

June 23, 2010

**CARE ASSIGNS 'CARE AA-' TO THE PROPOSED NCD ISSUE OF TATA MOTORS LTD.**

CARE has assigned a '**CARE AA-** (Double A Minus)' rating to the proposed long-term Non-Convertible Debenture (NCD) issue aggregating Rs.500.00 crore of Tata Motors Limited (TML). The proposed NCDs would have tenure of 15 years with four annual installments in the ratio of 20:20:30:30 starting from the end of 12<sup>th</sup> year. Instruments with this rating are considered to offer high safety for timely servicing of debt obligations. Such instruments carry very low credit risk.

CARE assigns '+' or '-' signs to be shown after the assigned rating (wherever necessary) to indicate the relative position within the band covered by the rating symbol.

Facilities	Amount (Rs.Crore)	Rating
NCDs	500.00	'CARE AA-'
<b>Total</b>	<b>500.00</b>	

**Rating Rationale**

The rating derives strength from TML's diversified product portfolio with widespread geographical presence across all automobile categories, strong Research & Development (R&D) initiatives backed by competent engineering capabilities, favourable market image coupled with dominant market position in domestic Commercial Vehicle (CV) segment and the strategic importance of TML in the Tata group.

The rating also takes into account the recent revival of demand in the auto sector, successful conclusion of entire funding of the Jaguar Land Rover (JLR) acquisition by way of equity infusion and additional borrowings.

However, the rating is constrained by low to moderate performance of TML's key subsidiaries due to the prevalent downturn in the global market which is likely to be partially mitigated by various steps taken to cut operating costs, inherent cyclical nature of the automobile industry followed by declining operating profitability and largely debt-funded acquisition.

The future performance of JLR and improvement of its core operating profitability constitute key rating sensitivities.

**Company Profile**

Incorporated in 1945, TML has a renowned and illustrious parentage in Tata Group of Companies. The group has a diversified presence across various business sectors like engineering, materials, energy, chemicals, consumer products, services and communications & information systems. Essentially a CV manufacturer, TML forayed into manufacturing of PVs across all product segments viz. compact, mid-size and utility in 1998-99, broadening the business horizon of the company in terms of presence across all categories of vehicles.

In more than half a century of its operations, TML has consistently explored both Greenfield and Brownfield investment opportunities across the various geographies with the purpose of creating a global footprint and improve market share across different product categories. Presently, it is India's largest automotive company with market leadership in the CV segment and is positioned as one of the top three manufacturers of PVs. The company is in the process of setting up a car manufacturing facility at Sanand (Gujarat).

A strategic initiative at TML to enter the premium luxury car segment across various geographies such as Europe, US, China, Russia and Brazil was the acquisition of JLR in June 2008 through its SPV in UK, an indirect wholly-owned subsidiary of TML at a purchase consideration of USD2.5 bn.

On a total income of Rs.25,116 crore in FY09, TML reported a PAT of Rs.1,001 crore. The debt-equity ratio was 0.46x as on March 31, 2009. TML earned a PAT of Rs.1,643 crore on a total income of Rs.24,065 crore in 9MFY10, registering a period-over-period (p-o-p) growth of 300% and 28% respectively.

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