

**FOR IMMEDIATE RELEASE**

October 5, 2010

ICRA assigns LAA- rating to bank facilities of Tata Motors Limited

ICRA has assigned a long-term rating of LAA- (pronounced L Double A Minus) to the Rs. 1,200 crore¹ Non-Fund Based Bank Facilities of Tata Motors Limited[†]. The outlook on the long-term rating is stable. ICRA has also reaffirmed the short-term rating of A1+ (pronounced A One Plus) assigned earlier to the Rs. 6,000 crore Non-Fund Based Limits of the company⁶. ICRA also has LAA- (Stable) rating outstanding on the Rs. 6,000 crore Fund Based Bank Facilities and the Rs. 600 crore Non-Convertible Debenture of Tata Motors Limited. ICRA also has a short-term rating of A1+ outstanding on the Rs. 4,500 crore Commercial Paper (including Short-Term Debt) programme of the company.

The assigned rating takes into account improvement in Tata Motors' financial profile driven by significant turnaround in company's Jaguar Land Rover (JLR) operations, initial signs of stability in JLR's profitability indicators and favourable impact of the proposed equity/equity-linked fund infusion plans of the company. Over the last few quarters, JLR's operating performance has improved substantially driven by steady growth in vehicle sales, favourable impact of better product mix and cost control measures on the operating profitability. While part of the improvement during the last quarter was supported by favourable foreign currency movement, the sustainability in the profitability indicators is likely to be driven by improving demand conditions, increasing penetration in some of the fast growing markets and impact of cost rationalisation measures implemented by the company.

The strong improvement in JLR's performance coupled with steady support provided by Tata Motors' domestic operations have collectively helped in improving the company's consolidated financial profile besides support from regular fund raising and divestment plans.

Though there are initial signs of turnaround, JLR's key markets i.e. European markets are yet to stabilise. JLR's performance also remains vulnerable to factors including funding requirements towards new product development; extent of pension fund deficit and the success of the much anticipated new launches. JLR being a niche premium segment player faces strong competition from established players. Therefore, gaining market traction through new launches and strengthening product portfolio would be critical to sustain profitable operations. JLR has also initiated cost reduction measures related to employee cost besides reduction in material and overhead costs to lower breakeven levels. The extent of benefits following implementation of these measures and the demand outlook for premium segment cars in its key markets are factors that are likely to affect the consolidated financial profile of the company.

Despite improvement in the capital structure following equity infusion, divestments and healthy cash generation in the current fiscal, Tata Motors' debt levels continue to remain high on account of investment requirements for capital expenditure and product development at JLR and debt associated with its acquisition. The company's proposed fund raising plans are however likely to help in further improvement in the medium term.

¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

⁶ *Tata Motors' Non Fund Based Limits are interchangeable between long-term and short-term exposure such that total utilization should not exceed Rs. 6,000 crore*

**Company Profile**

Tata Motors Limited (Tata Motors) is India's largest automotive company with market leadership in the CV segment and positioned as one of the top three manufacturers of passenger vehicles. The Tata Group holds a ~37% equity stake in the company. From being predominantly a CV and PV manufacturing catering to Indian markets, Tata Motors business profile underwent a significant change with the acquisition of Jaguar Land Rover (JLR) in June 2008. With the inclusion of JLR, Tata Motors' product profile range from low to high end cars and presence in Europe, US, China, Russia and Brazil. At present Currently, Tata Motors has five manufacturing plants in India at Pune (Maharashtra), Lucknow (Uttar Pradesh), Jamshedpur (Jharkhand), Pant Nagar (Uttaranchal) and Dharwad (Karnataka) with installed capacity (on double shift basis) of 597,000 CVs and 388,000 for cars and UVs; three manufacturing units in the United Kingdom (for Jaguar Land Rover) and a manufacturing facility in Gunsan (South Korea) with a capacity of 20,000 CVs. During 2009-10 Tata Motors reported revenue of Rs. 34,961 crore, during the same period, its subsidiary JLR reported revenue of Rs. 49,344 crore.

Traditionally a CV manufacturer, Tata Motors entered the passenger car business in 1998-99 with the launch of an indigenously developed B segment car. During April – August 2010, Tata Motors enjoyed a 11.5% share in the Indian PV industry through its existing platforms (Indica, Indigo, Indigo CS all on a single platform and Indica Vista on a new platform) for cars and a single platform for MUVs (Sumo and Safari). With the existing PV products, Tata Motors figures among the top three passenger vehicle manufacturers in the domestic market. The company has recently started production of Nano at its new manufacturing facility at Sanand (Gujarat).

Recent Results

Tata Motors' Q1FY11 results have been significantly ahead of our estimates led by better than estimated operational performance across all business segments, particularly JLR. During the quarter, the company reported a growth of 64% in operating income driven by volume growth across segments – M&HCV (up 62.4% YoY), passenger vehicles (up 56.0%) and Jaguar Land Rover⁷ (up 65%). As a result of strong growth in volumes, impact of cost control measures and favourable currency movement (particular in JLR operations), consolidated EBITDA improved to Rs. 3,855 crore (or 14.2% of OI) compared to Rs. 503 crore in Q1FY10 (or 3.1% of OI). As a result, the company posted a net profit of Rs. 1,989 crore as against a loss of Rs. 329 crore (in Q1FY10).

October 2010

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

⁷ JLR's wholesale volumes grew by 65% YoY in Q1FY11 compared to a growth of 25% at retail level. Jaguar volumes grew by 34% and Land Rover volumes grew by 80% during the quarter at wholesale level.