TATA MOTORS LTD/FI
Form 20-F
September 27, 2006
Table of Contents

As filed with the Securities and Exchange Commission on September 26, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended March 31, 2006

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report __________

Commission file number: 001-32294

TATA MOTORS LIMITED

(Exact name of Registrant as specified in its charter)

Not applicable

(Translation of Registrant s name into English)

Republic of India	**Bombay House** **24, Homi Mody Street,** **Mumbai 400 001, India**
(Jurisdiction of incorporation or organization)	**(Address of principal executive offices)**

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary Shares, par value Rs.10 per share *	**The New York Stock Exchange, Inc**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report. - 382,834,131 Ordinary Shares, including 30,717,977 Ordinary Shares represented by 30,717,977 American Depositary Shares were outstanding as of March 31, 2006.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. x Yes ¨ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. x Yes ¨ No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which financial statement item the registrant has elected to follow: Item 17 ¨ Item 18 x

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

* Not for trading, but only in connection with the listed American Depositary Shares, each representing one share of common stock.

Table of Contents

In this annual report

References to we , our and us are to Tata Motors Limited and its consolidated subsidiaries, except as the context otherwise requires;

References to dollar , and US$ are to the lawful currency of the United States of America, and references to rupees and Rs. are to the lawful currency of India;

References to US GAAP are to accounting principles generally accepted in the United States, and references to Indian GAAP are to accounting principles generally accepted in India;

References to an ADS are to an American Depositary Share, and references to an ADR are to an American Depositary Receipt;

References to light commercial vehicles, or LCVs, medium commercial vehicles, or MCVs, and heavy commercial vehicles, or HCVs, refer to vehicles that have gross vehicle weight, or GVW, of up to 7.5 metric tonnes, between 7.5 and 16.2 metric tonnes, and over 16.2 metric tonnes, respectively;

References to passenger cars refer to vehicles that have a seating capacity of up to six persons, excluding the driver, and is further classified into the following market segments: mini-cars which have a length of up to 3,400 mm; compact cars which have a length between 3,401mm and 4,000mm; mid-size cars which have length of between 4,001mm and 4,500mm; executive cars which have a length between 4,501mm and 4,700mm; and premium cars and luxury cars which have a length between 4,701 and 5,000mm, and above 5,001mm, respectively.

References to utility vehicles, or UVs, and multi-purpose vehicles, or MPVs, refer to vehicles that have a seating capacity of seven to twelve persons, excluding the driver, and van-type vehicles that have a seating capacity of seven to twelve persons, excluding the driver, respectively.

Unless otherwise stated, comparative and empirical industry data in this annual report have been derived from published reports of the Society of Indian Automobile Manufacturers, or SIAM;

References to a particular fiscal year, such as fiscal 2006 , are to our fiscal year ended on March 31 of that year;

Figures in tables may not add up to totals due to rounding;

Millimeters or mm are equal to 1/1000 of a meter. A meter is equal to approximately 39.37 inches and a millimeter is equal to approximately 0.039 inch; and

Kilograms or kg are each equal to approximately 2.2 pounds, and metric tonnes are equal to 1,000 kilograms or approximately 2,200 pounds.

Litres are equivalent to 61.02 cubic inches of volume, or approximately 1.057 U.S. quarts of liquid measure.

Revenues refers to Total Revenue net of excise duty unless stated otherwise.

Special Note Regarding Forward-looking Statements

All statements contained in this annual report that are not statements of historical fact constitute forward-looking statements . Generally, these statements can be identified by the use of forward-looking terms such as anticipate , believe , can , could , estimate , expect , intend , may will and would or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, our revenue and profitability, planned projects and other matters discussed in this annual report regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this annual report (whether made by us or any third party) involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially

Table of Contents

different from any future results, performance or achievements expressed or implied by these forward-looking statements or other projections. Although we are a reporting company and will have ongoing disclosure obligations under U.S. federal securities laws, we are not undertaking to publicly update or revise any statements in this annual report, whether as a result of new information, future events or otherwise.

The risks and factors that could cause our actual results, performances and achievements to be materially different from the forward-looking statements set out in Item 3.D and elsewhere in this annual report include, among others:

- general political, social and economic conditions, and the competitive environment in India and other markets in which we operate and sell our products;
- fluctuations in the currency exchange rate of the rupee to the dollar and other currencies;
- accidents and natural disasters;
- terms on which we finance our working capital and capital and product development expenditures and investment requirements;
- implementation of new projects, including mergers and acquisitions, planned by management;
- contractual arrangements with suppliers;
- government policies including those specifically regarding the automotive industry, including industrial licensing, environmental regulations, safety regulations, import restrictions and duties, excise duties, sales taxes, value added taxes, product range restrictions, diesel and gasoline prices and road network enhancement projects;
- significant movements in the prices of key inputs such as steel, aluminum, rubber and plastics; and
- other factors beyond our control.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

PART 1

Item 1. Identity of Directors, Senior Management and Advisers.

Not applicable.

Item 2. Offer Statistics and Expected Timetable.

Not applicable.

Item 3. Key Information.

A. Selected Financial Data.

The following table sets forth selected financial data including selected historical financial information as of and for each of the fiscal years ended March 31, 2002, 2003, 2004 2005 and 2006 in accordance with accounting principles generally accepted in the United States, or US GAAP.

The selected US GAAP consolidated financial data as of March 31, 2005 and 2006 and for each of the fiscal years ended March 31, 2004, 2005 and 2006 are derived from our audited US GAAP consolidated financial statements included in this annual report together with the report of Deloitte Haskins & Sells, independent auditors, who have reported that they carried out their audit in accordance with standards of the Public Company Accounting Oversight Board (United States). The selected US GAAP consolidated financial data as of March 31, 2002, 2003 and 2004 and for the fiscal years ended March 31, 2002 and 2003 are derived from our audited US GAAP consolidated financial statements not included in this annual report.

You should read our selected financial data in conjunction with Item 5 Operating and Financial Review and Prospects .

Table of Contents

Selected Financial Data Prepared in Accordance with US GAAP

	For the year ended March 31, 2002	2003	2004	2005	2006	2006	
	(in Rs. millions, except share and per share data)					(In US $ millions, except share and per share data)	
Gross Sales	90,401.3	112,106.3	162,176.6	228,549.4	272,350.8		6,123.0
Less: Excise Duty	14,459.9	17,352.5	23,883.2	31,771.0	35,465.0		797.3
Net sales	75,941.4	94,753.8	138,293.4	196,778.4	236,885.8		5,325.7
Finance revenues	750.2	976.7	1,402.3	1,608.6	3,728.7		83.8
Total revenues	76,691.6	95,730.5	139,695.7	198,387.0	240,614.5		5,409.5
Cost of sales	62,243.8	74,038.5	108,159.6	156,906.7	189,318.7		4,256.3
Operating Expenses							
Selling, general and administrative	13,079.1	13,040.9	15,276.9	20,144.9	26,586.2		597.7
Research and development	1,214.4	1,536.2	1,282.0	2,532.4	4,663.0		104.8
Employee separation compensation	886.7	32.6	386.3	11.5	4.2		0.1
Total operating expenses	15,180.2	14,609.7	16,945.2	22,688.8	31,253.4		702.6
Operating (loss) / income	(732.4)	7,082.3	14,590.9	18,791.5	20,042.4		450.6
Non-operating income / (expense), net							
Gain on shares issued by subsidiary					86.5		1.9
Gain on sale of equity interest in a subsidiary					1,532.1		34.4
Other non-operating income, net	1,888.9	1,222.0	1,773.2	1,821.6	1,882.6		42.3
Interest income	383.8	412.4	349.6	761.6	662.8		14.9
Interest expense	(5,199.9)	(4,090.4)	(2,684.3)	(2,993.3)	(3,717.8)		(83.6)
Total non-operating (expense) / income, net	(2,927.2)	(2,456.0)	(561.5)	(410.1)	446.2		9.9
(Loss) / Income before income taxes	(3,659.6)	4,626.3	14,029.4	18,381.4	20,488.6		460.5
Income tax benefit / (expense)	513.0	(1,888.4)	(5,264.0)	(5,099.9)	(5,618.3)		(126.3)
Minority interest, net of tax	86.4	(14.7)	(228.9)	(365.7)	(331.1)		(7.4)
Equity in net (loss) / income of affiliates net of tax	(353.7)	46.1	363.4	340.4	471.4		10.6
Net (loss) / Income	(3,413.9)	2,769.3	8,899.9	13,256.2	15,010.6		337.4
Weighted average no. of shares used in computing (loss)/Earnings per share:							
Basic	256,024,621	319,777,248	328,306,904	359,837,353	373,268,040		373,268,040
Diluted	256,024,621	319,777,248	363,123,828	388,849,716	399,310,236		399,310,236
(Loss) / earnings per share:							
Basic	Rs.(13.3)	Rs.8.7	Rs.27.1	Rs.36.8	Rs.40.2	US$	0.9
Diluted	Rs.(13.3)	Rs.8.7	Rs.25.3	Rs.34.9	Rs.38.7	US$	0.9
Cash dividend per Equity Share	Rs.	Rs.	Rs.8.0	Rs.4.0	Rs.12.5	US$	0.3

7

Table of Contents

	As of March 31,					
	2002	2003	2004	2005	2006	2006 (in US$ millions except number of shares)
Balance Sheet Data	(in Rs. millions except number of shares)					
Total Assets	77,562.2	78,762.0	113,875.4	159,245.4	202,158.2	4,544.9
Long term debt, net of current portion	18,542.0	13,877.4	10,804.1	25,632.7	27,203.3	611.6
Total shareholders equity	17,430.8	20,915.6	37,377.6	56,409.2	81,015.8	1,821.5
Number of Equity shares outstanding	319,782,395	319,784,387	352,958,130	361,751,751	382,834,131	382,834,131

Exchange Rate Information

For convenience, some of the financial amounts presented in this annual report have been translated from rupee amounts into dollar amounts at the rate of Rs.44.48 = US $ 1.00, based on the noon buying rate for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York as on March 31, 2006, the date of our most recent balance sheet included in this annual report. However, such translations do not imply that the rupee amounts have been, could have been or could be converted into dollars at that or any other rate.

The following table sets forth, for the periods indicated, information with respect to the exchange rate between the rupee and the dollar (in rupees per dollar) based on the average of the cable transfer buying and selling rupee / dollar exchange rates quoted by the Federal Reserve Bank of New York.

Fiscal year ended March 31,	Period End	Period Average	High	Low
2006	44.48	44.17	46.26	43.05
2005	43.62	44.86	46.45	43.27
2004	43.40	45.98	47.46	43.40
2003	47.53	48.43	49.07	47.53
2002	48.83	47.71	48.91	46.58

The following table sets forth the high and low exchange rates for the previous six months and is based on the noon buying rate for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York.

Month	Period End	Period Average	High	Low
August 2006	46.43	46.45	46.61	46.32
July 2006	46.49	46.37	46.83	45.84
June 2006	45.87	45.89	46.25	45.5
May 2006	46.22	45.20	46.22	44.69
April 2006	44.86	44.82	45.09	44.39
March 2006	44.48	44.34	44.58	44.90

Source: Federal Reserve Bank of New York

As of September 20, 2006, the rupee / dollar noon buying rate quoted by the Federal Reserve Bank of New York was Rs. 45.83 per US$1.00

B. Capitalization and Indebtedness.

Not applicable.

C. Reasons for the Offer and Use of Proceeds.

Not applicable.

8

Table of Contents

D. Risk Factors.

This section describes the risks that we currently believe may materially affect our business. The factors below should be considered in connection with any forward-looking statements in this annual report and the cautionary statements on page 2. The risks below are not the only ones we face some risks may be unknown to us, and some risks that we do not currently believe to be material could later turn out to be material. Whilst we would be making all reasonable efforts to mitigate or minimize these risks, one or more of a combination of these risks could materially impact our business, revenues, sales, net assets, results of operations, liquidity and capital resources.

Risk associated with Our Business and the Indian Automotive Industry.

General economic conditions could have a significant adverse impact on our sales and results of operations.

The Indian automotive industry is substantially affected by general economic conditions in India. The demand for automobiles in the Indian market is influenced by factors including the growth rate of the Indian economy, increase in disposable income among Indian consumers, interest rates and fuel prices. There can be no assurance that the Indian economy will not experience a downturn, and weakening of economic activity. An increase in interest rates and/or increases in fuel prices are examples of developments that could lead to a decline in the demand for automobiles in the Indian market, which could significantly affect our sales and future results of operations in an adverse manner.

Currency and exchange rate fluctuations could adversely affect our results of operations.

We are sensitive to fluctuations in foreign currency exchange rates. We engage in currency hedging in order to decrease our foreign exchange exposure and a weakening of the rupee against the dollar or other major foreign currencies may have an adverse effect on our cost of borrowing and consequently may increase our financing costs, which could have a significant adverse impact on our results of operations.

In addition, we have experienced and can be expected to continue to experience foreign exchange losses and gains on obligations denominated in foreign currencies in respect of our borrowings and foreign currency assets and liabilities. Although the fluctuations in the value of the rupee against the dollar has not had a material adverse effect on our financial condition and results of operations in recent periods, the depreciation in the value of the rupee against the dollar in the last year may lead to adverse effects on our financial condition and results of operations during the current fiscal year and in future periods, partly due to an increase in our dollar and/or Japanese yen denominated debt.

Intensifying competition in the Indian market could materially and adversely affect our sales and results of operations.

The Indian automobile industry is highly competitive. We face strong competition in the Indian market from domestic as well as foreign automobile manufacturers, and competition from foreign competitors is likely to intensify further in the future. There can be no assurance that we will be able to implement our future strategies in a way that will mitigate the effects of increased competition in the Indian automotive industry.

Our future success depends on our ability to satisfy changing customer demands by offering innovative products in a timely manner and maintaining such products competitiveness.

In the competitive automotive industry, our competitors can gain significant advantage if they are able to offer products satisfying customer needs earlier than we are able to, which could adversely impact our sales and results of operations. Unanticipated delays in our proposed expansion plans resulting in delays in capacity enhancements could adversely impact our results of operations. In addition, there can be no assurance that the market acceptance of our future products will meet our expectations, in which case we could be unable to realize the intended economic benefits of our investments and our results of operations may be adversely affected.

Table of Contents

We are subject to risks associated with product liability, warranty and recall.

We are subject to risks and costs associated with product liability, warranty and recall should we supply defective products, parts, or related after-sales services, which could generate adverse publicity and adversely affect our business, results of operations and financial condition.

Underperformance of our distribution channels and supply chains may adversely affect our sales and results of operations.

We have selected and developed exclusive dealers across India and a network of distributors and local dealers in select international markets for distribution of our products and we believe that we provide adequate incentives and support to ensure that such dealers perform to our expectations. There can be no assurance, however, that our performance expectations will be met, which could adversely affect our sales and results of operations. In addition, while we believe that we have a robust and efficient supply chain, we rely on some key vendors for some raw materials, parts and components used in the manufacture of our products. Our ability to procure these supplies in a cost effective and timely manner is subject to various factors, some of which are not always within our control. While we have not experienced significant problems with our supply chain in the past, that have materially affected our results of operations, any significant problems with our supply chain in the future could affect our results of operations in an adverse manner.

Increases in commodity prices may have a material adverse impact on our result of operations.

In fiscal 2004, 2005, and 2006, consumption of raw materials and components formed approximately 77.6%, 81.2% and 79.3%, respectively of our cost of sales. Prices of these commodity items used in manufacturing automobiles, including steel, rubber, copper, and zinc, etc are on the rise. While we have been pursuing various cost reduction programs to partially offset these price increases, there can be no assurance that we will be able to recover any future cost increases in commodity products through cost-saving measures elsewhere or that we will be able to increase the selling prices of our products, which could materially and adversely impact our sales and results of operations.

The performance of our subsidiaries and affiliates may adversely affect our results of operations.

We have made and may continue to make capital commitments to our subsidiaries and affiliates, and if the business and operations of subsidiaries and affiliates, to whom we make capital commitments, deteriorate our results of operations may be adversely affected in the future.

We are subject to risks associated with growing our business through mergers and acquisitions.

We continuously evaluate growth opportunities through suitable mergers and acquisitions. These involve business risks, including unforeseen contingent risks or latent business liabilities that may only become apparent after the merger or acquisition is finalized, successful integration and management of the merged/acquired entity with us, retention of key personnel, joint sales and marketing efforts, management of a larger business and diversion of management s attention from other ongoing business concerns. If we are not able to manage these risks successfully our results of operations could be adversely affected.

We may be adversely affected by labor unrest.

All of our regular employees and those of some of our consolidated subsidiaries in India, other than officers and management, are members of labor unions and are covered by our wage agreements with those labor unions which have different tenures (typically three years) at different locations. In general, we consider our labor relations with all of our employees to be good. However, we may in the future be subject to labor unrest, which may delay or disrupt our operations in the affected regions, including the acquisition of raw materials and parts, the manufacture, sales and distribution of products and the provision of services. If work stoppages or lock-outs at our facilities or at the facilities of our major vendors occur or continue for a long period of time, our business, financial condition or results of operations may be adversely affected.

Table of Contents

Risk associated with Political and Regulatory Risk

India s obligations under the World Trade Organisation Agreement.

India s obligation under its World Trade Organization agreement could lower the level of relatively high tariffs on imports of components and vehicles particularly with respect to cars in completely built units and/or completely knocked down units, which could adversely affect, our sales and results of operations.

Environmental and Government regulations.

As an automobile company, we are subjected to extensive governmental regulations regarding vehicle emission levels, noise, safety and levels of pollutants generated by our production facilities. These regulations are likely to become more stringent and the costs to comply with the same may significantly impact our future results of operations. Imposition of any additional taxes and levies by the Indian government designed to limit the use of automobiles could adversely affect the demand for our products and our results of operations. Regulations in the areas of investments, taxes and levies may also have an impact on Indian securities, including our shares and ADSs.

We may be adversely impacted by political instability, wars, terrorism, multinational conflicts, natural disasters, fuel shortages/prices, epidemics and labor strikes.

Our products are exported to other geographical markets from India and South Korea and we plan to expand our international operations, further in the future. As such, we are subject to various risks associated with conducting our business worldwide and our operations may be subject to political instability within and outside India, wars, terrorism, regional and/or multinational conflicts, natural disasters, fuel shortages, epidemics and labor strikes. Any significant or prolonged disruptions or delays in our operations related thereto could adversely impact our results of operations.

Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our costs of compliance.

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and new Securities and Exchange Commission (SEC) regulations, Securities and Exchange Board of India (SEBI) regulations, New York Stock Exchange (NYSE) listing rules and Indian stock market listing regulations, have increased complexity for us. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such governance standards.

In particular, our efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting and our independent accountants audit of that assessment requires the commitment of significant financial and managerial resources. There is a risk that as yet unidentified control deficiency may be identified as a result of the assessment. We are committed to maintaining high standards of corporate governance and public disclosure, and our efforts to comply with evolving laws, regulations and standards in this regard have resulted, and are likely to continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Risks associated with Investments in an Indian Company.

Political changes in the Government in India could delay the further liberalization of the Indian economy and adversely affect economic conditions in India generally and our business in particular.

Substantially our manufacturing and sales and distribution facilities are located in India, and in fiscal 2006, 2005 and 2004, approximately 82.4%, 86.1% and 92.1% respectively, of our revenues were derived from sales within India. Our business, and the market price and liquidity of our ADSs and shares, may be affected by foreign exchange rates and controls, interest rates, changes in government policy, taxation, social and civil unrest and other political, economic or other developments in or affecting India.

Since 1991, successive Indian Governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the roles of the Indian central and state governments in the Indian economy as producers, consumers and regulators have remained significant. Consequent to an election in April and May 2004, there was a change in government. Although the government has announced its intention to continue with economic reforms implemented by its predecessor, these reforms can be implemented only with agreement of the coalition partners of the government. Whilst the coalition government has already committed to a common minimum agenda, there can be no assurance that there will not be changes in the economic reform, and specific laws and policies affecting automotive companies, foreign investment, currency exchange and investment regulations governing India s capital markets that could negatively affect us. Uncertainty regarding possible policy changes immediately after elections has in the past resulted in significant volatility in price and trading volumes of securities of Indian companies. A significant change in India s economic liberalization and deregulation policies could adversely affect business and economic conditions in India generally, and our business in particular, if new restrictions on the private sector are introduced or if existing restrictions are increased.

Regional conflicts in Asia and other export markets could adversely affect the Indian economy and cause our business to suffer.

The Asian region has from time to time experienced instances of civil unrest and hostilities among neighboring countries, and military hostilities and civil unrest in other Asian countries. Events of this nature in the future could influence the Indian economy and could have a material adverse effect on the market for securities of Indian companies, including our ADSs and shares, and on the market for our vehicles.

Rights of shareholders under Indian law may be more limited than under the laws of other jurisdictions.

Our Articles of Association, which include regulations applicable to our Board of Directors, and Indian law govern our corporate affairs. Legal principles relating to these matters and the validity of corporate procedures, directors fiduciary duties and liabilities, and shareholders rights may differ from those that would apply to a company in another jurisdiction. Shareholders rights under Indian law may not be as extensive as shareholders rights under the laws of other countries or jurisdictions, including the United States. You may have more difficulty in asserting your rights as a shareholder than you would as a shareholder of a corporation organized in another jurisdiction.

Investors may have difficulty enforcing judgments against us or our management.

We are a limited liability company incorporated under the laws of India. Almost all of our directors and executive officers named in this annual report are residents of India. Further, most of our assets and the assets of these directors and executive officers are located in India. As a result, investors may find it difficult to (i) effect service of process upon us or these directors and executive officers in jurisdictions outside India, (ii) enforce court judgments obtained outside India, including those based upon the civil liability provisions of the U.S. federal securities laws, against us or these directors and executive officers, (iii) enforce, in an Indian court, court judgments obtained outside India, including those based upon the civil liability provisions of the U.S. federal securities laws, against us or these directors and executive officers, and (iv) obtain expeditious adjudication of an original action in an Indian court to enforce liabilities, including those based upon the U.S. federal securities laws, against us or these directors and executive officers.

India is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments. Recognition and enforcement of foreign judgments is provided under Section 13 of the Code of Civil

Procedure, 1908, or the Civil Code. Section 13 and Section 44A of the Civil Code provide that a foreign judgment shall be conclusive as to any matter thereby directly adjudicated upon except (i) where it has not been pronounced by a court of competent jurisdiction, (ii) where it has not been given on the merits of the case, (iii) where it appears on the face of the proceedings to be founded on an incorrect view of international law or a refusal to recognize the law of India in cases where Indian law is applicable, (iv) where the proceedings in which the judgment was obtained were opposed to natural justice, (v) where it has been obtained by fraud or (vi) where it sustains a claim founded on a breach of any law in force in India.

Section 44A of the Civil Code provides that where a foreign judgment has been rendered by a superior court in any country or territory outside India which the Government has by notification declared to be a reciprocating territory, it may be enforced in India by proceedings in execution as if the judgment had been rendered by the relevant court in India. However, Section 44A of the Civil Code is applicable only to monetary decrees not being in the nature of any amounts payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty.

The United States has not been declared by the Government of India to be a reciprocating territory for the purpose of Section 44A of the Civil Code. Accordingly, a judgment of a court in the United States may be enforced only by a suit upon the judgment and not by proceedings in execution. The suit must be brought in India within three years from the date of the judgment in the same manner as any other suit filed to enforce a civil liability in India. It is unlikely that a court in India would award damages on the same basis as a foreign court if an action is brought in India. Furthermore, it is unlikely that an Indian court would enforce foreign judgments if it viewed the amount of damages awarded as excessive or inconsistent with Indian practice. A party seeking to enforce a foreign judgment in India is required to obtain approval from the Reserve Bank of India (RBI) to execute such a judgment or to repatriate outside India any amount recovered.

Risk associated with our Shares and ADSs.

Fluctuations in the exchange rate between the rupee and the dollar may have a material adverse effect on the value of the ADSs and the Shares, independent of our operating results.

Fluctuations in the exchange rate between the Rupee and the Dollar will affect, among others things, the Dollar equivalents of the price of the shares in Rupees as quoted on the Indian stock exchanges and, as a result, may affect the market price of the ADSs. Such fluctuations will also affect the Dollar equivalent of any cash dividends in Rupees received on the Shares represented by the ADSs and the Dollar equivalent of the proceeds in Rupees of a sale of shares in India.

The exchange rate between the rupee and the dollar has changed substantially in the last two decades and may substantially fluctuate in the future. On an annual average basis, the rupee declined against the dollar, since 1980. The value of the Rupee against the Dollar was Rs.45.87 = US$ 1.00 as of June 30, 2006.

The market value of your investment may fluctuate due to the volatility of the Indian securities market.

The Indian stock exchanges have, in the past, experienced substantial fluctuations in the prices of their listed securities. The Indian stock exchanges, including the Bombay Stock Exchange Limited (BSE), have experienced problems that, if they continue or recur, could affect the market price and liquidity of the securities of Indian companies, including our shares. These problems have included temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time, imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

There may be a different level of regulation and monitoring of the Indian securities markets and the activities of investors, brokers and other participants than in the United States. The SEBI received statutory powers in 1992 to assist it in carrying out its responsibility for improving disclosure and other regulatory standards for the Indian securities markets. Subsequently, SEBI has prescribed regulations and guidelines in relation to disclosure requirements, insider dealing and other matters relevant to the Indian securities market. There may, however, be less publicly available information about Indian companies than is regularly made available by public companies in the United States.

Holders of ADSs have fewer rights than shareholders and must act through the depositary to exercise those rights.

Although holders of ADSs have a right to receive any dividends declared in respect of Shares underlying the ADSs, they cannot exercise voting or other direct rights as a shareholder with respect to the Shares underlying the ADSs evidenced by ADRs. Citibank, N.A., as depositary is the registered shareholder of the deposited shares underlying our ADSs, and therefore only Citibank, N.A. can exercise the rights of shareholders in connection with the deposited shares. Only if requested by us, the depositary will notify holders of ADSs of upcoming votes and arrange to deliver our voting materials to holders of ADSs. The depositary will try, in so far as practicable, subject to Indian laws and the provisions of our Articles of Association, to vote or have its agents vote the deposited securities as instructed by the holders of ADSs. If the depositary timely receives voting instructions from a holder of ADSs which fail to specify the manner in which the depositary is to vote the shares underlying such holder s ADSs, such holder will be deemed to have instructed the depositary to vote in favor of the items set forth in such voting instructions. If the depositary has not received timely instructions from a holder of ADSs, the holder shall be deemed to have instructed the depositary to give a discretionary proxy to a person designated by us, subject to the conditions set forth in the deposit agreement. If requested by us, the depositary is required to represent all shares underlying ADSs, regardless whether timely instructions have been received from the holders of such ADSs, for the sole purpose of establishing a quorum at a meeting of shareholders. Additionally, in your capacity as an ADS holder, you will not be able to bring a derivative action, examine our accounting books and records, or exercise appraisal rights. Registered holders of our shares withdrawn from the depositary arrangements will be entitled to vote and exercise other direct shareholder rights in accordance with Indian law. However, a holder may not know about a meeting sufficiently in advance to withdraw the underlying shares in time. Furthermore, a holder of ADSs may not receive voting materials, if we do not instruct the depositary to distribute such materials, or may not receive such voting materials in time to instruct the depositary to vote.

Further, pursuant to Indian regulations, we are required to offer our shareholders pre-emptive rights to subscribe for proportionate number of shares to maintain their existing ownership percentages prior to the issue of new shares. These rights may be waived by a resolution passed by at least 75% of our shareholders present and voting at a general meeting. Holders of ADSs may be unable to exercise pre-emptive rights for subscribing to these new shares unless a registration statement under the Securities Act is effective or an exemption from the registration requirements is made available to us. Our decision to file a registration statement would be based on the costs, timing, potential liabilities and the perceived benefits associated with any such registration statement and we do not commit that we would file such a registration statement. If any issue of securities is made to our shareholders in the future, such securities may also be issued to the Depositary, which may sell such securities in the Indian securities market for the benefit of the holders of ADSs. There can be no assurance as to the value, if any, the Depositary would receive upon the sale of these rights/securities. To the extent that the holder of the ADSs are unable to exercise pre-emptive rights, their proportionate interest in us would stand reduced.

As a result of Indian Government regulation of foreign ownership the price of the ADSs could decline.

Foreign ownership of Indian securities is regulated and is partially restricted. In addition, there are restrictions on the deposit of Shares into our ADS facilities. ADSs issued by companies in certain emerging markets, including India, may trade at a discount to the underlying equity shares, in part because of the restrictions on foreign ownership of the underlying equity shares and in part because ADSs are sometimes perceived to offer less liquidity than underlying shares which can be traded freely in local markets by both local and international investors. See Item 10.D Exchange Controls . The ADSs could trade at a discount to the market price of the underlying Shares.

Table of Contents

Item 4. Information on the Company.

A. History and Development of the Company.

We were incorporated on September 1, 1945 as a public limited liability company under the Indian Companies Act VII of 1913 as Tata Locomotive and Engineering Company Limited. Our name was changed to Tata Engineering and Locomotive Company Limited on September 24, 1960 and to Tata Motors Limited on July 29, 2003. We commenced operations as a steam locomotive manufacturer. This business was discontinued in 1971. Since 1954, we have been manufacturing automotive vehicles. This business commenced with the manufacture of commercial vehicles under financial and technical collaboration with Daimler-Benz AG (now DaimlerChrysler AG) of Germany. This agreement ended in 1969. Since then, we have been developing and manufacturing all our automotive vehicles in-house. We produced only commercial vehicles until 1991, when we started producing passenger vehicles.

We are India s largest automobile manufacturer and second largest manufacturer of cars and utility vehicles in terms of revenues, based on revenues of US$ 6,123 million in fiscal 2006. We are the leader in each of the major product categories in the Indian commercial vehicle market and the second largest manufacturer of passenger vehicles in Indian market, with products in the compact and midsize car, as well as utility vehicle categories. Based on a 2003 report of Verband der Automobilindustrie, an automobile industry association, we are the world s fifth largest medium and heavy commercial vehicle manufacturer, and the world s second largest medium and heavy bus manufacturer.

We have established a presence in substantially all of the major geographical areas of India. We estimate that nearly four million vehicles produced by us are currently being operated in India.

We produce a wide range of automotive products, including :

- ***Passenger Cars***. We manufacture a variety of passenger cars, including the Tata Indica, a compact car, first launched in 1998, the Tata Indigo, a mid-sized car launched in 2002, and the Indigo Marina, a station wagon version of the Indigo launched in 2004. These passenger cars are manufactured in gasoline and diesel engine versions.

- ***Utility Vehicles***. We manufacture a number of utility vehicles, or UV, including the Tata Sumo, launched in 1994, and the Tata Safari launched in 1998. Both the Tata Sumo and the Tata Safari have various variants to meet different consumer preferences.

- ***Light Commercial Vehicles***. We manufacture a variety of light commercial vehicles, or LCV, including pick-ups and trucks and buses with a gross vehicle weight, or GVW, between 0.7 ton and 7.5 tons. This also includes the Tata Ace India s first indigenously developed mini-truck with a 0.7 ton payload, launched in fiscal 2006.

- ***Medium and Heavy Commercial Vehicles***. We manufacture a variety of medium and heavy commercial vehicles, M & HCVs, which include trucks, buses, dumpers and multi-axled vehicles with GVW between 9 tons to 49 tons. In addition, through Tata Daewoo Commercial Vehicle Company Limited, or TDCV, our wholly-owned subsidiary in South Korea, we manufacture a range of high horsepower trucks ranging from 220 horsepower to 400 horsepower, including in dump trucks, tractor-trailers, mixers and cargo vehicles.

Our manufacturing base is spread across Jamshedpur (in eastern India), Pune (in western India) and Lucknow (in northern India), supported by a nation-wide dealership, sales, services and spare parts network comprising over 2,000 individual locations. A new facility in Uttaranchal (north India) is also being established.

In September 2004, we became the first company from India s engineering sector to be listed on the New York Stock Exchange.

Table of Contents

We have also expanded our international operations through mergers and acquisitions involving non-Indian companies. In 2004, we acquired the Daewoo Commercial Vehicles Company (now renamed as Tata Daewoo Commercial Vehicle Company Limited), South Korea s second largest truck maker. TDCV has launched several new products, such as the Tata Novus M&HCV. In fiscal 2005, we acquired a 21% stake in Hispano Carrocera S.A., or Hispano, a well-known Spanish bus and coach manufacturer and we have an option to acquire the remaining stake. Hispano s operations are being expanded into other markets. In addition, in June 2006, we signed a memorandum of understanding with the Fiat group to establish an industrial joint venture in India to manufacture passenger vehicles, engines and transmissions for the Indian and overseas markets and also distribute and market Fiat branded cars in India since March 2006. In May 2006, we entered into a joint venture agreement with Brazil-based Marcopolo S.A., or Marcopolo, a global leader in body-building for buses and coaches, to manufacture and assemble fully-built buses and coaches in India, wherein we will have a 51% ownership with, the balance held by Marcopolo.

We are also expanding our international export operations, which have been ongoing since 1961. Our commercial and passenger vehicles are being marketed in several countries in Europe, Africa, the Middle East, Australia, South East Asia and South Asia.

We believe that the foundation of our growth over the last 50 years has been a deep understanding of economic stimuli and customer needs, and the ability to translate them into customer desired products though leading edge research and development. With 1,400 engineers and scientists, our Engineering Research Centre, established in 1966, has enabled us to successfully design, develop and produce our own range of vehicles, as well as a significant portion of our production facilities, assembly lines and machinery. In addition, we established a wholly owned subsidiary under the name of Tata Motors European Technical Centre PLC, or TMETC, in the United Kingdom, in the field of automobile research. We believe this research center will also facilitate the development of our products, in particular, our passenger cars.

We launched India s first indigenously developed LCV in 1986, India s first sports UV, the Tata Safari in 1998, and the Tata Indica, India s first fully indigenous passenger car, in 1998. In 2005, we created another new product category by launching the Tata Ace, India s first indigenously developed mini-truck.

Today, we have research and development centers in Pune, Jamshedpur and Lucknow, in India, as well as TMETC in the United Kingdom. It is our goal that the TMETC will facilitate our product development, particularly that of passenger cars, and will enable our products to reach world class competitiveness. Our research and development network also includes the facilities of TDCV in South Korea, and those of Hispano in Spain.

Through our subsidiary and associate companies, we are engaged in engineering and automotive solutions, construction equipment manufacturing, automotive vehicle components manufacturing and supply chain activities, machine tools and factory automation solutions, high-precision tooling and plastic and electronic components for automotive and computer applications, and automotive retailing and service operations.

Tata Technologies Limited, or TTL, our 88.10% owned subsidiary, along with its subsidiaries, is engaged in the business of information technology, product lifecycle management, engineering and design services. During fiscal 2006, TTL, through its erstwhile subsidiary TTUS, acquired INCAT, a global provider of product lifecycle management and engineering and design services primarily to manufacturers and their suppliers in the international automotive, aerospace and engineering markets. TTL, through its 20 subsidiary companies, responds to customers needs through its operations in 45 cities across 12 countries in North America, Europe and Asia and through its delivery centers in India and Thailand.

Telco Construction Equipment Company Ltd, or Telcon, is engaged in the business of manufacturing and sale of construction equipment and related services. During fiscal 2006, we sold a 20% stake in Telcon to our joint venture partner, Hitachi Construction Machinery Company Ltd, or HCM, for a total consideration of approximately Rs.2 billion (US$ 44.25 million). Presently, we have a 60% stake in Telcon, with the remaining 40% being held by HCM.

Our subsidiary, Tata AutoComp Systems Limited, or TACO, is a holding company for promoting foreign joint ventures in automotive components and systems and is also engaged in engineering services, supply chain management and after-market operations. Beginning with one joint venture for seating equipment, with Johnson Controls of the United States, the TACO group now has 14 manufacturing joint ventures with well-known companies including Hendrickson International of the United States, Ficosa International of Spain and Yazaki Corporation of Japan. In August 2005, TACO acquired the business and assets of two German companies through its wholly owned subsidiary TACO Holdings (Mauritius) Limited. Besides us, TACO s customers include leading domestic original equipment manufacturers and certain global original equipment manufacturers and suppliers.

To support our vehicle financing activity, the erstwhile Tata Finance Limited was merged with us during fiscal 2006 which facilitated the integration of its direct business model with the dealer-driven business of our former division, the Bureau of Hire Purchase and Credits. Following this merger, we seek to offer complete vehicle financing solutions in line with global best practices in the auto industry. We also believe this business will provide a hedge against the cyclicality of the automotive business in India. We formed TML Financial Services Ltd., or TMLFSL, in June 2006 as a non-banking finance company to support and enhance our vehicle financing activities and undertake other related activities. TMLFSL has received required certificate of registration from the Reserve Bank of India to commence and carry on the business of a non-banking financial company, without accepting public deposits. We currently intend to promote TMLFSL as the preferred financing provider for our customers and distributors, with an aim to capturing customer spending over the vehicle life-cycle, by extending value-added products combining financing offerings with insurance, fleet management, operating leases, re-financing and other products.

We currently intend to use our wholly owned subsidiary, Tata Motors Insurance Services Limited, or TMISL, (formerly Concorde Motors Limited), to undertake the business of direct and reinsurance broking. TMISL is currently in the process of receiving the requisite approval from the Insurance Regulatory and Development Authority in India to commence this business.

As of March 31, 2006, our operations included 40 consolidated subsidiaries and 19 equity method affiliates, in respect of which we exercise significant influence.

Tata Incorporated serves as our authorized United States representative. The address of Tata Incorporated is 3 Park Avenue, 27th Floor, New York, NY 10016, United States of America.

Our Registered Office is located at Bombay House, 24, Homi Mody Street, Mumbai 400 001, India and our telephone number is +91-22-6665-8282 and our website address is www.tatamotors.com. Our website does not constitute a part of this annual report.

B. Business Overview.

Overview

Our business segments are (i) automotive operations and (ii) all other operations. Our automotive operations business segment includes the design, manufacture, assembly, sale and service of commercial and passenger vehicles, spare parts, components and accessories as well as financing our vehicles. Our other operations business segment includes Information Technology, or IT, services, construction equipment manufacturing, machine tools and factory automation solutions, high-precision tooling and plastic and electronic components for automotive and computer applications and investment businesses.

We sold 454,129 and 399,566 vehicles in fiscal 2006 and 2005 respectively, of which 403,906 and 369,069 vehicles were sold in India. In addition, TDCVsold 5,734 vehicles in fiscal 2006 as against 4,538 units of fiscal 2005. Our share in the Indian four-wheeler automotive vehicle market (i.e. automobile vehicles other than two

Table of Contents

and three wheeler categories) progressively increased from 25.2% in fiscal 2004 to 26.8% in fiscal 2005 and to 27% in fiscal 2006. The following table sets forth our market share in various categories in the Indian market:

Category	Fiscal 2004	Fiscal 2005	Fiscal 2006
Passenger Cars	15.5%	17.7%	**17.1%**
Utility Vehicles	22.2%	19.4%	**19.5%**
Light Commercial Vehicles	49.6%	50.7%	**60.2%**
Medium and Heavy Commercial Vehicles	63.9%	65.1%	**62.0%**
Total Four Wheel Vehicles	**25.2%**	**26.8%**	**27.0%**

The following table sets forth our revenue from our Indian and international operations:

	Fiscal 2004		Fiscal 2005		Fiscal 2006	
Revenue	Rs in million	Percentage	Rs in million	Percentage	Rs in million	Percentage
Within India	128,641.2	92.1%	170,883.3	86.1%	198,171.6	82.4%
Outside India	11,054.5	7.9%	27,503.7	13.9%	42,442.9	17.6%
Total	**139,695.7**		**198,387.0**		**240,614.5**	

The revenue from our exports has been steadily increasing in the last three years as our products are increasingly finding acceptance in key markets such as South Africa, Turkey, Sri Lanka and Russia. We have been pursuing growth in various geographic areas through organic and inorganic means in our automotive and other business operations.

Our Indian vehicles are manufactured almost exclusively with components produced in India. Many of these components including engines, transmissions and axles are produced by us or our subsidiaries and affiliates, whereas remaining parts are procured from various suppliers through our extensive supply chain. We import a limited number of specialized parts and components for our vehicles, as well as specialized grades of steel.

Our South Korean vehicles are assembled primarily from aggregates and components manufactured in South Korea. However, some major aggregates are sourced from the United States and various European component suppliers.

We had approximately 33,536 permanent employees, including approximately 11,187 permanent employees at our consolidated subsidiaries, as of March 31, 2006.

The Indian Automotive Market

India s 50-year old automotive industry has a prominent place in the Indian economy. With its integral relationship to several key segments of the Indian economy, the Indian automobile industry affects many other important sectors of the Indian economy and is one of the main drivers of India s economic growth. The Indian auto industry is one of the largest industrial sectors in India, with a turnover that contributes to roughly 5% of India s gross domestic product. The Indian automobile industry contributes nearly 17% to total indirect taxes and provides direct and indirect employment to over two million and ten million people respectively.

The Indian automotive industry plays a pivotal role in the country s rapid economic and industrial development, with its wide variety of passenger and commercial vehicles. Until 1993, the auto sector in India had been a relatively protected industry with limits on the entry of foreign companies through import tariffs. Today, as part of a broader move to liberalize its economy, India has opened up the sector to foreign direct investments and has since progressively relaxed trade barriers. Since the liberalization of the Indian auto sector the industry has experienced rapid development. Today, India is the world s second largest manufacturer of two wheelers, fifth largest manufacturer of commercial vehicles and the largest manufacturer of tractors in the world. India is also among a few countries in the world that have indigenously developed a passenger car.

Table of Contents

The Society of Indian Automobile Manufacturers, or SIAM, currently represents 38 leading vehicle and vehicular engine manufacturers in India. Presently, there are 11 manufacturers of passenger cars, 10 manufacturers of multi utility vehicles, 9 manufacturers of commercial vehicles, 6 manufacturers of three wheelers, 11 manufacturers of two wheelers, 14 manufacturers of tractors and 5 manufacturers of engines. India s auto market is one of the most competitive markets amongst the global markets, as lower overall costs have made it an attractive assembly ground for overseas manufacturers.

During fiscal 2006, the Indian automobile industry production grew by 14.9% to nearly 9.8 million vehicles. Of these, nearly 78% were two wheelers and over 4% were three wheelers. 13 million passenger vehicles, utility vehicles and multi purpose vans were produced in fiscal 2006, representing 14% of vehicles produced. In addition, nearly 0.39 million commercial vehicles were manufactured, constituting 4% of total vehicle production. The International Organization of Motor Vehicle Manufacturers , or OICA, ranked India as 11^{th} in passenger cars production in 2005. Presently, car penetration in India is low at 7 cars per 1,000 persons and is expected to increase in coming years.

During fiscal 2006, nearly 9 million automobiles were sold, an increase of 12.8% over the previous fiscal year, and 0.8 million automobiles were exported from India, an increase of 28.1% over the previous fiscal. While growth in India s GDP and the on-going road development program had a positive impact on vehicle sales, fiscal 2006 proved to be a difficult year for the Indian automobile industry as domestic four wheeler sales growth slowed down to 8.5% from a high of 18.6% witnessed in the previous fiscal year.

Domestic passenger vehicle sales reached an all time high of over 1.1 million units, but the growth rate slowed down to 7.7% after witnessing double digit growth in the previous two fiscal years. The lower percentage growth rate is attributable to the larger total number of passenger vehicles sold in the previous fiscal years as well as the lack of new product launches of significant volume. Growing retail incentives and rising input costs continued to put pressure on margins. Industry growth was at its highest in March 2006 due to a reduction in excise duty on small cars from 24% to 16% for cars of up to 4 meters in length and with engine displacement of less than 1200 c.c. for petrol and 1500 c.c. for diesel. Total passenger car exports of over 170,000 units were also at an all time high but the growth rate dropped to 5.9% from a high of 28.2% witnessed in the previous fiscal year.

Domestic commercial vehicle sales also reached an all-time high of over 0.35 million units but the growth rate slowed down to 10.1% after witnessing higher growth in the previous two fiscal years. The lower growth rate was attributable to confusion over the implementation and application of new emissions norms in some Indian states, reduced economic activity in northern, western and southern parts of the country due to severe floods, vehicle price increases due to increase in prices of certain raw materials (mainly steel, copper, aluminum, rubber and engineering plastics etc) and emission compliance costs. A difficult liquidity position and a rise in interest rates in the second half of fiscal 2006 also impacted commercial vehicle sales.

Our Strategy

We believe that we have established a strong position in the Indian automobile industry by launching new products, high quality low cost manufacturing, investing in research and development and maintaining our financial strength. We have also benefited from expansion of our manufacturing and distribution network and creation of a highly talented workforce. Our goal is to continue to strengthen our position in the domestic market, maintain our operational excellence and grow our international business in select countries through organic as well as inorganic means. Our strategy to achieve these goals consist of the following elements:

Leveraging our capabilities*:* We believe we have an extensive range of products in commercial vehicles (for both goods and passenger transport) as well as passenger vehicles. We have plans to leverage this broad product base further with our strong brand recognition in India, our superior understanding of local consumer preferences, well developed in-house engineering capabilities and extensive distribution network.

We believe that our in-house product development capability, our subsidiary TDCV in South Korea, our association with Hispano, our joint venture with Marcopolo and our relationship with Fiat will enable us to expand our product range and extend our geographical reach. For example, in fiscal 2006, we introduced the Tata ACE, a four wheeler mini-truck with a 0.7 ton payload which we believe has created a new category in the Indian commercial vehicle market and we are currently increasing our production capacity for this vehicle from 30,000 units per annum to over 100,000 units per annum to meet growing demand. In addition, we are currently developing an additional new truck platform.

On similar lines, in our passenger vehicle business, we are developing a low cost car for the Indian market. We believe that there will be a significant demand for such a passenger vehicle.

In addition to these products under development, we believe that our product development initiatives may enable us to improve our existing product portfolio. We are expanding our existing manufacturing facilities and are also establishing new manufacturing facilities to cater to the growing demand for our products. We are also currently expanding the reach of our sales and service network.

Mitigating cyclicality: The automobile industry is impacted by cyclicality which is more pronounced in the commercial vehicle category. To mitigate the impact of cyclicality faced by our medium and heavy trucks business, we plan to continue to strengthen our operations in the light commercial vehicles, buses and passenger car categories. We also plan to continue to strengthen our non-vehicle business, such as spare part sales, annual maintenance contracts, sales of aggregates for non-vehicle businesses, reconditioning of aggregates, sale of castings, forgings, production aids and tooling and fixtures to reduce the impact of the cyclicality.

Expanding our international business**:** We believe that expanding our operations into other select geographic areas, both through organic and inorganic means, may also reduce the impact of cyclicality in the Indian market as the cyclicality of these markets may not coincide with the cyclicality of the Indian market. This strategy also provides us an opportunity to grow in markets with similar characteristics to the Indian market. Our international business strategy has already resulted in the continuous growth of our international operations over the previous three fiscal years. For example, in South Africa, within three years of a focused entry, we are the third largest manufacturer in the commercial vehicle category.

Reducing costs and breakeven Points: While expanding our business, we plan to continue to sustain and enhance our cost advantage. Since fiscal 2001, we have made significant reductions in our cost base which has had an impact on our results of operations and contributed to our return to profitability in the previous four fiscal years. We are working with Ariba Inc for e-sourcing and reverse auctions. We have initiated the second phase of our cost reduction program in fiscal 2006, which we expect to complete over a period of three years. We continue to place an emphasis on the reduction of material costs, production costs, overhead and other general costs, by pursuing value engineering and manufacturing cycle time reduction and stringent working capital control. We plan to continue to adopt international and local operational and management best practices to achieve continued cost reductions and management efficiencies. We believe that productivity improvements and operational efficiencies will help us to lower our break-even levels and thus improve our results of operations.

Continuing focus on high quality and enhancing customer satisfaction: One of our principal goals is to achieve international quality standards for our products and services and we are pursuing various quality improvement programs, both internally and at our suppliers premises.

Our extensive sales and service network has also enabled us to provide quality and timely customer service. We are deploying the Siebel based customer relationship management system across our sales and service network, and we expect to improve our responsiveness to market and customer service needs.

Enhancing Capabilities Through the Adoption of Superior Processes: The Tata Group, of which we are a part, aims at improving the quality of life through leadership in various sectors of national economic significance. In pursuit of this goal, the Tata Group has institutionalized an approach, called the Tata Business Excellence Model or TBEM, which has been formulated on the lines of the Malcolm Baldridge National Quality Award to

Table of Contents

enable it to drive performance and attain higher levels of efficiency both in its businesses and in discharging its social responsibility. The model aims to nurture core values and concepts embodied in various focus areas such as leadership, strategic planning, customers, markets and human resources to be translated to operational performance. Our adoption and implementation of this model seeks to ensure that our business can be conducted through superior processes in the future. We have deployed a balance score card (BSC) management system, developed by Drs. Robert Kaplan, of the Harvard Business School and David Norton for measurement based management and feedback. We have also deployed a new product introduction process for systematic product development and product lifecycle management system for effective product data management across our organization. On the human resources front, we have adopted various processes to enhance the skills and competencies of our employees. We have also enhanced our performance management system, with appropriate mechanisms to recognize talent and sustain our leadership base. We believe these will enhance our way of doing business, given the dynamic and demanding global business environment.

Customer Financing: With financing increasingly becoming a critical factor in vehicle purchases and the rising aspirations of consumers in India, we intend to significantly expand our vehicle financing activities to enhance our vehicle sales. Our subsidiary TMLFSL will lead our financing operations.

Continuing to Invest in Technology and Technical Skills: We believe we are one of the most technologically advanced indigenous vehicle manufacturers in India. Over the years, we have enhanced our technological strengths through extensive internal research and development activities as well as through the assistance of foreign research consultants from time to time. Our research and development resources, which include those at our subsidiaries, like TMETC, TDCV and TTL and our associate companies, like Hispano Carrocera, further increase our capabilities in product design, manufacturing and quality control. We consider technological leadership to be a significant factor in continued success, and therefore intend to continue to devote significant resources to upgrade our technological base.

***Maintaining financial strength*:** We have generated substantial cash flows since fiscal 2002 as a result of substantial volume growth, cost reduction and prudent working capital management. We have embarked on economic value added, and driven project evaluation and capital investments aiming to ensure that we will be able to recover portions of our cost of capital in the event of an economic downturn and to generate earnings in excess of our cost of capital during periods of economic growth.

Leveraging unified Tata brand equity: We recognize the need for enhancing our brand recognition in highly competitive markets in which we compete with internationally recognized brands. We believe the Tata brand name is associated by Indian customers with reliability, trust and value. We will continue to promote the Tata brand in India, as well as in various international markets where we plan to increase our presence.

Automotive Operations

The revenues from our automotive operations were Rs.224,753 million and Rs.188,980 million in fiscal 2006 and 2005, respectively. Our main market is the Indian market, which accounted for approximately 82.4% and 86.1% of our total revenues and 87.9% and 91.3% of our unit sales in fiscal 2006 and 2005, respectively.

Our total sales (including international business sales) for fiscal 2004, 2005 and 2006 are set forth in the table below:

	Fiscal 2004		Fiscal 2005		Fiscal 2006	
Category	**Units**	**%**	**Units**	**%**	**Units**	**%**
Passenger Cars	117,063	37.2%	152,943	37.8%	169,101	36.7%
Utility Vehicles	34,048	10.8%	37,032	9.2%	39,797	8.7%
Light Commercial Vehicles	55,454	17.6%	74,253	18.4%	108,020	23.5%
Medium and Heavy Commercial Vehicles	107,723	34.4%	139,876	34.6%	142,736	31.1%
Total Sales	314,288	100%	404,104	100%	459,654	100%

Note: 1. The table includes 2 days of TDCV sales in fiscal 2004 and entire year sales in fiscal 2005 and 2006

2. The table does not include the sale of 209 units of FIAT vehicles during fiscal 2006

Table of Contents

Our performance in various categories of the Indian market is described below:

Passenger cars: We are competing in the compact car category of the Indian automobile market primarily with our product the Tata Indica, which is available in several versions and has gasoline and diesel engine options. The compact car category is the most competitive passenger car category constituting over 50% of the sales of the passenger car industry. The Tata Indica competes with eight other models from four manufacturers in the compact car category. The launch of new turbo-diesel and petrol version of the Indica in the later half of fiscal 2006 contributed to growing Indica sales. In fiscal 2006, the Tata Indica recorded its highest ever sales of 111,574 units and maintained its position as the second largest selling brand in the Indian passenger vehicle market with a market share of 19.5% in the compact car category.

We are also present in the entry midsize car category through our sedan the Tata Indigo and its station wagon version, the Tata Indigo Marina, which are both derived from the Indica platform. In fiscal 2006 we had the largest market share in the entry midsize category with a 33% market share.

In fiscal 2006, our domestic market share in the passenger car category was 17.1%. As the result of an exclusive distribution arrangement we entered into, to manage the marketing and distribution of Fiat branded cars in India, we distribute two Fiat brands   the Fiat Palio and the Fiat Adventure, through a select dealer network in India.

During fiscal 2006, we sold our one millionth car since our entry into the Indian passenger car market.

Utility Vehicles. The UV category constitutes 17% of the Indian passenger vehicle market and various new utility vehicles were launched in India in this category in fiscal 2006. We launched an upgraded version of the Tata Safari, our premium sports utility vehicle, fitted with a common rail direct injection diesel engine. With sales of 37,910 UVs in fiscal 2006, the highest since fiscal 1999, we achieved a 19.5% share of the Indian utility vehicle market.

Light Commercial Vehicles (Including Pick-Ups). Our range of LCVs includes small commercial vehicles, pickups, trucks and buses up to 7.5 GVW.

In fiscal 2006, we had the largest market share in the light commercial vehicle category with 60.2% market share, which was the highest market share we have experienced in this category in the last five fiscal years. We entered into a new LCV category in fiscal 2005 by launching the Tata Ace, India s first indigenously developed mini-truck with a 0.7 ton payload. The Tata Ace accounted for 21% of the LCV market in fiscal 2006 and was responsible for a substantial part of the growth in the Indian LCV market. In addition, we launched a range of LCV buses under the Tata Globus and Tata Starbus brands in March 2005, which helped us in reinforcing our product portfolio and improve our LCV bus sales in fiscal 2006.

Medium and Heavy Commercial Vehicles**:** Our M&HCVs have a wide range of applications and are generally configured as trucks, tippers, buses, tankers, tractors or concrete mixers.

In fiscal 2006, we continued to hold the largest market share of the M&HCV category in the Indian market, with a 62% market share. We launched the Tata Novus range of vehicles featuring a high performance, Euro-II compliant electronic engine, modern cabin, and other convenience and safety features, designed to enable us to take advantage of the potential opportunities presented by the rapidly growing high-powered truck category in India. We also launched Bharat Stage III compliant (equivalent to Euro III norms) vehicles in the M & HCVs category.

In the bus market, we launched a rear-engine, ultra-low floor bus, which was popular among our customers for ease of entry, ride comfort and attractive styling, as well as a high-capacity bus, which is designed to meet the transportation needs of densely populated Indian cities.

Table of Contents

Sales and Distribution of Vehicles:

Our sales and distribution network in India is comprised of 720 dealer outlets which are supported by us through our eight regional offices, 28 regional sales offices and 38 sub-regional offices. Most of these dealers are exclusive dealers of our vehicles. We also have 2 company-owned dealerships in India. We have a presence at over 2,000 locations in India, including after sales and vehicle servicing outlets. We are in the process of deploying a Siebel customer relation management system at all of our dealerships and offices across the country, which is one of the largest deployments of that system in the Indian automotive sector and we believe that this will give us a significant advantage over our competitors.

We also provide financing services to our purchasers through our dealers, who act as our agents, and through our branch network. For fiscal 2005 and 2006, approximately 9% and 28%, respectively, of our vehicle sales volumes in India, were made through financing arrangements where we provided the credit. Total finance receivables outstanding as at March 31, 2005 and 2006 amounted to Rs.20,055 million and Rs.48,464 million, respectively, of which Rs. 130 million and Rs. 847 million, respectively, were considered doubtful.

We use a network of service centers on highways and a toll-free customer assistance center to provide 24-hour on-road maintenance (including replacement of parts) to vehicle owners. We believe that the reach of our sales, service and maintenance network provides us with a significant advantage over our competitors.

Competition:

We face competition from various domestic and foreign automotive manufacturers in the Indian automotive market. Many foreign automotive manufacturers have increased or are expected to increase their participation in the Indian market through technology transfers, joint ventures or subsidiaries.

We have designed our products to suit the specific requirements of the Indian market based on specific customer needs such as safety, driving comfort, fuel efficiency and durability. We believe that our vehicles are suited to the general conditions of Indian roads, local climate and they comply with applicable environmental regulations currently in effect. We also offer a wide range of optional configurations to meet the specific needs of our customers. We intend to revamp our product portfolio in order to meet the increasing customer expectation of owning world class products.

Seasonality:

Demand for our vehicles in the Indian market is subject to seasonal variations. Demand generally peaks between January and March, although there is a decrease in demand in February just before release of the Indian Fiscal Budget. Demand is usually lean from April to July and picks up again in festival season from September onwards with a decline in December due to year end.

International Business:

We were the largest Indian exporter of four wheelers based on revenues in fiscal 2006. We have also been recognized as the leading engineering goods exporter from India for the last several years. Our exports of vehicles manufactured in India increased by 65% in fiscal 2006 to 50,223 units, as compared to 30,497 units exported in fiscal 2005.

In fiscal 2006, our top five export destinations accounted for approximately 62.1% and 92.1% of our exports of commercial vehicles and passenger vehicles respectively. South Africa remained our largest export destination for the commercial vehicles as well as passenger vehicles. Other key markets were the Middle East, western Africa, Turkey and western Europe. We are strengthening our position in the geographic areas we are currently operating in and exploring possibilities of entering new markets with similar market characteristics to the Indian market, including Latin America, northern Africa and Russia.

We have a network of distributors in almost all of the countries where we export our vehicles, who work with us in appointing a local dealer for sales and servicing our product in various regions. We have also stationed overseas resident sales and service representatives in various countries to oversee our operations in their respective territories.

Tata Daewoo Commercial Vehicle Co. Ltd., Korea: TDCV recorded 26% growth in its overall vehicle sales (billing) to 5,734 units. TDCV sold 3,131 HCVs in the domestic market to achieve 28% market share. TDCV also entered South Korean MCV market in January 2006 and achieved a 13.5% market share in the period between January and March 2006. TDCV exports continued to grow during the fiscal and represented over two-thirds of South Korea s total heavy truck exports.

We distribute vehicles in South Korea through Daewoo Motor Sales Corporation, and the international sales of TDCV are made through Daewoo International, Daewoo Construction or through our international vehicle distribution channel. We also have 55 service centers and distribute parts through 92 outlets in South Korea.

The Tata Group management initiatives and processes have been implemented at TDCV. Relations between the management and the union of TDCV continue to remain cordial, with two annual wage negotiations having been successfully concluded. In addition, TDCV prepaid US$10 million of its external commercial borrowings from its cash flows during this fiscal year.

Hispano Carrocera, S.A. Spain: We believe that our associate company Hispano, with its design and development capabilities in manufacturing bodies for high-end buses will complement our current range of light and medium commercial passenger carriers. We believe that this investment will also help to increase our presence in the international bus market. We own the brand rights of Hispano.

Hispano reported a record sale of 365 units in fiscal 2006. Hispano launched a new bus design face in October 2005 and received a major bus order during the year.

Research and Development:

Our research and development activities focus on product development, environmental technologies and vehicle safety through our Engineering Research Centre, or ERC, established in 1966, which is one of the few government recognized in-house automotive research and development centers in India.

One of the most significant achievements of ERC has been the design and development of our compact car the Tata Indica, which is India s only indigenously developed compact car. The ERC also designed our mid-size car the Tata Indigo, which was launched in 2002 and has been the market leader in the entry mid-size market category in India.

We strengthened our position in the Indian commercial vehicle through the introduction of an improved range (EX series) of light, medium and heavy trucks and buses and India s first Mini truck, the Tata Ace, which was developed in-house and was introduced in the Indian domestic market in 2005.

At present, we are working on developing a truck which we expect would open various international markets for us. Our acquisition of TDCV is expected to provide us significant advantage in its development process. On similar lines, in our passenger vehicle business, we are developing a low cost car for the Indian market. We believe that there will be significant demand for such a passenger vehicle.

In addition, our research and development activities also focus on developing vehicles running on alternative fuels, including CNG, liquefied petroleum gas, and bio-diesel. We currently have over 40 staff buses running on bio-diesel at one of our manufacturing plants. We are pursuing alternative fuel options such as ethanol blending for our products and development of vehicles fuelled by hydrogen. Initiatives in the area of

Table of Contents

vehicle electronics such as engine management systems, in-vehicle network architecture, tele-matics for communication and tracking and other emerging technological areas are also being pursued which could be deployed on our future range of vehicles.

During fiscal 2006, we established our wholly owned subsidiary, TMETC, in the United Kingdom to augment the abilities of our Engineering Research Centre. We believe that TMETC will provide us with access to leading-edge technologies and can support the product development activities which we currently plan to undertake for the future in order to sustain and enhance our position in the increasingly competitive global markets.

We are also widening the scope of our research and development activities from in-house product and technology development to managing the research and development process across various internal and external agencies, including our research and development centers in Korea, Spain and the United Kingdom, as well as at various aggregate parts suppliers and outsourcing partners.

We are the only automotive company in India which has a modern crash test facility for testing its new products for passenger safety. We also have a hemi-anechoic chamber testing facility for developing vehicles with lower noise and vibration levels and an engine emissions testing facility to develop products meeting international standards.

Our product design and development center is equipped with computer-aided design, manufacture and engineering tools, with sophisticated hardware, software, and other information technology infrastructure, designed to create a digital product development environment and virtual testing and validation, resulting in faster product development cycle-time and data management. Rapid prototype development systems, testing cycle simulators, advanced emission test laboratories and styling studios are also a part of our product development infrastructure and are regularly used in product development.

Over the years, we have devoted significant resources towards our research and development activities. Our total expenditure on research and development during fiscal years 2004, 2005 and 2006 was Rs.1,282 million, Rs.2,532 million and Rs.4,663 million respectively.

Intellectual Property

We have 105 trademarks registered in India and approximately 94 trademark applications which are currently pending registration. In addition to this, our significant trademarks are registered, or are in the process of being registered, in nearly 116 countries. We currently hold approximately 950 of these registrations worldwide. The registrations mainly include trademarks for each of our vehicle models. Further, we also use the Tata brand, which has been licensed to us by Tata Sons Limited. See The Tata Group . As part of our acquisition of TDCV, we have the perpetual and exclusive use of the Daewoo brand and trademarks in Korea and overseas markets for the product range of TDCV. TDCV holds South Korean trademark registrations for 14 utility models and 5 designs.

India is a member of the World Trade Organization. In compliance with its obligations under the Agreement on Trade Related Aspects of Intellectual Property, or TRIPS, India grants statutory protection to various forms of intellectual property, including patents, copyrights, industrial designs and trademarks. The Trade Marks Act, 1999 and the Copyright Act, 1957, as amended, which are currently in force in India, are TRIPS compliant. The Patents Act, 2002, as amended, to the extent that it relates to our business and operations, provides adequate product and process patent protection in India in accordance with its obligations under TRIPS. The United States has placed India on its priority watch list under Section 301 of TRIPS for failing to provide adequate levels of protection for intellectual property rights. Although we have never experienced any material difficulties in protecting our brands and other intellectual property in India, the protection and enforcement of intellectual property rights in India has not been and may not be as effective as in the United States.

Table of Contents

We currently own two patents and have 21 patent applications pending registration in India and one in the United Kingdom. These patents are mostly in relation to devices which enable efficient functioning, such as energy saving devices. Our most significant patent, which is currently in the process of being registered, is a portable device for measurement of head impact points in a vehicle. In addition, TDCV holds 9 patents in South Korea and 2 patent applications are currently pending registration.

In addition to the above, we also have various copyright and Internet domain name registrations.

In varying degrees, all of our trademarks, brands or patents are important to us. In particular, the expiration or termination of the Tata brand could materially affect our business.

Components and Raw Materials

The principal raw materials and components required by us for use in our vehicles are steel sheets and plates, castings, forgings and items such as tyres, batteries, electrical items and rubber and plastic parts. The raw materials, components and consumables that are domestically sourced, include steel (sheet-metal, forgings and castings), tyres and tubes, batteries, fuel injection systems, air-oil filters, consumables (paints, oils, thinner, welding consumables, chemicals, adhesives and sealants) and fuels. We also require aggregates like axles, engines, gear boxes and cabs for our vehicles, which are manufactured by our subsidiaries and affiliates.

We have recently undertaken an e-commerce initiative through the development of a business-to-business site with the assistance of our subsidiary, TTL, for electronic interchange of data with our suppliers. This has enabled us to have real time information exchange and processing to manage our supply chain effectively. We use external agencies as third party logistic providers. This has resulted in space and cost saving by transferring a part of our inventory to a third party.

As part of our strategy to become a low-cost vehicle manufacturer, we have undertaken various initiatives to reduce our fixed and variable costs including an e-sourcing initiative started in 2002 through which we procure some supplies through reverse auctions. We have established a procedure for ensuring quality control of outsourced components. Products purchased from approved sources undergo a supplier quality improvement process. We also have a program for assisting vendors from whom we purchase raw materials or components to maintain quality. Each vendor is reviewed on a quarterly basis on parameters of quality, cost and delivery. Preference is given to vendors with QS-9000 certification. We also maintain a stringent quality assurance program that includes random testing of production samples, frequent re-calibration of production equipment and analysis of post-production vehicle performance and ongoing dialogue with workers to reduce production errors. Further, in April 2003, we established a Strategic Sourcing Group to consolidate, strategize and monitor our supply chain activities with respect to major items of purchase as well as major inputs of technology and services. The Strategic Sourcing Group is responsible for recommending for the approval of the Management Committee the long-term strategy and purchase decision for these items, negotiation and relationship with vendors with regard to these items, formulating and overseeing our purchasing policies, norms in respect of all items, evolving guidelines for vendor quality improvement, vendor rating and performance monitoring and undertaking company-wide initiatives such as e-sourcing and supply chain management/policies with respect to vehicle spare parts. We are also exploring opportunities for global sourcing of parts and components from lower cost countries, and have embarked on a vendor management program that includes vendor base rationalization, vendor quality improvement and vendor satisfaction surveys.

Table of Contents

Suppliers

We have an extensive supply chain for procuring various components. We are also outsourcing many of manufacturing processes and activities to various suppliers. In such cases, we provide training to outside suppliers who design and manufacture the required tooling and fixtures.

TACO manufactures auto components and encourages the entry of internationally acclaimed auto component manufacturers into India by setting up joint ventures with them. Some of these joint ventures include: Tata Johnson Controls Limited for seats, Knorr Bremse CV Systems for commercial vehicle air brakes, Tata Yazaki Autocomp Limited for wiring harnesses, JBM Sangwoo Limited for pressed components and Tata Toyo Radiators Limited for radiator assemblies. These joint ventures supply auto components for our products.

We have embarked upon a vendor management program that includes vendor base rationalization, vendor quality improvement and vendor satisfaction surveys. As part of driving continuous improvement in procurement, we have integrated our system for electronic interchange of data with our suppliers with the ERP. This has facilitated real time information exchange and processing to manage our supply chain more effectively.

We import some components that are either not available in the domestic market or when equivalent domestically-available components do not meet our quality standards. We also import products to take advantage of lower prices in foreign markets, such as special steels, wheel rims and power steering assemblies. The following table shows the imported and indigenous raw material and components consumed by us:

	Value of Raw Material and Components Consumption					
	For the Fiscal Year Ended March 31,					
	2004		2005		2006	
Description	**Rs Millions**	**%**	**Rs millions**	**%**	**Rs millions**	**%**
Imported (at rupee cost)	3,818	4.6	7,268	5.7	11,418	7.6
Indigenously obtained	80,159	95.4	120,179	94.3	138,682	92.4
Total	**83,977**	**100.0**	**127,477**	**100.0**	**150,100**	**100.0**

Capital and Product Development Expenditures:

Our Capital expenditure aggregated to Rs.10,734 million, Rs.9,163 million and Rs.2,659 million during fiscal 2006, 2005 and 2004, respectively. Our capital expenditure during the past three years has been related mostly to design and development of new products and variants, capacity expansion for new and existing products to meet the market demand and investments towards improving quality, reliability and productivity that are aimed at operational efficiency.

We intend to continue to invest in our business units and research and development over the next several years for improving our existing product range and developing new products and platforms to build and expand our presence in the passenger vehicle and commercial vehicle categories to strengthen our position in India and growing our presence in the select international markets.

As a part of this future growth strategy, we plan to spend around Rs.100 billion in the next three to four fiscal years toward product development, capital expenditure in capacity enhancement, plant renewal and modernization and to pursue other growth opportunities. These expenditures are expected to be funded largely through cash generated from operations, existing investible surplus in the form of cash and cash equivalents, investment securities and other external financing sources. We have obtained a resolution from our shareholders permitting the Board to raise a maximum of Rs.30 billion in equity or equity-related instruments, if required, and also raise our borrowing limits to Rs.75 billion, to fund capital expenditure.

Other Operations

In addition to our automotive operations, we are also involved in various other business activities, of which information technology services and construction equipment manufacturing are the main activities. Net revenues from these activities totaled to Rs.18,061 million and Rs.11,014 million in fiscal 2006 and 2005, respectively, representing nearly 7.4% and 5.5% of our total revenues, before inter segment elimination in these fiscal years.

Information Technology Services:

TTL along with its subsidiaries is in the business of providing information technology services to several clients across India and overseas. TTL implemented the SAP Enterprise Resource Planning, or SAP ERP, system for us and other companies.

In October 2005, through its former subsidiary Tata Technologies, USA, or TTUS, TTL acquired INCAT International Plc, or INCAT. In December 2005, it acquired a 100% stake in Tata Technologies Pte Limited, or TTPL, from other Tata group companies and business associates. In January 2006, TTL, through its subsidiary company INCAT GmbH, acquired CEDIS Mechanical Engineering GmbH to enhance its presence in Germany. Under the new structure, TTPL holds INCAT as the focal point of delivery of services and iKnowledge Solutions Inc. to develop engineering knowledge products. The offshore capabilities of TTL in the field of engineering automation services combined with the onshore strengths of INCAT are expected to offer a strong and seamless onshore/offshore delivery capability to international customers in the automotive, aerospace and engineering industries. As at the end of fiscal 2006, we held 88.10% of TTL s share capital. Under the new structure, the international holding company, TTPL, holds INCAT as the focal point for delivery of services and iKnowledge Solutions Inc., to develop engineering knowledge products.

As part of the restructuring, TTL has in the USA merged TTUS, INCAT Holdings Inc., INCAT Financial Services Inc. and INCAT Systems Inc., with effect from April 1, 2006. Post merger, the surviving entity is INCAT Systems Inc. TTL has also incorporated a wholly owned subsidiary in Thailand named Tata Technologies (Thailand) Limited as TTL s second global delivery center to take advantage of growth in the area.

Construction Equipment:

Telcon, in which we hold a 60% interest, is engaged in the business of manufacturing and sale of construction and related equipment such as cranes, hydraulic excavators, loaders and articulated dump trucks. The key benefits expected from our alliance with HCM, are sourcing of components and machines from Telcon by HCM, introducing new construction equipment products in India, setting up a product development facility in India and making Telcon a part of HCM s global network. We believe the new arrangement will help Telcon to significantly improve its product offerings to its customers and allow it to evolve as a global manufacturing and design hub. Thus, we expect Telcon to grow to become a leading competitor in the construction equipment industry in India.

Government Regulations

Emission and Safety:

In 1992, the government of India issued emission and safety standards, which were further tightened in April 1996 under the Indian Motor Vehicle Act. Currently Bharat Stage III norms (equivalent to Euro III norms) are in force for four wheelers in 11 cities in India and Bharat Stage II norms (equivalent to Euro II norms) are in force in rest of India. Our vehicles comply with these norms. The next change in emission regulations is currently expected to be implemented by fiscal 2010, when the 11 major cities currently subject to Bharat Stage III norms are expected to move to Bharat Stage IV norms (equivalent to Euro IV norms) and rest of India to Bharat Stage III norms.

The vehicles made by TDCV comply with the emission regulatory requirements in South Korea and also of countries where its vehicles are exported. Our vehicle exports to Europe comply with Euro IV norms, and we believe our vehicles also comply with the various safety regulations in effect in the other international markets

Table of Contents

we operate in. We are also working on meeting all the regulations which we believe are likely to come into force in various markets in future.

The Indian automobile industry is progressively harmonizing its safety regulations with International standards in order to facilitate sustained growth of the Indian automobile industry as well as to make India a large exporter of automobiles.

India has a well established regulatory framework administered by the Indian Ministry of Shipping, Road Transport and Highways. The ministry issues notifications under the Central Motor Vehicles Rules and the Motor Vehicles Act. Chapter V of the Central Motor Vehicles Rules, 1989 deals with construction, equipment and maintenance of vehicles. Vehicles being manufactured in the country have to comply with relevant Indian standards and automotive industry standards. The Indian Ministry of Shipping, Road Transport and Highways finalized a road map on automobile safety standards in January 2002. The road map is based on current traffic conditions, traffic density, driving habits and road user behavior in India and is generally aimed at increasing safety requirements for vehicles under consideration for Indian markets.

Our manufacturing plants have received the Indian government s environmental clearances required for our operations. We are fully committed to our role as a responsible corporate citizen with respect to reducing environmental pollution. We treat the effluents at our plants and have made significant investments in lowering the emissions from our products.

In collaboration with Indian Oil Corporation, we have introduced, on a pilot basis, over 40 staff buses fitted with engines to run on bio-diesel fuel.

Fuel Prices:

In April 2002, the administered price mechanism which was being used to fix the fuel prices in the Indian market was dismantled by the government of India to have a market driven pricing of fuel products.

Excise Duty:

In the Indian Union Budget for fiscal 2007, the Government of India has reduced the Excise duty on small cars from 24% to 16%. Small car are defined to mean cars of length not exceeding 4,000 mm and with an engine capacity not exceeding 1,500 cc for cars with diesel engines and not exceeding 1,200 cc for cars with gasoline engines.

Import Regulations and Duties:

Automobiles and automotive components can, generally, be imported into India without a license from the Indian government subject to their meeting Indian standards and regulations as specified by designated testing agencies. Recent government liberalization policies have led to a reduction in import duties on vehicles and certain automotive parts.

Insurance Coverage:

The Indian insurance industry is predominantly state-owned and insurance tariffs are regulated by the Indian Insurance Regulatory and Development Authority. We have insurance coverage which we consider reasonably sufficient to cover all normal risks associated with our operations and which we believe is in accordance with industry standards in India. We have obtained coverage for product liability for some of our vehicle models in several countries to which we export vehicles. TDCV has insurance coverage as is required and applicable to cover all normal risks in accordance with industry standards in South Korea, including product liability. We have also taken insurance coverage on directors and officers liability to minimize risks associated with product liability and international litigation.

Table of Contents

Legal Proceedings

In the normal course, we face claims and assertions by various parties. We assess such claims and assertions and monitor the legal environment on an ongoing basis, with the assistance of external legal counsel wherever necessary. We record a liability for any claims where a potential loss is probable and capable of being estimated, and disclose such matters in our financial statements, if material. For potential losses which are considered reasonably possible, but not probable, we provide disclosure in the financial statements, but do not record a liability in our accounts unless the loss becomes probable. Certain claims that are above Rs.50 million in value are described in Note 22 to our consolidated financial statements included in this annual report. In respect of claims against us below Rs.50 million, the majority of cases pertain to motor accident claims (involving vehicles that were damaged in accidents while being transferred from our manufacturing plants to regional sales offices) and consumer complaints. Some of these cases relate to replacement of parts of vehicles and/or compensation for deficiency in the services by the Company or its dealers.

We believe that none of the contingencies, either individually or in the aggregate, would have a material adverse effect on the Company s financial condition, results of operations or cash flows.

C. Organizational Structure.

The Tata Group

We are a part of the diversified Tata Group, and we benefit from being identified with the Tata brand and the Tata Group of Companies. The Tata Group is based substantially in India, and had combined revenues of approximately Rs.975 billion (US$ 22.00 billion) for the year ended March 31, 2006. The Tata Group is highly diversified and the activities of the group are categorized under seven business sectors, namely engineering, materials, energy, chemicals, consumer products, services and communication and information systems.

The Tata Group has its origins in the trading business founded by Jamsetji Tata in 1874 that was developed and expanded in furtherance of his ideals by his two sons, Sir Dorabji Tata and Sir Ratan Tata, following their father s death in 1904. The family interests subsequently vested largely in the Sir Ratan Tata Trust, the Sir Dorabji Tata Trust and other related trusts. These trusts were established for philanthropic and charitable purposes and together own a substantial majority of the shares of Tata Sons Limited.

By 1970, the Tata Group had expanded from the trading company established in the nineteenth century to encompass a number of major industrial and commercial enterprises including The Indian Hotels Company Limited (1902), The Tata Steel Limited (Tata Steel) (1907), The Tata Power Company Limited (1910), Tata Chemicals Limited (1939), Tata Motors Limited (1945), Voltas Limited (1954), and Tata Tea Limited (1962). The Tata Group also promoted India s first airline, Tata Airlines, which later became Air India (India s national carrier), as well as India s largest general insurance company, New India Assurance Company Limited, both of which were subsequently taken over by the Government as part of the Government s nationalization program. Tata Consultancy Services Limited (TCS), is Asia s leading software services provider and the first Indian software firm to exceed sales of US$ 1 billion. The Tata Group has also invested in several telephony and telecommunication ventures, including acquiring a portion of the Indian Government s equity stake in the state owned Videsh Sanchar Nigam Limited (VSNL). Most of the Tata companies are leaders in their respective businesses in India. These companies do not technically constitute a group under Indian law.

We have for many years been a licensed user of the Tata brand owned by Tata Sons Limited, and thus have both gained from the use of the Tata brand as well as helped to sustain its brand equity. The Tata Group instituted a new corporate identity program to re-position itself to compete in a global environment. A substantial ongoing investment is planned to develop and promote a strong, well-recognized and common brand equity, which is intended to represent for the consumer a level of quality, service and reliability associated with products and services offered by Tata companies. To implement these plans, Tata Sons Limited has undertaken a program by which consenting Tata companies are required to pay a subscription fee to participate in and gain from the new Tata Group identity. We believe that we benefit from the association with the new Tata Group identity and, accordingly, have agreed to pay an annual subscription fee to Tata Sons Limited from fiscal 1998 which is equal

Table of Contents

to 0.25% of our annual net income (defined as our net income exclusive of excise duties and other governmental taxes and non-operating income), provided that the subscription fee does not exceed 5% of our annual profit before tax (defined as our profit after interest and depreciation but before income tax). However, for the fiscal years ended March 31, 2004, 2005 and 2006, we paid an amount less than 0.25% of our annual net income, as described above, as mutually agreed between Tata Sons Limited and us. These calculations are made with reference to our non-consolidated Indian GAAP financial statements. Pursuant to our licensing agreement with Tata Sons Limited, we have also undertaken certain obligations for the promotion and protection of the new Tata Group identity licensed to us under the agreement. The agreement can be terminated by written agreement between the parties, by Tata Sons Limited upon our breach of the agreement and our failure to remedy the same, or by Tata Sons Limited upon providing six months notice for reasons to be recorded in writing. The agreement can also be terminated by Tata Sons Limited upon the occurrence of certain specified events, including liquidation. Because we are the largest company in the Tata Group in terms of fiscal 2006 revenues and further because we believe that our growing international reputation brings benefits to the Tata brand, we consider it very unlikely that we would ever be unable to use the Tata brand in relation to our products and services.

The Tata Group companies have sought to continue to follow the ideals, values and principles of ethics, integrity and fair business practices originally established by the founder of the Tata Group, Mr Jamsetji Tata and his successors. To further protect and enhance the Tata brand equity, these values and principles have been articulated in the Tata code of conduct, which has been adopted by most of the Tata companies that have access to the larger resources and services of the Tata Group. These companies have endeavored to maintain high standards of management efficiency and to promote the commercial success of Indian enterprises. The Tata Group has also made significant contributions towards national causes through promotion of public institutions in the field of science, such as the Indian Institute of Science and the Tata Institute of Fundamental Research, and in the field of social services through the Tata Institute of Social Sciences, the Tata Memorial Hospital and the National Center of the Performing Arts. Tata trusts are among the largest charitable foundations in the country.

We are the leading automotive vehicle manufacturing company in India in terms of revenues.

A large number of the Tata companies hold shares in one another and some of our directors hold directorships on the boards of other Tata companies, including Tata Sons Limited. However, there are no voting agreements, material supply or purchase agreements or any other relationships or agreements that have the effect of tying us together with other Tata Group companies at management, financial or operational levels. Tata Sons Limited and its subsidiaries do not have any special contractual or other power to appoint our directors or management beyond the voting power of their shareholdings in us. Except as set forth in the tables below under the heading Subsidiaries and Affiliates and except for an approximately 10.27% stake in Tata Industries Limited, our shareholdings in other Tata companies are generally insignificant as a percentage of their respective outstanding shares or in terms of the amount of our investment or the market value of our shares of those companies.

Subsidiaries and Affiliates

We have the following consolidated subsidiaries and equity method affiliates as of March 31, 2006.

Name of the Subsidiary Company		Country of incorporation	% of holding
1	Sheba Properties Ltd.	India	100.00
2	Concorde Motors (India) Ltd.	India	100.00
3	HV Axles Ltd.	India	100.00
4	HV Transmissions Ltd	India	100.00
5	TAL Manufacturing Solutions Ltd.	India	100.00
6	Tata Motors Insurance Services Ltd[1]	India	100.00
7	Tata Daewoo Commercial Vehicle Co. Ltd	South Korea	100.00
8	Tata Motors European Technical Centre plc[2]	UK	100.00
9	Tata Technologies Ltd. and its 20 subsidiaries[3]	India [4]	88.10 [5]
10	Telco Construction Equipment Co. Ltd.	India	60.00
11	Tata AutoComp Systems Ltd. and its 7 subsidiaries[3]	India[6]	54.70 [7]
12	Tata Precision Industries Pte. Ltd, Singapore and its subsidiary	Singapore	51.07

1 *Formerly, Concorde Motors Limited*

Table of Contents

2 *Incorporated as a 100% subsidiary on September 1, 2005*
3 *Consequent to various acquisitions, the number of the subsidiaries have increased*
4 *These subsidiaries are based in many countries abroad*
5 *The holdings in these subsidiaries range between 88.10 % to 88.20%*
6 *These subsidiaries are based in India, Mauritius and Germany*
7 *The holdings in these subsidiaries range between 27.90 % to 54.70%*

	Name of the Affiliate Company	Country of incorporation	% of holding
1	Tata Cummins Ltd.	India	50.00
2	TSR Darashaw Ltd[1]	India	48.55
3	Nita Co. Ltd Bangladesh	Bangladesh	40.00
4	Tata Securities Private Ltd	India	31.90
5	Tata Holset Ltd.	India	21.37
6	Hispano Carrocera S.A	Spain	21.00
7	Affiliates of Tata AutoComp Systems Ltd	India	27.35 [2]
8	Telcon Ecoroad Resurfaces Pvt Ltd. [3]	India	21.60

1 *Formerly known as Tata Share Registry Limited*
2 *Except for an affiliate wherein the holding is 14.22%.*
3 *Was incorporated as an affiliate of Telco Construction Equipment Co Ltd. during the year.*

D. Property, Plants and Equipment.

Facilities:

We currently operate four principal automotive manufacturing facilities. The first facility was established in 1945 at Jamshedpur in the State of Jharkhand (earlier a part of the State of Bihar) in eastern India. We set up a second facility in 1966 (with production commencing in 1976) at Pune, in the State of Maharashtra in western India, and a third in 1985 (with production commencing in 1992) at Lucknow, in the State of Uttar Pradesh in northern India. In 1998, we initiated the establishment of a fourth facility at Dharwad in the State of Karnataka in southern India. The Jamshedpur, Pune and Lucknow manufacturing facilities have been accredited with ISO/TS 16949:2000(E) certification. We are in the process of setting up a plant in Pantnagar in Uttaranchal. We have also set up research and development facilities in the United Kingdom.

In March 2004, with the acquisition of DWCV (now renamed TDCV), we also acquired DWCV s plant in Gunsan, South Korea. Manufacturing facilities of Tata AutoComp Systems Ltd and its subsidiaries are located at various locations in and around the city of Pune, in the State of Maharashtra, India as also in Germany. Manufacturing facilities of Telcon are located at Jamshedpur in the State of Jharkhand in eastern India and at Dharwad in the State of Karnataka in Southern India.

Installed Capacity:

Our total vehicle production capacity in India as of March 31, 2006 determined on the basis of two production shifts per day and including capacity for the manufacture of replacement parts, was 535,500 units annually. In addition, we also have vehicle production capacity of 20,000 units annually in South Korea.

Table of Contents

The following table shows our installed capacity as at March 31, 2006, and production levels by plant and product type in fiscal 2004, 2005 and 2006:

	Fiscal Year ended March 31,			
	Installed	Production (Units)		
	Capacity [(1)]	2004	2005	2006
Jamshedpur				
Medium and Heavy Commercial Vehicles	66,000	58,044	71,023	69891
Construction Equipment	3262	1,921	2,455	3515
Pune				
Medium and Heavy Commercial Vehicles, Light Commercial Vehicles, Utility Vehicles, Passenger Cars	439,500	240,832	311,269	366468
Metal Cutting and Grinding Machines and Fixtures	82	56	79	153
Lucknow				
Medium and Heavy Commercial Vehicles, Light Commercial Vehicles, Utility Vehicles	30,000	12,666	18,649	19963
Republic of Korea				
Gunsan [(2)]				
Medium & Heavy Commercial Vehicles	20,000	46	4,567	5,663

(1) On double shift basis including capacity for manufacture of replacement parts.

(2) We acquired TDCV on March 30, 2004 and consequently its production did not constitute part of our production prior to that date. TDCV produced 46 vehicles during the two days ended March 31, 2004 subsequent to our acquisition. The production units are for the full year in fiscal 2005 and fiscal 2006.

Properties:

We, along with our consolidated subsidiaries, produce vehicles and related components and carry out other businesses through various manufacturing facilities. In addition to our manufacturing facilities, our properties include sales offices and other sales facilities in major cities, repair service facilities, and research and development facilities.

The following table sets forth information, with respect to our principal facilities, a substantial portion of which are owned by us or our consolidated subsidiaries as on March 31, 2006. The remaining facilities are on leased premises.

Location	Facility or Subsidiary Name	Principal Products or Functions
India		
In the State of Maharashtra		
Pune (Pimpri, Chinchwad, Chikhali, Maval)	Tata Motors Ltd.	Factory/residential
Pune (Chinchwad)	TAL Manufacturing Solutions Ltd	Factory automation equipment and services
Pune (Hinjawadi)	Tata Technologies Limited	Software consultancy and services
Mumbai	Concorde Motors (India) Limited	Automobile sales & service
Pune (Damle Path, Hinjawadi, Bhosari, Chakan and Pirangut)	Tata AutoComp Systems Limited and its subsidiaries	Auto components and engineering design
In the State of Jharkhand		
Jamshedpur	Tata Motors Ltd.	Factory/residential
Jamshedpur	HV Axles Ltd.	Axles for M&HCVs
Jamshedpur	HV Transmissions Ltd.	Transmissions for M&HCVs
Jamshedpur		Construction equipment

Telco Construction Equipment Company
Limited

Table of Contents

Location	Facility or Subsidiary Name	Principal Products or Functions
India		
In the State of Uttar Pradesh		
Lucknow	Tata Motors Ltd.	Factory
In the State of Karnataka		
Dharwad	Telco Construction Equipment Company Limited	Construction equipment
	Tata Motors Limited	Spare parts and warehousing
Bangalore	Concorde Motors (India) Ltd.	Automobile sales and service
In the State of Uttaranchal		
Pantnagar	Tata Motors Limited	Factory (being set up)
Rest of India		
Chennai, Tamil Nadu		
Hyderabad, Andhra Pradesh		
Gujarat (Halol, Village Khakharia)	Tata AutoComp Systems Limited and its Subsidiaries	Auto components and engineering design
Mumbai, Hyderabad & Bangalore	Concorde Motors (India) Ltd.	Automobile sales and service
Various other properties in India	Tata AutoComp Systems Ltd.	Auto components
	Tata Motors Limited	Vehicle financing business (office/ residential)
Outside India		
Singapore	Tata Precision Industries Pte. Ltd. / Tata Engineering Services Pte. Ltd.	Precision equipment and computer and peripherals warehousing
Republic of Korea	Tata Daewoo Commercial Vehicle Co. Ltd.	Factory and residential apartments

Substantially all of our owned properties are subject to mortgages in favor of secured lenders and debenture trustees for the benefit of secured debenture holders. A significant portion of our property, plant and equipment is pledged as collateral securing indebtedness incurred by us. We believe that there are no material environmental issues that may affect our utilization of these assets.

We consider all our principal manufacturing facilities and other significant properties to be in good condition and adequate to meet the needs of our operations.

Item 4A. Unresolved Staff Comments.

We are a large accelerated filer as defined in Rule 12b-2 under the Securities Exchange Act of 1934. We have not received written comments from the staff of the Securities and Exchange Commission regarding our periodic reports under the Exchange Act not less than 180 days before the end of the fiscal 2006 and which remain unresolved as of the date of the filing of this annual report with the Commission.

Item 5. Operating and Financial Review and Prospects.

You should read the following discussion of our financial condition and results of operations together with our consolidated financial statements prepared in conformity with US GAAP and information included in this annual report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors including, but not limited to, those set forth in Item 3.D and elsewhere in this annual report.

Table of Contents

A. Operating Results.

Overview

In fiscal 2006, total Gross revenues including finance revenues increased by 20% to Rs.276,080 million from Rs.230,158 million in fiscal 2005. We recorded net income of Rs.15,011 million in fiscal 2006, an increase of 13.2% as compared to Rs.13,256 million in fiscal 2005. In addition to our automotive revenues, we also derive dividend and other income from strategic and available-for-sale investments which accounted for our residual income and income from other operations.

Details of major acquisitions during the year

Acquisition of Ownership interest in INCAT International Plc, or INCAT

During fiscal 2006, we, through our subsidiary TTL, acquired 100% equity stake in INCAT at fair value for an aggregate consideration of Rs.4,269 million. The acquisition resulted in goodwill and intangibles of Rs.2,212 million and Rs. 1,350 million respectively. INCAT is a global provider of engineering and design and project lifecycle management software and hardware services to the automotive and aerospace industries. INCAT is catering primarily to the North American and European markets.

Acquisition of Ownership interest in Tata Finance Limited, or TFL

During fiscal 2006, we merged TFL at fair value for an aggregate consideration of Rs.6,924 million. The merger resulted in goodwill and intangibles of Rs.4,394 million and Rs.392 million respectively. We expect the merger to enable our vehicle financing business to grow stronger by leveraging synergies of the direct business model of TFL with dealer driven business. We expect that this merger will enable us to grow our auto financing business and offer complete solutions in line with the global best practices in the auto industry.

Automotive operations.

Automotive operations is our most significant segment, accounting for 92.6%, and 94.5% respectively, of our total revenues before inter-segment eliminations and 94.7%, and 96 %, respectively of our operating income before intersegment eliminations for fiscal 2006 and 2005. India is the most significant market for us, accounting for 87.9% and 91.3% of vehicle unit sales for fiscal 2006 and 2005, respectively, though the importance of our international operations is increasing.

Our revenues from automotive operations increased 18.9% to Rs.224,753 million in fiscal 2006 from Rs.188,980 million in fiscal 2005, representing 92.6% and 94.5% of our total revenue before intersegment eliminations in fiscal 2006 and 2005, respectively.

Our automotive operations includes :

- All activities relating to development, design, manufacture, assembly and sale of M&HCVs, LCVs, passenger cars and utility vehicles as well as related spare parts and accessories,
- Automotive component business, both captive and non-captive,
- Distribution and service of vehicles, and
- Financing of vehicles.

The leading drivers of automotive business in India include GDP growth, industrial and infrastructure growth, increase in urbanization and personal disposable incomes. GDP growth, led by growth in industrial and agricultural sectors, is a key to freight generation in the economy, which in turn drives the demand for the commercial vehicles, especially the goods carriers. Also, the ongoing road development programs in India, such as golden quadrilateral and cross country road corridors, which are designed to connect not only the major cities of the country, but also the rural and interior parts of the country, are expected to improve the efficiency of both

Table of Contents

goods and passenger movement across the country through improved turnaround time, better fuel efficiency and better logistic solutions. Also, the road development programs are expected to lead to a hub and spoke model of distribution, which in turn is expected to result in a structural shift in the commercial vehicle industry by moving the demand towards heavy and light commercial vehicles which cater to long-haul and end destination distribution respectively.

Government regulations relating to emission norms, safety standards, scrapping of vehicles beyond a specified age, overloading and private participation in passenger transport and other areas impact the demand for commercial vehicles in the country.

Our presence across the major four wheel auto product categories and our low cost manufacturing capabilities facilitate our market leadership in the auto industry in the country. Also, we are working towards development of new products, in all segments of commercial vehicles and development of new platforms to replace our current compact car, mid size car and utility vehicle platforms to compete effectively in the challenging competitive environment.

Our subsidiary, TDCV, is not only helping us strengthen our position in the international markets but is also improving our technological capability in design and development of new products in commercial vehicle category. In May 2005, we successfully launched Tata ACE, which has created a niche for itself in the under one ton category of the commercial vehicle industry. Our proposed joint venture with Marcopolo in Brazil, which we announced during in May 2006, and our 21% stake in Hispano is expected to enhance our leadership position in the bus market through better technological capabilities in bus body building. Further TMETC, provides us with design engineering support and development services, complementing and strengthening our skill sets.

Capacity utilization of our facilities in India increased from 77.9% in fiscal 2005 to 85.2% in fiscal 2006. However, the capacity utilisation of our total automotive operations, including TDCV operations, was 75.9% for fiscal 2005 and 83.2% for fiscal 2006. Capacity utilization levels at TDCV increased from 23% in fiscal 2005 to 28.3% in fiscal 2006.

Our vehicle sales (including TDCV and sale of FIAT vehicles) increased 13.8% to 459,863 units in fiscal 2006 from 404,104 units in fiscal 2005. In fiscal 2006, our market share of all four-wheel vehicles sold in India increased marginally to 27% in fiscal 2006 from 26.8% in fiscal 2005. In fiscal 2006, the unit sales growth rate of the Indian automotive industry was 8.2% and we outperformed it by achieving a growth of 9.4%. Our overall sales in international markets (including TDCV sales) increased 59.7% to 55,957 units in fiscal 2006 as against an increase of 58.7% in fiscal 2005. This was driven by sustained efforts towards a focused entry in to new export markets and also strengthening of our presence in existing markets. Key export markets for our automotive operations were south Africa, west Asia, Europe and south-east Asia.

The auto-component business, which caters to both captive and external demand is expected to benefit from the growth in the automobile business in the country. Our key auto component subsidiaries, HV Axles Ltd, HV Transmission Limited and TACO, are expected to improve their revenues and profitability through internal growth, and we may consider opportunities to grow through mergers and acquisitions.

To support our vehicle financing activity, the erstwhile Tata Finance Ltd. was amalgamated with us during fiscal 2006 which facilitated the integration of its direct business model with the dealer-driven business of our former division, the Bureau of Hire Purchase and Credits (BHPC). Following the amalgamation, we seek to offer complete vehicle financing solutions in line with global best practices in the auto industry. We also believe this business will provide a hedge against the cyclicality of the automotive business in India.

Interest rate movements in the economy have a significant impact on vehicle financing operations. Despite an increase in interest rates during the latter half of fiscal 2006, our vehicle-financing registered a strong growth on the back of an increased focus in the business and strong vehicle demand during the fiscal year.

Table of Contents

Other Operations.

Our revenue from other operations was Rs.18,061 million in fiscal 2006, an increase of 64% from Rs.11,014 million during fiscal 2005. These revenues represent 7.4% and 5.5% of our total revenues, before inter-segment eliminations, in fiscal 2006 and 2005, respectively.

During the fiscal year we sold 20% of our stake of Telcon to HCM, thus reducing our stake from 80% to the present 60%. Consequently HCM s stake has increased to 40% from 20%. The key benefits expected from the sale of our stake to HCM are sourcing, by HCM, of components and machines from Telcon, introducing newer construction equipment products in India, setting up a product development facility in India and making Telcon a part of HCM s global network. We believe that the new arrangement will help Telcon to significantly improve its product offerings to its customers and allow it to evolve as a global manufacturing and design hub. Thus, we expect Telcon to grow to become a leading competitor in the construction equipment industry in India.

Also, TTL through its erstwhile subsidiary TTUS, acquired INCAT, a global provider of product lifecycle management and engineering and design services primarily to manufacturers and their suppliers in the international automotive, aerospace and engineering markets. See Item 4.B Business Overview Information Technology Services .

Geographical breakdown.

On a geographical basis, revenues from sales in India increased by 16.0% to Rs.198,172 million in fiscal 2006 from Rs.170,883 million in fiscal 2005.

Our share of revenues earned from outside India has increased steadily over the last two years from 7.9% in fiscal 2004 to 13.9% in fiscal 2005 to 17.6% in fiscal 2006, mainly as a result of our strategy to increase export of our vehicles to new and existing markets in significant numbers and improved performance of our international subsidiary in South Korea, TDCV. Successful operations of INCAT and its subsidiaries following acquisition by TTL also facilitated a significant increase in our sales to international market.

The following table sets forth our revenues from external customers in our different geographical markets:

	Fiscal 2004		**Fiscal 2005**		**Fiscal 2006**	
Revenues	**Rs in million**	**Percentage**	**Rs in million**	**Percentage**	**Rs in million**	**Percentage**
Within India	128,641	92.1%	170,883	86.1%	198,172	82.4%
Outside India	11,055	7.9%	27,504	13.9%	42,443	17.6%
Total	**139,696**					