



**Tata Motors Limited**  
Q1 FY09 Earnings Conference Call  
July 30, 2008

- Moderator:** Good evening ladies and gentlemen. I am Manjula, the moderator for this conference. Welcome to the Tata Motors conference call hosted by Edelweiss Securities. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for participants connected to international bridge. After that, the question and answer session will be conducted for participants in India. I would like to hand over to Mr. Ashutosh. Thank you and over to you sir.
- Mr. Ashutosh:** Thank you Manjula. On behalf of Edelweiss, I welcome you all to this first quarter post earnings conference call of Tata Motors. We have Mr. Ravi Kant, Managing Director, and Mr. C. Ramakrishnan, Chief Financial Officer, representing Tata Motors. I will now hand over the call to Mr. Ramakrishnan for an introductory presentation and then we can have the Q&A. Over to you sir.
- C. Ramakrishnan:** Thank you Ashutosh. Thanks to all my friends for joining this call. We reported our first quarter results a short while ago. Just to run through some of the very high-level highlights and we can have the question and answer following that.  
In the April to June quarter this year compared to the same quarter last year, overall volumes for Tata Motors grew by about 4%, mainly driven by growth in commercial vehicles. Commercial vehicle numbers increased from 61,600 in the last year first quarter to over 71,000 in this year first quarter. Passenger vehicles are almost at the same level. Exports came down marginally and the overall vehicles as I said in volume terms grew by about 4% quarter to quarter. A little bit more detail in commercial vehicles. Commercial vehicles we saw a growth in our volumes of about 15.9%, 16% growth in volumes from 61,600 to 71,400. At an overall industry level, the commercial vehicle industry grew by about 16%. Medium and heavy commercial vehicles at about 7% and LCV very impressively at about close to 28%. This is at an industry level. Importantly, the medium commercial vehicle, truck market, which had declined last year, saw a significant growth at about over 12% growth in the current quarter compared to the same period last year. In medium and heavy commercial vehicles, we increased our market share to a little over 60% compared to about 58.6 in the previous year, and this happened both in the truck and the bus segments. So, we increased our market share in medium and heavy commercials by nearly 1.5 percentage points. In the LCV, while there were some supply constraints as we ramped up our volume significantly in the



Uttaranchal plant, in the passenger segment of the LCV, our market share increased very significantly to about close to 70%, seven-zero, 70% compared to about 46% in the corresponding period last year. Ace production transition from Pune to the Uttaranchal plant has been completed. We had some initial ramp-up and supply constraints. Now, the process has been completed and Ace volumes and its family of products should increasingly penetrate in the market place giving us further momentum in growth in the coming months. Similarly, other products like the *Ace Magic* and the *Winger*, the all India launch, pan-India launch also should give encouraging results even compared to the first quarter and the coming quarters.

Turning to passenger vehicles. Two of our new products, *Sumo Grande* and *Indigo CS* did exceptionally well in the market place. The launch of *Indigo CS* resulted in an all-time high increase in market share for us in the sedan segment. In the sedan segment, our market share increased to about 39% compared to about 33% in the same period last year. However, with the decline in volumes and market share in the smaller segment, particularly because of the ageing *Indica*, the overall market share for passenger vehicles for Tata Motors dropped and there was a marginal decline in overall volumes as well from 51,800 vehicles to about 51,000 vehicles in overall terms. International business saw a decline from about 13,800 vehicles to about 9,200 vehicles mainly affected by the contraction in demand in some of our key markets, and we are accelerating our efforts in some of the other markets which we have seen growth in the past.

Turning to other aspect of the business, captive vehicle financing continues to be a thrust area for us, disbursements in overall terms for first quarter between Tata Motors and Tata Motors Finance in the combined books was at around INR 2,200 crores, 6% higher compared to INR 2,000 crores in the same period last year. Market share in passenger vehicle financing was maintained more or less at the same level, 34% compared to a little over 35 in the first quarter of last year. The book size overall stood at around INR 8,500 crores between the two books. On Tata Motors' books, we decided to do vehicle financing up to a certain level, so the book size in Tata Motors standalone books continues at around INR 2,800 crores and on Tata Motors Finance at about INR 5,600 crores, totalling to about INR 8,400 crores overall book size. Our strategy for vehicle financing through a 3-tier approach in Tata Motors, in Tata Motors Finance, as well as in Tata Capital, that continues to be strong and robust.

Turning to the financial performance, net revenue grew by about 14% aided by the volume growth that I touched upon earlier and better realization and model mix, revenues grew to about INR 6,900 crores compared to INR 6,000 crores in the same period last year resulting in an increase of about 14.4%. Earnings before



interest tax and depreciation and before the notional valuation loss on account of the foreign currency equity instrument valuation and before reckoning other income, the earnings before interest tax and depreciation, amortization was at INR 530 crores compared to INR 546 crores last year, resulting in an EBITDA margin at about 7.7% in this quarter compared to about 9% in the same period last year. Margins continued to be under pressure on account of rising input cost which you are all aware. The company has taken several measures, cost reduction and aggressive price increases both in the beginning of the first quarter and also towards the end, we should see result of some of these coming in the forthcoming quarters. In other income, we also sold 24% stake in one of the associate companies that we had, TACO. We held about close to 50% stake in TACO earlier and during the quarter, we have sold 24% bringing our stake in the company to about 26% at this point of time. This resulted in a profit of about INR 114 crores which has been reckoned in the first quarter. On the foreign currency equity instruments, you are well aware of the volatility in the foreign exchange markets, we had a foreign exchange valuation gain, notional valuation gain of a little over INR 200 crores in the same period last year first quarter, which saw a complete swing and resulted in a loss of about INR 200 crores in the current year first quarter in terms of mark-to-market valuation losses. After reckoning this and after reckoning the other income, profit before tax was at INR 345 crores compared to INR 590 crores in the same period last year. The tax provisions were lower on account of enhanced product development and engineering spend and the resultant tax benefits as well as increase in dividend and other income which are subject to lower taxation. So, the net profit saw a lower decline at INR 326 crores compared to INR 460 crores in the same period last year, a 30% decline, and this is after the notional loss recognition in the first quarter. Working capital, inventory and receivables both saw a marginal increase in terms of number of days which is typically of the first quarter performance in a year and we see that this will be coming under control in the coming quarters. Balance sheet size, the net capital employed has increased from INR 13,000 crores to about INR 15,000 crores and the debt equity ratio has increased from 0.48 to about 1.1. As you know, this year, we have announced our first quarter results on a standalone basis for Tata Motors. But I wanted to share with you some of the key subsidiary financial performance, even though we are not announcing the consolidated results this time. Tata Daewoo had once again an exceptionally good quarter. Turnover increasing by about 18% from INR 686 crores in the first quarter of last year to over INR 800 crores, 18% increase, and profit after tax increasing from INR 29 crores to about INR 46 crores, representing an increase of about 58% improvement. Telcon's turnover increased by about 21% from INR 537 crores to about INR 650 crores. Profit after tax was INR 68 crores compared to INR 66 crores in the same period last year. We have seen similar performance over doubling of



profit after tax for Tata Technologies from INR 3.3 crores to about close to INR 10 crores and similar increases in HV Transmissions and HV Axle as well.

This presentation is available on the web, I am sure some of the numbers you will be able to access it on the website later. Jaguar-Land Rover, that is another important event that happened in the quarter, on June 2<sup>nd</sup>, we completed the acquisition of the Jaguar-Land Rover business. In separate conference calls and presentations, we have covered the highlights of this acquisition, so I will not go through that once again. So, it is available on the website for you to see. As far as Jaguar-Land Rover performance is concerned, in a very challenging environment and a challenging market condition, particularly in the US, Jaguar and Land Rover brand together, their volumes are more or less constant in the April to June 08 quarter at about 75,000 vehicles compared to about 77,000 vehicles in the same period last year. Land Rover did see a drop in volumes which was made up by the improved performance, significantly improved performance of Jaguar driven very strongly, continued to be driven strongly by *XF* which was launched earlier part of this year and even Land Rover compared to some of the volume contraction we have seen in the mature markets like the US have seen significant growth, doubling of their volumes in some of the emerging markets like Russia and China.

Coming back to Tata Motors. Going forward, we do see a challenging environment. However, there are plenty of actions that the company is taking which we can cover a little more elaborately later. Plenty of actions that the company is taking to improve its performance in a robust manner. One of the key elements of our strategy going forward will be the execution of the plans that we have put in place in the last two-three years. The market will see a slew of launches from Tata Motors stables, both on the commercial vehicle segment and on the passenger vehicles. We will see the launch of the *World Truck*. We will see the various truck variants and medium and heavy commercial vehicles. This year will also witness the launch of many of the *Marcopolo* buses as well as *Ace one-tonne* and other variants of the *Ace* family. In passenger vehicles, we will of course have the launch of the new *Indica* which has been delayed. The new *Indica*, the new *Indigo*, and of course the much awaited exciting product *Nano*, we will see the launch of *Xenon* and some Fiat products on the Fiat platform. We will continue our thrust on strengthening our Tata Motors Finance portfolio in order to be a key support for our vehicle sales and marketing activity. The company continues to pursue its cost reduction initiatives in an aggressive manner and we will step that up further. We are also strengthening our logistics distribution and network capability, both through network expansion and dealer expansion and also through the formation of the new company, TML Distribution Company which will see its activities coming shortly. We will



continue to look at unlocking of value from our portfolio of investments. Lastly and importantly, we will continue to look at every opportunity that we will see in the market place, further price increases to mitigate some of the cost pressures that we have seen. We will not shy away from that, both in passenger vehicles and in commercial vehicles, we will look at that opportunity going forward in the future as well. I will stop here and maybe spend the next 30 minutes to 40 minutes through question and answers. I will turn you back to Ashutosh for taking forward from there for the Q&A session.

- Mr. Ashutosh: Thank you sir. Manjula, can we have the question and answers.
- Moderator: Sure sir. At this moment, I would like to hand over the proceedings to international moderator to conduct the Q&A for participants connected to the international bridge. After this, we will have a question and answer session for participants at India bridge. Thank you and over to you Farida.
- International Moderator: Thank you Manjula. Ladies and gentlemen, we will now begin the Q&A session for participants connected to the international bridge. Please press 01 to ask a question. Once again, please press 01 to ask a question. Manjula, at this moment, there are no questions from the participants from the international bridge. Oh, I think I have one, one moment please. First question is from Mr. Darry Irwin from United States. Go ahead sir with your question.
- Darry Irwin: Yes, good evening. I wonder if you could talk a bit about the update on the rights offering for the Jaguar-Land Rover deal and particularly on the dilution if you still expect it to be 30% to 35% that you said during the conference call.
- C. Ramakrishnan: That's right. As we have already announced, we are proposing rights issue as announced by the board recently. The work relating to that is underway. The board will meet and take a call on the terms and timings which are not yet finalised. As and when we finalise, we will make the appropriate announcements. You mentioned about the dilution, on present terms, the dilution will be of the order of about 30%...30% to 35%, but we will see it in a slightly broader context in terms of the overall size of the acquisition and the fund raising. We believe that the equity raising is the most appropriate at this point of time and through this equity issuance and investing USD 2.3 billion in the Jaguar-Land Rover company, we have acquired a company which is of USD 15 billion turnover in size based on their last year numbers and based on December 07 reported numbers, they have earnings before interest and tax of about USD 600 million...650 million, that is the size of the acquisition and the financials based on last year performance. In addition to the brand and the manufacturing assets, the intellectual property rights and the worldwide network



that we have obtained, we believe it is a good acquisition and has significant potential to grow. Beyond that, the rights issue timing or terms, I am not in a position to say anything further. The Board will meet and take an appropriate call on this at the right time.

Darry Irwin: Thank you.

International Moderator: Thank you sir. Participants with question, can you please press 01 now. At this moment, there are no questions from participants at the international bridge. I would like to hand over the proceeding back to Manjula. Over to you Manjula.

Moderator: Thank you very much Farida. We will now begin the Q&A interactive session for India participants. Participants who wish to ask questions, please press \*1 on your telephone keypad. On pressing \*1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press \*1 now. First in line, we have Mr. Kapil Singh from Lehman Brothers. Please go ahead with your questions.

Kapil Singh: Hi sir. This is Kapil from Lehman Brothers. Hello...

Moderator: Sorry to interrupt, can you just be closer to the speaker.

Kapil Singh: Hello...

Moderator: Yes sir, please go ahead.

Kapil Singh: Is it possible to share the operating other income for this quarter and corresponding period last year?

C. Ramakrishnan: The other income for this quarter...

Kapil Singh: The operating other income.

C. Ramakrishnan: What do you mean operating other income?

Kapil Singh: I mean you report net sales and operating other income combined together, right. So, if I could get the split.

C. Ramakrishnan: The net sales income from operations...

Kapil Singh: Yeah.

C. Ramakrishnan: ...for this quarter was INR 6,928 crores.

Kapil Singh: No sir, we have that, but if you could share the split between the two.



- C. Ramakrishnan: I don't have it at this point of time, but we will try and put it on the website.
- Kapil Singh: Okay. And secondly what was the dividend income for the quarter?
- C. Ramakrishnan: Pardon me.
- Kapil Singh: What was the dividend income for the quarter?
- C. Ramakrishnan: The total other income which includes dividend and profit on sale of shares, etc., that was at INR 315 crores...
- Kapil Singh: Okay.
- C. Ramakrishnan: ...compared to INR 88 crores last year.
- Kapil Singh: Okay.
- C. Ramakrishnan: The 315 included about INR 114 crores on account of profit on sale of the TACO share...
- Kapil Singh: Okay.
- C. Ramakrishnan: ...and dividend received from our subsidiary companies.
- Kapil Singh: Okay sir.
- Moderator: Are you done with your question sir?
- Kapil Singh: No, I think...are you giving the dividend figure as well?
- C. Ramakrishnan: Both put together totalled up to about INR 316 crores.
- Kapil Singh: Okay, fine sir.
- Moderator: Thank you very much sir. Next in line, we have Mr. Srinivas from Deutsche Bank. Please go ahead with your questions.
- Mr. Srinivas: Sir, thank you very much. Just have two or three questions. First, sir, who is the buyer of the TACO stake. Second, wanted to clarify, the valuation of TACO. By my number it seems that the total company was valued somewhere at INR 650 odd crores. Is that a right number because on your books TACO is sitting at about INR 100 crores from a 50% stake. So, that's how I have so to say, done my calculation. So, can you just throw light on that first sir.
- C. Ramakrishnan: TACO has been...the TACO stake has been sold within the group. It has been sold to Tata Capital...
- Mr. Srinivas: Okay.



- C. Ramakrishnan: ...based on an independent professional valuation.
- Mr. Srinivas: And is my estimate in ballpark in that a correct range.
- C. Ramakrishnan: Yeah, you have the number of shares that we have sold and you have the total profit and consideration.
- Mr. Srinivas: Okay.
- C. Ramakrishnan: So, you cannot go wrong.
- Mr. Srinivas: And the second question sir, I mean you had mentioned there is a write back of provision in basically your finance business, does that reflect in the standalone numbers?
- C. Ramakrishnan: Yes, it does reflect in the standalone number.
- Mr. Srinivas: And where would that be sir, I mean under which head?
- C. Ramakrishnan: Let me just clarify...hello...
- Mr. Srinivas: Yeah, yes sir.
- C. Ramakrishnan: Let me just clarify.
- Mr. Srinivas: Sure sir.
- C. Ramakrishnan: On our vehicle financing business, we were following a very, very conservative policy providing for nonperforming assets. This was much more conservative and much more liberal than what guidelines are being followed by other companies under NBFCs, under Reserve Bank of India guidelines. Some part of this we have reviewed based on the seasoning of the books and our track record in terms of performance and we found that the provisioning was very...at a very high level, so we have reviewed this and revised our method of provisioning which continues to be conservative on a comparable basis. But we have reduced some of the provisioning requirement from an extreme positioning that we were earlier having.
- Mr. Srinivas: Okay. And sir, this reversal would have been in your miscellaneous expenditure, right, I mean it would have reduced your miscellaneous expenditure, is that correct, in your standalone reported numbers.
- C. Ramakrishnan: Yes, it would have reduced our other expenses line item.
- Mr. Srinivas: Yeah, in our line item.
- C. Ramakrishnan: That's right.



- Mr. Srinivas: And sir just finally, if I can just take one more question. Do you have any time line for the launch of your *World Truck* and *Indica* now as in...in terms of quarter or months.
- C. Ramakrishnan: We are not announcing the quarter or the month of launch, both will see the launch later this year.
- Mr. Srinivas: Okay.
- C. Ramakrishnan: And closer to the time of launch, we will of course make the announcement.
- Mr. Srinivas: Thank you sir, thank you sir.
- C. Ramakrishnan: Thank you Srinivas.
- Mr. Srinivas: Thanks.
- Moderator: Thank you very much sir. Next in line, we have Mr. Pramod from ABN Amro. Please go ahead with your questions.
- Mr. Pramod: Sir, just to confirm what Srinivas was asking was, the...with regard to the vehicle finance, if that is the process being done, your operating margins are lower than 7.7%, like-to-like basis, am I right?
- C. Ramakrishnan: That's right, to the extent of that INR 50 crores.
- Mr. Pramod: Okay. And second, in terms of you have talked about severe cost-cutting initiatives. In the past whenever you have taken such steps, you have been quantifying the areas and the quantum. Would you be helpful in doing the same now?
- C. Ramakrishnan: Yes, we will definitely share that with you.
- Mr. Pramod: Okay.
- C. Ramakrishnan: In the first quarter...hello...
- Mr. Pramod: Yeah, sure.
- C. Ramakrishnan: In the first quarter alone...
- Mr. Pramod: Yeah.
- C. Ramakrishnan: ...the cost reduction efforts, incremental cost reduction efforts apart from whatever gains we have attained in the past which are continuing, incremental cost efforts, cost reduction efforts...
- Mr. Pramod: Okay.



- C. Ramakrishnan: ...saved nearly INR 300 million.
- Mr. Pramod: Okay. And any outlook for the remaining part of the year or next few years?
- C. Ramakrishnan: I think you have our past track record, what we have achieved in the last two-three years by way of cost reduction and I already mentioned in the last conference call and meeting that we had, that we would look to repeat that performance or enhance it further.
- Mr. Pramod: Okay. Sir, I have one last question, with regard to your subsidiary performance.
- Ravi Kant: Can I just add in one thing more here...
- Mr. Pramod: Sure.
- Ravi Kant: ...is draw your attention to the cost increases that we have been having.
- Mr. Pramod: Okay.
- Ravi Kant: You see we have had...in commercial vehicles, we had across-the-board price increase of nearly 3.5% from 1<sup>st</sup> April. We followed this up with another price increase from 1<sup>st</sup> July.
- Mr. Pramod: Okay.
- Ravi Kant: So, within a space of 3 months, we have had 7% price increase. So, whatever sales are being generated from 1<sup>st</sup> July would have 7% price increase.
- Mr. Pramod: Okay.
- Ravi Kant: That needs to be factored in. So, whatever cost increases, we are trying to offset at least part of it through this very aggressive price increases. 7% normally we would have taken about three years to do this...
- Mr. Pramod: Okay.
- Ravi Kant: ...we have done it in three months...
- Mr. Pramod: Okay.
- Ravi Kant: ...and we will not shy away from further price increases if the situation so demands.



- Mr. Pramod: Okay, thanks. Sir, last question from my side. In terms of subsidiary performance, especially Telcon, there seems to be on a bottom line flattish trend versus the top line 20% growth. What is the reason for the same? And Tata Motor Finance has reported a loss in this quarter, what is the reason, can you quantify?
- C. Ramakrishnan: If you go back in the previous year, there was an element of other income in their financials.
- Mr. Pramod: Okay.
- C. Ramakrishnan: That is one reason why optically the profit after tax looks flat.
- Mr. Pramod: Okay.
- C. Ramakrishnan: We will post these details to you if you don't mind.
- Mr. Pramod: And what about Tata Motor Finance sir?
- C. Ramakrishnan: Tata Motor Finance, I didn't mention because the comparison is a little bit incomplete between last year and this year when they were ramping up the business.
- Mr. Pramod: Okay.
- C. Ramakrishnan: Tata Motor Finance, the overall turnover, income increased to about INR 205 crores from INR 164 crores.
- Mr. Pramod: Right.
- C. Ramakrishnan: And Tata Motor Finance, since they have also had to make the provision for receivables...
- Mr. Pramod: Okay.
- C. Ramakrishnan: ...they actually reported a loss of about INR 8 crores compared to INR 10 crores profit in the same period last year. As the book matures and seasons...
- Mr. Pramod: Okay.
- C. Ramakrishnan: ...provisioning will first build up.
- Mr. Pramod: Okay, sure, thanks sir, thanks a lot.
- Moderator: Thank you very much sir. Next in line, we have Mr. Bala from Morgan Stanley. Please go ahead with your questions.
- Mr. Bala: Hi, few questions, few housekeeping questions per se. One, if I look at the tax rate, it was pretty, very low, if you could throw some light on why the tax rates were really low and then the other



question is on the net interest expenses. Now, given that you have actually pushed out the bridge financing to the subsidiary and that is not consolidated here, why did we see such a sharp increase in the interest charges, we did see that in the net debt, we have now increased by almost 100%, where was the cash deployed per se?

C. Ramakrishnan: In response to your first question, in terms of the tax rate, the tax rate is lower as you would have seen in the last year also. Significantly lower tax rate mainly for two reasons. Number one, in the first quarter, there is an increase in the content of the dividend income and number two increase in step-up of the product development and engineering expenses which get a weighted tax reduction. These are the two main factors for the lower tax rate in the two quarters that you are comparing. As far as the interest expenditure is concerned, the overall capital employed for our total capital expenditure programs and total capital employed has increased which is also in a way reflected in the interest capitalization that we have done which also has seen an increase, but the overall capital employed has indeed gone up.

Mr. Bala: And this number doesn't include the funding taken by the SPV in UK, right?

C. Ramakrishnan: No, it does not.

Mr. Bala: Okay, thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Ambarish from MF Global India. Please go ahead with your questions.

Mr. Ambarish: Hi, good evening everyone. Just wanted to understand if you can share the growth for the CV sector for FY09 that we see in the domestic market and how do we plan to increase our market share what we have been able to do in Q1.

Ravi Kant: Yeah, as CR mentioned that we have a whole lineup of products for commercial vehicle especially. We introduced one truck supercharged version in higher tonnage with a much better, superior fuel efficiency, almost 6% to 7% fuel efficiency. Lot of people are getting up to 10% better fuel efficiency. A bus version of this has just been introduced this month, and we have lineup of almost 12 to 14 products coming in various segments of commercial vehicles during this year. So, in spite of what may happen to the market, we feel that competitive position should be strengthened during this year. We are quite bullish on that. As we ramp up the facilities in Uttaranchal and as we shift from Pune, we feel that there is likely to be a good demand from Ace-type products both in the passenger segment and in the goods segment, and we should be able to ramp up very close to annualized numbers of 200,000 towards the end of this financial year. So...and as you know that as we get more from



Uttaranchal, our margins improved quite substantially in view of the incentives that we are getting at that place compared to producing at Pune.

Mr. Ambarish: Okay. And sir, just another view, the JLR numbers for the quarter on a year-on-year basis have been flat, can you give an idea as to what has been the situation on the profitability front because of this on a year-on-year basis?

C. Ramakrishnan: The profitability...the financial numbers of Jaguar-Land Rover, we are not reporting at this call or in this meeting.

Mr. Ambarish: Right.

C. Ramakrishnan: We will report that...

Mr. Ambarish: No, I was not looking at specific numbers, but just on a year on year, whether they are down or they are higher compared to last year.

C. Ramakrishnan: Just to give an indication, the last reported figure for the first quarter since you are talking about year on year, for the first quarter...

Mr. Ambarish: Right.

C. Ramakrishnan: ...January to March, they reported a profit of around USD 400 million compared to about USD 290 million in the previous year first quarter. Having said that, I must also mention that the first quarter was above trend for two reasons. Normally the first quarter performance happens to be much better than the other three quarters. Second, this year first quarter performance also saw a significant impact on account of the XF launch and dispatch volume. Given that, quarter to quarter, first quarter, there first quarter is January-March...

Mr. Ambarish: Right.

C. Ramakrishnan: ...January-March 07 versus January-March 08 saw an increase in profit from USD 289 or 290 million to about USD 415 million.

Mr. Ambarish: Yeah, that is EBIT, right?

C. Ramakrishnan: That's right.

Mr. Ambarish: Okay sir, thanks a lot.

C. Ramakrishnan: As you would remember, we have acquired the company on a debt-free basis...

Mr. Ambarish: Right.



- C. Ramakrishnan: ...and we have also got substantial tax allowances, accumulated tax allowances that the company has got.
- Mr. Ambarish: Right.
- C. Ramakrishnan: So, EBIT number would be a relevant number to talk about.
- Mr. Ambarish: Okay, okay, thanks a lot sir.
- Moderator: Thank you very much sir. Next in line, we have Mr. Shivpuri from Voyager Investment. Please go ahead with your questions.
- Mr. Shivpuri: Hello...
- Moderator: Please go ahead sir.
- Mr. Shivpuri: Hi, can you hear me?
- C. Ramakrishnan: Yes, we can, please go ahead Shiv.
- Mr. Shivpuri: Yeah, I had actually two questions, one was related to the provisions. Could you just quantify that amount again that you reversed and where exactly in which line item it comes through?
- C. Ramakrishnan: It is not a reversal, it is a re-computation of...the provision as you know is calculated always on a cumulative basis on the book outstanding at any point of time.
- Mr. Shivpuri: Okay.
- C. Ramakrishnan: There is no...technically there is no reversal of a provision made earlier.
- Mr. Shivpuri: Okay.
- C. Ramakrishnan: On a cumulative basis, the book...outstanding book at any point of time, you review the past performance and keep refining the method of provisioning which is what we have done. For complete reporting, what we have stated in the notes is, if we had followed the earlier provisioning method, the provisioning would have been higher at INR 50 crores.
- Mr. Shivpuri: Okay.
- C. Ramakrishnan: Higher by INR 50 crores.
- Mr. Shivpuri: Okay. And this benefits your other expenses line, right?
- C. Ramakrishnan: Yeah, to that extent, the other expenses line would have been higher by INR 50 crores...



- Mr. Shivpuri: Okay.
- C. Ramakrishnan: ...if we had followed the earlier norm. There is no effective reversal of provision made earlier.
- Mr. Shivpuri: Okay, okay.
- C. Ramakrishnan: It is a re-computation and a refinement of the methodology which we have been following.
- Mr. Shivpuri: Got it. Okay, and my second question was on the dividend income that you received this quarter. According to the numbers you gave, I think the dividend received was around INR 202 crore. So, I just wanted to know what was your total dividend income in FY08 and also just wondering if this INR 200 crore number is sustainable in the quarters going forward?
- C. Ramakrishnan: Dividend income would tend to be seasonal in nature. You tend to receive the dividend, interim or final dividends at a certain point in time and this first quarter, we have also had substantial dividend income from one of our subsidiaries which is Sheeba Investments, which is our Sheeba Properties, our investment subsidiary.
- Mr. Shivpuri: Okay.
- C. Ramakrishnan: So, I would...
- Mr. Shivpuri: Okay. Could you...
- C. Ramakrishnan: ...I would hesitate to think that this is something which we can multiply by four and...
- Mr. Shivpuri: Sure. And could you just share with us what your total dividend income was in FY08?
- C. Ramakrishnan: In FY08, that is the current financial year...you are talking about the last financial year or...
- Mr. Shivpuri: Last financial year ending March 08.
- C. Ramakrishnan: Ending March 08, the dividend income was...can you just bear with me for a few minutes, I will mention that to you before the call is over.
- Mr. Shivpuri: Sure, no problem. You can go forward to the next question while...
- Moderator: Sure sir. Next in line, we have Mr. Chirag Shah from Emkay Global. Please go ahead with the questions.



- Chirag Shah: Yeah, good evening everybody. Just a small clarification. Can you just repeat the dividend income in this particular quarter you had.
- C. Ramakrishnan: See, the total...the total other income in this quarter was INR 315 crores.
- Chirag Shah: Yes.
- C. Ramakrishnan: That included about INR 114 crores of profit on sale of the TACO shares.
- Chirag Shah: Yeah.
- C. Ramakrishnan: And the balance practically was dividend and other income.
- Chirag Shah: Okay, okay. And on a comparable basis...but is it right to assume that almost everything is dividend income of balance INR 200 odd crores or there is some other income...
- C. Ramakrishnan: Substantially dividend income...
- Chirag Shah: Dividend income.
- C. Ramakrishnan: ...which was close to about INR 100 crores in the same period last year.
- Chirag Shah: Okay. My second question would be this extraordinary item of INR 200 crore loss, that represents forex loss...
- C. Ramakrishnan: Yeah.
- Chirag Shah: ...MTM, isn't it, I am interpreting....apart from that, is there any realized loss that is sitting in other expenses?
- C. Ramakrishnan: No.
- Chirag Shah: There is no realized loss?
- C. Ramakrishnan: No.
- Chirag Shah: Because...if you can also share some light on other expenses side, which are the hedge where you have been facing significant cost pressures on line items?
- C. Ramakrishnan: The most significant cost pressure as we have talked about in this call and earlier...
- Chirag Shah: Yeah.
- C. Ramakrishnan: ...would be on the material front.



- Chirag Shah: Okay.
- C. Ramakrishnan: Material and input cost increases, commodity prices, steel and other items.
- Chirag Shah: Okay.
- C. Ramakrishnan: That will be the most significant one.
- Chirag Shah: Okay. But assuming the price hikes that you have taken, the quarters going ahead, assuming the things are status quo, the pressure should be relevantly on the lower side in the next quarter. What I was referring to was first was other expenses. In the other expenses, has there been significant increase in your fixed expenses or it is more of marketing variable expenses that had gone up?
- C. Ramakrishnan: I think other expenses like for all companies would see the general inflationary trend that we have witnessed in the country.
- Chirag Shah: Okay.
- C. Ramakrishnan: There would be pressure on other cost as well, but the most significant one would be on the material front.
- Chirag Shah: Okay. And can you just help us understand this sudden increase in depreciation of 23% year on year because your capitalization as on March is not that significant to warrant such a high amount of depreciation. Has there been any additional capitalization that has happened during the quarter which has resulted in depreciation?
- C. Ramakrishnan: No, it will not only be this quarter. Whatever has been capitalized in the second or third or fourth quarter of last year...
- Chirag Shah: Fair enough, fair enough.
- C. Ramakrishnan: ...would also have a cumulative impact because you are comparing April to June of last year with April to June of this year.
- Chirag Shah: Fair enough, but what I understand is the additional capitalization is roughly INR 2,500 crores on a rough basis. So, I was just wondering is there any additional capitalization during the quarter that has happened?
- C. Ramakrishnan: No, there would be...there is nothing extraordinary or significant...
- Chirag Shah: Okay, fair enough.
- C. Ramakrishnan: ...in that nature.



- Chirag Shah: Okay. If I can ask one more question, last question from my side, can you just help us understand what is the borrowing cost in the SPV that you have, which the bridge finance has been taken.
- C. Ramakrishnan: Borrowing cost is in line with the market on the current conditions and our credit taking.
- Chirag Shah: Okay.
- C. Ramakrishnan: But I would not be in a position to quote the exact borrowing cost.
- Chirag Shah: Yeah. At least if you can quote some Libor based indication....
- C. Ramakrishnan: That is Libor based.
- Chirag Shah: Okay, okay. Thank you.
- C. Ramakrishnan: Thank you very much.
- Chirag Shah: Yeah.
- Moderator: Thank you very much sir. Next in line, we have Mr. Sahil Kedia from Enam Securities. Please go ahead with your question.
- Sahil Kedia: Sir, thank you for the call. I had one clarification on your notes to accounts, that mentions that there is a INR 131 crore which has been carried out to the hedging reserve. Wanted to understand the nature of this and secondly wanted to get some more clarity on how is the financing going to go ahead. As you mentioned there will be only a limited amount that would be taken on the Tara Motors' books, wanted to get a sense that will that remain at INR 5,000 crores and incrementally will we be taking the loans on Tata Capital's books or TMFL or Tata Motors please.
- C. Ramakrishnan: Okay, I will address your second question first.
- Sahil Kedia: Yes sir.
- C. Ramakrishnan: When you talked about financing, you are talking about vehicle financing.
- Sahil Kedia: Correct.
- C. Ramakrishnan: This is an important element for us and we will have a 3-tier support for our vehicle financing as required by the market condition. In the first tier, we will have certain amount of vehicle financing business conducted in Tata Motors balance sheet. We would like to continue to capture that value...
- Sahil Kedia: Okay.



- C. Ramakrishnan: ...in the Tata Motors standalone balance sheet. We have maintained it between INR 2,500 and 3,000 crores.
- Sahil Kedia: Okay.
- C. Ramakrishnan: So, that will continue as the first year of support.
- Sahil Kedia: Okay sir.
- C. Ramakrishnan: Beyond that, we will do it in Tata Motor Finance, which is a 100% subsidiary company of Tata Motors. It is an independent NBFC, independent in the sense it is a separate company, legal entity under NBFC and should have much better leveraging opportunities in the market place. For given amount of capital, it should be able to raise many times more funds for the total business requirement...
- Sahil Kedia: Okay.
- C. Ramakrishnan: ...leveraging better than what Tata Motors would have been able to do.
- Sahil Kedia: Okay.
- C. Ramakrishnan: So, that will be the second tier of support. Any increment beyond that would be taken by Tata Capital in which we have no capital investment or no financial capital requirement, so that would be done incrementally in Tata Capital book. So, this is a three-prong strategy that we are following, balancing the overall needs and the ability and the willingness to capture it in our balance sheet.
- Sahil Kedia: Okay sir. And sir, if you can clarify that your notes to accounts say that you said INR 131 crores that has been...
- C. Ramakrishnan: Yes, coming to your first question...
- Sahil Kedia: Yes sir.
- C. Ramakrishnan: ...this is an advance adoption of part of the principles laid down in AS 30 accounting standard where for our export and other trade transaction, we have taken the valuation gain or loss on outstanding forward contract to hedging reserve and this will be translated and adjusted against the reserve going forward in the future till such time the actual transaction or the export or the import actually happens.
- Sahil Kedia: Okay sir.
- C. Ramakrishnan: What few other companies also have done, you would have seen it in many other companies as well.



- Sahil Kedia: Yes sir. If you can just share with us the same number for the previous quarter same time because I would believe that would have come through the P&L, would that be a right assessment sir and if you can share that data if you have it?
- C. Ramakrishnan: That would be inappropriate to share at this time.
- Sahil Kedia: Alright sir. If I am allowed one more question, would actually like to get Mr. Ravi Kant's view on the recent credit, the CRR hike and, what that means for business, if there are any views on that?
- Ravi Kant: Well, it does make things a little difficult and it would hit two ways. One is the interest cost for Tata Motors and increase in interest rates for vehicle financing. Having said that, what impacts more perhaps at this stage is availability of finance itself rather than the rate.
- Sahil Kedia: Okay.
- Ravi Kant: As you know, that there has been a contraction in availability of vehicle financing by major leading players in the market and therefore that has created somewhat of a gap, this gap has more than adequately been filled up by Tata Motor Finance in case of Tata Motors and in fact their share of business in Tata Motors has gone up from 23%, odd percent to nearly 35% today and we are giving all the support to Tata Motor Finance to ensure that we don't have any loss in sales on account of lack in availability of vehicle finance.
- Sahil Kedia: Alright sir. Thank you so much.
- Moderator: Thank you very much sir. Next in line we have Mr. Shiv Chanani from Reliance Mutual Fund. Please go ahead.
- Shiv Chanani: Hi, good evening everybody. Just a few questions from my side. First of all to Mr. Ravi Kant. Just wanted to understand on the price hike scenario. One, how is the price hike being taken by end consumers. I mean, are we facing a lot of pressure or are we setting off that with some discounts and things like that and second was in terms of price hike going forward. Hypothetically, what kind of price hike would be needed to offset the raw material increase that we have seen.
- Ravi Kant: First let me say that so far we had to do this much against our wishes and our past practice of having very moderate price increases, we were left with no option but to go for these two hefty doses of price increases.
- Shiv Chanani: Right.



- Ravi Kant: We have seen that market has somewhat absorbed this much better than what we had thought it would and that gives us the confidence that it will not materially alter the situation in the market place because subsequently other players have also taken price increases and therefore the competitive position still remains the same. Going forward, I would not like to speculate on any price increase...
- Shiv Chanani: No, I am not really asking of what kind of price increase are you going to take.
- Ravi Kant: Yeah.
- Shiv Chanani: What I am asking is hypothetically what kind of price increase would be needed to offset the impact of raw material increase.
- Ravi Kant: I don't think that hypothetical question can be answered.
- Shiv Chanani: Okay.
- Ravi Kant: But it is...the input price increases are very substantial. On one side you have commodities where the prices can go up very substantially. On the other side, we have branded goods and we have long-term commitment to our customers who have been customers for many...have been customers for several decades with us...
- Shiv Chanani: Right.
- Ravi Kant: ...and they keep buying the products and they keep coming back for the products, so we have certain commitment and certain relationship with them. So, we cannot increase prices like commodities too.
- Shiv Chanani: Right.
- Ravi Kant: And, therefore, we will continue to be in this kind of thing and it may never be possible for us to pass on the entire cost increases.
- Shiv Chanani: Okay. Secondly...
- Ravi Kant: But we are doing other things like cost reductions that we talked about, shift production from Pune to Uttaranchal which will substantially improve our margins and we are expanding the sale of production and sale of Ace which will improve our bottom line. So, it is through many actions that we are taking which will ameliorate at least part of the burden of cost increases that we are having.
- Shiv Chanani: Okay. Secondly if you can just talk about the market situation in terms of are you seeing any particular regions which are getting



impacted or are you seeing any particular application of the CVs which are getting impacted or is it like throughout, I mean if you can just throw some light on how you are seeing...

Ravi Kant: See, in a cyclical market, we have seen in the past trends and what has been seen very clearly is the amplitude of cyclicity in the medium and heavy trucks is higher and this can shrink from one way to other by almost plus/minus 40% and this is a phenomena not confined to India. You will find in the US also similar kind of thing happening.

Shiv Chanani: Sure.

Ravi Kant: It has shrunk by 40% or even in Europe and places like that. However, when you go to the light commercial vehicles, the amplitude of cyclicity is much less compared to that and if you come to buses, especially in India, then the cyclicity is even less. It is far more stable business. Having said that, whatever changes which are taking place in India, especially with the construction of rural roads and all that, will only increase requirement for smaller vehicles much more...

Shiv Chanani: Right.

Ravi Kant: ...and therefore this will cushion also to a large extent the cyclicity of light commercial vehicles.

Shiv Chanani: Okay.

Ravi Kant: And it is for that reason you will see that as Mr. CR had mentioned a little while ago that in medium and heavy trucks, the market increased by...how much is that...about 7% and in light commercial vehicles the market increased by almost 28%.

Shiv Chanani: Alright. And just in terms of few questions relating to numbers. One is if I am not wrong, the UK SPV has been capitalized at USD 3.5 billion, USD 500 million being invested by you through the Singapore subsidiary and USD 3 billion of loan, is that correct?

C. Ramakrishnan: Yeah, that's right.

Shiv Chanani: And you are paying USD 2.3 billion to Ford which leaves you with around USD 1.2 billion in that SPV.

C. Ramakrishnan: That's right.

Shiv Chanani: Alright. Any specific reasons or you are just keeping that for contingency plans?

C. Ramakrishnan: It is partly the contingency plan.



- Shiv Chanani: Okay.
- C. Ramakrishnan: Partly. If it is not required, we will repay that loan.
- Shiv Chanani: Okay. Or is it that part of it may be utilized for like facilitating the financing of vehicles?
- C. Ramakrishnan: Jaguar-Land Rover vehicles? No it is not our intention to provide any capital or financing for Jaguar-Land Rover vehicles.
- Shiv Chanani: Okay, okay.
- C. Ramakrishnan: That is being independently arranged through independent finance providers.
- Shiv Chanani: Okay.
- C. Ramakrishnan: In fact, yesterday, we signed an agreement with Fiat Financial Services...
- Shiv Chanani: That's right.
- C. Ramakrishnan: ...for support of vehicle financing business for Jaguar-Land Rover vehicles in Europe and UK.
- Shiv Chanani: Okay.
- C. Ramakrishnan: Discussions are on similarly in US and other markets.
- Shiv Chanani: Okay.
- C. Ramakrishnan: So, this additional contingency money is not intended for investing in vehicle financing business of Jaguar-Land Rover.
- Shiv Chanani: Okay. And second is...sorry to just harp on this provisioning part of it, if I understand correctly, this INR 50 crores is on a cumulative basis that has been underprovided in this quarter.
- C. Ramakrishnan: Wrong.
- Shiv Chanani: Right?
- C. Ramakrishnan: No.
- Shiv Chanani: Then?
- C. Ramakrishnan: The vehicle financing or any doubtful asset provisioning, you always do on a end of the period...
- Shiv Chanani: Correct.



- C. Ramakrishnan: ...balance sheet outstanding.
- Shiv Chanani: Right, on the entire book outstanding as on that date.
- C. Ramakrishnan: That's right.
- Shiv Chanani: Right.
- C. Ramakrishnan: See, you take a fresh look at it...
- Shiv Chanani: Correct.
- C. Ramakrishnan: ...and assess what your provisioning requirement is...
- Shiv Chanani: Correct.
- C. Ramakrishnan: ...and provide for that.
- Shiv Chanani: Right. And the current provisioning norm is going to continue going forward as well?
- C. Ramakrishnan: That's right.
- Shiv Chanani: Alright. And the other thing is in terms of your couple of subsidiaries, Daewoo and Tata Technologies...
- C. Ramakrishnan: Yes.
- Shiv Chanani: ...was there a significant forex gain in those two subsidiaries?
- C. Ramakrishnan: No, the business performance has been significantly better...
- Shiv Chanani: Okay.
- C. Ramakrishnan: ...mainly driven by the underlying business performance.
- Shiv Chanani: Okay. So, we really didn't have too much of currency gains on that?
- C. Ramakrishnan: No.
- Shiv Chanani: Alright. And...
- Mr. Ashutosh: Can we just move to the next question Shiv, we have lots of them.
- Shiv Chanani: Sure, no problems.
- Mr. Ashutosh: Thanks.
- Shiv Chanani: No problems. Thanks. Bye.



- Mr. Ashutosh: Yeah, bye.
- Moderator: Thank you very much sir. Next in line, we have Mr. Jamshed from Citigroup. Please go ahead with your questions.
- Mr. Jamshed: Yeah, good evening. Sir, coming back to the tax rate for this quarter, you mentioned that part of the reason was because of a tax credit on R&D benefits available. Going forward also, would you say that the tax rate will be closer to the 20% range versus 25% that we have been seeing for the last one or two years.
- C. Ramakrishnan: It would be difficult to predict.
- Mr. Jamshed: Yeah.
- C. Ramakrishnan: I wouldn't like to give a percentage specifically. It will be much lower than the marginal tax rate.
- Mr. Jamshed: Right.
- C. Ramakrishnan: I would think the range of 20-25% is sustainable. I would rather talk in terms of range...
- Mr. Jamshed: Okay.
- C. Ramakrishnan: ...rather than give you whether it is 20 or 25.
- Mr. Jamshed: Alright, fair enough. Thank you sir.
- Moderator: Thank you very much sir. Next, the last question comes from Ms. Rashi Talwar from Demeter Advisors. Please go ahead with your questions.
- Rashi Talwar: Hi. Sir, I would just like to ask you what is the valuation methodology that was used in the sale of TACO because based on even historical numbers, the multiples look to be pretty low.
- C. Ramakrishnan: I would not be able to share with you the specific valuation methodology except to say it has been done by an independent reputed firm based on the company's track record and the future business opportunity. Beyond that, I would not be able to share the specific methodology or the approach that has been undertaken.
- Rashi Talwar: By when do you think you will be able to give this information to us?
- C. Ramakrishnan: I would not be able to share it.
- Rashi Talwar: At all?



- C. Ramakrishnan: At all.
- Rashi Talwar: Fine, thank you.
- Moderator: Thank you very ma'am.
- C. Ramakrishnan: Thank you very much.
- Moderator: At this moment, I would like to hand over the floor back to Mr. Ashutosh for final remarks.
- C. Ramakrishnan: Manjula, before you do that, can I just take one minute, Srinivas wanted a breakup of last fiscal year, full year 2007-08 other income. The total...if Srinivas is still on the call, the total other income was about INR 483 crores, half of that, nearly INR 246 crores was dividend income and about INR 160 crores was profit on sale of investments and the balance was other smaller items totalling to about 80 crores. Sorry for interruption. Ashutosh, over to you.
- Mr. Ashutosh: Yeah. Thanks Mr. Ramakrishnan. Thank you all the participants for participating in this call and thank you Mr. Ramakrishnan and Mr. Ravi Kant for addressing the queries. Good day to you all.
- C. Ramakrishnan: Thank you very much. Thanks Ashutosh for your efforts in undertaking and organizing this.
- Mr. Ashutosh: Pleasure sir. Thank you very much.
- Moderator: Ladies and gentlemen, thank you for choosing WebEx Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines.
- C. Ramakrishnan: Thank you Manjula.
- Moderator: Thank you and have a great evening.
- Ravi Kant: Thank you.
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