



Tata Motors Limited

Future Strategy & Growth Plans

India Unplugged : Walking the Talk

Kotak - Goldman Sachs Conference

September 2005

1. *Performance*

2. *Commercial vehicles*

- *Growth Drivers*
- *Market Strategy*

3. *Passenger Vehicles*

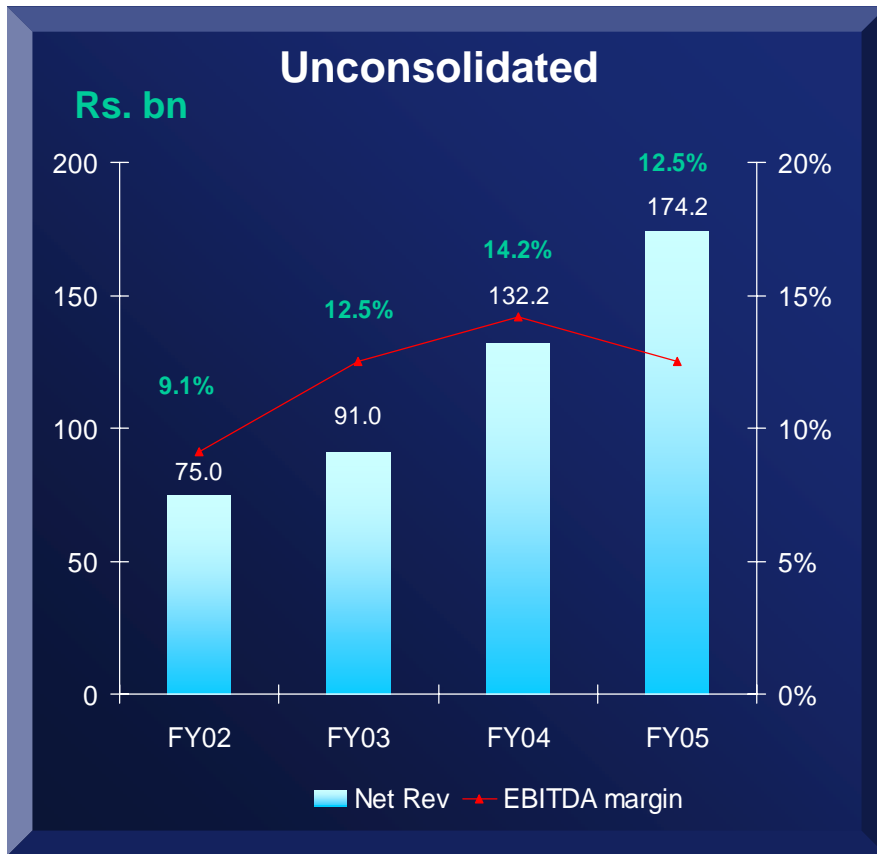
- *Growth Drivers*
- *Market Strategy*

4. *Vehicle Financing*

5. *Financial Management*

6. *Subsidiaries*

Net Revenue and Operating Margin



1QFY06

Net Revenue: Rs. 38.8 bn

EBIDTA Margin: 12.6%

1QFY05

Net Revenue: Rs. 35.7bn

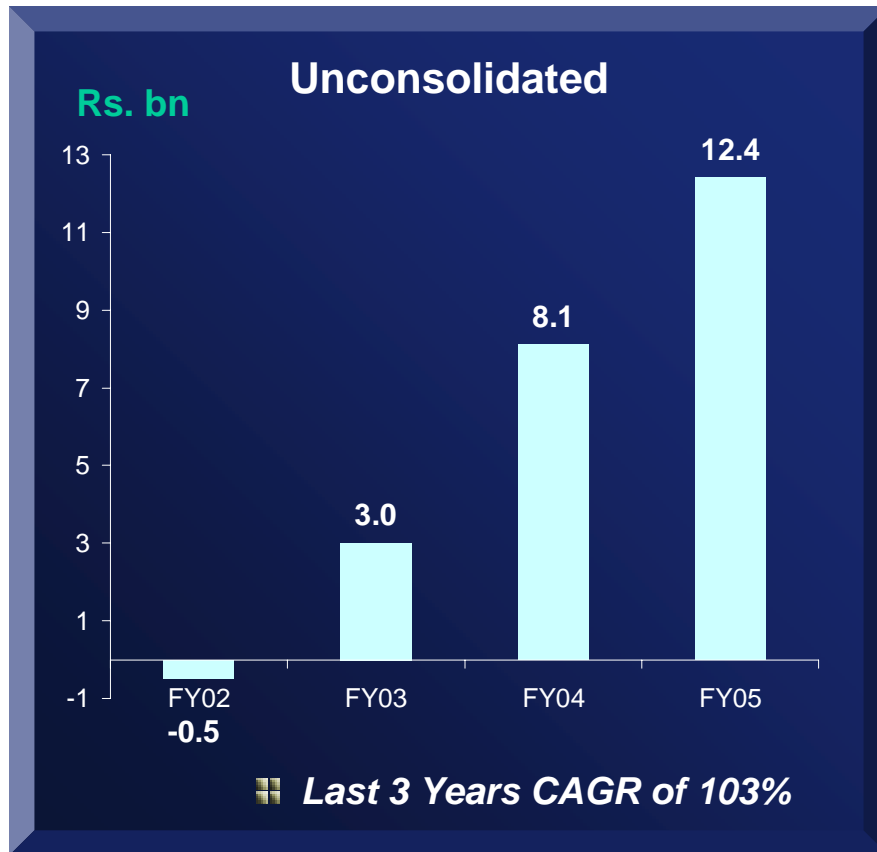
EBIDTA Margin: 12.0 %

1QFY06

Net Revenue: Rs. 44.6 bn

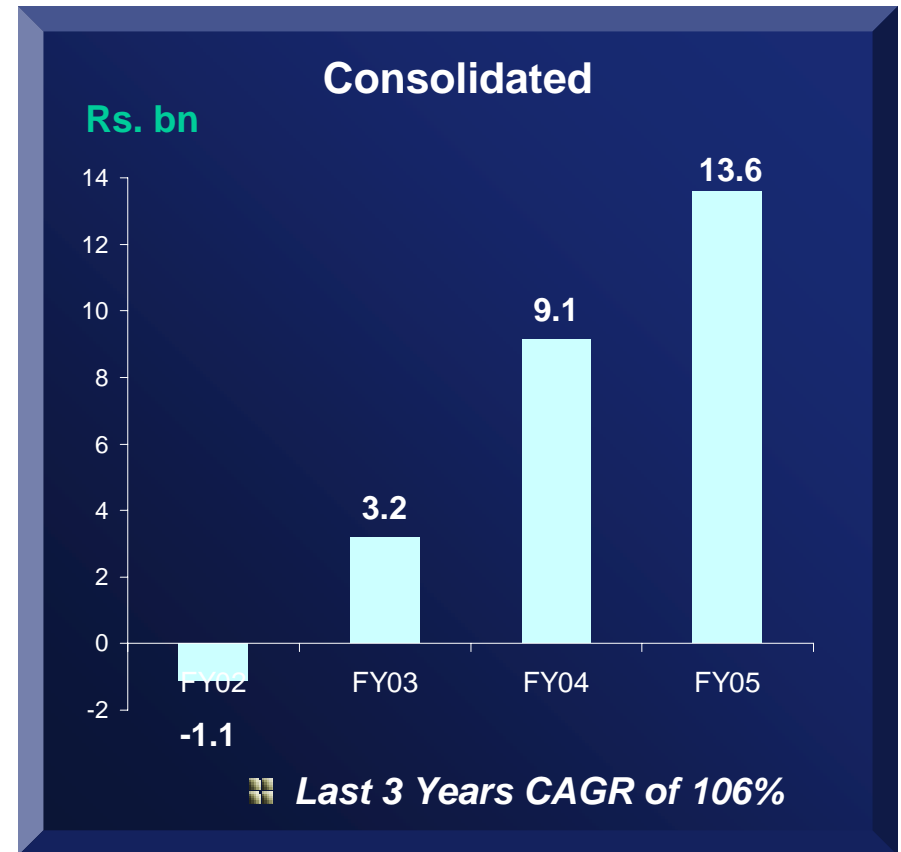
EBIDTA Margin: 12.5 %

Profit after Tax



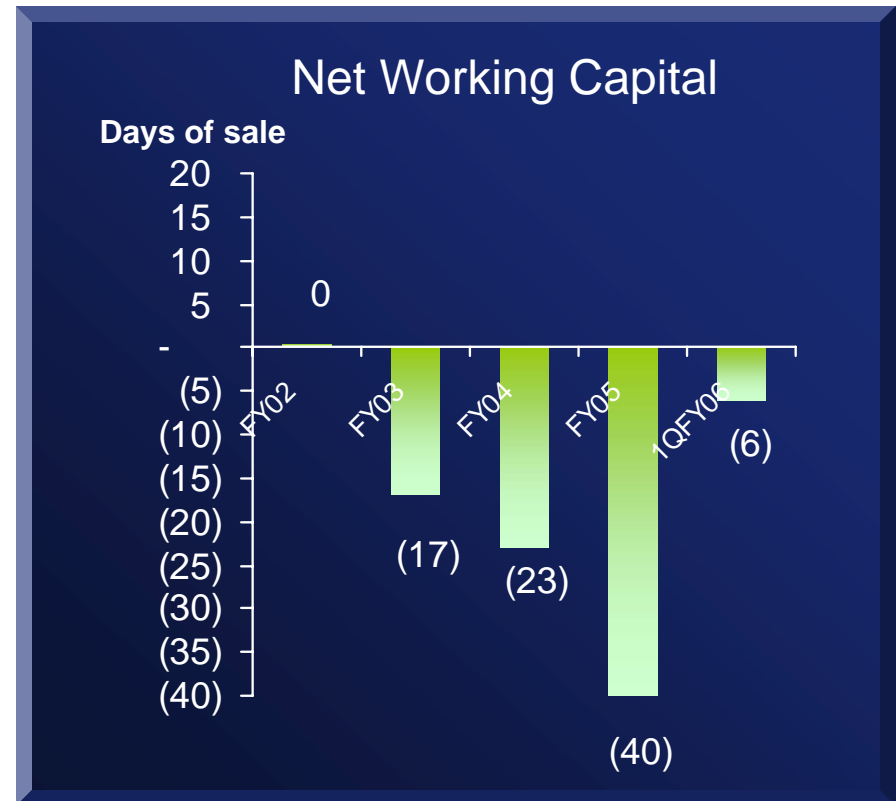
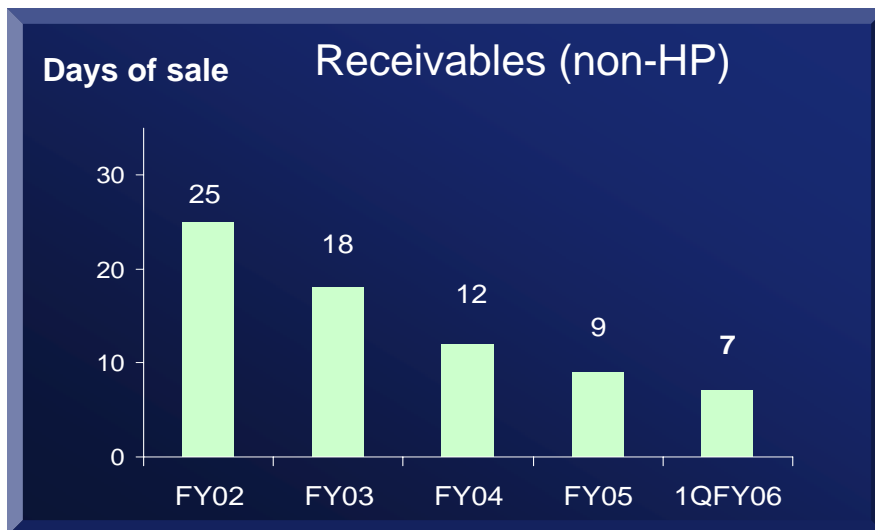
1QFY06
PAT: Rs. 2.7 bn

1QFY05
PAT: Rs. 2.2 bn



1QFY06
PAT: Rs. 2.6 bn

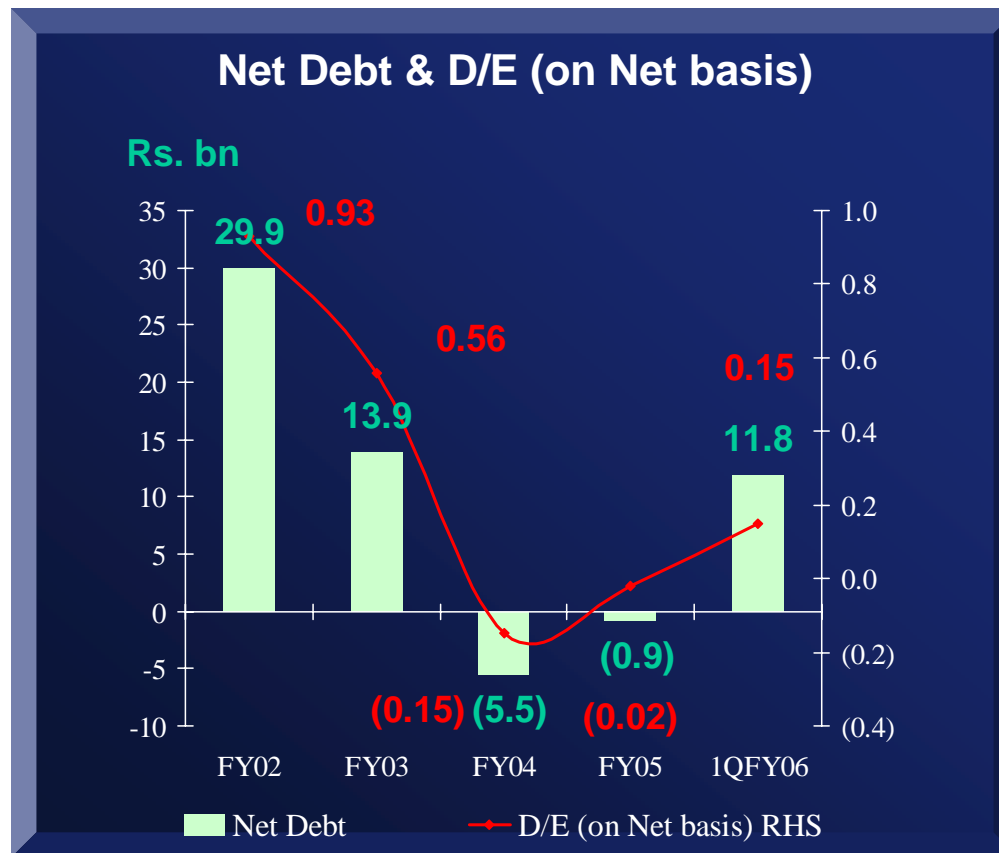
Negative Working Capital



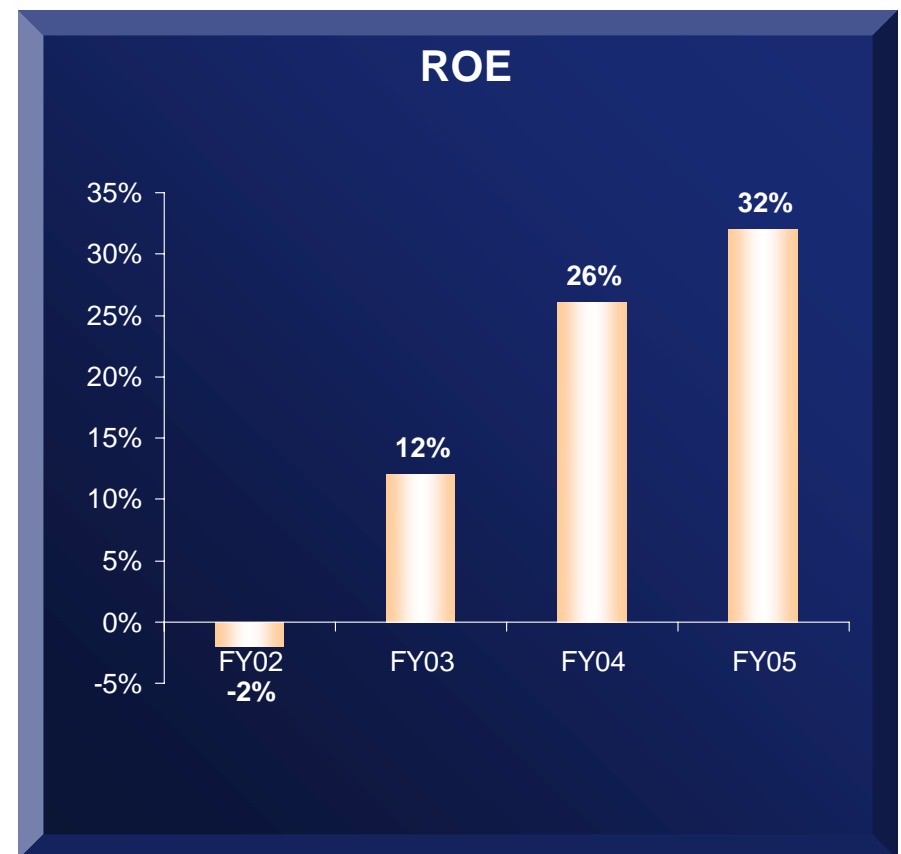
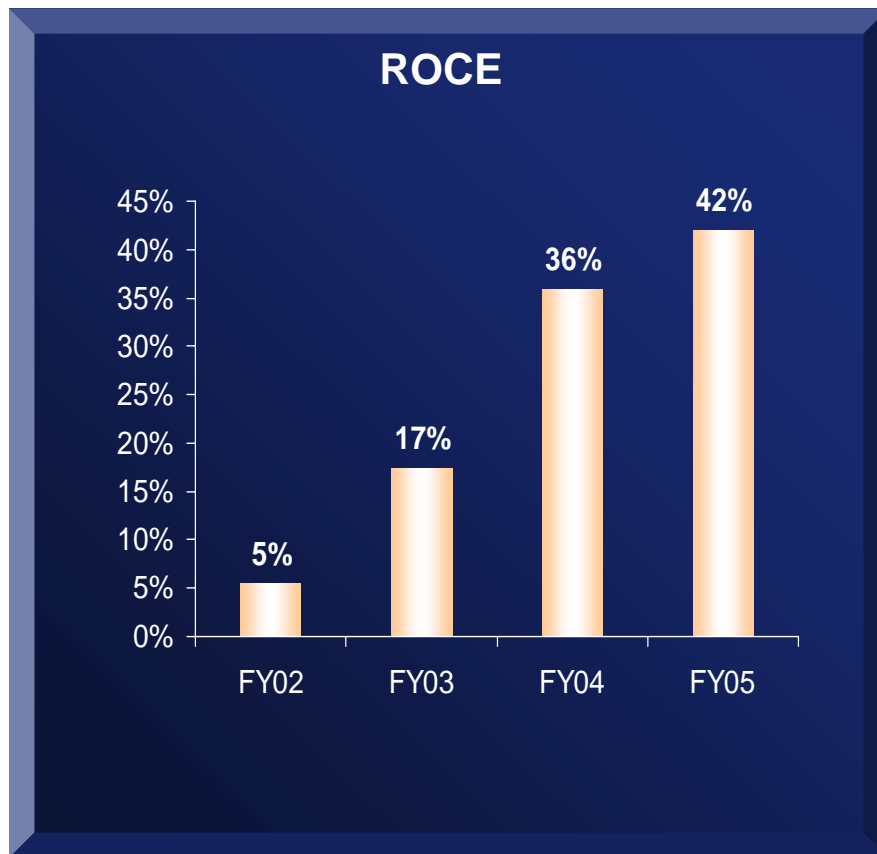
**Negative Working Capital
Maintained**

Calculations exclude Investible surplus and vehicle financing loans

Strong Balance Sheet



Optimizing Returns on Capital



Note : Capital Employed excludes Investible Surplus for ROE and ROCE calculation

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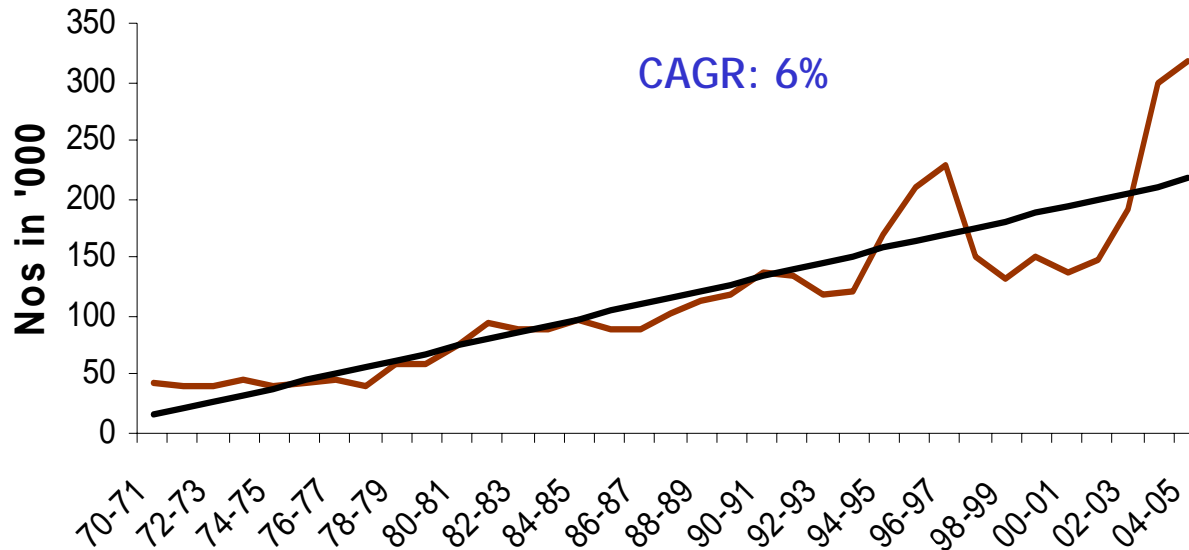
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6. *Subsidiaries*

The Indian Commercial Vehicle Industry is similar to Global CV Industry due to its cyclic nature and low volumes



Indian CV Industry	Characteristics
Similar with Global CV Industry	<ul style="list-style-type: none"> • Cyclical • Low Volume (in ,000s)
Dis-similar to Global CV Industry	<ul style="list-style-type: none"> • Secular long term growth trend • Early stage of road development

Strategy for Countering Cyclicity
<ul style="list-style-type: none"> • Retain high Market Share in existing segments & enter less cyclical segments in India • Build Strong position in emerging segments in new geographies • Lower Break Even Point

The Indian CV Industry, which has seen an up-cycle for the last 4 years, could be influenced by several factors

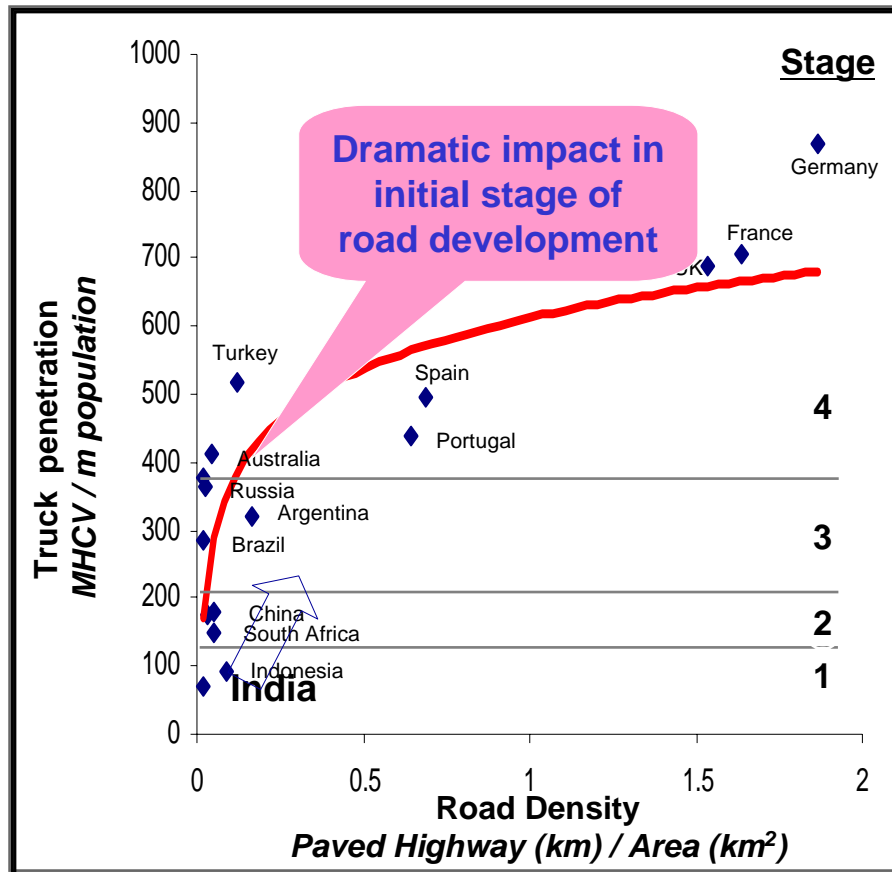
Growth Drivers

- Continued road development in the next 5 years
- GDP growth rate of 6% to 8%
- Low interest rates and availability of finance
- Possible opening of trade with Pakistan
- Entry of global players would help in market expansion

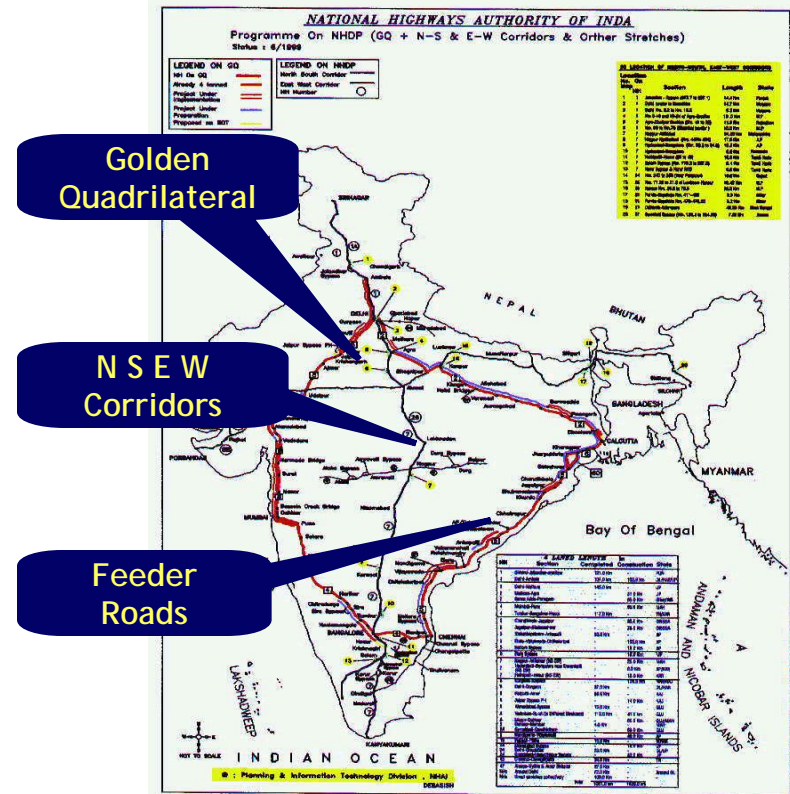
Retarding Factors

- Increasing Oil price - Now, \$ 70/bbl.
- Railways Network plans
 - *Separate Rail corridor for freight*
 - *Discounts for bulk freight movement*
- Continuation of high increase of input prices
- Development of OIL pipe-line network

Growth in road development activity would be the single most important factor to move forward the Indian CV Industry



Source: VDA (German Automotive Association), Worldbank, DRI Automotive report



43,000 KMs - (USD 25 billion)

In coming years, domestic CV market would witness entry of International Players with products for various segments

ITEC with M&M

Dong-Feng with ESSAR

MAN with Force Motors

Daimler Chrysler

Hyundai

Tata Motors is developing the products to have matching or superior products and with value for money offerings

Our understanding of the Customer Segments has shaped our Product Strategy which would enable us to offer competitive vehicles till 2010 & beyond

- **Tata Ace**
- **World Truck**
- **World Pickup**
- **World LCV**
- **New bus**

Synergies of our In-house R & D Centre, TDCV-Korea, Hispano-Spain & external consultancy would support in timely launch of these products

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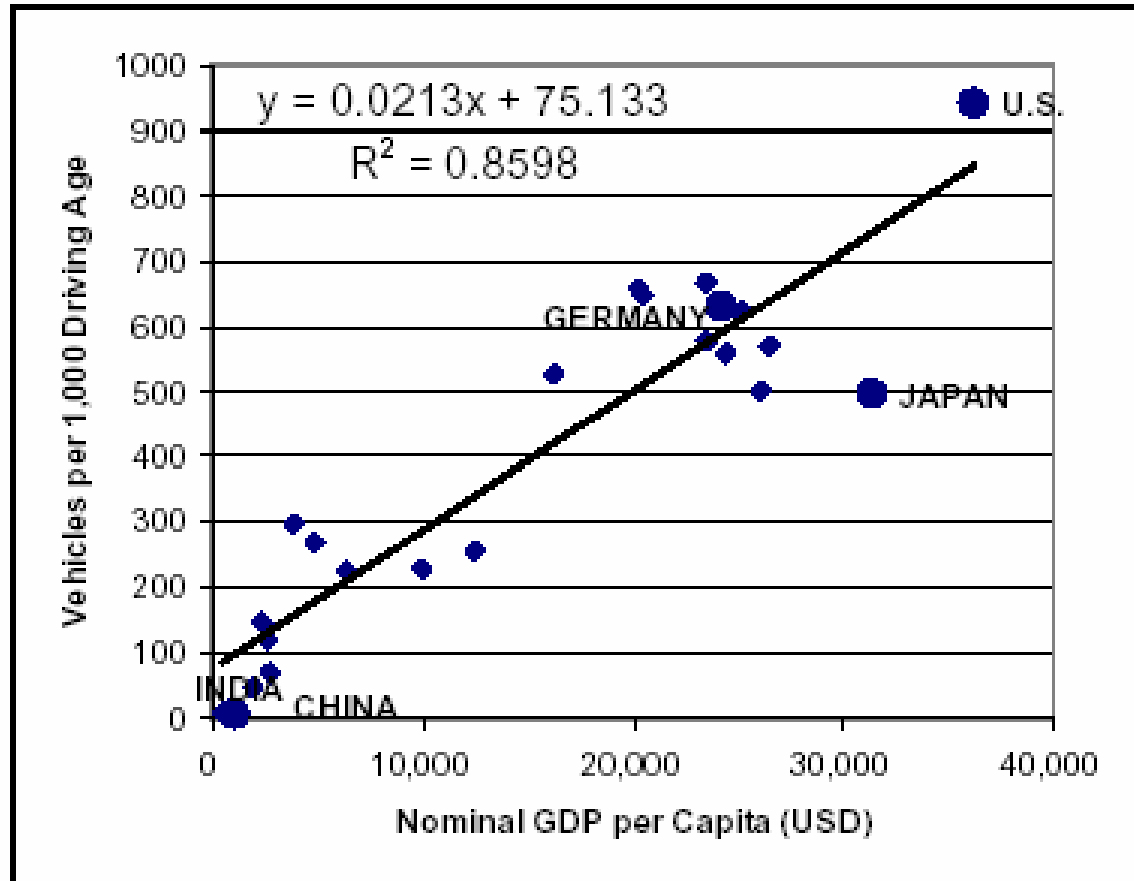
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Personal Mobility is positively correlated to per capita GDP

GDP / Capita vs. Vehicle Density: Top 25 Auto Markets

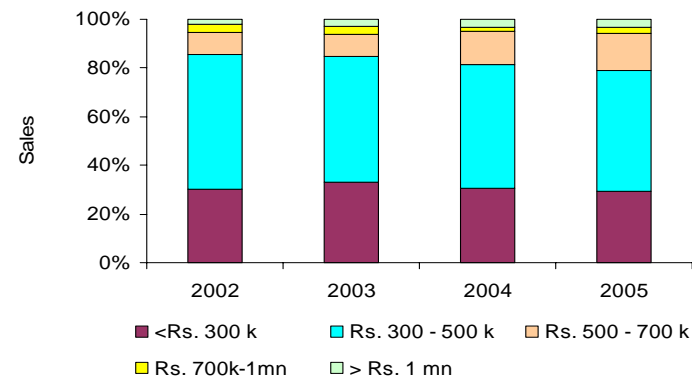


Source: International Monetary Fund, LMC J.D. Power, Global Insight, Morgan Stanley Research

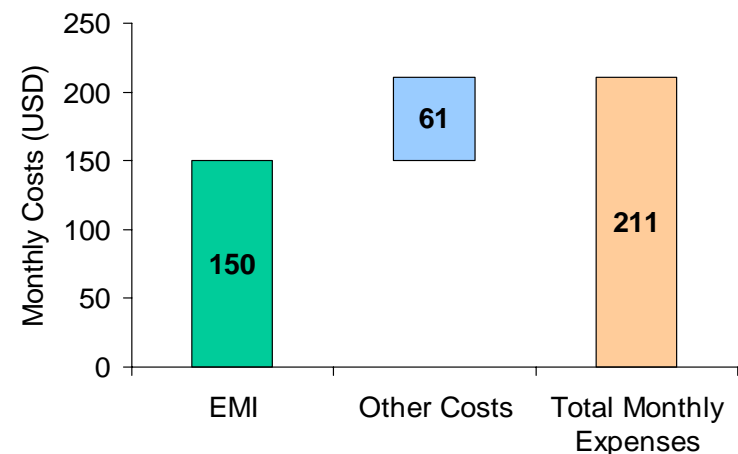
Customer Habits & Market Segmentation

- ❑ Cars priced below Rs. 500,000 account for nearly 80% of the market.
- ❑ Vehicles priced between Rs. 300,000 – 500,000 form the largest segment in the passenger car market.
- ❑ Indian customers are highly discerning, educated and well informed. They are price sensitive and put a lot of emphasis on value for money
- ❑ Preference for small cars. Small cars are socially acceptable, even amongst the well-off
- ❑ Preference for fuel efficient cars with low running costs. The Tata Indica has the lowest running cost at Rs 2.30 per km.

Sale of Cars by Price Bands

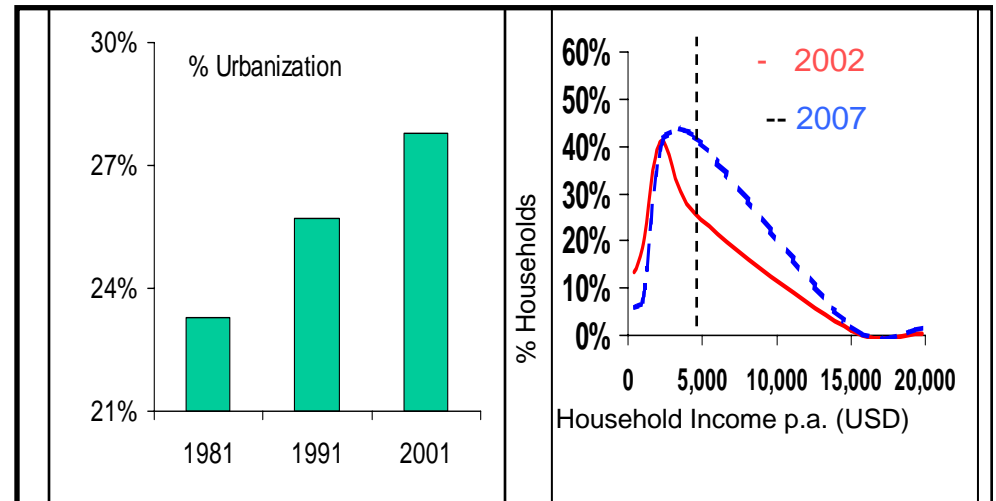


Cost of Ownership of a Basic Car

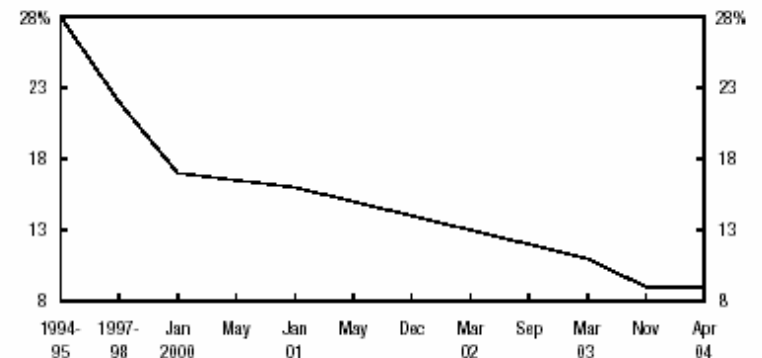


Key Market Drivers - Social

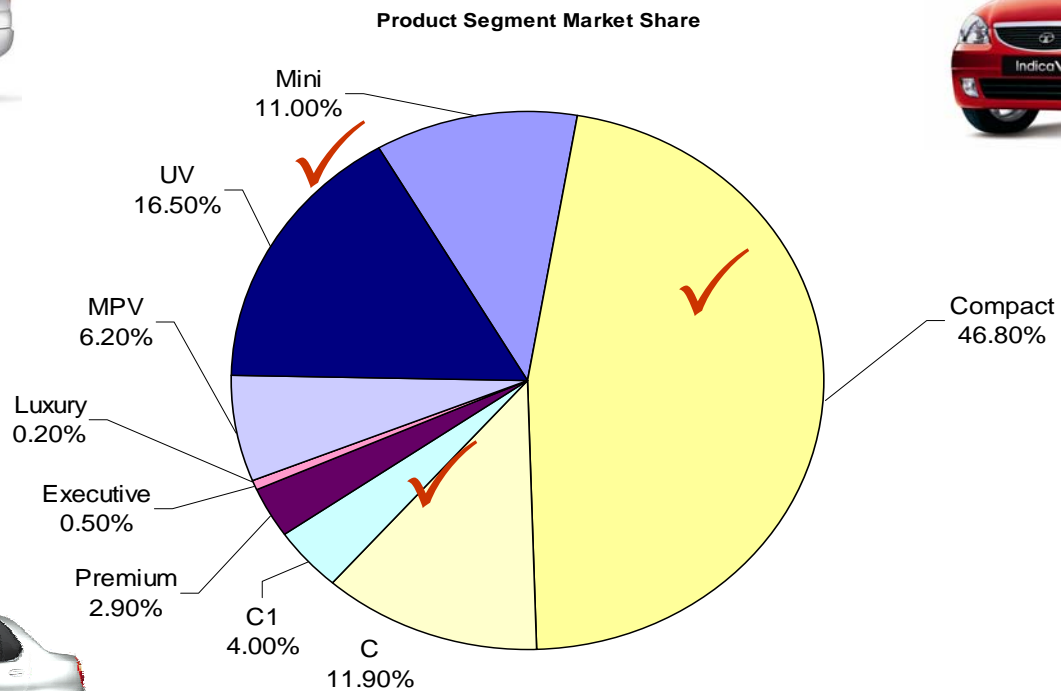
- ❑ Growth in urbanization
- ❑ Upward migration of household income levels
- ❑ Low interest rates translating to low financing and acquisition costs hence greater affordability.
- ❑ 85% of Cars are financed in India (15% in China)



Reduction in Consumer Financing Rates



Indian Market Footprint



Tata Motors' current product range addresses 75% of the market

Proposed launches in next few years

➤ *Indica Family*

- *Indica variants*
- *New Generation Indica*

➤ *Indigo Family*

- *Indigo SX*
- *Indigo / Marina variants*
- *New Generation Indigo*

➤ *Small Car*

➤ *New UV Platform*

➤ *Sumo Family*

- *Sumo Variants*

➤ *Safari Family*

- *Dicor*

➤ *Crossover*

A customer focused field approach is under deployment

Domestic:

1. *Expansion of network & penetration into smaller towns in pace with road development*

2. *Customer care a competitive edge*

3. *Robust processes*

Sales Planning - (Unique and finest in the world)

Customer Relationship Management (SIEBEL - Largest deployment in the world)

International Business:

1. *Choosing countries with highest market potential in customer segments conscious of overall value*

2. *Creating products to be amongst the top 3 players in each chosen segment*

3. *Customer care a competitive edge*

Low spares price

Relationship of OE & Customer

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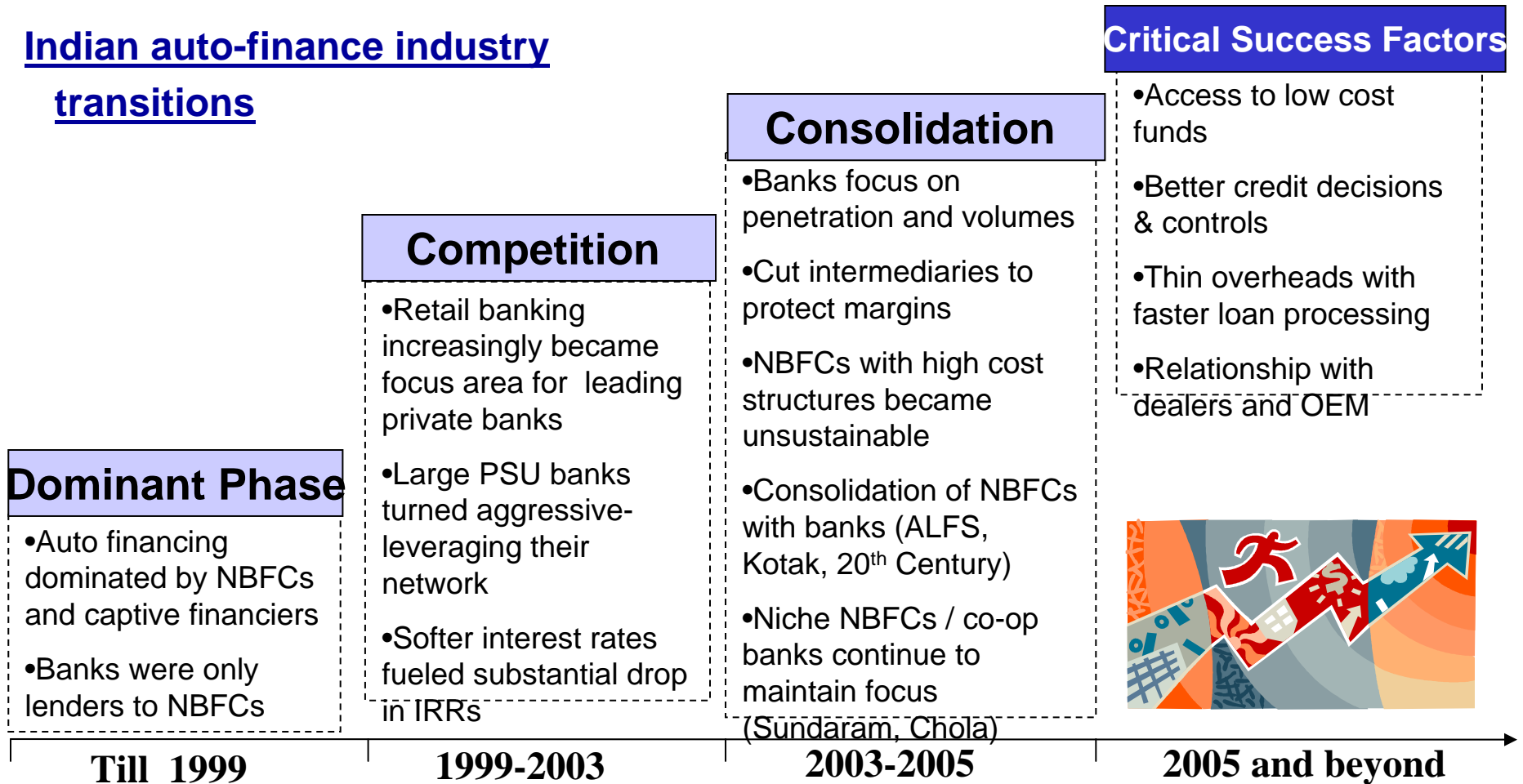
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Challenges for growth of captive financiers in Indian context

Indian auto-finance industry transitions

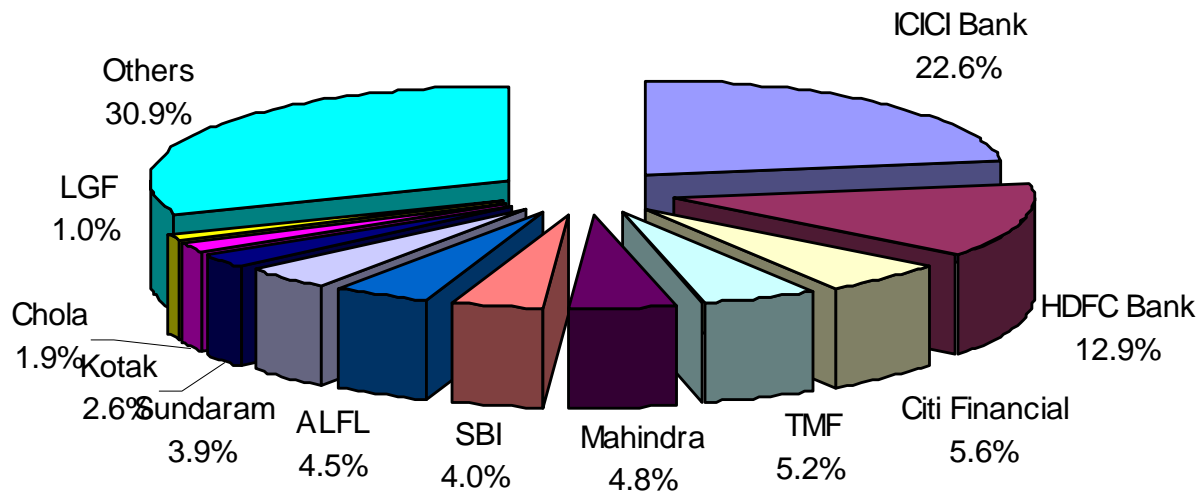


Retail Banks with low CoF & wide branch network pose threat to captive financiers in India

Auto Finance Market Scenario (FY 04-05)

	Industry Volume	Retail Finance (crs)
Commercial Vehciles	320000	21000
Passenger Car	1000000	41000
Total	1320000	62000

Share of major players in the market

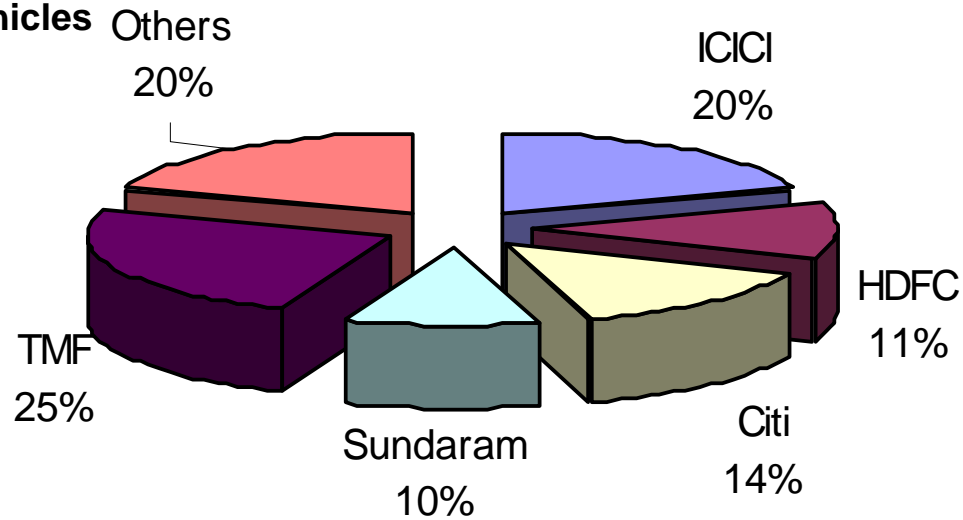


- Banks have dominant market share in Auto financing,
- leading NBFCs are stagnating their growth
- Cheap CoB has become CSF for players

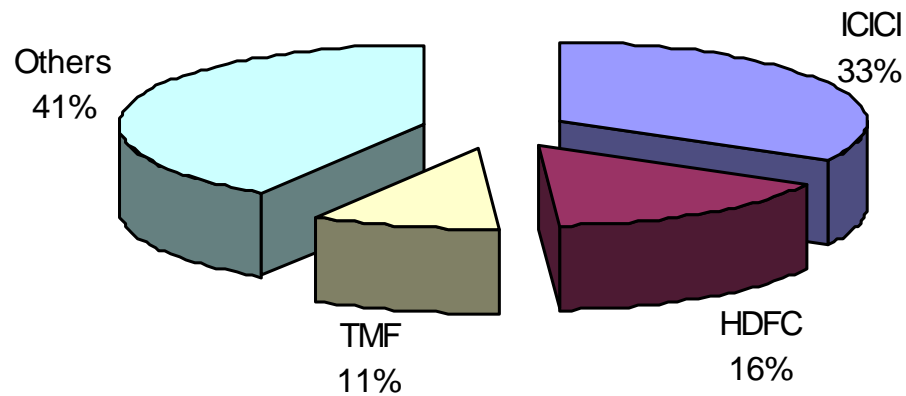
TMF is ahead of leading NBFCs in terms of disbursal

Tata Motors Finance: Market leader in CV, among top 3 in PC (Tata Vehicles)

Commercial Vehicles



Passenger Car



Tata Motors Finance strategy

- Realignment of TMF business sourcing channels
 - Dealer driven business sourcing
 - Direct sales agents (DSAs)
 - Direct marketing for fleet customers in CV and corporate clients in PC
 - Marketing Service Providers to increase ‘Feet on street’

- Increase presence in M&HCV fleet segment
- Operating leases for high end M&HCV and for car fleet owners
- Refurbishment of old vehicles
- Used vehicle financing in CV and PC
- Improve collection efficiency, credit control & remedial measures to reduce overdues

Focus Areas for Vehicle Financing Business

- Increase penetration
 - Realign the marketing channel (Dealer and Direct) to compliment each other
 - Consolidate the strong position in MUVs and LCVs
 - Increase the presence in car and Fleet segment in M&HCV
 - Maintain strong position in rural market (B and C class cities)

- Better risk management and improve collection efficiency

- Constantly thriving for cost rationalization

- IT enabled service offerings to increase operational efficiencies and provide better service to customers

- New business initiatives with higher margins
 - Refinance, operating leases, insurance brokerage, refurbishment

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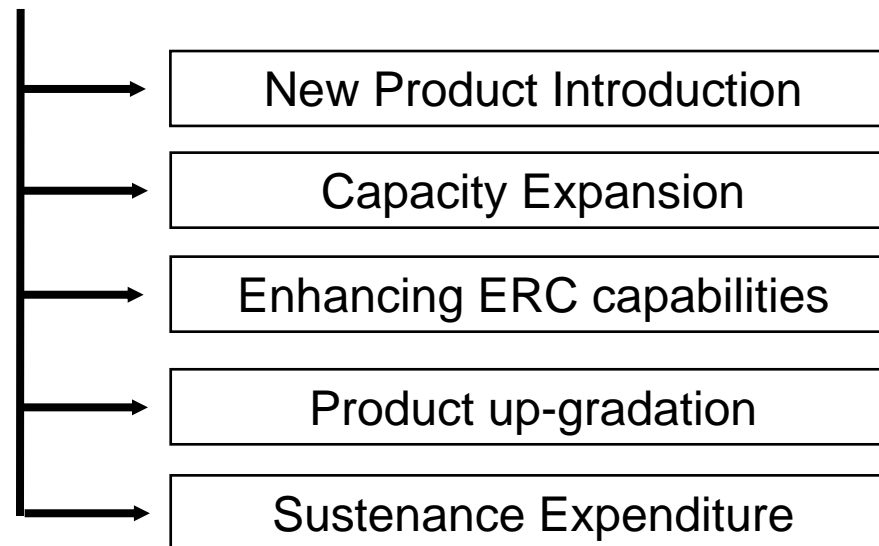
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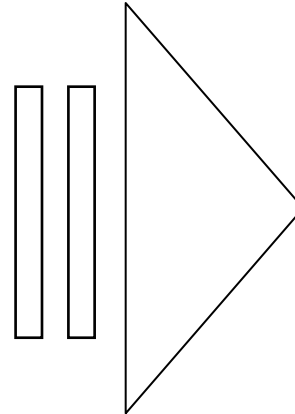
Organic Growth Plans

- Rs. 60 bn capex programme to be implemented over five years beginning April 04.
- Targeted investment areas



Cost Reduction Drive

- Value Engineering
- Target Costing
- E – Sourcing and Global Sourcing
- Supplier base rationalisation
- Process Improvement
- Productivity Improvement
- Outsourcing



Rs. 10 bn cost reduction targeted over the next 3 years

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Tata Technologies - 94.3% Subsidiary

- Tata Technologies is a provider of Engineering & Design and enterprise services in the field of Engineering Automation and PLM solutions to automotive and aerospace OEMs (FY05 revenue at Rs 1.7 b)
- To pursue its growth plans globally, the company has recently announced its intention of acquiring 100% stake in a UK based company named INCAT. The following advantages are seen with the acquisition:
 - Increased scale of business. Current revenue size of Rs. 1.7 billion to over Rs.6.7 billion
 - Access to a broader customer base in the automotive, aerospace and manufacturing industries
 - Wider presence in all major geographies and markets
 - Access to INCAT's high end consulting skills and project management capabilities.
 - INCAT's areas of Knowledge management and appropriate IPRs to provide wider product range

Tata Technologies - 94.3% Subsidiary...contd.

- The offer price for INCAT acquisition is 220p per share which is at 4% premium to the current market price that time. The implied market capitalisation is GBP 53.4 mn.
- The exit PE for this transaction is around ~17x. INCAT is a cash positive (~ GBP 7.4 mn) company and the net cost of acquisition is GBP 46.0 mn
- The integration will be completed within 100 days beginning October 2005

Tata Daewoo- Heavy Trucks (S. Korea) (100% Subsidiary)

Performance in 1QFY06

- Margins under pressure on account of appreciation of Korean Won against the dollar to the extent of 15% in the last twelve to fifteen months.
- 26% decline in in the Commercial vehicle industry in Korea during April- June 2005
 - TDCV maintained its market share at 29%.
- Debt reduced from USD 51 mn to USD 30 mn.

Strategy

- MCVs to be manufactured in S.Korea
- TDCV products to be exported through TML international business channel
- Operational efficiencies to be improved through cost reduction, Implementation of IT systems and debt restructuring.
- Integration with TML for product design and development

TELCON - Construction Equipment (80% TML : 20% Hitachi JV)

- Discussions with Hitachi in advanced stage for a broadbased partnership
- Technology Upgradation and Product Range expansion
 - *Larger Excavators (>200Tons), Road making equipments, Road Recycling Train, Dumpers for Domestic & Export Market, Multi Utility Loader*
- Proposed Initiatives
 - *Focus on Full Maintenance, Annual Maintenance Contract*
 - *Reconditioning and Aggregate Rebuilding*
 - *Focus on Components Export to other OEMs in the world*
 - *ICR (Integrated Cost Reduction) with Mckinsey*
 - *TOC (Theory of Constraints) from Ms. Goldratt Consulting for better inventory management*
- Setting up of R&D Centre
- Vendor up-gradation to help meet future challenges

HVAL & HVTL - Heavy Axles and Transmission (100% subsidiaries)

- Discussions to bring the strategic partners at an advanced stage.
- HVAL/HVTL will support Tata motors in its advanced power train implementation strategy.
- Investments planned for capacity expansion, productivity, quality improvement.
- Exploring growth opportunities outside of Tata Motors.

Challenges Ahead...

- Increase in input prices to continue to put pressure on operating margins
- Rising fuel prices
- Increasing competition across all vehicle segments
- Uncertainty about the commercial vehicle cycle
- Execution of product plans



Thank You