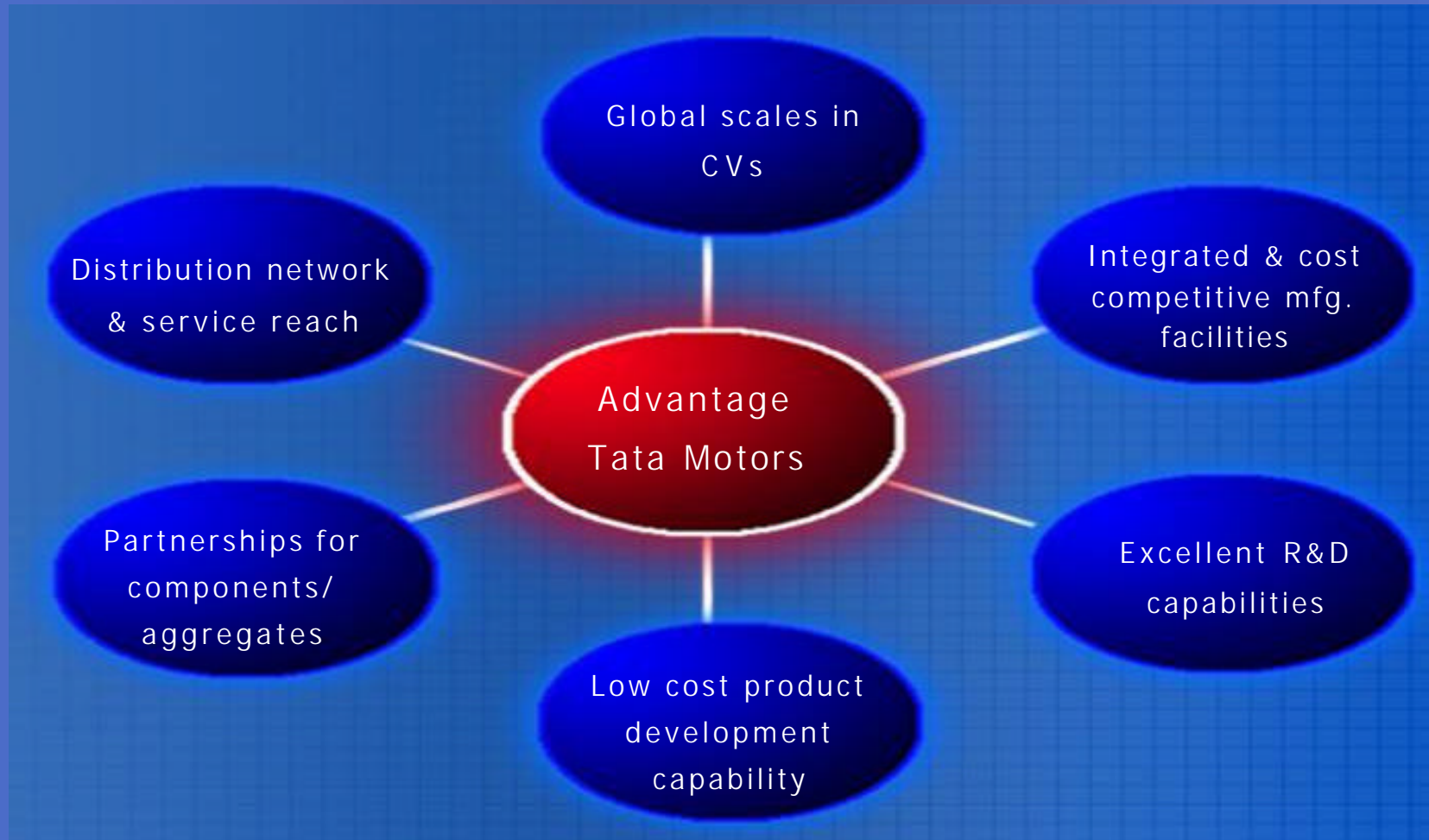


### Investments to include

- Sustenance Capex
- Capacity expansion
- Product Upgrades
- New Platforms
- International market expansion
- Building Brand Equity



## Leveraging our strengths



*Backed by TATA Brand*



## The Way Forward

- ▶ Domestic demand drivers in place – Capture advantage of CV uptrend and growth in PVs
- ▶ Improve revenues from international business
- ▶ Product line upgradation
- ▶ Inorganic Growth
- ▶ Renewed cost reduction efforts
- ▶ Disciplined capex programme
- ▶ Better working capital management



*Thank You*

*[www.tatamotors.com](http://www.tatamotors.com)*