



“Tata Motors Limited Q3 FY 2016
Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the Tata Motors Q3 FY2016 Earnings Conference Call hosted by Edelweiss Securities. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Chirag Shah from Edelweiss Securities. Over to you!

Chirag Shah: Thank you Zaid. Good evening everyone. Thanks for joining the call today. We also thank the management of Tata Motors to give us the opportunity to host the call. Today, Tata Motors is represented by Mr. C. Ramakrishnan, Group CFO for Tata Motors, Mr. Kenneth Gregor, CFO for Jaguar Land Rover and Mr. Vijay Somaiya, who heads the treasury and IR function at Tata Motors. Along with them there are the other members of IR team with us also. I will hand over the call to Mr. CR for initial comments and then followed by Q&A. Over to you Sir!

C. Ramakrishnan: Chirag first of all, thank you very much for hosting this and for the kick off. Thank you very much. I will just straightaway quickly run through the presentation and the key highlights and then we can leave adequate time for the Q&A later.

To start off on the Q3 2015-2016 consolidated results Tata Motors, JLR all put together the net revenue came in at 72000 Crores marginally up from 70000 Crores in Q3 of last year. EBITDA margin consolidated basis came in at 14.2 down by a percentage point from 15.4 in the same period last year. Profit after tax almost at the same level 3500 Crores compared to 3581 Crores in Q3 of last year.

Similarly for the nine months period net revenue came in at 195000 Crores almost stable at 195000 last year. EBITDA margin was 14.3 down from 16.8 for the nine months period last year considering the two three very good quarters we had last year in Jaguar Land Rover.

Profit after tax came in at 5800 Crores down from 12000 Crores in the same period last year. You will see some of the exceptional items that went into the current year in the nine months period.

Tata Motors India business the net revenue for the quarter October-December came in at 10000 Crores up from 9000 Crores of last year same quarter. EBITDA margins continued its positive momentum in the last two to three quarters; it came in at 5.7%, which last year was negative at 8.2%.

Profit after tax; however, came in at a negative of 200 Crores for the quarter compared to 2100 Crores in the same quarter last year. For the nine months period, 30000 Crores of revenue up from 26000 Crores last year nine months, EBITDA margin for the nine months at Tata Motors at 5.8%, reversing the trend of the nine months of last year which was negative 4.3%.

Profit after tax again was negative at about 200 Crores compared to negative of 3500 Crores in the same period nine months last year.

Coming to Jaguar Land Rover these numbers are reported by Jaguar Land Rover under IFRS. For the quarter net revenue came in at £5.8 billion almost same as around £5.9 billion in Q3 of last year. EBITDA margin came in at 14.4% down from 18.6, which was exceptionally good quarter last year.

Profit after tax came in at £440 million down from £593 million in the same quarter last year. For the nine months period similarly net revenue was about £15 billion almost £15.6 billion marginally down from £16 billion of nine months of last year.

EBITDA margin was 14.4% for the nine months period down from 19.4% of the three quarter last year. Profit after tax came in at £840 million down from £1.7 billion in the nine months of last year.

Overall the consolidated level including Tata Motors, and Jaguar Land Rover the net automotive debt excluding the financing business net automotive debt equity as of December was 0.1. In the India business that was higher at 0.69 and in Jaguar Land Rover considering the large cash and liquidity they have on the balance sheet the net debt was negative before the net debt equity ratio came in at negative 0.1.

Highlights of the financial performance, India business reported a significant improvement in the operating margin to 5.7% in the quarter as I mentioned earlier, which after removing some of the provisions we had in the last year for Singur and certain other provisions still reflects an 860-basis points positive swing in the quarter-to-quarter, last year quarter to this quarter a positive improvement.

This has been triggered mainly by the strong growth that we have continued to see in medium and heavy commercial vehicles in India, year-on-year a growth of about 14.8%, ongoing cost reductions and other margin improvement initiative.

Just to note as I mentioned earlier, we have maintained positive EBITDA compared to a negative EBITDA in all the three quarter of last year. Jaguar Land Rover as I mentioned earlier margin for the quarter 14.4% was down from Q3 of last year on a sequential it is up to £45 million from Q2 of this year. Year-on-year the decrease broadly reflects a softer phase in China and model mix compared to last year's quarter and this year quarter and in the last year Q3 you would also recall that we had a China tax rebate comes one in a year which was received in Q3 but in the current year it was advance and received in Q1 itself. These two had been partially offset by higher wholesale volumes in this quarter in Jaguar Land Rover.

A little bit of flavour of the India business commercial vehicles, medium and heavy commercial vehicles industry continues to witness strong demand conditions both in terms of sustained replacement demand as well as initial signs of fleet expansion demand.

We have seen this volume growth driven across all the subsegments in medium and heavy commercial vehicle industry in this quarter. For the company the medium and heavy truck sales in the quarter registered a growth of about nearly 15% year-on-year. Market share in medium and heavy for the quarter stood at 53.8%, which is a growth sequentially of about 240-basis points compared to Q2 of this year.

Coming to the light commercial vehicle segment, the overall LCV in the quarter continue to decline, but on the positive side, several segments of the LCV both in goods and passenger carrier started witnessing positive growth during the quarter.

In small commercial vehicles though it declined during the quarter towards the end of the quarter we have seen positive growth perhaps the small base effect also having an influence but we have seen the sign changing in December and that seems to continue into January and in the small commercial vehicles, we continue to maintain a market share which is above 75%.

Overall in the industry the variable marketing expenses continue to remain high. Coming to our international business and commercial vehicles, we saw a growth in the quarter of about 3.9% over the same period last year. It was somewhat affected by some of the uncertainties and political situations in Nepal.

Coming to the passenger vehicles, the industry witnessed a growth of about 15% year-on-year mainly influenced by the volume of the new launches in the quarter as well as the recent past. In terms of Tata Motors the passenger vehicle segment of the company declined by 12.2%. We would just like to clarify that this need should be seen last year in the same period we had prelaunch build up for the launch around that time.

We have showcased new products in the auto recently with several exciting designs, technology content in the vehicles and driving performance. The new compact hatchback has received very positive reviews and a very strong response across the media, auto critics and auto enthusiasts. And the new hatchback will come with Revotron petrol engine and the Revotorq diesel engine.

Turning to Jaguar Land Rover, some of the highlights I have already covered, volume excluding China JV volumes, wholesale and retail for the quarter came in at 137000 units and 129000 units respectively. The China JV wholesale and retail for the quarter were about 128000 units and 9000 units respectively.

The presentation will be available to you on the website, so I will not repeat some of the revenue and EBITDA numbers which I have covered earlier. For the quarter the product investments and capital expenditure came in at £842, free cash flow for the quarter after this capital expenditure and investments was 454 million positive free cash flow. On the balance sheet in Jaguar Land Rover cash deposits exceed about £3.4 billion in addition we have undrawn committed lines of credits of about £1.9 billion which together represents the liquidity of over £5 billion which will serve as well in the future.

Profit before tax of about 500 million for the quarter after exceptional items was down by about 186 from Q3 of last year but sequentially up about £656 million on Q2 of this year. Compared to last year this is mainly reflecting the lower EBITDA from the operations compared to Q3 of last year, which I repeat, was an exceptionally good quarter. Higher depreciation amortization charge of about £100 million and these were offset partially by favourable overall revaluation of unrealized FX and commodity hedges and the debt revaluation is for the quarter was about £100 million plus.

China JV profits which we accounted in the quarter was about £22 million and one exceptional item of £30 pounds representing the initial on-account recovery towards the Tianjin insurance claim, which we provided in last quarter if you recall for £240 million. We started receiving the insurance claims and this £30 million has also been accounted as a credit in this quarter as an exceptional item, also reflecting in the PBT.

Mainly recent and upcoming product launches to drive for future growth in Jaguar Land Rover we continue to progress as an investment in the UK engine plant. They announced an additional investment of £450 million. Slovakia plant we have indicated a total initial investment of over billion pounds for the next few years, which will create a capacity of about 150000 units per year.

The further progress on the electrification across our product range with plug in hybrid and battery electrical vehicles, we also recently announced that we would be competing the FIA Formula E championship from August 2016.

Looking ahead in the commercial vehicle business in India they continue to see the medium and heavy growth and we expected to remain buoyant in the next financial year triggered both by continuing replacement demand and strong fleet expansion demand and we also expect after the lag effect the SPV segment will also enter good positive growth trajectory in FY2017.

From the Company point of view, we continue to focus and build further on our wide and compelling product range with several new launches in Q4 and in the next financial year across our prima and ultra range, brand new signa range of modern and advance trucks and buses as well as refreshes and variant in small commercial vehicles and pickup. Currently we believe this will provide us a strong foundation for further growth in the business.

Exports in commercial vehicle will continue to be of a high focus and as far as the defense is concerned, as I mentioned in the last quarter we continue to have a very good pipeline of defense orders both received and expected.

Passenger vehicle business the product momentum will continue with exciting and upcoming new products. The comments and the welcome that we have received in some of our near products and what we showcased in the auto expo has been extremely encouraging and we expect this will provide a foundation for a good transformation and growth in the coming years.

As mentioned earlier and as I have shared with many of you the product plant in the passenger vehicle business has been well defined till 2020 and it is our intention that we will have at least two new vehicles launches planned every year. Similarly in passenger vehicles we will continue to avail opportunities in the international markets.

In the Jaguar Land Rover business the fundamental strategy continues to be focused on products, technology and in parallel investing in manufacturing capacities to grow profitably in the coming years. This year we expect investment spending capital expenditure and product development expenditure in the region of about £3.3 billion lower compared to the initial indication we have given earlier of about £3.7 billion.

We will continue to drive strong operating cash flow to fund the investment. As I mentioned earlier we have nearly £4 billion of cash on the balance sheet and further nearly £2 billion of undrawn lines of credit available.

Given the higher level of investments free cash flow could be negative in the near and medium term but we expect that our strong balance sheet and the liquidity on the balance sheet we should be in a position to fund our investment plans quite comfortably.

We continue to build on recent successful product launches and we will focus on the upcoming launches on the Jaguar XE in the US, F-PACE in the spring of 2016 followed by the Evoque convertible and other products yet to be announced and these new products we expect will drive solid profitable volume growth for JLR going forward.

I will stop here and me along with my colleagues will take any questions that you may have.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question is from the line of Jinesh Gandhi from Motilal Oswal Securities. Please proceed.

Jinesh Gandhi: My question pertains to first is on standalone numbers. We have seen our RM cost as a percentage of sales going up. I am presuming that is a reflection of mix, but did we see any meaningful commodity price benefit in this quarter for us?

C. Ramakrishnan: Commodity prices continue to remain soft and we have seen that benefit coming in not only in this quarter over a period of last few quarters, in fact since last year. No significant upturn in this quarter on account of this. It continues to remain soft and therefore in comparison to last year and comparison to sequentially Q2, I cannot mention any particular further benefit coming in, but overall they have been soft and quite benign and favourable.

Jinesh Gandhi: Okay. So based on current price we don't expect very meaningful benefits coming through?

C. Ramakrishnan: I think a lot would depend on how the commodity prices shape up going forward. We expect the commodity prices to continue to remain soft for the near future. So, I do not see a significant further benefit on account of pricing, but as I mentioned in reference to the performance in the current quarter we have undertaken some time ago a massive cost reduction and particularly on

the material cost and other expenses some of those benefits are flowing through and that momentum will continue into the future quarters and stepped up.

Jinesh Gandhi: Okay. And, Sir, the second question pertains to JLR. We have seen a significant Q-o-Q decline in realizations. That is just the XE impact or there is something beyond that? Have you seen an increase in discounts in any of the markets?

C. Ramakrishnan: Not in terms of specific Q3 I think I have mentioned that the variable marketing expenses rather than discounts, I would say the overall variable marketing expenses continue to see a push in the last not so much specifically in this quarter but as a trend from the lows one saw maybe a year ago and 18 months ago nothing exceptional in this quarter primarily it is a region and market mix and model mix play.

Jinesh Gandhi: Okay. Thanks, sir. I'll come back in queue.

Moderator: Thank you. Our next question is from line of Aryn Pirani from Deutsche Bank. Please proceed.

Aryn Pirani: Thanks for the opportunity. Sir, my first question is on the China JV profitability. Given that the capacity utilization is still quite low, it is quite impressive the kind of profit that you have been able to generate. So could you help us understand, I mean, is there a significant difference in the profitability of the China operations versus UK?

C. Ramakrishnan: One of the things that we had shared with you earlier was from a pure cost point of view there is a benefit of manufacturing in China, both in terms of the pricing you get on the components as well as other manufacturing costs as well as labour cost. Apart from that while there is a reduction in the price compared to UK price and the China price of the product that is going in profitability would continue to hopefully remain quite comfortable with the healthy cost factors involved and as well as the duty reduction that we experienced.

Aryn Pirani: And the royalty and the margins on the parts that you sell to the JV, that is not in this profit, right? That is in the other expense line, I guess.

C. Ramakrishnan: That is right. It will be in the other income line, revenue line, not in the other expense line. Sorry, you are talking about Jaguar Land Rover UK, right?

Aryn Pirani: Jaguar Land Rover UK, yes.

C. Ramakrishnan: Yes, so the margin on the components or the royalty would be in the revenue line, not in the expense line, just to clarify.

Aryn Pirani: Okay. Sure. Okay. And, Sir, just one thing, in this quarter JLR has had a very large benefit from working capital as well. And generally we see this kind of an improvement in the fourth quarter. So is it something that has come slightly earlier in the third quarter or can we expect similar improvement in 4Q as we experience every year?

- C. Ramakrishnan:** It will be spread between the quarters. Overall as volumes increase, there will be a benefit on account of working capital in the inventory play also comes in here, so we will continue to see some benefit in the fourth quarter but I do not know whether I will be similar, larger, lesser but we will continue to see the benefits in the second half of the year in general compared to the first half, first half it will see consumption in terms of working capital and second half the cash flow gets released from working capital. We go through the cycle almost every year. So between Q3 and Q4 we should see the working capital turning around compared to the first half.
- Amyr Pirani:** Okay, Sir. Thanks for the opportunity.
- Moderator:** Thank you. Our next question is from the line of Jamshed Dadabhoy from Citi Group. Please go ahead.
- Jamshed Dadabhoy:** Two questions. First one on the variable marketing expenses could you give us some color in terms of what they are as a percent of your sales or how they have progressed over the past 18 months?
- C. Ramakrishnan:** I do not know I can give one magic number in terms of percentage; it would obviously vary from market-to-market and also from product line to product line. In terms of trend as I mentioned compared to the very lows in the industry in general maybe at 12 or 18 months ago, we have seen some uptick in the last few quarters.
- Jamshed Dadabhoy:** Is it expected to continue to even increase from here for the next, say, couple of years as your model mix ages?
- C. Ramakrishnan:** Just I have talked about this before, I think, we will see, I am not talking Jaguar Land Rover specifically, but I think, we will see generally, if I take one year ago or maybe two to three years ahead, I think trend line in terms of increasing will continue, the intelligence would be how do you manage our material cost, operating efficiency and the synergy in terms of volume growth, several measures are underway in JLR, so we may take a large part as well as the fundamental product strategy and platform strategy in the sharing of components and designs that we are talking about across product range, I think it will take a large part of the cost out of the back end of the system and we have to reverse some part of it to the market place where it balances out we will have to see as the time goes off. I am talking in general both about variable marketing as well as fixed marketing.
- Jamshed Dadabhoy:** Sure. Second question, Sir on the income tax expenses in JLR has there been some tax write-backs the tax provision to sales to PBT looks fairly low?
- C. Ramakrishnan:** It is a specific event of the quarter; we have got a credit of about £62 million in the quarter. It is a deferred tax credit in advance to the tax rates in UK coming down, deferred tax accounting would take into account the relevant applicable tax rate, lower tax rate for the future, so that credit has come in the tax line.
- Jamshed Dadabhoy:** £62 million, is it?

- C. Ramakrishnan:** In the deferred tax, yes.
- Jamshed Dadabhoy:** Okay. All right. Thank you.
- Moderator:** Thank you. The next question is from the line of Govind Chellappa from Jefferies. Please proceed.
- Govind Chellappa:** Thanks for taking my question. First a followup to that China JV profitability, a back of the envelope calculation suggest that your profit per car in China right now, what is attributable to JLR, is almost same as what you make in the rest of the portfolio. Would that be a right reading?
- C. Ramakrishnan:** Maybe you should send me the envelope across.
- Govind Chellappa:** It looks like it almost caught up. I mean, the higher, lower doesn't matter, but it seems like it's almost caught up at such a low volume. So I'm surprised that it is as good as it is at 13000 production.
- C. Ramakrishnan:** I have not done that back of the envelope the way you have put it, if it is good, let us hope it continues.
- Govind Chellappa:** My second question was on the small commercial vehicles. It looks like; at least in the last couple of months, we have started seeing some growth in, especially in the ACE portfolio. What is your reading on that? Is it only because the base is low or are you seeing some genuine improvement in demand? And related to that, have all the payment that Tata Motors had to do to Tata Motors Finance because of the poor quality of that portfolio, is that all done?
- C. Ramakrishnan:** The question is in two parts, in terms of the trend, I think it is early days, I would say it with a degree of caution. Yes, the trend seems to be reversing, but it is still early days. We saw it towards the end of the quarter in December and seem to be continuing into January. Then surely there is a base effect impact here, but even with the base effect and small, we have seen continues negative in the previous periods one has not seen it in this, I think there is still a long way to go perhaps it may even too soon to say that the worst is over, but the trend has begun, let us hope it continues. We do expect going by overall trends and behaviors in the past, with the M&HCV growth having sustained this strong for this many quarters, I think the lag effect on the small commercial vehicles will play itself out and we do expect this momentum to continue and perhaps get stronger in the small commercial vehicles in the next year. We do hope and we expect that would happen with market share in the small vehicles at over we are continuing to maintain it over 75%, I think it augers well for the company. Coming to your question on the portfolio, in general, I think, the small commercial vehicle industry portfolio across the industry I am talking not specifically with reference to Tata Motor Finance but in general across the lenders the portfolio continues to be somewhat stressed. I think it will take some more time for the cash flow cycles to become more stabilized and the significant improvement to happen in the quality of the portfolio. As far as our exposure to Tata Motor Finance is concerned, if you recall last year we are not providing as it happens, last year we took an estimate of all the future provisions that

would be required based on the forecast of what the portfolio performance would be over a period of time till the conclusion of the contract that is the one-time provision we have created as we predicted further deterioration over a period of about three or four quarters last year. Currently, it looks like the provision will be maintained, but there might not be a topping required. In the meantime, efforts are on in Tata Motor Finance the newer company. We also created strategically a separate subsidiary to manage this portfolio as well as newer business opportunities in terms of second hand vehicle financing. So this stress portfolio and the second hand vehicle financing required a special degree of attention, focus and therefore separate teams have been formed. We have added over the last two to three quarters about 600 700 people in terms of field staff and different type of incentivization, different type of solutions for the customers. That is beginning to have its positive effect in the last few months. It has taken its time over two quarters to have any positive impact, but yes, it has started proving to be more positive. So the collection trends compared to maybe two quarters ago to today definitely is seeing an improvement. If it plays out, I would expect and if it positive then continues I would expect that the provisioning that we have made should be adequate. This is something we should watch over the period of next two to three quarters and see how it performs. Coupled with the market improvement that we have seen in the primary demand for the new vehicles and small commercial vehicles, which has been taken indicator of better demand coming through, I think, it augers well for this portfolio as well.

- Govind Chellappa:** Okay. And could we see some write-back of this provision? Is that a possibility at all?
- C. Ramakrishnan:** That would be somewhat of a gutsy thing to say at this time, let us see how it plays out.
- Govind Chellappa:** Okay, Sir. Thank you.
- Moderator:** Thank you. Our next question is from the line of Kapil Singh from Nomura Securities. Please proceed.
- Kapil Singh:** Wanted to check in the EBITDA line item, were there any revaluation of current assets liabilities if you could quantify that?
- C. Ramakrishnan:** You are talking about the Jaguar Land Rover FX impact?
- Kapil Singh:** Yes.
- C. Ramakrishnan:** You are only asking for revaluation of current assets and liabilities?
- Kapil Singh:** In the EBITDA line? Sir, if you can give both the other part of it as well?
- C. Ramakrishnan:** I think what we have reported in forex and EBITDA this is above EBITDA, which is there, this, is for forex and commodities are around £87 million.
- Kapil Singh:** Sorry, this is positive?

- C. Ramakrishnan:** This is negative.
- Kapil Singh:** Could you just repeat the amount, I did not catch it?
- C. Ramakrishnan:** It is negative £87 million for the quarter ended December 31, 2015.
- Kapil Singh:** This is revaluation of current assets and liabilities and...?
- Vijay Somaiya:** Realized hedges.
- Kapil Singh:** Both combined.
- Vijay Somaiya:** Yes please.
- Kapil Singh:** Okay. Secondly I wanted to check where is JLR in the cost cycle. I mean, we have talked about this in the past that the contracts have slightly longer term for JLR. So, have we realized some commodity benefits for JLR or most of them are expected to come later?
- C. Ramakrishnan:** My answer is not very difficult compared to what I said couple of questions back on the commodity and cost situations in Jaguar in Tata Motors. I think we continue to see some benign trend over a period of time and we expect that it will continue.
- Kapil Singh:** Okay. And so the variable marketing spends are mostly reflected in other expenditure or we net them out from the revenue line item?
- C. Ramakrishnan:** Net them out from the revenue.
- Kapil Singh:** Because, if I look at numbers compared to last year then the other expenditures field which has seen a sharp increase compared to last year levels and raw materials sales has remained largely in the same range. So why has that happened?
- C. Ramakrishnan:** Maybe offline I can send some clarification on this.
- Kapil Singh:** Sure, Sir. And, Sir, just lastly on the China JV, I mean are there any one-offs here or should we expect profitability to rise in the same ratio when the volumes go up?
- C. Ramakrishnan:** For the China JV or elsewhere, I would not try to comment on the expectation on the future, but as far as the quarter is concerned, there are no one-offs there.
- Kapil Singh:** Great. Sir, last question on the capex, you have talked about £3.3 billion; earlier expectation was closer to £3.7 billion. So, just some color on that please, why has that happened?
- C. Ramakrishnan:** It is primarily a timing issue and the part of it should come through in the next year. It is more a timing issue in terms of some of the inferences as well as the cash flows associated with that.

- Kapil Singh:** So next year the range would be closer to £4 billion?
- C. Ramakrishnan:** We are in the process of finalizing our budgets and plans for the next year and we would have the formal approvals and clearances internally including at the board level maybe over the course of next 30-45 days, I will be in a better position to answer that. Yes, it would see an increase compared to the 3.3 that we are likely to end up with in this year and there will also be a flow through effect of last year. So we will have a better indication may be I will be able to share with you a month or two afterwards.
- Kapil Singh:** Thanks and all the best.
- Moderator:** Thank you. Our next question is from the line of Yogesh Aggarwal from HSBC. Please proceed.
- Yogesh Aggarwal:** Good evening. Just a couple of questions for me. Sir, firstly last year has been great for US for JLR, but there has been a little bit of moderation recently. So, one, can you please provide some outlook on US market for this year. And then secondly, just you talk about capex spend over the next few years. I just wanted to know if in a scenario that US slows down sharply, is there some part of the capex which is discretionary and you can pull it off or a large part is required to achieve their machine norms and the product launches?
- C. Ramakrishnan:** I will just briefly touch upon the answers and if required, I may since we have Ken on the call today, I may ask him to supplement with bit more colour than I can provide. As far as the market trends are concerned, I think across US or UK or Europe, we see a positive growth continuing and as far as our performance is concerned with the newer product launches, and the way they have been received in the market and particularly with the XE also going into the US we do expect strong growth momentum in many of these other markets that is large markets that we have, but I am sure subsequently Ken can add some further colour to this. As far as the capex spend is concerned, as I mentioned this year we will end up with about 3.3 off a little bit from 3.7, which is mostly a timing issue, timing factor, which will come into the next year. In terms of trend, rather than amount, I would think, we have been indicating while the industry average as a segment average maybe around between 10% and 12% of the turnover in terms of reinvestment in the products and capacities, we have been at about 16% to 17%. We expect the trend will continue for the next few years and may converge more towards the industry average beyond that. As far as flexibility in cutting back capital expenditure is concerned, we are talking about programs which normally run over a two to three year period or a four year period and when you plan on that time scale the flexibility and the ability to cut back in the near term, can I cut back now for the next years spend, I think the flexibility will be very limited, perhaps not completely zero, but it will be quite limited, but as you look into the future years, that maybe a better flexibility in terms of realigning or rescheduling or phase it out a little better in the future years maybe two or three years down the line but for the immediate period the flexibility will be somewhat limited. Ken on the US market or on the capital spend is there anything further color you would like to provide? Please step in.

- Kenneth Gregor:** Thank you CR. I think on the capex, you have covered exactly right and on the US the only extra color I would add is clearly the US has had a great year in 2015. Economically, this growth, the oil price is which helps sales of cars and outsourced cars, so those are real positive drivers for us. This clearly a bit of economic uncertainty across the world and in the US, lots of market gyrations etc., but the positive thing for us is we have a fresh line of product and recently introduced product that has the option to US market in 2015 so for example, we launched the Jaguar XE in 2016 in the US, we will have a full year the replacement XF and will also benefit from the launch of the Jaguar F-PACE so those new products in conjunction with the existing products help give us momentum, so we are optimistic about the possibilities for volume growth this year in the US.
- Yogesh Aggarwal:** Great. Thank you. Just if I may squeeze in just a quick question, if I look at the last six months just looking at the total volumes for JLR, the retail volumes are approximately lower by 20000. So some of it could be the port issue in China, but are we looking at inventory building up or it is just seasonality?
- C. Ramakrishnan:** Partly it is seasonality, which happens during the first half of the year, and then it comes off. We responded it in a different way for the working capital question as well, but more importantly it is also a function of launch and inventory building at the dealership in anticipation of the product launches which will go into the retail. As many of the products that Ken talked about as they go across the globe in each market you will see initial inventory build up. That factor also plays out. So when you have a crowded period of 12-18 months in terms of series of product launches you will see some blips in inventory movement particularly at the dealerships stocking up the new vehicles for global launch, market-after-market. We do it sequentially, UK, Europe, China, US, etc., so you will see that movement going up in different markets as per the launch program cascades across the globe.
- Yogesh Aggarwal:** Got it, Sir. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Pramod Kumar from Goldman Sachs. Please proceed.
- Pramod Kumar:** Sir, my first question pertains to your forex related adjustments what you had at EBITDA of around £87 million negative. Can you help us with what was the corresponding number for Q2?
- C. Ramakrishnan:** Not last year, you are talking about Q2?
- Pramod Kumar:** Yes, Q2 Sir.
- C. Ramakrishnan:** It was £75 million.
- Pramod Kumar:** Adverse or negative?
- C. Ramakrishnan:** Adverse.

- Pramod Kumar:** Sir, directionally if one looks at the mix because, Range Rover, Range Rover Sport, I believe in January the dispatches are down for both the models. I just want to understand is it got to do with bit of a realignment of wholesale with the end demand for these models or was there any specific issues related to production? And related to that is, how do you see demand for these model lines going forward because they had a fair bit of a skew towards the China market and lot of the other emerging markets. And so how should one look at these two models, which are in a way kind of aged as well? So that will be my next question.
- C. Ramakrishnan:** As this is the question, I will elaborate. Maybe I need to have access to Ken for responding to some of that.
- Kenneth Gregor:** I was actually going to ask if you might summarize the question?
- C. Ramakrishnan:** I lost the trend; I was hoping you got it fully.
- Pramod Kumar:** Okay. Sorry. Basically in January, we have seen some bit of softness in Range Rover and Range Rover Sport dispatches at the wholesale level. So I just want to understand whether that's got to do with some production issues or is it adjustment of demand adjustment of supplies with the end demand. And in the continuation of that, given the global uncertainty on various fronts, how should one look at demand for the top end of the spectrum, like the Range Rover, Range Rover Sport generally for this year?
- Kenneth Gregor:** I think in terms of wholesale volume it is the case to wholesale volume absent flows with production volume and we have shutdown in December that can cause the number of units that we produce in January to or ship in January to change, so I prefer to look at the retail volume to look at what is actually happening in the markets and in January our overall retail volumes were up 24% year-on-year and now I am not feeling that I am seeing necessarily any softening in any particular segment or for any particular product, so that is not a trend I see at the moment. Sorry, I lost your other question. Just give me.
- Pramod Kumar:** Generally how should one look at demand for Range Rover, Range Rover Sport given the increases?
- Kenneth Gregor:** I think we are optimistic about demand for both those product lines. We have got a loyal customer base and relatively fresh products in both cases and once always be the ebb and flow due to specific markets and economic factors actually both Range Rover and Range Rover Sports have proven themselves in the past to be quite resilient. So we are cautiously optimistic that that will continue.
- Pramod Kumar:** Can you please give me the liberty of one last question, just generally on discounting and in particular how is it trending up in China because last year was pretty tough for us, but therefore want to understand in the recent months with some bit of stabilization in volumes is discount in a way in China easing or is it directionally still tougher?

- C. Ramakrishnan:** I would not call it overall in the China. I think we have seen quarter-on-quarter improvements. I am not talking about the same quarter of last year, but sequential quarters, I think that reflects in many both in the volumes and the mix within the product range as well as in the variable marketing expenses, we do see a positive trend quarter-on-quarter.
- Pramod Kumar:** Excellent. Thanks a lot, everyone and best of luck. Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen that was the last question. I now hand over the conference over to the management of Tata Motors for closing remarks. Over to you team!
- C. Ramakrishnan:** Thank you very much everybody for joining in this call. As I mentioned, the presentation would be available on our website and of course we will continue to engage with you for any supplementary questions or clarifications that you may have from time to time as we have done in the past. Thank you to all for participating in this. Thanks Chirag.
- Chirag Shah:** Thanks a lot for giving us the opportunity Sir. Thank you.
- Moderator:** Ladies and gentlemen, on behalf of Edelweiss Securities that concludes today's conference call. Thank you for joining us. You may now disconnect your lines.