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Attendance List:	Mr C Ramakrishnan, CFO and Investor Relations Team, Tata Motors	(CR)
	Ben Birgbauer, Treasurer, Jaguar Land Rover	(BB)
	Kenneth Gregor CFO, Jaguar Land Rover	(KG)
	Event Manager	(EM)

Title of Meeting: Jaguar Land Rover Fiscal 2016 Q3 Results Call

Hosted By: Kenneth Gregor, Chief Financial Officer, Jaguar Land Rover

KG

Good afternoon/good morning/ good evening to everyone and thank you for taking time to join us on the call this afternoon. I will run through our presentation for Jaguar Land Rover's results for the third quarter of the fiscal year 16. And following the presentation that we've loaded and you've no doubt got in front of you, I'll try to hit the high spots so I'll move quickly through it and we'll have time for Q&A at the end.

I think the key message for the quarter looking at page six and seven together is actually a solid quarter and good improvement ~~on~~ from Q2 FY16. We had record sales for any quarter in Jaguar Land Rover's history just under 138,000 units up 23% year on year. With both brands up. The revenue about £5.8 billion, again up quarter on quarter compared to Q2. The EBITDA at £834 million, 14.4% margin and it was down from the exceptionally strong quarter a year ago as we expected and explained in prior quarters. But also up from the 12% that we saw in Q2 so a good step forward there.

The PBT is just a million under £500 million for the quarter that includes initial insurance recoveries of £30 million relating to Tianjin and profit after tax of £440 million. Also pleasing was positive cash flow of £454 million pounds, that's after the product investment of £842 million. And all that combined to leave us with a healthy balance sheet and strong liquid resources at the end of the quarter including the revolving credit facility of £1.9 billion.

Those facts and figures are drawn out on slide seven. I don't think I was going to go into them any more than I have done, I've called out the highlights. If I move on to slides eight and nine which cover the volumes. Slide eight has it by geography, you can see the overall 23% improvement by region with really strong growth in the UK, the US, Europe, all just under 50% year on year growth. China following trend of recent quarters was down but down less than it had been in both the preceding quarters, so some measure of stabilisation there. And also growth and sales from our China joint venture of some 9,000 units within that retail sales number.

And of course some ins and outs in the overseas region which is impacted by Russia, Brazil and South Africa but actually overall overseas also up a little at 6%. And when you look at slide nine, it provides part of the explanation for the volume growth which is a mixture of solid economic growth in the UK in Europe and in North America. Combined with the strength of our product portfolio which is benefiting from the launch of the XE with over 11,000 units sold in the quarter and on the Land Rover side we have 22% growth with most of our model lines up, you see the Discovery Sport being the main driver for growth with over 26,000 units sold in the quarter.

So solid volume performance. A bit more detail on the year on year explanation on slide ten. Where the revenue of £5.8 billion was down slightly compared to the prior year but it was up £950 million compared to Q2 FY16. EBITDA was £834 million down £262 million compared to last year but up £245 million on the running quarter. The year on year reduction was driven by a change in market mix with China being lower, both for the economic reasons and the China joint venture coming on stream on a year on year basis.

Some model mix change that we've been anticipating and expecting to see with the introduction of the XE. There's a couple of onetime factors that don't recur including something you may recall we talked about this time last year, the China local market incentive related to tax payments in China that was received in this quarter last year, doesn't recur in this quarter this year. You might recall we actually received it in Q1 this year so you've got that non recurrence impacting the year on year effect. And those things are offset by the overall higher wholesale volume in the markets as I've just described.

PBT of £499 million down on the exceptionally strong quarter we had a year ago but up clearly on Q2 both before and after the exceptional item so solid step forward from Q2. The lower EBITDA is impacting PBT year on year that I just described along with continued growth and amortisation which we expect to see as we roll in the new models and that's been offset partially by favourable FX and commodity revaluation compared to the prior year. Also we see the China joint venture generating profits in the year which is also good to see. As that starts to ramp up and I already mentioned we've got the initial insurance recoveries relating Tianjin.

The profit after tax includes a favourable one time deferred tax credit of £62 million. That arises out of the UK confirming in the quarter that the corporation tax reduces from 20% down to 19% in FY18 to FY20 and that confirmation is a trigger for us to reassess the deferred tax liability and the £62 is an adjustment to that tax liability reflecting that corporation tax reduction.

Slide eleven has the cash flow which we thought we'd include just to highlight a couple of things, one which is we had relatively strong EBITDA and positive working capital together just providing a balance of positive cash flow over total product and other investment in the quarter. Generally the second half of our fiscal year is stronger from a working capital perspective than the first half so we saw part of that in Q3 with a reduction in inventory and a build up of the payables that comes with the production volume increase.

All together driving £454 million positive cash flow in the quarter which was good. Slide 12 shows that we've got a strong financing structure, including a 5 year undrawn revolving credit facility of about £1.9 billion, with a staggered maturity profile as you all know out between calendar year 2018 and 2023. Moving on to slide 13, our business as I talk about every time is really driven by our product and it's those products that we're investing in. It's our products that really gives us the opportunity to grow our business profitably.

It's been an exciting year for us with the launch of quite a few products and we look forward to more of the same the next couple of years, in particular we had a refresh of the 16 model year XJ most recently, depicted in the bottom left, to give that vehicle some more features which is great, that's just in the marketplace now and we had the all new XF launched in September so we look forward to building on that launch. We also launch the XE in the US in 2016. Which will give us the opportunity for volume growth there. The Discovery Sport has now launched in China, with the first deliveries taking place in Q3. So that we'll build on that.

And then the F-PACE is launching in 2016, so there's are a lot of new products being well received and we're positive about the products themselves but also the possibility of profitable volume growth.

Other business factors on slide 14, these are announcements we've made over the last quarter or so, the most significant being the intention that we've talked about before to build a manufacturing plant in Slovakia which we will invest in over the next three years with production commencing in 2018, which really gives us the opportunity to invest in capacity and lower cost location. And the opportunity to build our volume towards the end of the decade supporting other new model plans that we have.

Slide 15 we provided a little update on the investment spending for 2015/16, it is the case that we now see investment for 2015/16 in the region of £3.3 billion, that's around £450 million lower than we guided towards and most of that change reflects timing and slippage of spend assumptions relative to what we'd assumed. And we will see some of that come back to us next year. We do clearly plan, as you see this

	quarter, to continue to drive strong operating cash flow to fund the investment, and it may be negative in some quarters in the near and medium term but we have got a strong balance sheet, good access to the capital markets and a revolving credit facility that gives us the opportunity to be confident about funding that investment and our ongoing plans. That was really it for Q3 and then one last slide, we just announced couple of days ago so I thought I'd include it in here so we're all up to speed, a summary of our retail volumes for January which shows a good start to the year with retail volume up 24% in January and up on both brands in all regions, which was pleasing. This gives us a good start to the calendar year 2016 and the last quarter of our fiscal year. And with that, I'm going to stop and open the floor to questions and of course my colleagues Ben and CR in India are also here to try to field those questions for you.
EM	First question is from Chirag~~Taraj~~ ~~[?]~~ Sha~~es~~h ~~[?]~~ from *Edelweiss* ~~*[inaudible]*~~.
C~~T~~S	Thanks for the opportunity. I have a question on Range Rover, Range Rover Sport. I was wondering if the discounting activity including on those products excluding China?
KG	I think it's difficult to comment on specific models because the incentive spending varies model by model, market by market. I think overall the trend on Range Rover and Range Rover Sport through the quarter this year has been relatively stable. I think the products benefit from having a loyal customer base and are fairly resilient in the marketplace and have seen good economic growth in the UK, US and Europe. So overall across the year I'd say fairly stable.
C~~T~~S	And the second question relates to the devaluation of the Chinsese currency. So is the current quarter a reflection of its impact or are you managing it currently?
KG	Yeah, the funny thing is if you actually look at the Chinese renminbi against the British pound then the exchange rate is actually relatively stable across the quarter and therefore there isn't a huge effect from the pound against the renminbi because the pound has also moved against the dollar.
C~~T~~S	So no impact on that front?
KG	No.
~~T~~CS	That's really helpful, I'll come back for more questions, thank you very much.
EM	The next question is from the line of Binay Singh from Morgan Stanley.

BS	My first question is partly on the Jaguar Land Rover margin trajectory. On one side we will see the share of Jaguar rising ~~[?]~~ in the mix. At the same time most of the Jaguars are on the higher ASP side. So how do you feel margins trending because in the past you've given us 14 to 16 percent range and now we are closer to the lower end of the range. So how do you see margins trending going forward?
KG	I think we probably echo the same sentiments going forward as we've echoed in the past is the very short answer. That margin range is reflective of our expectations this year and that's where we've come in this quarter albeit the lower end. And I think going forward of course margins can vary for all sorts of reasons, product, economic factors etc. So beyond reiterating that guidance I don't think I've got much to add other than we've got a strong new product line up and that gives us the opportunity to grow our business profitably going forward.
BS	Could you shed a bit of light on, we've seen sharp ASP contraction between the quarters, could you give us more break up as to what have been the key drivers for the sequential ASP drop?
KG ~~[?]~~	Sorry, did you say ASP?
BS	Average selling price. Which is your top line divided by your overall wholesale volume has dropped around 3% between September to this quarter.
CR	Average realisation price.
BS	Yah, average realisation because I see volumes that actually look lower this quarter than last quarter so…
KG	I think we might take that away and get a specific answer outside of here. It's likely driven by model market mix and exchange but I think for a really detailed answer we need to take it outside.
BS	Are you seeing sales pressure rising in other markets apart from China? Like sales promotion spending or discounting? In other markets apart from China.
KG	It ebbs and flows, I think across the year, the last three/four running quarters it's higher in 2015 than it was in 2014, modestly higher, as I talked about in prior calls and we've seen a continuation of that in Q3 but it wasn't noticeably higher in Q3 compared to Q2 or Q1 for example. So that's one of those factors that as we look going forward is part of the things that are difficult to predict. You've got on the one hand solid economic growth fundamentals really in the UK, the US it's an election year so offers some positive opportunity and Europe has broadly been recovering. But on the other side of course the markets have all opened this year in horrible fashion with lots of gyration and negativity driving uncertainty.

So economically you can see those opposing forces play themselves out a bit. And I don't know how they're going to play out, but in playing them out clearly they can end up influencing demand levels and when you see that you may see the possibility of incentive spending needing to rise. But I think that's something for the future to watch out for and we'll all be on that journey together I think. From our point of view we're investing in our products and we believe our strong product line up gives us the opportunity for that sustainable profitable growth that we are seeking.

BS Great, thank you so much.

EM Next question is from Pramod Amte from C~~E~~IMB.

PA How crucial is the XE to you meeting your fleet emissions targets?

KG I mean it's part of, it's clearly part of our overall fleet emission plan yes. It's broadly in line with our plans right now. We have a phased launch across the world of the XE, just launched in China in the latter half of last year. And we launch in the US in 2016. So I think we do have the opportunity to continue to build year on year our sales of XE. It's a great product, it's had good reviews and I think we're optimistic about the opportunity to build its sales and it will therefore do its job both to attract new customers into the brand in a different segment and to support our overall fleet emissions target.

PA Second one is in relation to the investment guidance. Is negative free cash flow likely in the medium term? What is the reason for the changed guidance for sustained negative cash flow, is it more about profit margins deteriorating or do you feel structurally you are engaging in more CAPEX and considering global economic turbulence is working capital likely to stay positive going forward?

KG I'd just say that actually I don't regard it as a change and I wasn't meaning to over emphasise the point to be honest. We've made the statement before that as we raised, so the real driver is the product investment level and the CAPEX level and as we plan to raise it in this fiscal year and sustain a high level over the forthcoming period that may result in cash flow being negative. We've, explained that in prior quarters and so broadly I'm just saying the same thing again.

It is the case that frankly as you can see in this quarter we worked very hard to drive positive cash flow and to fund substantially the majority of that investment from internally generated cash flow we've managed that this quarter, I think that possibility is there in Q4 also which is traditionally strong for working capital. And then we'll keep working that through into 2016 as we have done in prior years.

PA Sure, thanks.

EM Next question is from Jatin Chawla from Credit Suisse.

JC	My first question is on your Ingenium engines, when can we expect the petrol to become available? And the second question, the capacity you're creating is it flexible between gasoline and diesel, and if not can you provide a break up?
KG	I think the specific market announcement I'll leave to my sales and marketing colleagues in terms of when the petrol engines come on stream but I think you can look forward to it in the next year or so. And broadly yes the investment is flexible. So it does have the opportunity of mixing between diesel and petrol engines as we see ebbs and flows in demand across markets and customer preferences.
JC	And my second question is in this quarter in terms of your currency revaluation of current assets and liabilities and commodities that been accounted for and if you could just provide a break up of these three items as you usually do?
KG	Sure. In the quarter itself the revaluation element of current assets and liabilities was two million pounds and in the quarter the realised currency hedges and realised commodity derivatives were £87 million pounds. Sorry, £87 million negative.
KG	The revaluation of US Dollar debt was a positive too.
JC	Okay, thanks a lot.
EM	Your next question is from Amyn Pirani~~Barafi~~ from Deutsche Bank.
AP~~B~~	My first question was on Range Rover and Range Rover Sport. Given that the model refresh happened around 18 to 24 months back, when could we expect a mid cycle refresh for those models?
KG	I think that's absolutely one I'd have to leave my sales and marketing colleagues to tell you about, I'm very excited to see that myself you can be assured we're working on plans to keep those products relevant and fresh for customers with features and technology and CO2 improvements but the timing of that I will leave to my PR and marketing colleagues. The products were all new remember, when we launched them in 2012 and 2013/14 so they are still pretty fresh in the marketplace so I think that's where I'll stop on that question, but thank you for it.
AP~~B~~	Okay, and just on the XE, the launch has been quite staggered, it's still to be launched in the US. For the F-PACE would a similar staggered launch policy be taken or will it be launched in major geographies simultaneously?
KG	Yes, it will still be a staggered launch but it's a more rapid launch schedule than the XE due to the availability of engine technology and other features we wanted to develop for the US market, including all

wheel drive. So the F-PACE will still be a staggered launch but relativity quicker I think.

AP~~B~~ And just to confirm the XE will be launched in the US around March/April?

KG Yeah, I think we haven't confirmed a precise timing so we're saying first half of 2016.

AP~~B~~ Okay, thanks.

EM Next question is from Mel Siew from Muzinich.

MS Just a couple of questions on the China JV. I know at the beginning of the financial year there was some learning in relation to the JV partner. Could you update us on how that's all working, whether it's all going smoothly now. And then I have in my notes a number of 130,000 vehicles that JV will have capacity produce on the basis that the current footprint and I saw in January you've got 5,420 units so just wondering when we should expect the JV to ramp up to just over ten thousand vehicles a year to get near that maximum capacity?

And then an information request, in the monthly sales figures press release, could you include the China JV numbers in those? That would be much appreciated, thanks.

KG On the last point we'll take that away, sounds like a reasonable request and it's something we clearly look at. So thank you for that. On the point on the JV sales, look, it's a good question. The capacity that we got approved was 130,000 units as you rightly say that's public knowledge. I think it was always going to be the case that we've got a number of models planned, the first two of which we've now launched. And time and the market will help define how that proceeds. But, I think we do feel positive with the Evoqe and the Discovery Sport locally produced at the JV plant at the moment, those have had good quarter. The Discovery Sport has been well received in China so we look forward to seeing how that develops in 2016. Clearly it's our plan to build on the volume, but we'll just have to see how sales evolve.

~~KG~~ I think in terms of how's our collaboration with the JV partner is going, I'd say it's going well. We've worked hard with the launch of Discovery Sport and we took invaluable experience from our launch of the Evoque so we've got the pricing in the right place for the Discovery Sport and it's been well received by consumers. We've also got good financing offers for both cars in the showrooms in China. So I think we've got the fundamentals there and the team is gelling which is good. So we've just got to see how the market demand continues to go and we'll manage that going forward.

MS Okay and it's currently two Land Rover models, when do you expect to, I guess the third one is a Jaguar model, do you have any idea when that vehicle will be produced at the JV?

KG	That’s correct. I think again my PR team are best placed to talk about future product launches so I’d rather not get too drawn on the question but yes, look out for that in the next nine to twelve months or so in terms of when we announce future product launches.
MS	Okay, thanks.
EM	No further questions.
KG	Alright, thank you guys, really appreciate you taking the time to join us today, thank you.