



# **Tata Motors Conference Call**

## **Acquisition of Jaguar and Land Rover**

**Time:** April 02, 2008 18:30 hrs IST

**Main Speaker(s):**

<b>Mr. Ravi Kant</b>	<b>:</b>	<b>Managing Director, TATA Motors</b>
<b>Mr. C Ramakrishnan</b>	<b>:</b>	<b>CFO, TATA Motors</b>
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**Rochelle**

Ladies and Gentlemen Good Morning Good Afternoon and Good Evening. Welcome to the Tata Motors Conference Call. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. We have with us, on this conference call Mr. Ravi Kant the Managing Director, Mr C. Ramakrishnan, the CFO, Ms. Savitha Balachandran, Investor Relations Head, Mr. Venkat Sreeram, from the CFO's office. If you should need assistance during this conference call, you may signal an operator by pressing \* and then 0 on your touch tone telephone. Please note that this conference is being recorded. I would now like to hand the over to Mr. C. Ramakrishnan. Thank you and over to you Sir.

**Mr.C.Ramakrishnan**

Thank you very much Rochelle. Good Morning, Good Afternoon, and Good Evening, Ladies and Gentlemen. First of all thank you every much for taking the time to participate in this call. It is indeed an important event for Tata motors and at the group level. We thought we must share some of the highlights of what has happened so far, with you. Before I start taking you through the details of the transaction, and details of the acquisition, some regulatory statements I need to make. The usual customary statements in terms of forward looking statements etc. you must be quite familiar with. Any statement which may be of a forward looking nature in the course of this call, needs to be taken along with the risk associated with the business and any risk associated with an acquisition of this magnitude and the global auto industry related risk. Second, many of the numbers, all the numbers, and facts and information provided in the course of this call are taken from un-audited, internal *pro forma* management accounts and data provided by Ford Motor Company. Lastly I must also mention in this call to contain the level of expectations: As far as this acquisition is concerned, what has happened so far is after months of due diligence, we have signed what is called as a Sale and Purchase Agreement, SPA, with Ford and this transaction will be completed only after all necessary regulatory approval. We are in the process of applying and obtaining this regulatory approval, which may take place over the next month or two, till such time you would all know and appreciate, the transaction is not concluded and the Companies continue to operate, continue to be owned and operated under Ford management and Ford ownership. Both from confidentiality, legality and regulatory point of view, there are constraints in terms of the extent of information we can share with you at this point of time, because we are not the owners or we are not running the Company at this point of time. Given these constraints, we thought it would still be a good attempt to start commencing our communication program. In Tata Motors we have been engaging with you from time to time in Tata Motors programs, projects and our financial results etc. We would follow the practice in this case also. We thought we should make a beginning and we will take it forward at the appropriate time and appropriate manner, where we will share further details with you during the course of post completion stage. One other factor you need to know, which I thought I will mention to you is over the next few weeks, Ford is intending to put out a specific Jaguar Land Rover data towards end of April or early May. That should also be able to provide you some additional inputs of this Jaguar Land Rover related financial performance, another area that will be of interest to you. As I said post completion we would have a much more closer engagement with all of you whether individually or together and we would look forward to such engagements.



As first part of what I wanted to talk about, I wanted to talk about a summary of key themes embedded in this acquisition. This acquisition of Jaguar Land Rover brands and businesses has given us an opportunity to participate in the growing premium car and SUV segments and enable us to build a very comprehensive product portfolio with an interesting range of products. These two as you know are iconic brands with substantial global presence and potential. Landrover is a healthy and profitable operation and has achieved significant and very successful turn around. Jaguar is very well on its way on path to recovery. Led by beautiful fast cars and new model launches. As an example, the new “XF” has had a very-very strong customer and press response in the recent past. It has been awarded car of the year 2008 by What Car magazine in UK. It has been rated ahead of BMW 5 series by Auto car of UK. The transaction also includes several areas in which support from Ford has been adequately provided for, to mutual satisfaction. In addition, Jaguar – Landrover has very key significant capabilities in the areas of product development power train engineering and power train integration. As for Tata Motors, as you all would appreciate, we are a strategic buyer and we are committed to Jaguar – Landrover for long term. Tata Companies have a successful track record of acquisition, including in the UK. Tata Motors proposes to manage Jaguar – Landrover as independent entity and a independent brand and it is also intended that good part of the senior management of Jaguar – Landrover would continue the successful work which they have established in the recent past.

Given the context of what.....where Tata Motors is at this point of time. As you all know Tata Motors story quite well, our growth strategy includes consolidating our position in the domestic market and significantly expanding our international footprint which will happen both through leveraging in-house capabilities and products as well as acquisitions and strategic collaborations. This growth strategy in our businesses both commercial vehicles and in passenger cars, we have shared with you from time to time. Right from the early 90's, when we launched some of the bridge products with an aspiration to enter the passenger car business, we have come out with successful new entries in the passenger car business including utility vehicles sport utility vehicles and we created a passenger car division in the late 90's. And the first indigenously developed Indica was launched in '98. We have parallely invested substantially in the 90's and the current century, in our product development and other capabilities which has enabled us to come with more and more products in the passenger car business as well as in the commercial vehicle business. In terms of geographically expansion particularly in the commercial vehicle, we have had a very successful acquisition of TATA Daewoo, of which till it's very recent results you have see the success that has been brought about in that acquisition. We acquired a stake in Hispano in Spain, for bus body building, we have on going collaborations, discussions and signing of joint venture agreements with FIAT, for joint, industrial joint venture in India. And there are several other projects which you're aware of from time to time including our tie up with Brazil Company Marco polo, and also our tie up in Thailand with Thonburi. More recently as is well known we have unveiled our small car, TATA Nano, here are some of the milestones the company has crossed, both in terms of its product expansion, segment expansion and geographical expansion. And we believe the acquisition of Jaguar – Landrover comes at a point in time, it's an opportunity that came at a point in time, which will enable the company to take its next leap forward. As I said earlier, we are a long term strategic investor in Jaguar- Landrover, it will provide us with increased business diversity across different markets and varied product segments and a



comprehensive portfolio immediately and readily with a global footprint. It gives us a unique and immediate opportunity to move into the high end premium segment with two world class iconic brands. Landrover provides a very natural fit above the TATA utility vehicles and SUV vehicles cross over range in the 4X4 premium category. Jaguar also offers a range of premium and luxury vehicles to broaden the TML passenger car portfolio. There shall be mutual exposure between Jaguar, Landrover and TATA motors going forward for possible learning and experiences and expertise sharing. And we expect long term benefits from areas like component sourcing, engineering and design services, between the two businesses.

In the next few minutes, I wanted to cover some of the key terms of this acquisition, as you know from the press release we have shared the total acquisition price is 2.3 billion dollars, for 100% of acquisition of Jaguar, Landrover businesses. This consideration includes 3 manufacturing plants in UK, 2 advanced design centers, design and engineering centers, 26 national sales companies, both existing national sales companies of Jaguar, Landrover and also national sales companies to be created by carving out the current Ford operations in some of the countries in all 26 national sales companies across the world, intellectual property rights on key technologies to be transferred to Jaguar Landrover, and where the technologies are shared from Ford, perpetual royalty free licenses as part of the purchase consideration. This also includes minimum guaranteed capital allowances of US dollars 1.1 billion, which will help us, help the companies manage the tax efficiently going forward. The total amount of capital allowances is larger; this is the minimum guaranteed amount. The businesses are being acquired on debt free basis on completion. We propose to acquire these companies through establishment of special purpose vehicles, special purpose companies, 100% subsidiaries in Singapore and UK. As I said earlier, the closing of the transaction will be only after the regulatory reviews and approvals. We anticipate it will happen during the course of this quarter hopefully before 30<sup>th</sup> June 2008. As you all know, as is normal in these transactions and such opportunities, inorganic growth opportunities and acquisitions, we have put together a debt facility in the special purpose vehicle of 3 Billion U.S. Dollars plus Tata Motors' cash resources, we believe will meet the purchase consideration of 2.3 Billion and any further contingencies and requirements that may arise in the future. This bridge finance of 3 billion dollars in the special purpose company is for a 15 month period and Tata Motors is in the process of finalizing its longer term refinancing plans and this will be finalized over the next few months. We also propose to raise debt at Jaguar-Landrover level for on going working capital and other business requirements which will be fully backed by Jaguar-Landrover assets and will be ring fenced from Tata Motors. I thought I should also spend a little time on some facts relating to pension liability. The Jaguar-Landrover pension funds in the U.K. on completion, seller Ford is contributing about Six Hundred Million U.S. Dollars, which will be paid out of the purchase consideration of 2.3 Billion. We have had that discussion with the pension trustees and have their support for the sale. As part of the various discussions, the trustees have agreed that the next actuarial valuation of the funds will be carried out as at, April 2009 and between Ford and Tata Motors we have also obtained the consent of the pension regulator in the U.K., for the transaction and for the way the pension funds are being dealt with.

Some of the other terms I need to highlight, as I mentioned earlier, the transaction involves transfer of ownership of intellectual property, licenses of key technology or



perpetual royalty free licenses, combined all of them will meet Jaguar-Landrover requirements, currently and going forward. Ford is also committed to provide continuity of critical supplies, such as engines, access to their test facilities and certain key services which they have been providing in the past will also continue for a period of time, which will include areas like IT, certain accounting services and other services. We have also secured continued co-operation with Ford Motor Credit, for providing Finance for Jaguar-Landrover vehicles for a certain period of time. Parallely Tata Motors is also engaged in discussion with new partners for replacement of the capital vehicle financing business.

A little more on the transition co-operation with Ford and support which a - just to give you a sense, that the transition we expect will be seamless and smooth. The Jaguar-Landrover businesses will continue to benefit from the support and scale of Ford during the transition period. Ownership of core intellectual property is being ensured or licenses for certain intellectual properties from Ford in perpetuity. Supplies of engines will cover new engines being developed by JLR, which may be produced in Ford manufacturing plant. Ford developed engines and also engines out of Ford PSA co-operation arrangements. The engines supplies are being committed for periods ranging 7 to 9 years on mutually satisfactory pricing terms. Design development cooperation is also envisaged which will cover sharing of certain platforms, technical support from Ford, and joint development and advanced research projects. All these terms are being agreed with Ford. The Ford Motor Credit arrangement will continue for a period of 12 months and in this period we expect, Well before this period perhaps... we expect that future financial services partner arrangements will be made for JLR requirements. Other areas as I mentioned IT, accounting, engineering test facilities, purchasing, marketing services, etc will continue ranging between up to 18 months. This in the sum and substance is the overall theme and main terms of the transaction of the acquisition and some of the key salient features of the transition co-operation for the immediate future.

Coming to the Jaguar-Landrover businesses themselves, Jaguar was acquired by Ford in 1989 and Landrover from BMW in 2000. Both formed a part of the PAG, Premier Automotive Group within Ford. JLR management and Ford have put Jaguar and Landrover turnaround on track for the last few years. Both JLR management and Ford have undertook, undertaken several restructuring efforts in the last few years, which includes reduction of head count as much as 17% between 2004 & 2006, several significant investments for improvements in quality and consistent cost reduction performance, closure of one plant in Browns Lane and introduction of several new products which have been very successful in the recent past. I must also share with you at this point of time, Jaguar and Landrover together have had their best year in the year ended December 2007 and that the businesses together have been solidly profitable in 2007 and they have been profitable in every quarter in the year 2007. Just to briefly mention; I mentioned to you earlier about four manufacturing sites together covering about, covering about 800-900 acres of land and 3 modern well invested manufacturing plants at Hale Wood, Solihull and Castle Bromwich, and 2 advanced design centers in Gaydon and Whitley. The total number employees are about 16000 across the various plants and design centers. Jaguar - Landrover have a well diversified geographical presence in North America, U.K., Europe and rest of the world. Jaguar, in terms of their 2006 revenues, 30% of their revenues came from North America, 30% from U.K.,



26% from Europe and 13% from rest of the world. Landrover, similarly about 30% from North America, 24-25% from U.K., 30 from Europe and about 10% from rest of the world.....15% from rest of the world. They have very large and committed dealer network across these geographies. There are totally more than 2000 dealers. We can share with you, maybe the individual volume break up in terms of retail volumes of these brands later.

Coming to Landrover, as I said Landrover is healthy and profitable, successful turnaround and product portfolio replaced as an addition of a fifth name plate. A very balanced portfolio between geography; in terms of volumes, December 2007 year ended, they had volumes of about 233,000 vehicles sale, up from 192,000 in the previous year. We believe it has good future potential. It has already registered strong growth in new markets, very keenly targeting other emerging growing markets like Russia and China. Several exciting developments in progress - hybrid power train versions, investing in light weight architecture for improved vehicle weight and CO2 emission and manufacturing efficiency. And they recently unveiled in the auto shows, LRX - a concept car, light compact vehicle, with 2 liter turbo diesel.

A little bit on Jaguar – Jaguar has already made a break with its past, substantial progress in it's turn around strategy, a very healthy model line up, XK introduced in 2006, XF this year a little later and anticipated XJ, all of these have very strong potential to transform completely Jaguar's prospects. After late 90's they have changed their strategy after poor reception of some of their key models, repositioned themselves exclusively in the niche premium segment and have undertaken several measures to improve their quality performance, to top JD power new car sales satisfaction service from 2003 to 2006, and currently they are number 3 in the 2007 survey. Their volumes have come down over the years mainly in line with the repositioning strategy and focus on the niche premium segments, and the run down of some of their existing models. Jaguar is rebuilding fast on a strengthened base, through new model introductions. Ford has put in place the building blocks for a successful future. Ford and Jaguar have invested substantially in the new products and facility, creating beautiful fast cars in the niche premium business, I already talked about XK, XF and XJ, supported by new marketing campaigns, new markets and in parallel with Landrover also focusing on light weight aluminum architecture. The XF launch in particular has been very exciting for this company, it replaces the **S-Type**, it's already in the showrooms in showrooms now, and it appears to be one of the most anticipated cars of 2008, with a lot of praise in it's new design and handling. It has already got nearly 15000 pre-orders before its commercial launch. We expect that this will play a key role in the turn around of Jaguar.

I'll stop my opening remarks here, we can... Mr. Ravi Kant, myself and our team here, we can take the questions from any of you. As I said in the beginning we are at a point in time in the acquisition where we are considering by legal and regulatory and confidentiality constraints in terms of what we'll be able to answer, we will definitely take most of your questions on board and to the extent we can provide some answers today we can, otherwise we'll have to leave it for a later point in time and we will come back to you with a well orchestrated communication strategy, both individually and in groups. Thank you very much we will take the questions now.



**Moderator**

Thank you very much sir, ladies and gentlemen we will now begin the question and answer session. At this time if you would like to ask a question, please press star and then one on your touchtone telephone. Please use only handsets while asking a question. The first question is from the line of Sri Vidya from Sundram BNP, please go ahead.

**Sri Vidya**

Sir, this is Satish from Sundram BNP, I just wanted to ask you a few questions. First of all, congratulations on this acquisition, main question that we wanted to understand is, in terms of the quantum of risk, that the company is taking in terms of the financial structure as well as the capex that the company has to invest on a local basis for new model launches. As you had mentioned that the Indica was launched in '97, and we are probably 10 years into the Indica product, and we have a huge aging set, set of aging products in the domestic front, which is the bread and butter. And also in terms of the kind of investments and in terms of restructuring TATA Motors, in terms of sale of the financial division as well as the axels, nothing has happened really at the speed at which one had indicated. So what... how is the company actually going to restructure on a financial basis, to minimize risks for share holders, for volatility? Considering that the US market is slowing down and Jaguar has close to 50% of its sales, the PAG group has 50% of its sales in the US. That's the main question sir.

**C. Ramakrishnan**

Thank you very much Satish. That was a comprehensive set of observations and questions. We will try and do the justice that we can. First of all, as I said here earlier, the Jaguar-Landrover and Tata Motors businesses will be run independently. As for Tata Motors' business, we have planned out our new product launch programs, new product investment programs, many of which are already near completion, for example the new Indica, which we unveiled in the Auto show in India and in Geneva. Similarly, on the core business, which is the commercial vehicle business, several products are already on the anvil and several are invested and developed and ready for launch. These programs will continue to have our focus. In terms of Jaguar-Landrover acquisition, we believe it provides us the right opportunity and right break into spreading our risk across different segments and different geographies. It is true that the company, the total business taken together, will transform from mainly India focused business to a larger global footprint. That in a sense I think, addresses part of your question in terms of spread of risk for the shareholders.

We have also ensured that the current Jaguar-Landrover Management team would predominantly continue and continue their good work that has been done in the recent past. We have interacted with the Management and it is our intention, it is our plan that they should continue and we hope to be successful in that. It's a highly committed and dedicated team with well clearly defined plans and track record of good achievement in the recent past. We are confident of both Tata Motors' product programs going forward and the in terms of the Jaguar-Landrover business, the strength that we have seen. In terms of financial structuring, as I said we are putting our long terms financing plans in play. The ongoing programs of Tata Motors in terms of capital expenditure, product development investments will be provided as we have done in the past. Together with the Jaguar-Landrover acquisition financing we will have the interest of all stake holders in mind and we will achieve it through an appropriate mix of debt and equity.



**Ravi Kant**

This is Ravi Kant. I would just like to add to what CR has just said. We are quite conscious of the fact that automobile industry is a cyclical industry, and that is why we have started investing very early into it, when the up cycle was there and we have now got a whole sleeve of products, both in the passenger cars and the commercial vehicle in the pipeline and which are being unveiled into the market. We do feel that even though the market may become a little more challenging we have sufficient breadth and depth of products which will continue to give us a relatively stronger position in the market place. So we do believe that Tata Motors should be able to go through this period with great confidence. As far as Jaguar-Landrover are concerned, same thing applies there, and as CR has mentioned that other new geographies are being looked into quite carefully and ..... quite carefully, like other emerging market like Russia and China and the Middle East; and part of that softening in the US market can be compensated here. But in spite of that, in spite of lower volumes for Jaguar, as CR has mentioned, the two combined entities have been extremely profitable last year and every quarter, they have made profits and this thing should be borne in mind that contrary to perception, the combined entity has been a profitable one.

**Satish**

Would it be possible to share at this stage to share the kind of profit the group actually registered in 2007 and also in terms of the vision of the company, I mean today we are now going to have 50 % of our business coming in from a mature business and 50% which would be growth related, so the net benefit is actually diluted for the share holder of Tata Motors because while one was interested in capturing the growth of the Indian market, almost every other market, seems to be on a mature phase, be it Daewoo Korea or the Jaguar group. I mean, because it is so fiercely competitive that market share gains a very tough to actually achieve.

**Ravi Kant**

Just to answer this question, Tata Daewoo Korea has actually done exceedingly well. There I won't be able to share the bottom line for the whole year but three quarters, you would be knowing that it turned in a stellar performance. The growths have been more than 50% and which we continued the same level of growth through out the year and I think it is doing very well. Both in the domestic market where it has increased market share by almost 5% in the segments in which it operates and exports which have grown very substantially and it is the largest exporter of heavy trucks out of Korea, almost accounting for two thirds of that. Similarly in Jaguar, the U.S. markets, you have to understand that Jaguar reduced volumes progressively in the last 3 or 4 years and now that a new XF is being launched, even though the market may come under pressure, but we are quite confident that Jaguar would be able to increase its market share in the U.S. market.

**Satish**

One last question is, the memory of a 500 crore loss still remains, so how are we now different in terms of the product launch cycle in terms of the mistakes that company made earlier, that will not be repeated.

**Ravi Kant**

I think err.. Thank you for reminding us because we keep reminding our selves of the same thing, so that keep us alert and makes sure that we don't run into same kinds of situations.

**C. Ramakrishnan**

I think we need to be conscious on terms of our costs reductions programs, improving efficiency and coming out with right products at the right time improve quality and



productivity. These measures are continuously in operation in the company and I think it is important, that we..... like you reminded very timely, I think it is important that we remind ourselves of that and keep ourselves going even when the times are tough.

**Ms. Balachandran** May I please request for the benefit of the others who are in the queue, can we restrict to one question per person please?

**Satish** Thank you.

**Moderator** Thank you very much. The next question is from the line of Mr. Jamshed Dadabhoy from Citigroup, please go ahead.

**Mr. Dadabhoy** Yeah Hi! Good evening. Could you'll shed some more light please, on both the royalty and the R & D impact which will occur? Essentially because for R & D Ford used to support Jaguar and Landrover so how is this going to pan out now in the new situation.

**Mr.C.Ramakrishnan** I am not sure I understood the question, but let me try and answer it in the way that I understood.

**Mr. Dadabhoy** Okay let me re-phrase the question then.

**Mr.C.Ramakrishnan** Let me err....let me just take a shot.

**Mr. Dadabhoy** Okay.

**Mr.C.Ramakrishnan** As I said here earlier in terms of all the current technologies that Jaguar-Landrover business requires, we are being paid a part of the purchase consideration on the royalty paid perpetual basis. So but for any completely new technologies, or new...completely new areas that Jaguar and Landrover may require in the future, the technologies are already available with the Company as a part of the purchase consideration, on a royalty paid basis. In terms of R & D and product development investment that's.....that's an on going program of this company. As I said these companies are solidly profitable in 2007. They will continue to reinvest in products and engineering and other development programs.

**Mr. Dadabhoy** Okay.

**Mr.C.Ramakrishnan** We will not be able to quantify or share the financial numbers with you at this point of time as I said earlier, but surely there will be a time when we will be able to share more details with you and provide you some light on that that area.

**Mr. Dadabhoy** Okay can I then take it for granted that the annual R & D expenditure which both Jaguar and Landrover used to undertake.....

**Mr.Ravi Kant** Can we go to the next person please.

**Moderator** Sure Sir. The Next question is from the line of Mr. Abhijit Naik from CLSA please go ahead.



- Abhijit Naik** Yeah hello Sir. Just a follow up to the earlier question.....Earlier royalty payments were being made from Ford err....from Jaguar-Landrover to Ford and also R & D expenditure was being re-billed to Ford. Do we assume from your answer to the previous question that the royalty payments will drop to zero and R & D expenditure will happen as it is?
- Mr.C.Ramakrishnan** That's right! Your understanding is correct.
- Abhijit Naik** Okay Sir. Thank you very much!
- Moderator** Thank you Mr. Naik. The next question is from the line of Mr. Ashutosh Goel from Edelweiss please go ahead.
- Mr. Ashutosh Goel** Good Evening Sir! My question is er.. something somewhat related to what people have asked earlier. What we want to understand is you know the kind of agreement related to engine supply, component supply etc., that you have secured with Ford, Are the same commercial terms as they were under Ford's ownership and just because the ownership has changed, the commercial terms have not worsened.... Can you assure us of that?
- Mr.C.Ramakrishnan** It will be difficult to comment on commercial terms. All I can say is they have been mutually satisfactorily concluded....
- Ravi Kant** And also if I may add they have been factored into the business plan and the business plan contains these commercial terms and based on that as CR has mentioned the next 5 year plan looks very solid and robust.
- Ashtosh Goel** Just a small additional question! Do you anticipate, you know besides the purchase consideration, that you will be paying and working capital money that you, you know mentioned in the earlier presentation, will you.....do you anticipate further infusion of funds into JLR operations from Tata Motors or is it self sustaining operation as per the business plan that you've given?
- Mr.C.Ramakrishnan** It's difficult to predict into the future, I think I should be able to answer that maybe once we get into the business and start managing and owning and running the business.
- Mr. Ravi Kant** Also if, also if I may just add, although the purchase consideration is only 2.3, and we are arranging for 3 billion. So you can understand that, if there is anything, contingency, we have provided for it.
- Ashtosh Goel** Okay thank you sir.
- Moderator** Thank you Mr. Goel. The next question is from the line of Mr. Neel Gopal from Standard Chartered. Please go ahead.
- Mr. Neel Gopal** Yeah, good evening, just couple of quick questions, can you let us know what the level of capex would be at the Jaguar and Landrover basis on an ongoing basis and the second question is can you share some details on the equity plans that you have when the bridging loan comes up for refinancing? Thanks.



- Mr.C.Ramakrishnan** On the first question, again I have to apologize in terms of the timing of this conference call, as I said this is a beginning on terms of a communication program and we have followed in Tata Motors a regular communication with the analysts and investors, so we thought that even in spite of the constraints that we have we should have.....we should kick off this kind of engagement. I'll not be able to share many of the financial numbers that you would obviously be interested in at this point of time, but we assure you, it is my commitment to all of you that we will do it at the appropriate time. As far as the debt equity structure and refinancing plan, these plans are under finalization and discussion in various levels within Tata Motors. All I can say at this point of time is we will have the interest of all the stake holders in mind and we will arrive at an appropriate, judicious debt equity mix.
- Mr. Neel Gopal** Alright thank you.
- Moderator** Thank you Mr. Gopal. The next question is from the line of Mr. Srinivas Rao from Deutsche bank, Please go ahead.
- Mr. Srinivas Rao** This is Srinivas here. One question, is there any long term debt which you have taken along with this acquisition? On..... which is there any long term debt on the JLR's books?
- Mr.C.Ramakrishnan** No as part of the acquisition there is no long term or any debt of JLR that is coming along with the company. It is an acquisition which is debt free.
- Mr. Srinivas Rao** Okay. So whatever, we see some there is a Ford 10 K has some kind of a abridged balance sheet. Whatever liabilities they talk about two billion dollars would be provisioned and so on and so forth. Would that be a fair assessment?
- Mr.C.Ramakrishnan** What will come with the businesses will be their normal trade payables and provisions etc., which will be on going business transactions. There is no long term or other financing debt that is coming with the business.
- Mr. Srinivas Rao** Thank you.
- Mr.C.Ramakrishnan** Does that address the question?
- Mr. Srinivas Rao** Yes. Thanks
- Moderator** Thank you Mr. Rao. The next question is from the line of Mr. Govind Chellappa from Credit Swiss, please go ahead.
- Mr. Govind Chellappa** Yeah Hi!. Just wanted to understand if you can work with FIAT or any other manufacturer for that matter, once you become the owner of Jaguar-Landrover either in terms of platform sharing or in terms manufacturing? Thank you.
- Mr.Ravi Kant** No there is not connection between Jaguar-Landrover and Fiat.



**Mr. Govind Chelappa** No I'm asking if you can in the future. Work either on platform sharing, distribution , manufacturing?

**Mr. Ravi Kant** At this stage there is no thinking or discussion.

**Mr. Govind Chelappa** Okay. Okay thanks.

**Moderator** Thank you Mr. Chellappa. The next question is from the line of Peter Boardman from Trade Wings. Please go ahead.

**Peter Boardman** Hi. I was wondering if you can comment about the price. How you came up with the 2.3 Billion dollar price that you paid for Jaguar-Landrover and then also how much good will would exist and then just the follow up, whether you would comment about synergies. It doesn't look like there really are any synergy so how can Tata turn Jaguar profitable when Ford couldn't?

**Mr. C. Ramakrishnan** Well there are 3 parts of that question, one was how we arrived at 2.3, I presume you are not expecting a detailed answer and a worksheet for that. It is a consideration of the total businesses plan of these companies as we saw and we have made some allowances for possible areas where we felt some moderation has to be done and .....

**Peter Boardman** Is it using a cash flow or earnings or .....or how do you? what was the thought.....

**Mr.C.Ramakrishnan** It.....it... will obviously be a combination of all as we saw and we have taken expert advice in this. The second part of the question in terms of synergies as I said very clearly in the call the businesses will continue to be run as independent businesses, both in terms of the business and in terms of brands it will be managed separately. Over long term there will be areas of co-operation there will be areas of, where they can work together to mutual benefit. That is something which two businesses between Tata Motors business and Jaguar-Landrover business they will engage in discussion and explore various opportunities as we go forward. It could be in sourcing, it could be in design engineering it could be in technology experience and expertise sharing. The last part of your question was on How you think you could manage to turn Jaguar profitable when Ford couldn't. In different parts of this conversation and this presentation we shared with you to be fair and to give them the credit, I think Ford has put in several building blocks in terms of turning Jaguar around very successfully. You are looking at the business at a point of time when they are still making losses, but well on their way to a full recovery and we believe some of the work that has already been happened in this Company, will take it forward successfully.

**Peter Boardman** Don't you..... Don't you think there would have been more synergies with a company like Chrysler? Which is probably more synergistic with your truck business?

**Mr.C.Ramakrishnan** Yeah I think that is a very theoretical area. We would not like to comment on that.

**Peter Boardman** Thank you.

**Moderator** Thank you Mr. Boardman. The next question is from the line of Mr. Pramod Amte from ABN AMRO. Please go ahead.



- Mr. Pramod Amte** Sir Congrats for the acquisition. I have 2 questions. In terms of the R &D facility, what JLR brings on the table because you are saying Ford will also be supporting you on the R & D capability, so can you define what type of people.....how many people of these 15000 will be in R & D and what exact capacity you will be getting which can boost your strength on fighting with domestic competition?
- Mr.C.Ramakrishnan** That's a good question. JLR has as I said, 2 advanced design and engineering centers one in Gaydon and one in Whitley, which engages nearly 4–5000 people, engaged in different areas of product development and engineering. They have testing facilities, workshops and prototype building facilities in both the locations, design studio and they have full capabilities not only in vehicle development also in power train engineering, power train development and power train integration. Fully equipped in terms of gasoline engines and building up their capabilities in diesel engine development. This is a full fledged two major facilities with nearly 5000 engineers that we are talking about and I mentioned to you totally about 17 to 18000 people in the comp...organization as a whole. 16-17000 people, so nearly on third of the workforce is in design and engineering. That is a substantial portion of their activity.
- Mr. Pramod Amte** Sir thank you.
- Mr.C.Ramakrishnan** ...As you would expect in business of this nature.
- Mr. Pramod Amte** Thank you.
- Moderator** Thank you Mr. Amte. The next question is from the line of Mr. Navin Gupta from UBS. Please go ahead.
- Mr. Navin Gupta** Yeah Hi. Just a follow up on the earlier question. From the 10<sup>th</sup> report that 2 Billion dollars which are mentioned as other liabilities, could you share, shed some light on what is the nature of those liabilities? And there is another item of one 645 million dollars of warranty liabilities. Are you taking over those liabilities as well?
- Mr.C.Ramakrishnan** Some of these question, I think will have to wait for Ford's publication of their Jaguar-Landrover reports which is expected in the next couple of week's time, or early May. As I said clearly earlier, all the operational trade payable provisions, including warranty, will naturally come with the businesses. When you are buying an auto business the trade payable or provisions for warranty etc., will naturally come. But we are not taking over any long term or any financial debt of this organization.
- Mr. Navin Gupta** And ... just one thing if you could elaborate on that 1.1 Billion dollar capital Allowances which you mentioned for the tax.
- Mr.C.Ramakrishnan** That's right. The companies have huge capital allowances out of which 1.1 billion is a minimum assured Capital allowance that is being provided as part of the transaction. This is the capital Allowance accumulated which is available for these companies going forward for their tax set off in the future years.
- Mr. Navin Gupta** Okay. Thanks a lot.



- Moderator** Thank you Mr. Gupta. The next question is from the line of Mr. Harsh Agarwal from Lehman Brothers. Please go ahead.
- Mr. Harsh Agarwal** Hi Guys couple of questions from my side. You know, this 3 billion bridge loan which you have raising in the SPV's, just to confirm is that guaranteed by Tata Motors.
- Mr.C.Ramakrishnan** It is guaranteed .....
- Mr. Harsh Agarwal** One and.....
- Mr.C.Ramakrishnan** It is guaranteed by Tata Motors.
- Mr. Harsh Agarwal** Okay. Okay and the second question is the six hundred million which Ford is contributing towards the pension deficit, does that represent the entire deficit in the pension plan or is that Ford is only contributing a part of it right now?
- Mr.C.Ramakrishnan** This is..... this was an agreement as at 31<sup>st</sup> October and substantial part of the deficit is being paid over by Ford as part of the purchase consideration. The deficit in the funds will naturally depend on day to day movements and the performance of the investment portfolios. It will be difficult to predict whether it is substantial or full or how it is. But a substantial part of the deficit as of 31<sup>st</sup> October 2007 is being funded through this six hundred million contribution. And based on this the trustees have agreed that the next valuation or next evaluation will be as at April 2009. In fact they have postponed it by a year, which other wise would have been given 2008, they felt confident enough to postpone it by a year to April.....as of April 2009.
- Mr. Harsh Agarwal** Okay that's fine thank you.
- Moderator** Thank you Mr. Agarwal. The next question is from the line of Mr. Balaji Jairaman from Morgan Stanley. Please go ahead.
- Balaji Jairaman** Hi. Just one question for Mr. C Ramakrishnan. You said that the SPV would be raising debt on its own book based on the JLR assets, just to understand, this 2.3 billion dollars which you will be paying, that will be going to Ford right? Is there going to be any additional infusion per se in order to provide the equity?
- Mr.C.Ramakrishnan** No 2.3 billion is all that is being paid for the acquisition.
- Balaji Jairaman** No because given the fact that 2.3 billion dollars will be shown as the capital and it will go out of the balance sheet of the SPV as cash paid to the Ford.
- Mr.C.Ramakrishnan** That's right.
- Balaji Jairaman** So essentially you're saying that existing assets of JLR will be the use for raising the balance amount of whatever debt we are going to raise in JLR?
- Mr.C.Ramakrishnan** Er.. let me restate what I said. The debt we are considering on the assets of Jaguar Landrover which will not be in the SPV it will be on the books of Jaguar Landrover



that we'll be debt we will be raising on the assets of Jaguar Landrover, for that business working capital and other requirements, as a standby line of credit if it is required.

**Balaji Jairaman** Okay.

**Mr.C.Ramakrishnan** There is 2.....2.3 separate that is being raised by the SPV fully guaranteed by Tata Motors and it will be used to capitalise the SPV and pay the purchase consideration to Ford.

**Balaji Jairaman** Okay. Just a clarification on that because if I look at the current share holders equity again, given the fact that the brands have been sort of losing ground, we don't really see a huge equity per se so its more like the current value of the assets which is there in the name of JLR. Right? Is my understanding correct in that sense?

**Mr.C Ramakrishnan** We are buying businesses. It is not an asset purchase, we are buying businesses, so the purchase consideration is for, partly for the assets, partly for the intellectual property, partly for the future fully paid royalties for technology being licensed, it is partly for the brand, it is partly for national sales companies as I said there are 26 national sales companies across the globe. So it is a package valuation for the entire... how do you value the design centers, with 5000 people.

**Balaji Jairaman** Got it. Got it sure thanks.

**Moderator** Thank you Mr. Jairaman. The last question is from the line of Mr. Mark Franklin from Nevsky capital. Please go ahead.

**Mr. Mark Franklin** Thank very much and good evening. Just wanted to speak up on the volume front and looks like Landrover had a very strong year in 2007 but moving to 2008 obviously the U.S. outlook has deteriorated, strictly the auto market. I noticed that your near growth was next to 12% for march for the whole market. Could you just talk me through how Jaguar- Landrover performed year to date in 2008 terms of their volumes, having followed strong 2007. Thank you.

**Mr.C.Ramakrishnan** We will not be able to share their performance to date I think it is Ford's prerogative to announce its results, they are still Ford businesses. But more in terms of the Jaguar-Landrover plans etc., yes they have factored in possible reduction in the U.S. off take and they have their plans for improving the performance in other markets. Significantly improving their net realizations and focusing on newer markets and rest of Europe. In terms of specific numbers and year to date performance, it is more Ford's prerogative as the current owner and management to announce the results at the time they think fit, which as I said may be in the next two weeks.

**Mr. Mark Franklin** Thank you.

**Moderator** Thank you Mr.Franklin. Ladies and Gentlemen at this time I would like to hand the floor over to Mr. Ramakrishna and the Management for their final remark.

**Mr. Ravi Kant** Yeah I would just like to conclude by saying that we do feel that because of the knowledge that we have of the companies, because of the products that we have seen,



touched and felt and driven. By the fact that we have talked to a number of people, customers, dealers, both in the U.K. and the U.S. and the confidence that we have derived from them, we do feel that the company is on cusp of recovery and going forward, Landrover has always been a profitable venture. Jaguar as we know was not so profitable, but it is beginning to turn around. XK was a very good success. XF is likely to be even greater success and followed by XJ. So I think they have a good pipeline of products. Further, beyond 5 years also things are being looked at and we have great confidence in the product line. Second thing is we have great confidence in the management. The management is extremely competent group of people, very committed very much wanting to do things for the company and we have been very impressed. And nearly everybody has decided to stay back in Jaguar-Landrover. As you know there are many Ford secondees. The CEO of the company has agreed to stay back and so have many senior and critical people. Thirdly we have had a very good interaction with the Union from top to down and I think we have in a short period of time in just couple of interactions; we have been able to build a good rapport with them. We do feel that we have ..... we will be able to work this out quite satisfactorily to all concerned and most of all to the shareholders. Yes it is true that we are passing through some difficult period, environment, but I think as I have mentioned earlier, the product plays a great part, both in .....as far as Tata Motors is concerned we have a pipeline.....a huge pipeline of new products coming out of our ears actually and which should strengthen our position in the market place, for Tata Motors, and as far as Jaguar is concerned where there had been problems, the new products should begin to show their mettle, and even though the market may be softening, by increasing market share in existing markets and compensating part of the loss of the market through entry into emerging markets, I think one should be able to balance out quite well. So we do feel quite confident that it is a good deal and in the long run certainly it will be a deal which we should be talking about. So thank you very much for your interest, and when we, as my colleague CR has mentioned, after the completion is over at an appropriate time, we will engage with you once again. Thank you very much.

**Moderator**

Thank you Mr. Ramakrishnan, Mr. Ravi Kant, Ms. Balachandran and Mr. Sreeram. Ladies and Gentlemen on behalf of Tata Motors that concludes this conference call. Thank you for joining us and you may now disconnect your lines.