

**TATA MOTORS**

*Leading the Future*

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**Investor Presentation  
September, 2004**



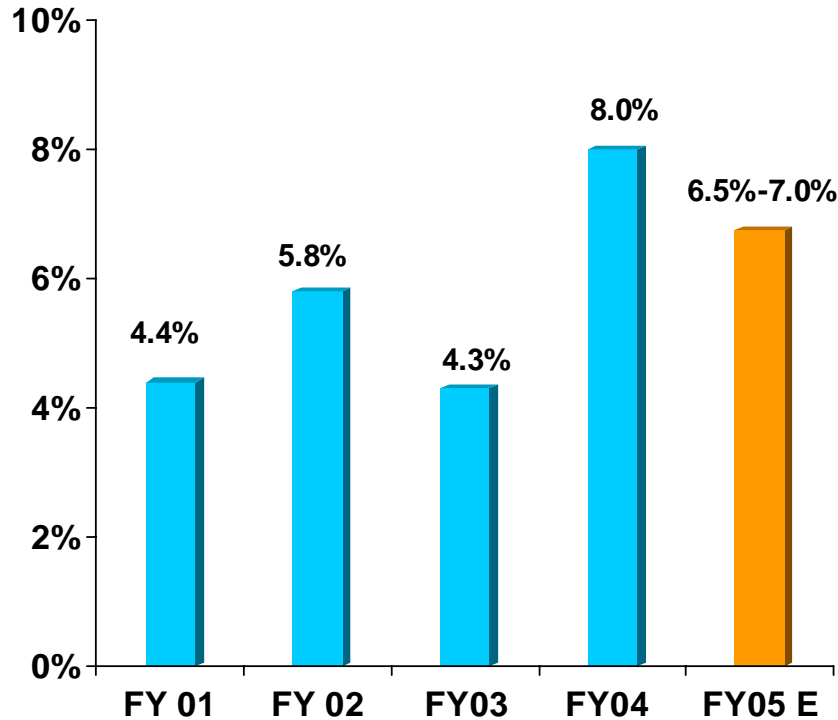
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## Presentation Outline

- Indian Economy – Emerging from the shadow
- Introduction to Tata Group and Tata Motors
- Tata Motors' Financial Performance
- Tata Motors' Future Growth  
Opportunities & Execution

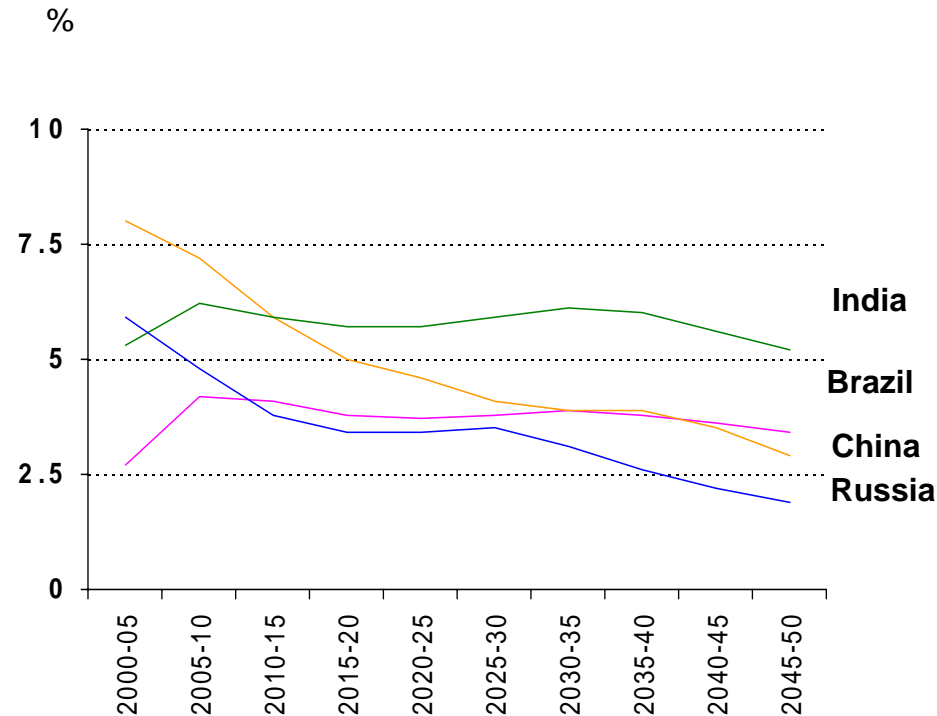
# Indian Economy – Emerging from the shadows

## GDP Growth of India



Source : CSO , RBI

## Forecasted GDP growth

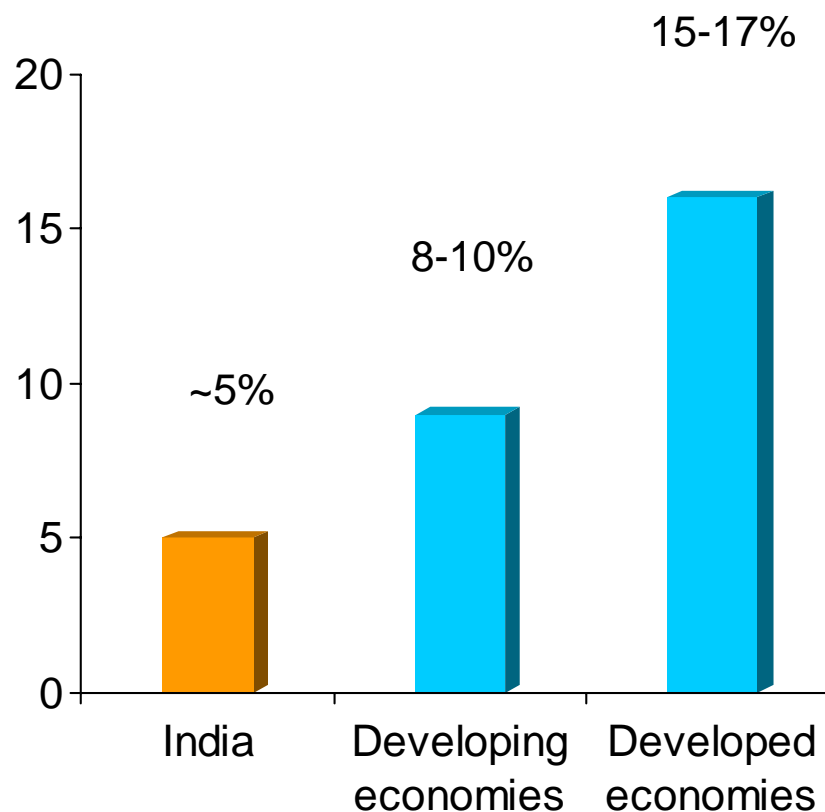


Source : Goldman Sachs

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

# Implications for Indian Auto industry

Contribution to Industrial Output



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

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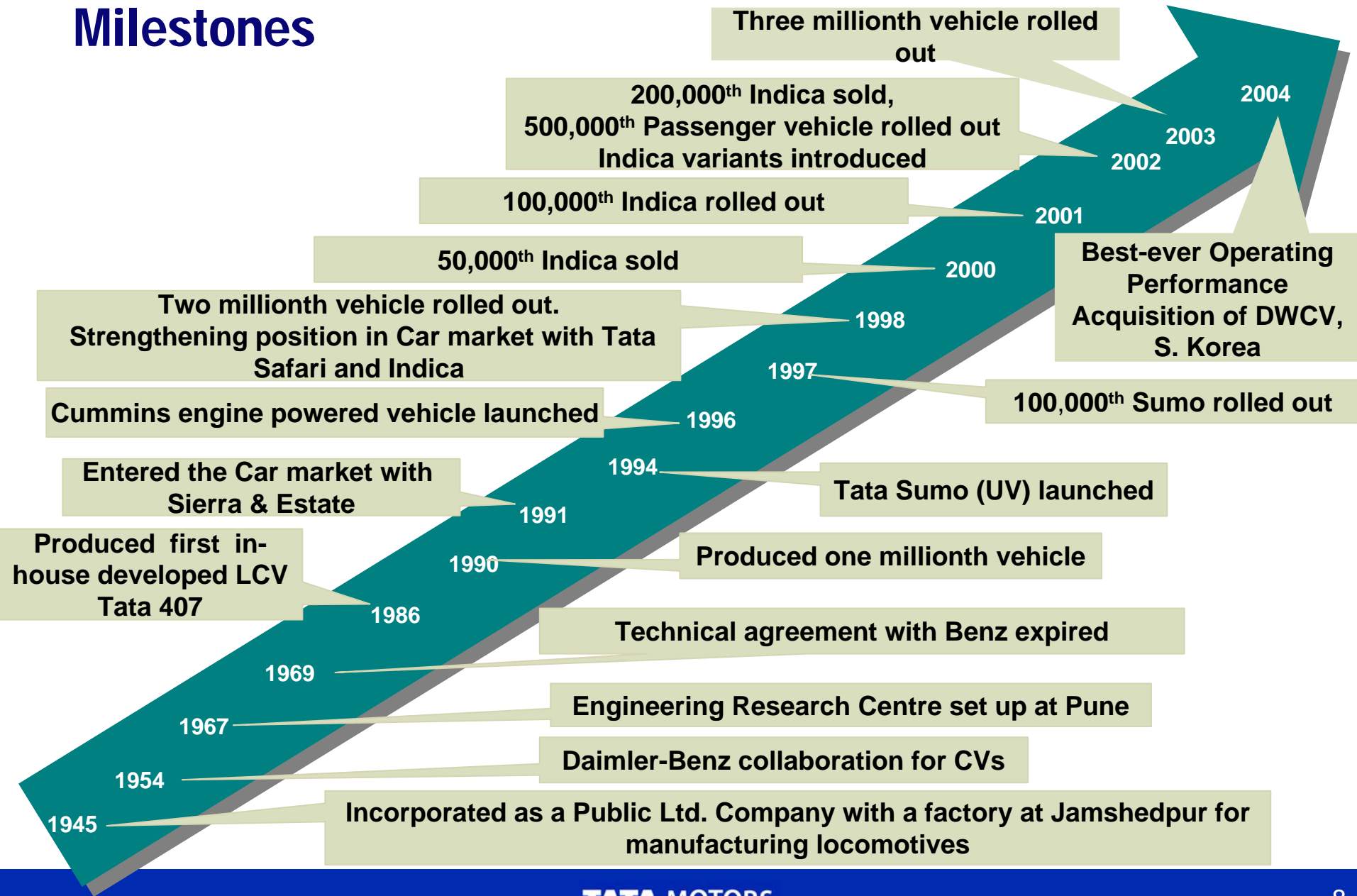
## Tata Group

- Among the leading industrial houses of India, with a pioneering track record of 130 years
- Over 80 companies with dominant presence in a wide range of businesses
- Revenues : Rs 615 bn (US\$ 13.4 bn) in FY04 (equivalent to 2.6% of India's GDP at current prices)
- Net Profit : Rs 57 bn (US\$ 1.3 bn) in FY04
- Strong Brand Equity & Business Ethics

## Tata Motors

- India's largest Automotive company in revenue terms
- Strong R&D skill sets
  - Capability to develop vehicle platforms indigenously at a relatively low cost
- Began manufacturing Commercial vehicles in 1954
- Currently has four manufacturing plants at Jamshedpur, Pune, Lucknow and Gunsan (S. Korea)
- Widest range of product offerings in Indian market
  - Commercial vehicles, Multi-Utility vehicles and Passenger cars
- Domestic market leader in Commercial Vehicles and second-largest player in Passenger Vehicles

# Milestones



# Comprehensive Product range

## Trucks (2MT- 40 MT GVW)



## Buses (12 -60 seater)



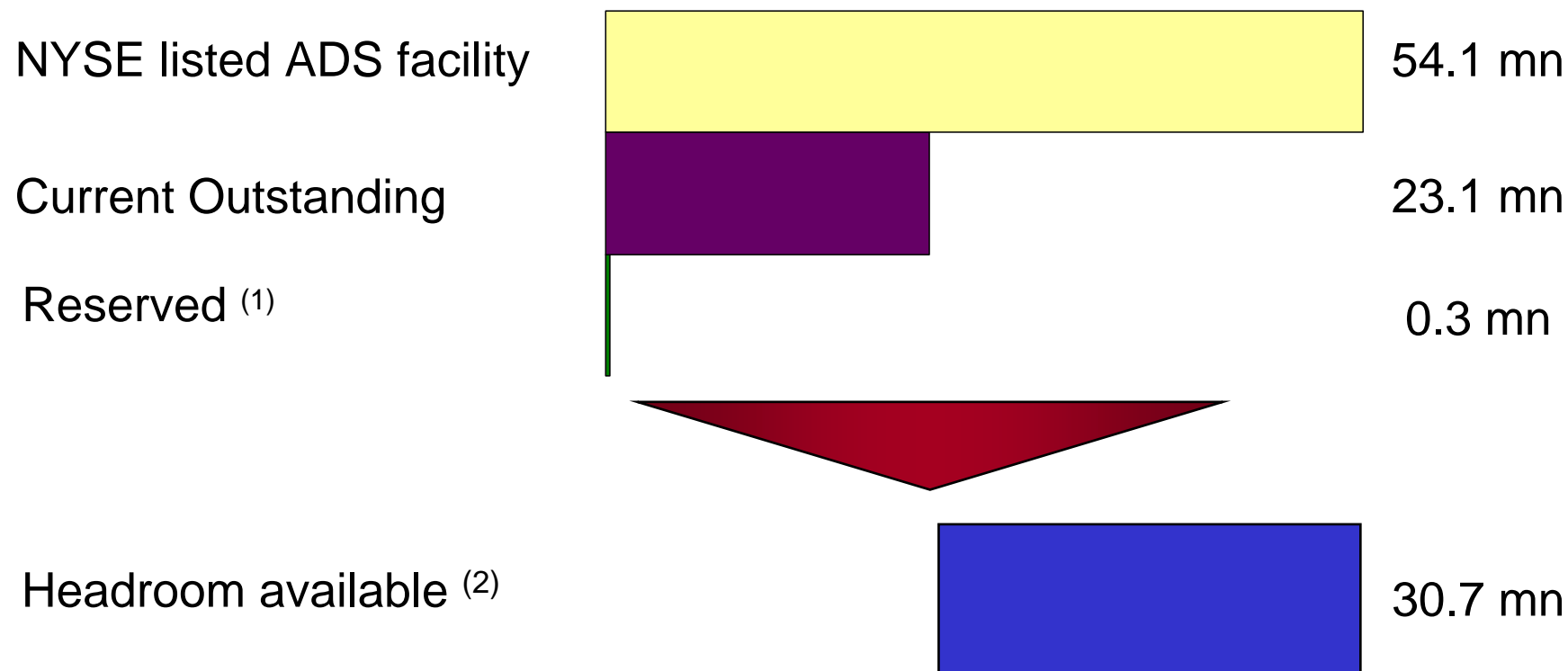
## Passenger Vehicles



## Another Milestone – NYSE Listing (Symbol – TTM)

- Tata Motors intends to list on the New York Stock Exchange (NYSE) its outstanding International GDSs in the form of ADSs under the symbol TTM
- This will be a listing without any concurrent fund raising
- NYSE Trading is expected to commence on September 27, 2004
- Around 23 mn International GDSs will become ADSs post-listing. This represents 6.4% of the outstanding share capital of the Company as on August 31, 2004

## Potential NYSE Market Capitalisation



*Note (1) - Reserved for possible deposit of unrestricted shares underlying seasoned Rule 144A GDSs*

*Note (2) - This represents availability for deposit of other unrestricted shares, e.g., shares acquired in the open market in India.*

***At current outstanding float of 23.1 mn ADSs, the market capitalisation on NYSE will be around US\$ 194 million (@ last traded price of US\$ 8.4 per GDS on Sep. 15, 2004)***

***Future additions to the current NYSE listed ADSs facility may include around 26.8 mn ADSs following possible conversion of already issued FCCBs***

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## Tata Motors and its Consolidated Subsidiaries

As per US GAAP, Tata Motors' fiscal 2004 financials include the performance of the following consolidated subsidiaries

<u>List of Subsidiaries as of March 31, 2004</u>	<u>Percentage Ownership (*)</u>
Sheba Properties Ltd. (and its subsidiary) India	100
Concorde Motors (India) Limited India <sup>(1)</sup>	100
Tata Technologies Ltd. (and its subsidiary) India	95.38
Telco Construction Equipment Co. Ltd. India	80
HV Axles Ltd. India	100
HV Transmissions Ltd. India	100
TAL Manufacturing Solutions Ltd. India	100
Concorde Motors Ltd. India	54.72
Tata AutoComp Systems Ltd. (and its subsidiaries) India	54.01
Tata Precision Industries Pte. Ltd. (and its subsidiary) Singapore	51.04
Tata Daewoo Commercial Vehicle Co. Ltd. South Korea <sup>(2)</sup>	100

(1) Formerly Minicar India Ltd.

(2) Formerly Daewoo Commercial Vehicle Co. Ltd.

(\*) – Direct and Indirect Ownership

## Basis of Segmentation

Tata Motors operations are classified under two segments:

### 1. Automotive

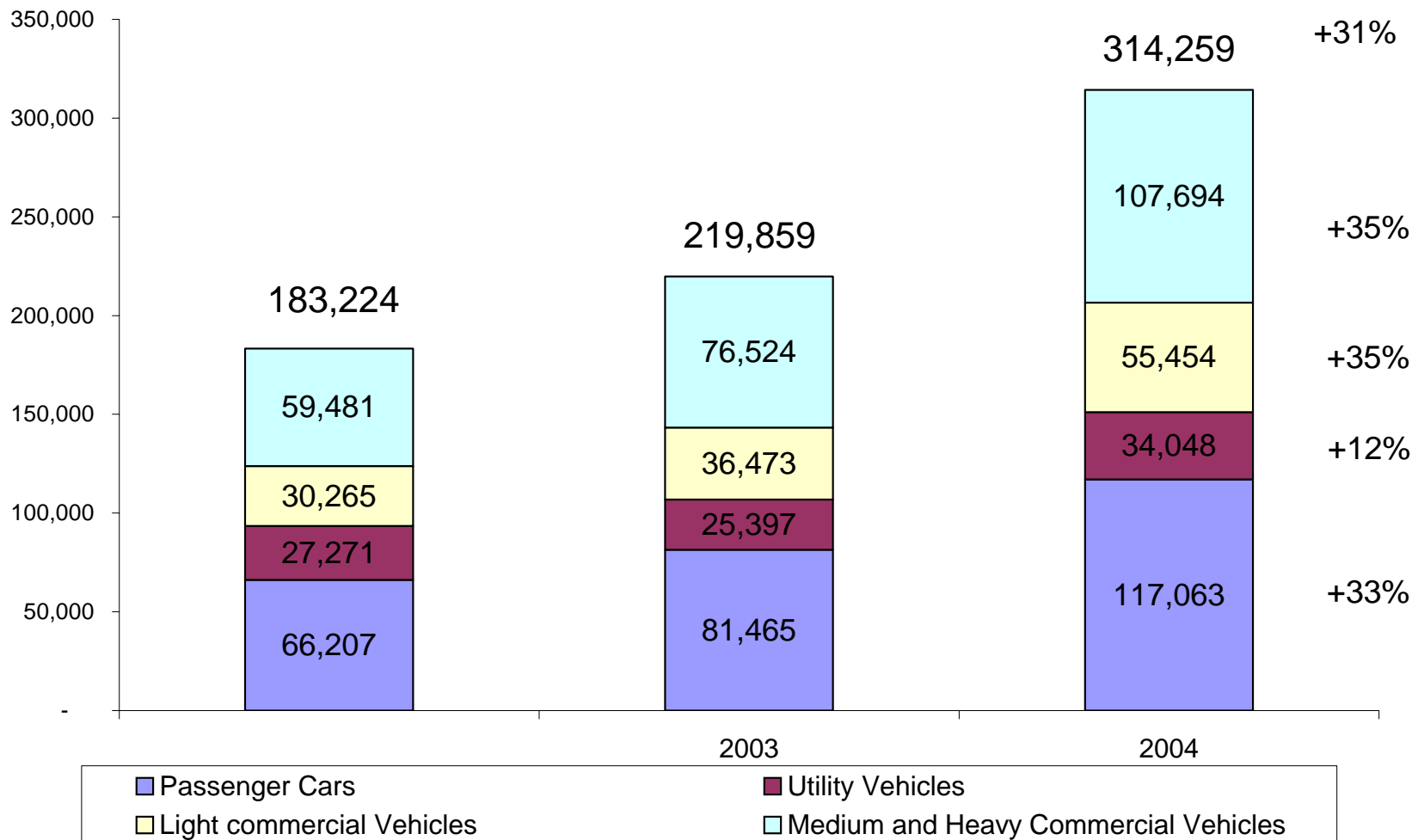
All activities relating to development, design, manufacture, assembly and sale of vehicles as well as related parts and accessories, including vehicle financing.

### 2. Other Operations

Activities relating to production, design and sale of automotive components, construction equipments, engineering solutions, software operations, vehicle retailing and others

# Strong Volume Growth in last two years

CAGR (FY02-FY04)



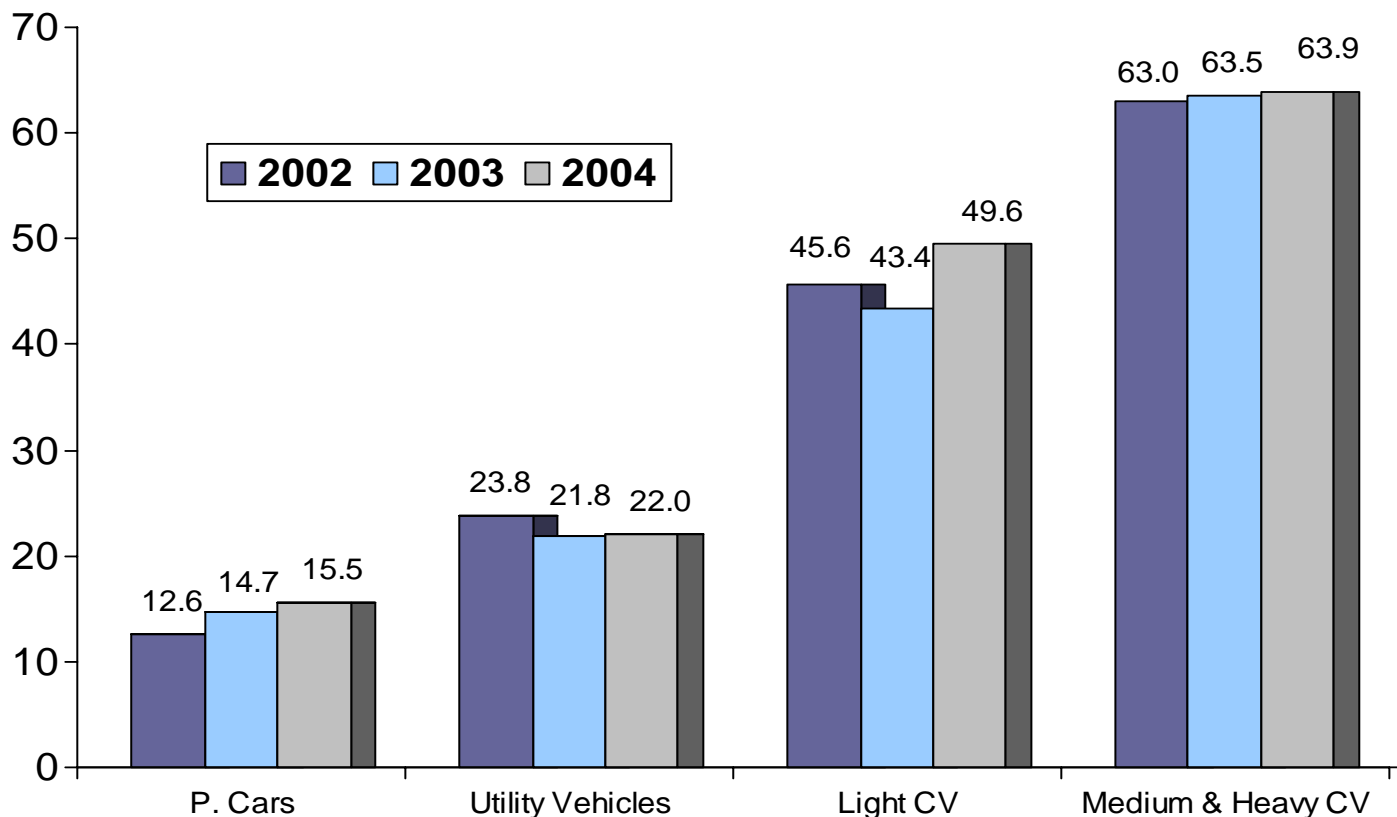
**Market Share 20.6%**

**23.4%**

**25.2%**

# Significant presence in all product lines

Tata Motors' Market Shares in different product lines in India



## Key Strength Areas:

- **Commercial Vehicles**
- **Compact & Sedan Cars**

## Performance Indicators for Fiscal ending March 31, 2004

- Net Revenues of Rs 139.7 billion (US\$ 3,218.8 million)
  - *YoY growth of 46%*
- Operating Income of Rs 14.2 billion (US\$ 327.6 million)
  - *YoY growth of 106%*
- Operating Income Margin of 10.2%
- Net Income of Rs 8.9 billion (US\$ 205.0 million)
  - *YoY growth of 221%*
- Net Income Margin of 6.4%
- Diluted EPS of Rs 25.3 (US\$ 0.58) per share (Rs 10 paid-up)
  - *YoY growth of 191%*
- Dividend paid in last two years
  - *Fiscal 2003               Rs 4 per share*
  - *Fiscal 2004               Rs 8 per share (including interim)*

# Performance Measures

(Rs. Million)

	FY 2004	% change 2004 over 2003	FY 2003	% growth 2003 over 2002	FY 2002
Revenues	139,696	<b>45.9%</b>	95,731	<b>24.8%</b>	76,692
Gross Margin	31,536	<b>45.4%</b>	21,692	<b>50.1%</b>	14,448
<b>% of Revenues</b>	<b>22.6%</b>		<b>22.7%</b>		<b>18.8%</b>
<b>Operating Expenses</b>					
SG&A exp.	15,648	<b>18.5%</b>	13,210	<b>0.7%</b>	13,118
<b>% of Revenues</b>	<b>11.2%</b>		<b>13.8%</b>		<b>17.1%</b>
R&D exp.	1,282	<b>-16.5%</b>	1,536	<b>26.5%</b>	1,214
<b>% of Revenues</b>	<b>0.9%</b>		<b>1.6%</b>		<b>1.6%</b>
Emp. separation compensation	386		33		887
<b>% of Revenues</b>	<b>0.3%</b>		<b>0.0%</b>		<b>1.2%</b>
Operating (loss) income	14,220	<b>105.7%</b>	6,913	<b>n.m.</b>	(771)
<b>% of Revenues</b>	<b>10.2%</b>		<b>7.2%</b>		<b>-1.0%</b>
Non-operating revenue	2,145	<b>54.2%</b>	1,391	<b>-27.8%</b>	1,928
<b>% of Revenues</b>	<b>1.5%</b>		<b>1.5%</b>		<b>2.5%</b>
Net Interest Expense	2,335	<b>-36.5%</b>	3,678	<b>-23.6%</b>	4,816
<b>% of Revenues</b>	<b>1.7%</b>		<b>3.8%</b>		<b>6.3%</b>
<b>(Loss) income before income tax</b>	<b>14,029</b>	<b>203.3%</b>	<b>4,626</b>	<b>n.m.</b>	<b>(3,660)</b>
Equity in net (loss) income of affiliates, net of tax	363		46		(354)
Minority interest, net of tax	(229)		(15)		86.4
<b>Net (loss) income</b>	<b>8,900</b>	<b>221.4%</b>	<b>2,769</b>	<b>n.m.</b>	<b>(3,414)</b>
<b>% of Revenues</b>	<b>6.4%</b>		<b>2.9%</b>		<b>-4.5%</b>
<b>(Loss) earnings per share:</b>					
Basic	Rs. 27.1		Rs.8.7		(Rs. 13.3)
Diluted	Rs. 25.3		Rs.8.7		(Rs. 13.3)

# Performance Measures

(US\$ Million)

	FY 2004	% growth 2004 over 2003	FY 2003	% growth 2003 over 2002	FY 2002
Revenues	3,219	<b>45.9%</b>	2,206	<b>24.8%</b>	1,767
Gross margin	727	<b>45.4%</b>	500	<b>50.1%</b>	333
<b>% of Revenues</b>	<b>22.6%</b>		<b>22.7%</b>		<b>18.8%</b>
<b>Operating Expenses</b>					
SG&A exp.	361	<b>18.5%</b>	304	<b>0.7%</b>	302
<b>% of Revenues</b>	<b>11.2%</b>		<b>13.8%</b>		<b>17.1%</b>
R&D exp.	30	<b>-16.5%</b>	35	<b>26.5%</b>	28
<b>% of Revenues</b>	<b>0.9%</b>		<b>1.6%</b>		<b>1.6%</b>
Emp. separation compensation	9		1		20
<b>% of Revenues</b>	<b>0.3%</b>		<b>-</b>		<b>1.2%</b>
Operating (loss) income	328	<b>105.7%</b>	159	<b>n.m.</b>	(18)
<b>% of Revenues</b>	<b>10.2%</b>		<b>7.2%</b>		
Non-operating revenue	49	<b>54.2%</b>	32	<b>-27.8%</b>	44
<b>% of Revenues</b>	<b>1.5%</b>		<b>1.5%</b>		<b>2.5%</b>
Net Interest Expense	54	<b>-36.5%</b>	85	<b>-23.6%</b>	111
<b>% of Revenues</b>	<b>1.7%</b>		<b>3.8%</b>		<b>6.3%</b>
<b>(Loss) income before income tax</b>	<b>323</b>	<b>203.3%</b>	<b>107</b>	<b>n.m.</b>	<b>(84)</b>
Equity in net (loss) income of affiliates, net of tax	8		1		- 8
Minority interest, net of tax	(5)		(0)		2.0
<b>Net (loss) income</b>	<b>205</b>	<b>221.4%</b>	<b>64</b>	<b>n.m.</b>	<b>(79)</b>
<b>% of Revenues</b>	<b>6.4%</b>		<b>2.9%</b>		<b>-4.5%</b>
<b>(Loss) earnings per share: (US\$)</b>					
Basic	<b>USD 0.62</b>		<b>USD 0.20</b>		<b>-USD 0.31</b>
Diluted	<b>USD 0.58</b>		<b>USD 0.20</b>		<b>-USD 0.31</b>

Exchange rate (as of March 31, 2004) of 1US \$ = Rs 43.4

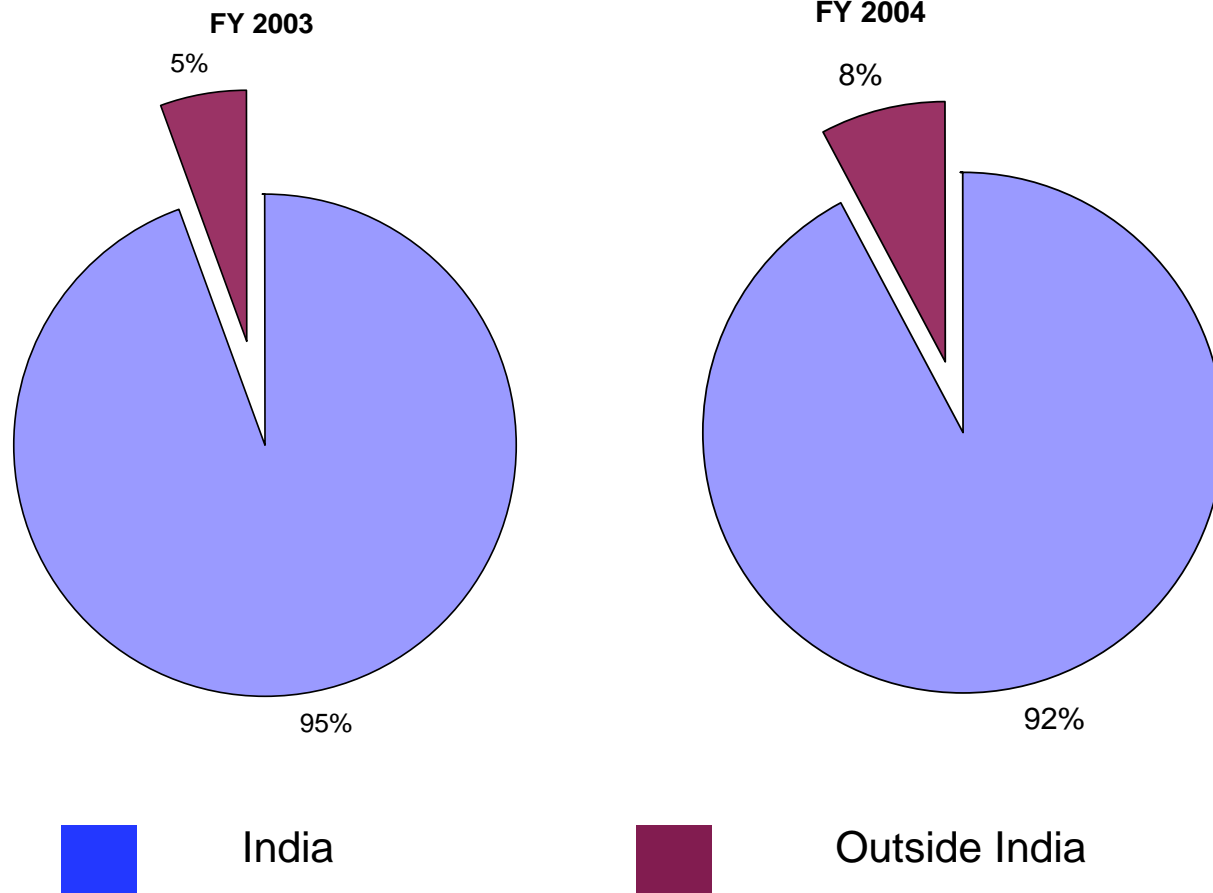
## Segment-wise Details

US \$ million

	2004	2003	2002
<b><u>Net Revenue</u></b>			
Automotive	2,953.2	2,066.2	1,673.1
% of Net Revenue	91.7%	93.7%	94.7%
Others	265.6	139.6	93.9
% of Net Revenue	8.3%	6.3%	5.3%
<b><u>Net Income</u></b>			
Automotive	173.9	54.8	(51.5)
% of Segment Revenue	5.9%	2.7%	-3.1%
Others	18.6	2.0	(11.7)
% of Segment Revenue	7.0%	1.4%	-12.4%
<b><u>Operating Income</u></b>			
Automotive	271.2	130.6	(20.7)
% of Segment Revenue	9.2%	6.3%	-1.2%
Others	36.9	17.2	1.2
% of Segment Revenue	13.9%	12.3%	1.3%

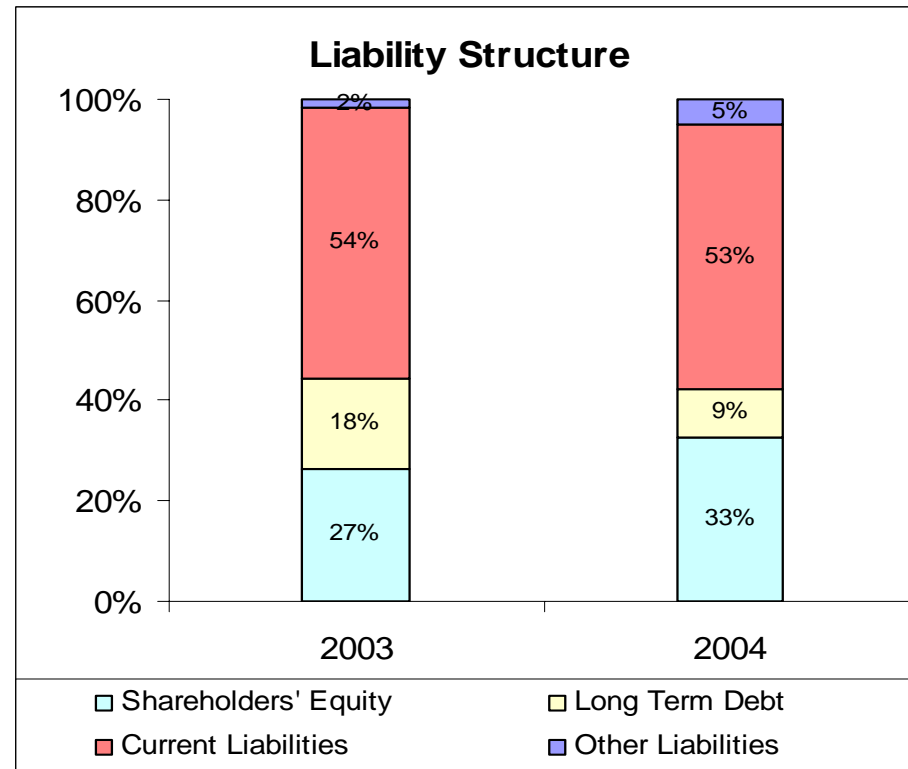
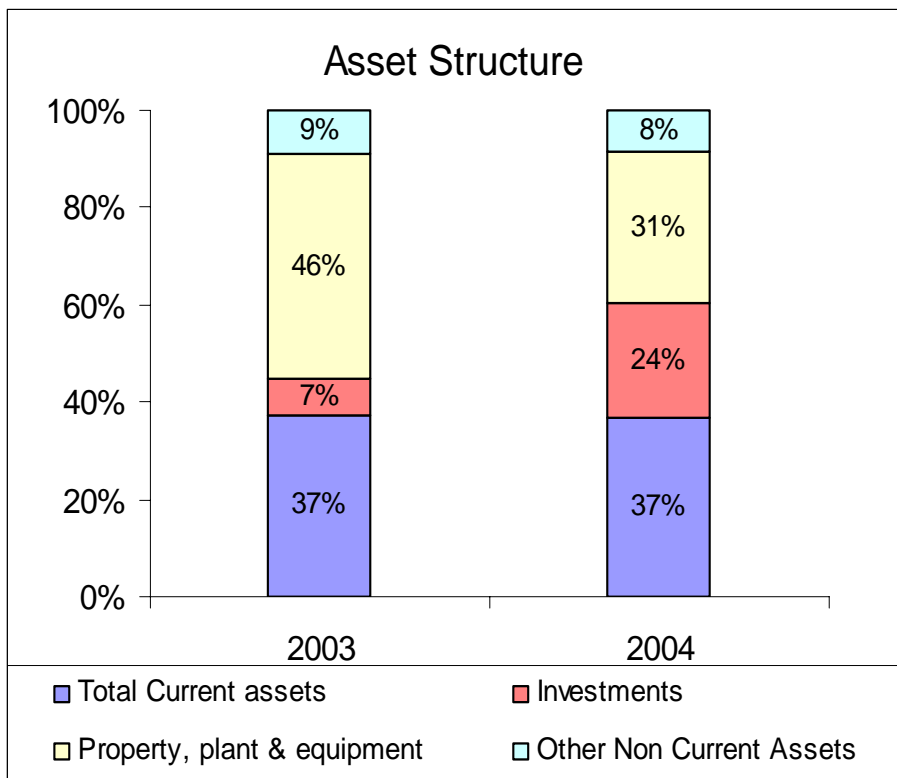
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# Increasing focus on the International Markets

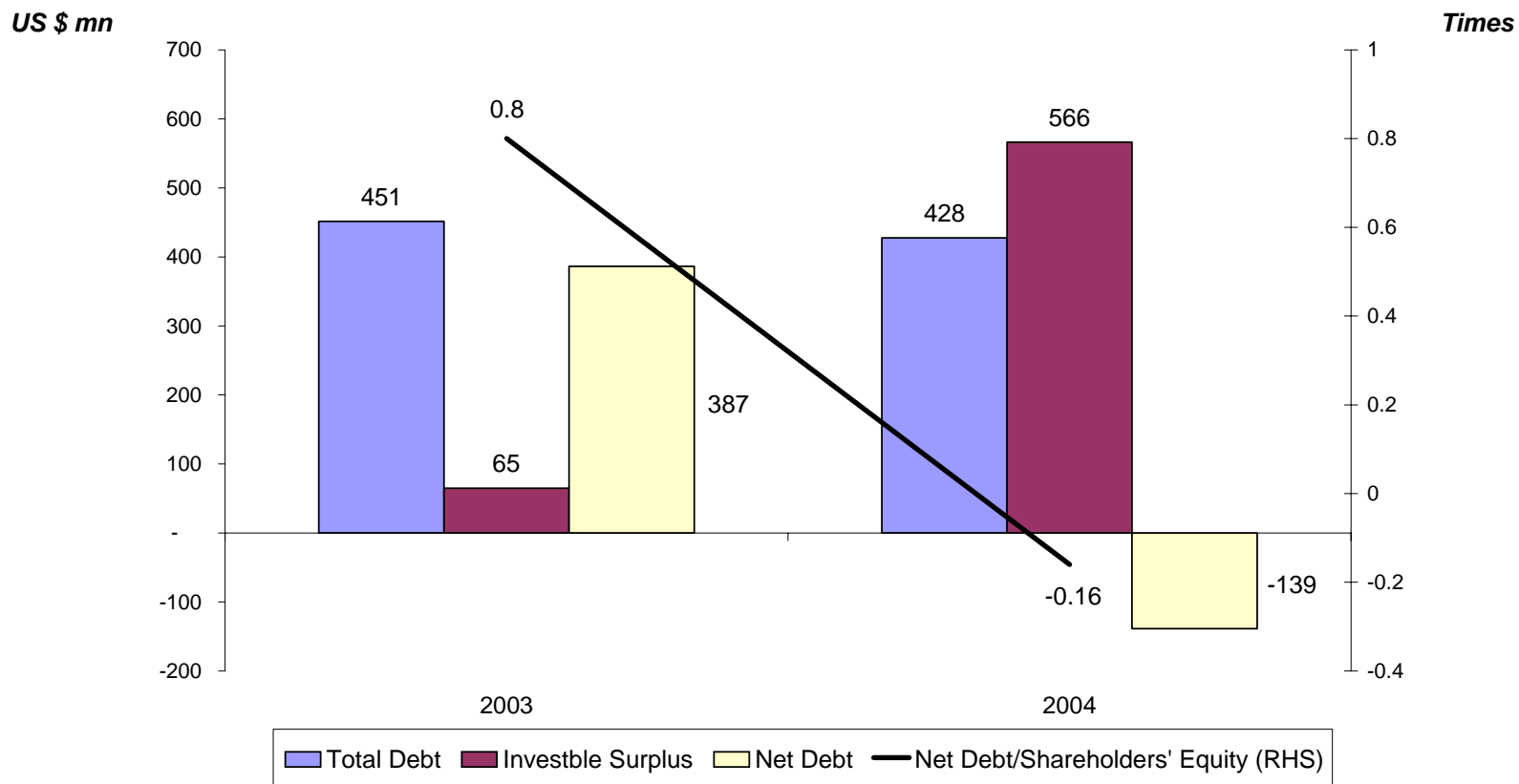


***FY04 International Business Revenues include TDCV revenue for 2 days post-acquisition***

# Asset and Liability Structure



# Comfortable Liquidity position



Exchange rate (as of March 31, 2004) of 1US \$ = Rs 43.4

*Total Debt = Long-term Debt + Short-term Debt (inc. current portion)*

*Total Investible Surplus = Cash & Cash Equivalents + Short-term Deposits with Banks + Mutual Fund Unit Investments + Fair value of non-Strategic Available-for-Sale Investments*

*Net Debt = Total Debt – Net Investible Surplus*

# Cash Flow Summary

(Figures in US\$ million)	Year ended March 31,		
	2004	2003	2002
<b>Net Income</b>	<b>205.1</b>	<b>63.8</b>	<b>-78.7</b>
<b>Add</b>			
Depreciation & Amortisation	95.1	89.7	87.7
Operating Activities Adjustments	94.0	38.2	36.1
Decrease in Working Capital	241.6	170.4	74.9
Sale of Investments	-	-	45.4
Others	1.4	1.0	0.1
Equity Issuance	53.1	0.0	0.8
Debt Issuance	66.5	-	-
<b>Sub-Total</b>	<b>551.7</b>	<b>299.3</b>	<b>245.0</b>
<b>Deduct</b>			
Purchase of Tangible and Intangible Assets	56.2	51.4	48.7
Purchase of Investments	433.2	20.3	-
Acquisition of subsidiaries, net of cash required	26.8	2.0	0.0
Change in Finance Receivables (net of proceeds from sale)	71.3	62.3	29.8
Dividend Paid	69.9	-	0.1
Debt Repayment	-	240.0	38.3
<b>Sub-Total</b>	<b>657.4</b>	<b>375.9</b>	<b>116.9</b>
<b>Change in Cash &amp; Cash equivalents</b>	<b>99.4</b>	<b>-12.8</b>	<b>49.4</b>

Exchange rate (as of March 31, 2004) of 1US \$ = Rs 43.4

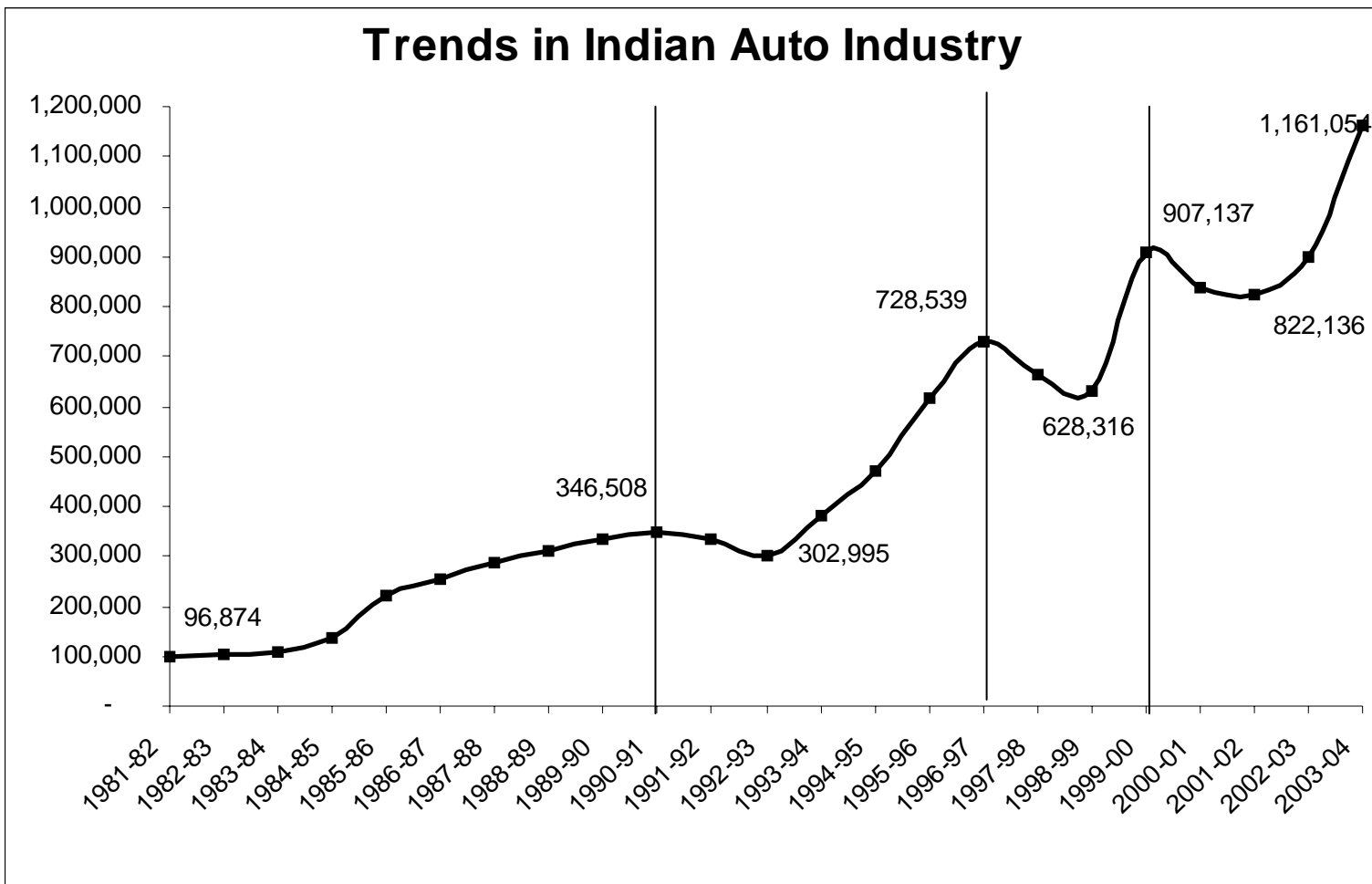
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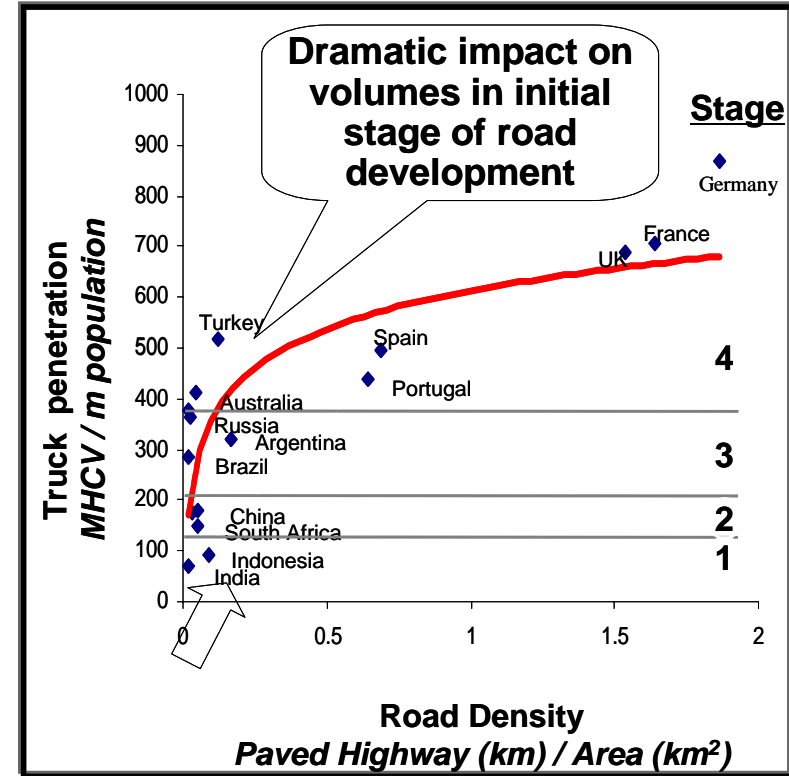
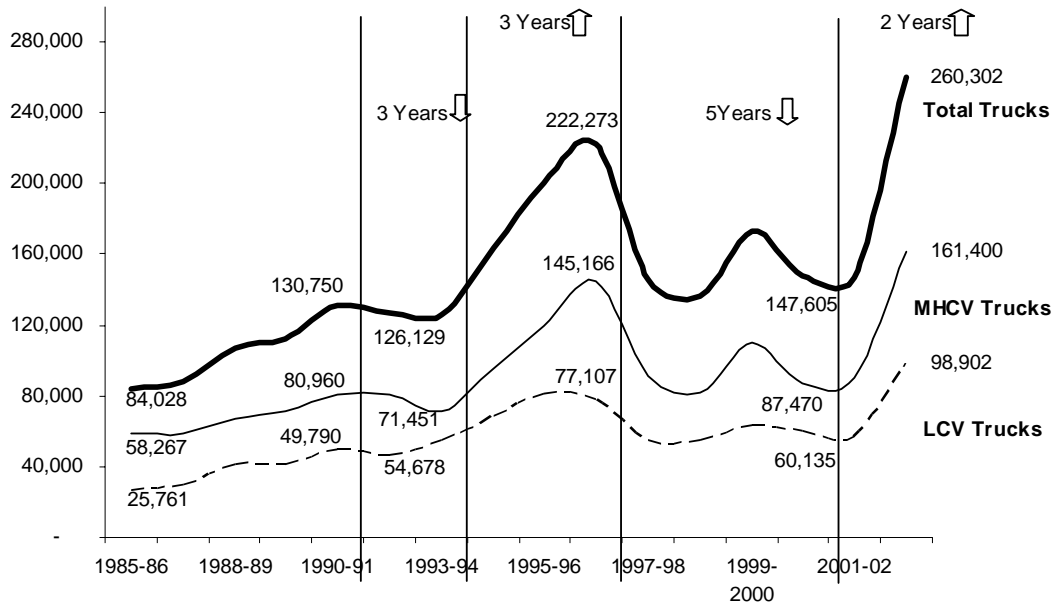
## Tata Motors' future growth

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

# Indian Auto Industry – Secular growth trend

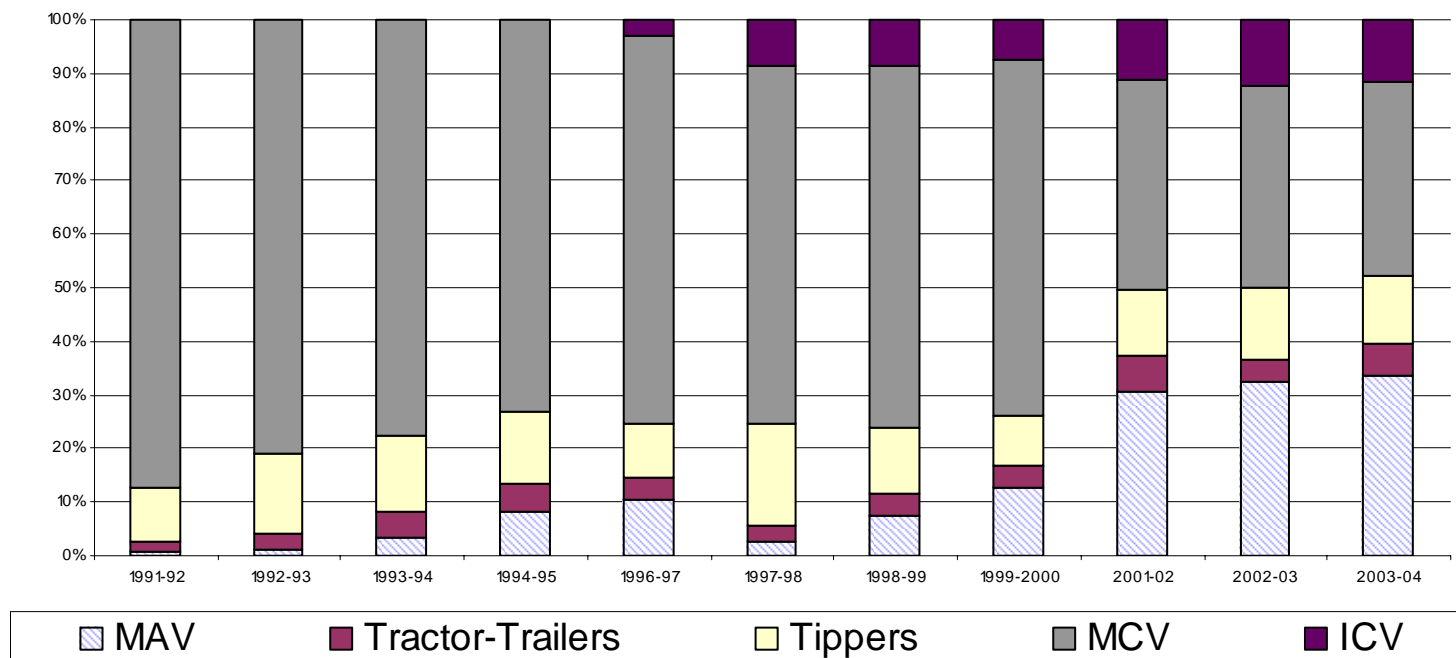


# Commercial Vehicle cycle



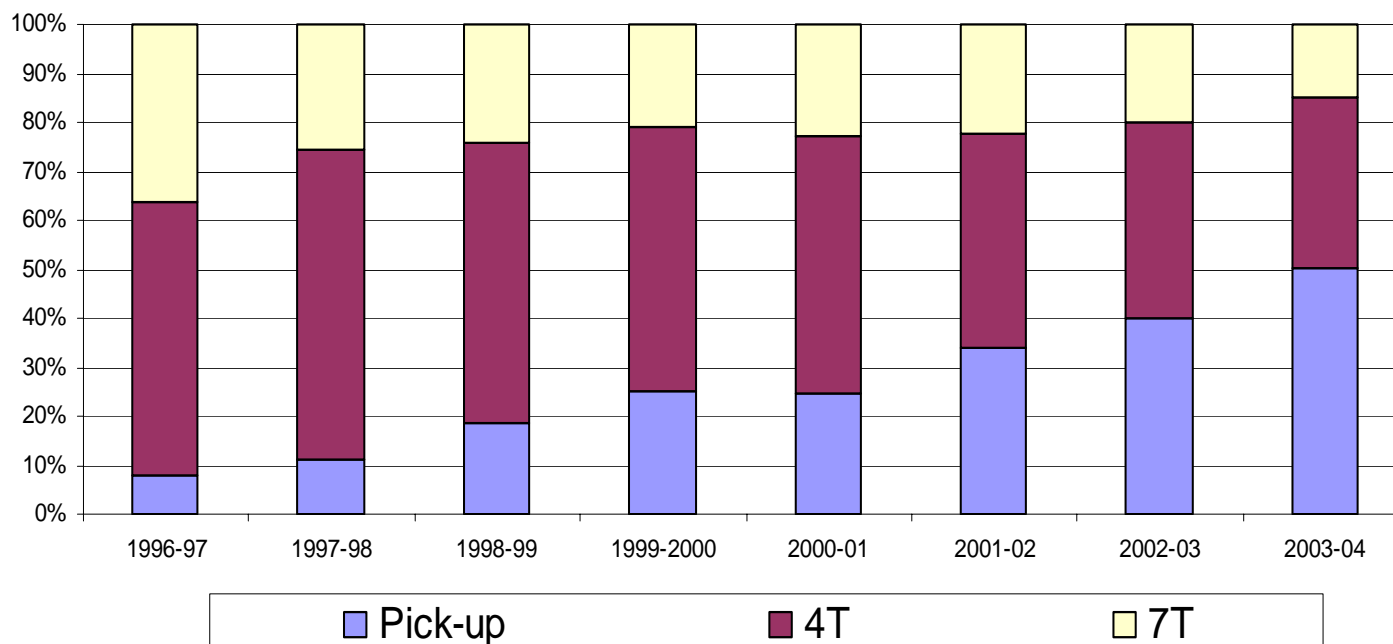
**Cycle expected to be elongated in this move driven by structural changes**

# Opportunity in Heavy Truck market



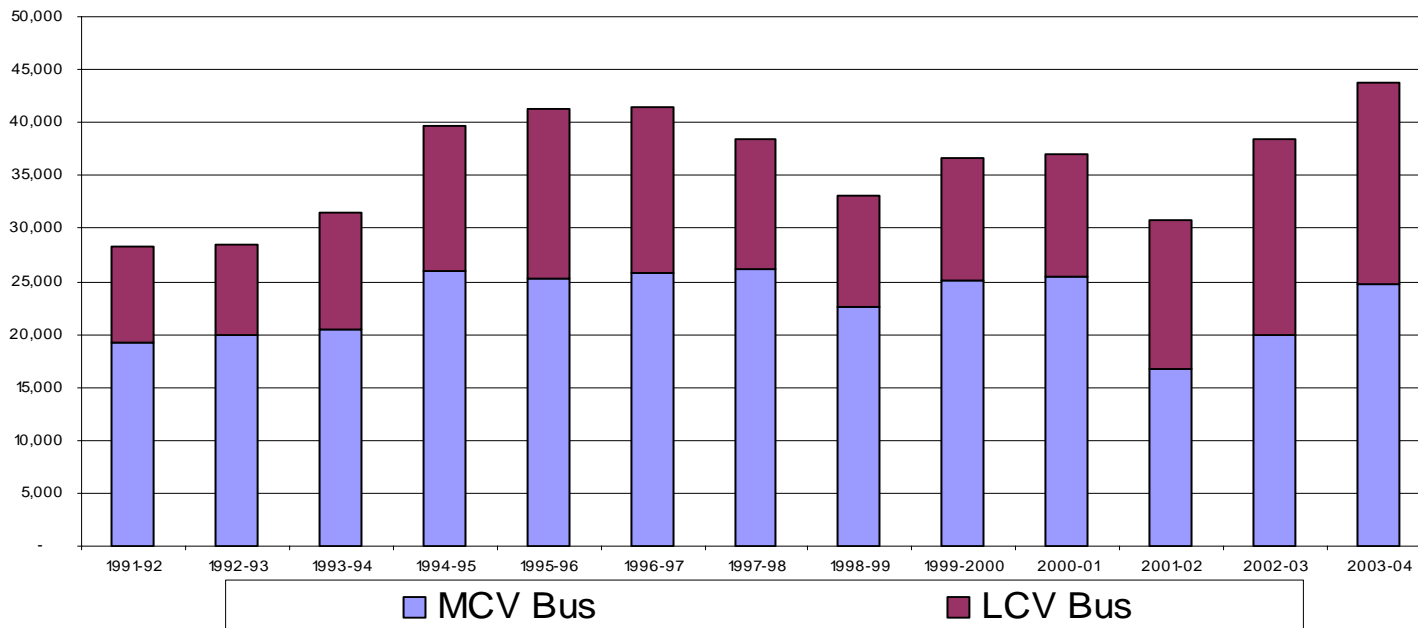
- *First leg of structural change of shift from Medium Trucks (MCV) to Multi-Axle Trucks (MAV) coincided with the beginning of the road programme in the country and availability of cheaper financing*
- *Expected to be followed by the shift to Tractor-trailers*
- *Better roads and operating economics of higher power-to-weight ratio vehicles – Main Driver*

## Opportunity in Light Truck market



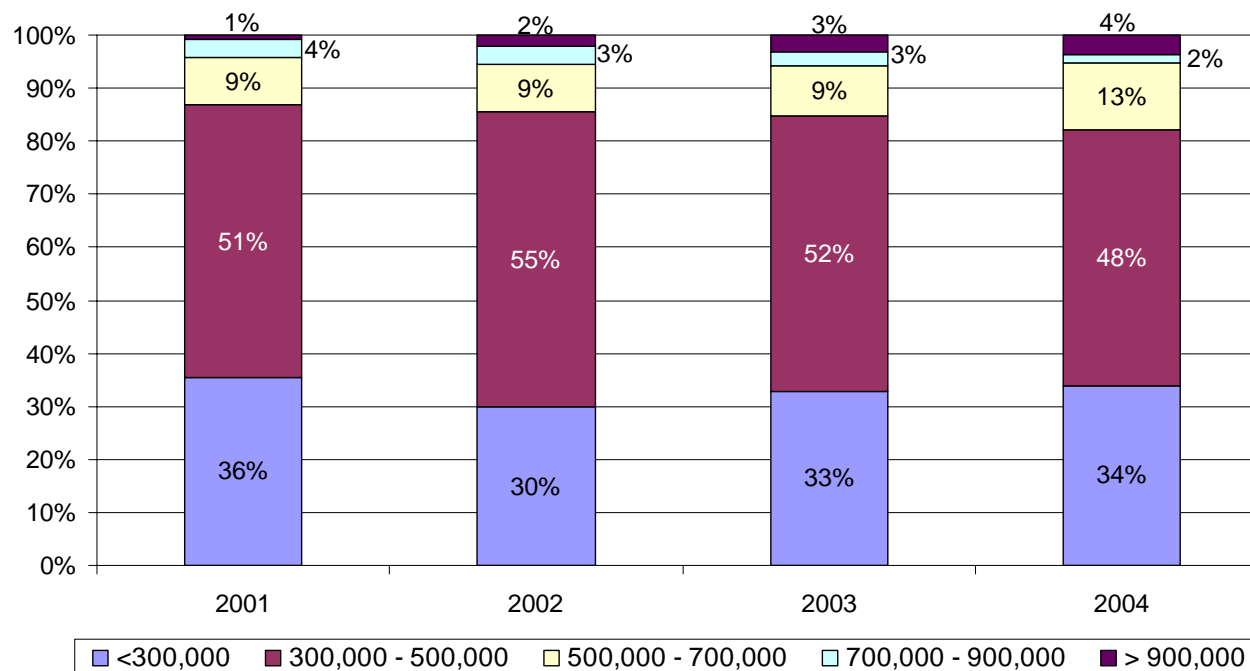
- *Pick-up demand growth - the key volume driver*
- *Growth in the pick-up market has coincided with the growth in MAV trucks*
- *Next growth driver is expected to be introduction of lighter pick-ups to compete with the cargo 3-wheelers (market size 2003-04 of 99,600 units; growth of 57%)*

## Opportunity in Bus market



- *Besides the Golden Quadrilateral (GQ) and North-South-East-West (NSEW) corridor , the current road programme also involves connecting habitations with more than 500 population*
- *Mobility needs of the people expected to increase due to this connectivity*
- *In the past, the demand for buses has been stagnant due to significant reliance upon State Transport Undertakings and local governments' private operator licence policies*

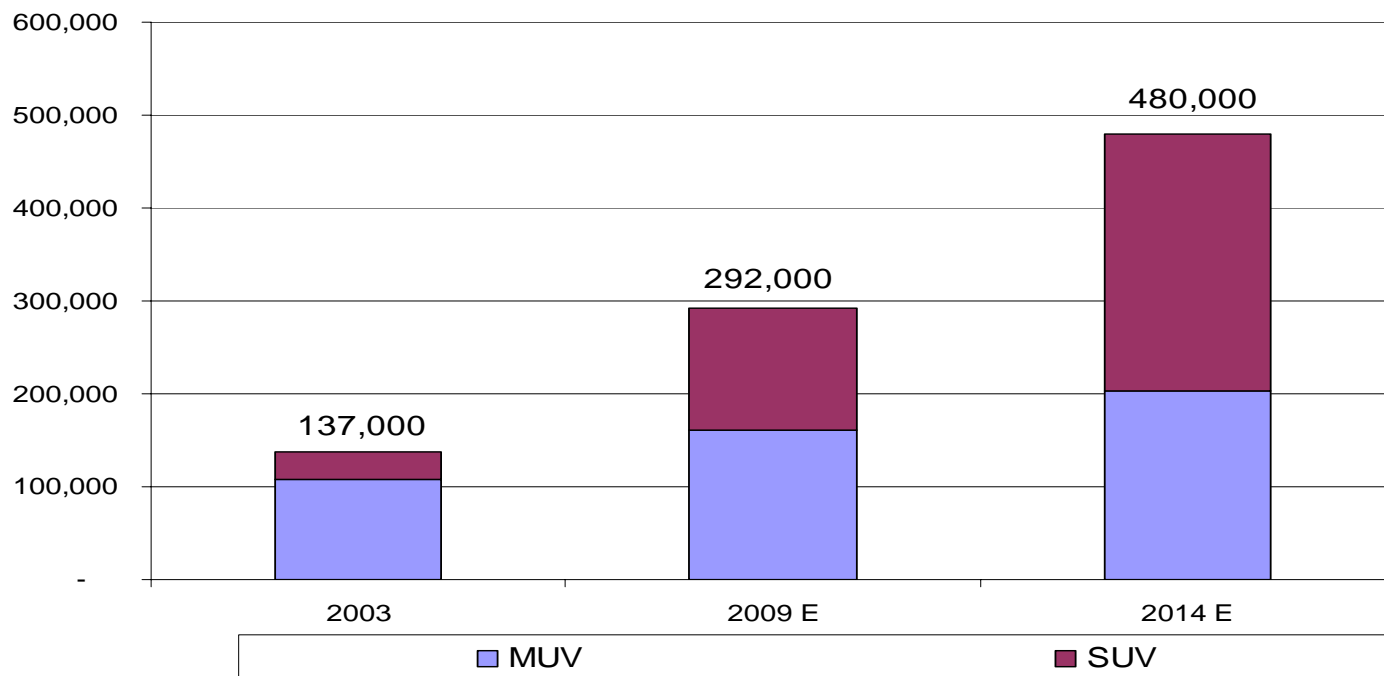
## Passenger Car classification and demand drivers



### Key drivers for car demand

- *Increasing affordability*
  - Higher growth in personal disposable incomes relative to car prices
  - Cheaper and easier financing options
- *Growing aspirations*
  - Faster replacement and upgrades
  - Income and demographic distribution
- *Lack of adequate public transport services.*

## Opportunity in Utility Vehicle market



Source : Industry

- UV proportion in Total PVs of around 17% compared to ~ 35-40% in other markets
- Expected CAGR of 12% in the domestic UV market over next decade
- SUV market expected to reach ~60% of UV market from current 22%

## Opportunity in Small Car market

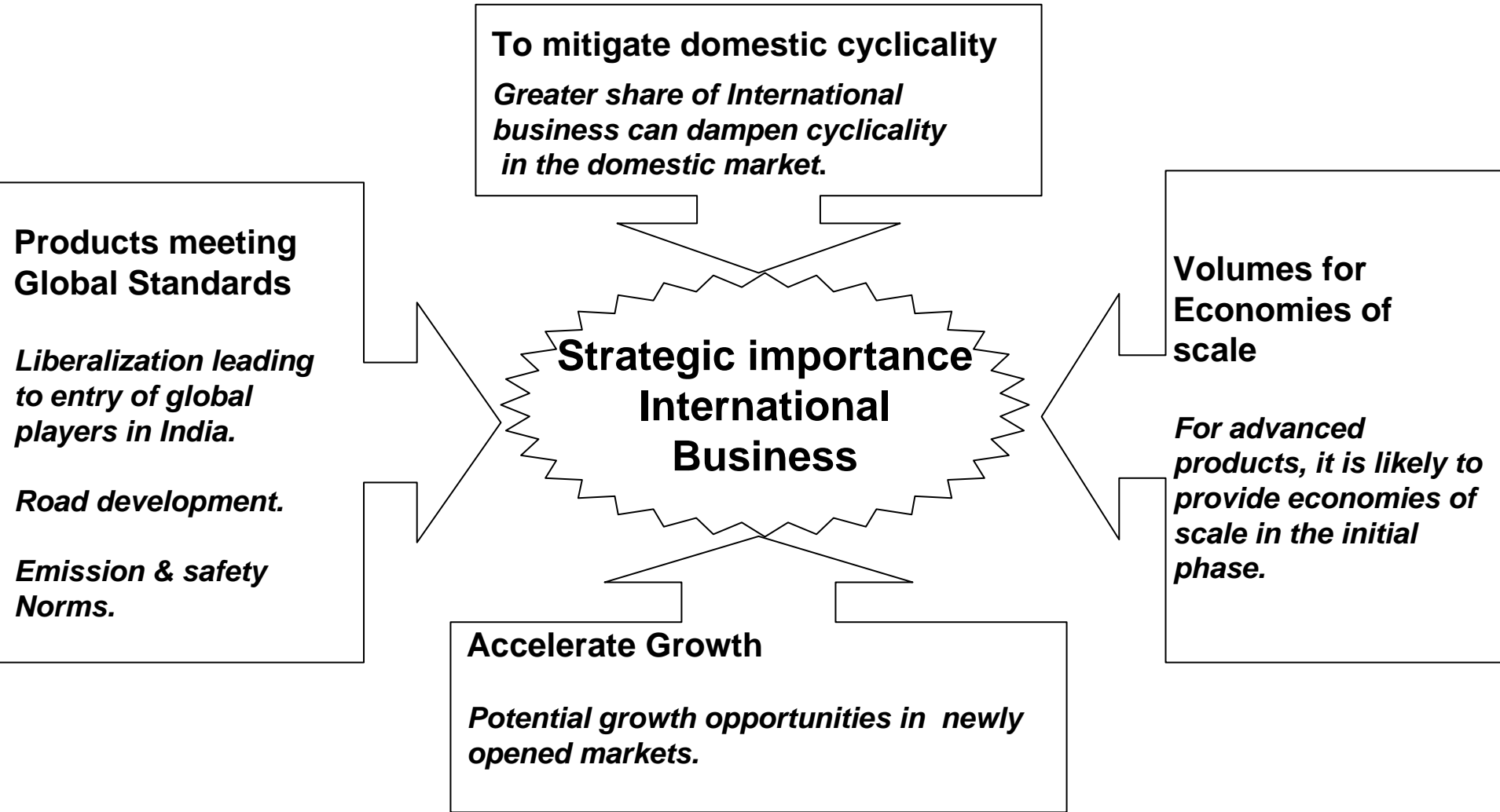
- Tata Motors' plans for small car market
  - Currently at the Product Definition Phase
  - Will be safe and environment friendly
  - Will employ a different manufacturing strategy – more outsourcing , joint development and manufacturing to make the pricing possible
  - Expected to be commercially launched in three years' time
  - Potential in countries requiring low cost personal transportation

## Customer Financing

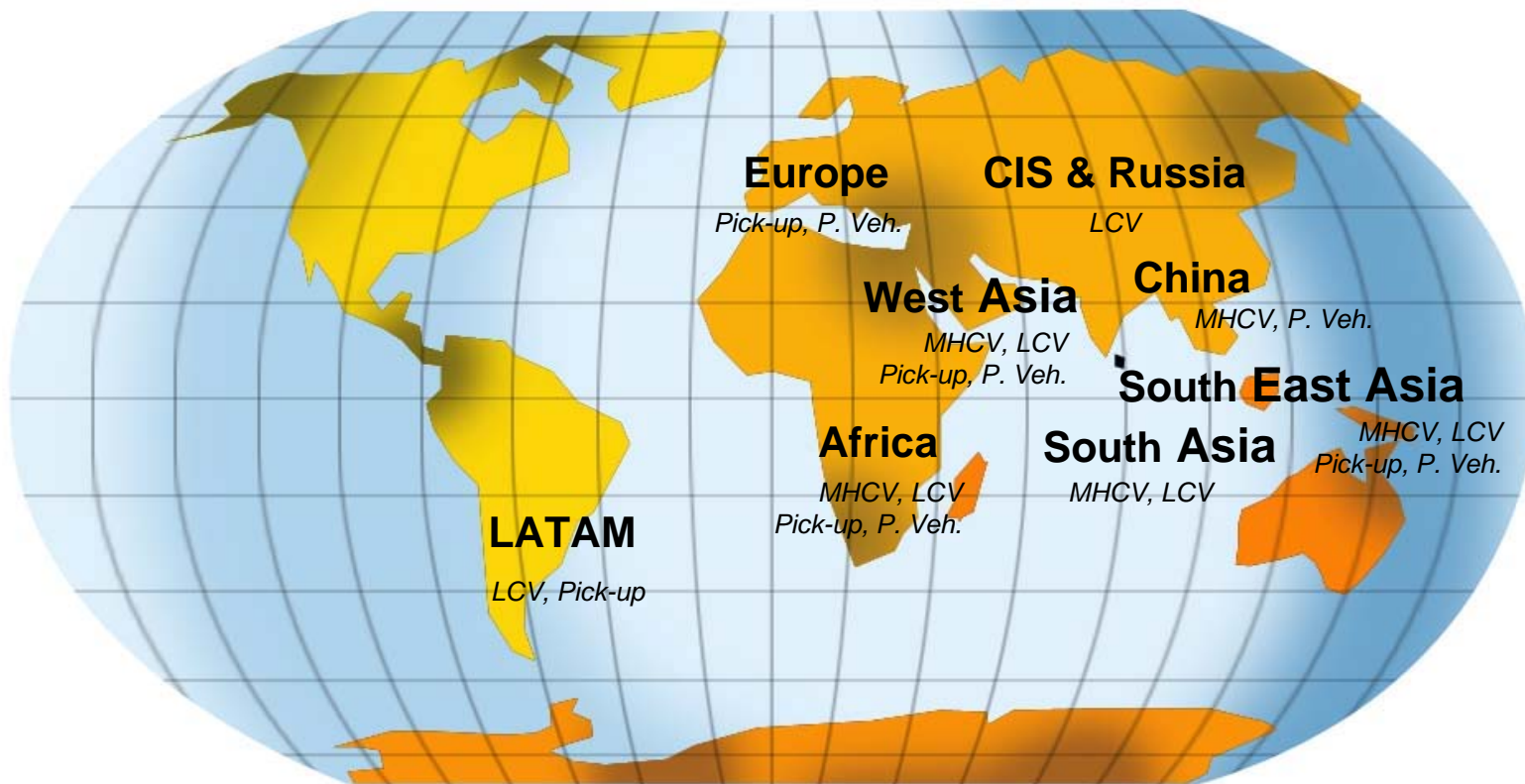
### Tata Motor Finance

- Joint marketing arrangement between Tata Motors' in-house vehicle financing division (BHPC) and Tata Finance
- Financing of automobiles and construction equipments
- Benefits of Joint marketing efforts
  - Combination of dealer-driven and direct financing channels
  - Lower overheads
  - Better NPA recovery
  - Lower cost of funds
- Operations
  - Disbursement of Rs 23 bn (+43%) in FY04
  - 16.7% market share in financing of Tata Motors Vehicles – lower than international and national benchmark of 30-40%
  - 57 branches and over 200 Tata Motors dealers
  - NPAs less than 1% - consequence of dealer involvement and strict financing norms

# Strategic Importance of International Business



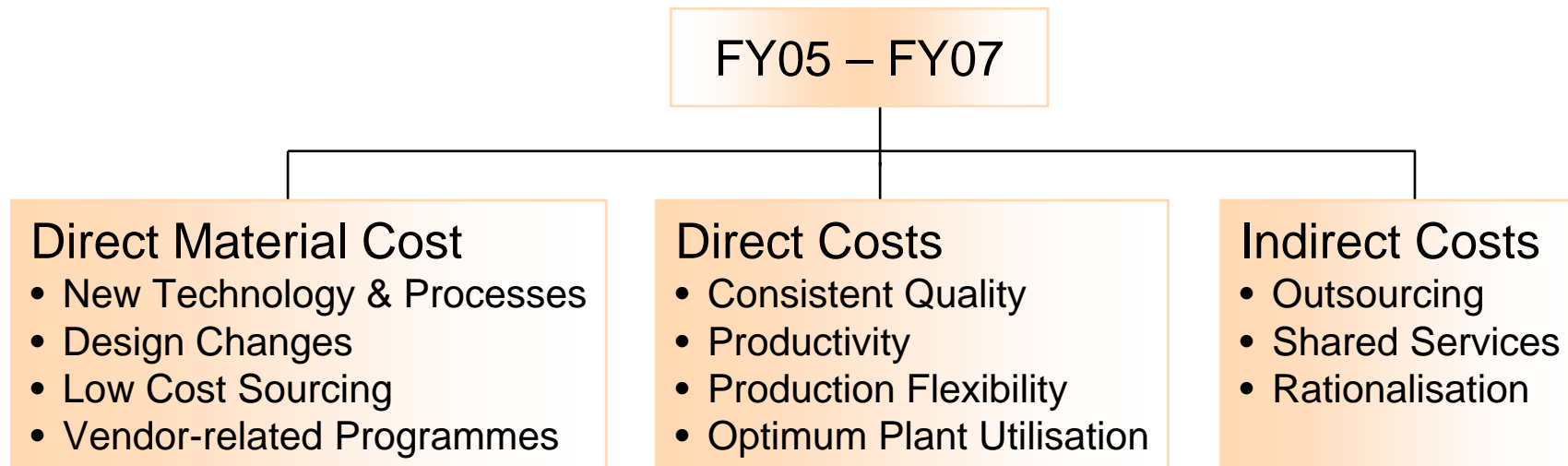
# Current and potential international markets



## Organic growth elements

- Capacity expansion
  - Current utilisation between 65-75% for CVs and UVs and 100% for Indica plant
  - Indica capacity being expanded by 50% by end-2004
  - CV capacity being addressed with demand expansion.
  - New Products
- Product pipeline
  - FY05
    - Indigo Marina (Station-wagon) – launched on Sep. 15, 2004
    - Small LCV
    - Intra-city & Inter-city buses
  - Beyond FY05
    - Global truck
    - New UV platform
    - New Indica platform
    - People's Car
    - New engine offerings
    - R&D capability expansion
- Expansion into new markets and product categories – in domestic and international businesses

# Cost Reduction



## Cost savings in the ongoing phase

- Initial savings in 2004-05
- Expected substantial increase in savings in 2005-06
- Highest savings in the last year (2006-07) of the phase

## Elements of Inorganic growth strategy

- Acquiring an international company
  - Access to markets
  - Access to new technology and R&D capability
  - Growth in International business
- Marketing tie-ups
  - Distribution
  - Co-branding
- Asset purchase
  - New product
  - New technology
  - New capacities
- Strategic alliances
  - Product swaps
  - R&D alliances



**Exploratory stage**

## Update on Tata Daewoo CV Ltd.

- Volume of 1,388 units during April – June, 2004
- Domestic market share moved to 31.7% in June 2004 in Heavy Truck market compared to 21.5% in March 2004
- Plans to increase the exports through leveraging Tata Motors' International Business distribution
- With Novus launch, TDCV is ready with both Emission (Euro III) and safety requirements for Korean market
- Some of the Heavy truck products may be launched in India in the near-future.

## Challenges Affecting Performance

- Steel price increases
  - However, recent reductions in customs duty and domestic steel prices will provide some relief
- 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.
- Increasing inflation
  - Expectation of interest rate hardening although marginal
  - Some impact on vehicle demand
- Fuel price increases
  - Although controlled, however, affecting freight operator economics

## Conclusion

- Capture the growth opportunities in Indian market
- Focus on non-cyclical revenues
- Increase the international business to 20% of revenues
  - Consolidation in the existing markets
  - Organic growth with new markets and products
  - Inorganic growth
- Sustaining current operating profit margin on significantly higher volumes

Thank You

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