

**TATA MOTORS  
2Q FY05 RESULTS  
CONFERENCE CALL  
NOVEMBER 01, 2004**

Moderator: Good morning ladies and gentlemen, I am Parimala the moderator for this conference. Welcome to the Tata Motors Conference Call hosted by JM Morgan Stanley. Mr. Satish Jain of JM Morgan Stanley is your call leader today. For the duration of the presentation all participants' lines will be in the listen-only mode. After the presentation, the question-answer session will be conducted for the international participants connected to SingTel. After that the Q&A session will be conducted for participants in India. I would like to hand over to Mr. Satish Jain of JM Morgan Stanley. Thank you and over to Mr. Jain.

Satish Jain: Good morning ladies and gentlemen. On behalf of JM Morgan Stanley I welcome you all to the Tata Motors Conference Call to discuss the Q2 results and prospects going forward. We have with us on the call Mr. Praveen Kadle who is the CFO & Executive Director, and Mr. Ravi Kant, Executive Director, and also we have on the line from Pune, Dr. Sumantran, Executive Director. I now hand over the call to Mr. Kadle.

Praveen Kadle: Good morning ladies and gentlemen. May be we can straight away start with the question answers, presentation is already there on the web site and I hope that all of you have already seen the presentation, so I would not like to spend time on the presentation, I would rather prefer it on a quality time in terms of question answers. If that is okay with all of you, then I would welcome the questions from your side.

Moderator: Thank you very much sir. At this moment, I would like to hand over the proceedings to Ayesha at SingTel to conduct the Q&A for international participants. After this, we will have a question-answer session for the India participants. Thank you and over to Ayesha.

SingTel Moderator: Thank you Parimala. We will now begin the Q&A session for participants connected to the SingTel bridge. Please press 01 to ask a question. Participants please press 01 to ask the question. At this moment there are no questions from participants at SingTel. I would like to hand over the proceedings back to Parimala, thank you.

Moderator: Thank you Ayesha. We will now begin the Q&A interactive session for India participants. Participants who wish to ask questions, please press \*1 on your touchtone-enabled telephone keypad. On pressing \*1, participants will get a chance to present their question on a first-in-line basis. To ask questions, please press \*1 now.

Satish Jain: Why don't I kick off Mr. Kadle. The margins actually in this quarter fell to 12.5%, what do you think is the outlook for the margins, because the pressure on the raw

materials cost over the next two quarters in our views should continue. So are you looking for any price increases for your products, which could cushion the impact of this raw material price increase?

Praveen Kadle: The pressure is going to continue on this, thanks to the significant hike which is totally unprecedented, we have not seen this kind of hike for many years on the input price, so there will be pressure. And as for as the question with regard to the price increases, I think first we need to look at how much we can reduce the cost from our side and that is the effort which we are putting in terms of more accelerated and more intensified cost reduction program, then the question will come with regard to what kind of a price increase we can make, again in terms of prize increase one needs to keep in mind that the market conditions, there are a lot of uncertainties with regard to this, the oil price hike, the inflation is going up, the interest rates are going up, and whether it will impact the industrial activities, so all these issues need to be adjust or need to be kept in mind before one thinks about increasing the prices on our vehicles.

Satish Jain: Thank you very much.

Moderator: Thank you very much sir. First in line, we have Mr. Satish Ramanathan from Franklin Templeton.

Satish Ramanathan: Good morning sir, I just wanted a few clarifications, if you could just let us know in terms of the pricing action that you took in second quarter, did you try to kind of defer pricing action so that you could gain market share, your market share gain has been quite significant in the CV Industry. The second thing is in terms of cost cutting initiatives, if you could highlight to what further scope there is in cost cutting. And the third thing that we wanted to understand is in terms of the run up to Euro 3 norms and the post Euro 3 norm impact on demand, and we note from your note that there is a new noise regulation that the Ministry of Environment and Forest has put in. How far are we from this to reaching there, and also in terms of your new modal initiatives, in particular the passenger car segment and the UV segment, what are the initiatives considering that Maruti is coming out with a world-class diesel platform.

Praveen Kadle: Satish are you enquiring about this price hike with only in commercial vehicles or in general?

Satish Ramanathan: In general and in particular commercial vehicles.

Praveen Kadle: Commercial vehicles, Satish, we made two price increases in a last 9 months; first was in February or January, and the second one was in May, so its not a price increase one can make every quarter, so we didn't really ....., and the price increase which we made in May was almost in the 2.5% which came over and above the similar kind of a price increase which we had made at the beginning of the year. So I think the pricing action needs to be kind of a timed in line with what are the market conditions.

Ravi Kant: But it will remain active on our lists or on the table let put it this way, I think it's a question of timing when we will do it.

Satish Ramanathan: Okay.

Ravi Kant: As for as your question about norms is concerned, yes it is true, from 1<sup>st</sup> April 05 the norms are changing, they are going one level above at whatever level they are operating today, and the noise vibration norms are also coming into being, and safety norms are coming into being. So this will certainly push up the cost of vehicle. How much of that would be passed on to the customers, we have not yet considered today.

Kadle: Satish the answers which we gave in the beginning still continue to hold true. Before we talk about the price increases, we will have to first look at how much cost reduction we will be making in house.

Dr. Sumantran: You had also asked the readiness of the company for those norms, and I think its fair to say that both with respect to the emission norms and for the noise norms for the most parts across this entire product range that we have, we will be ready.

Satish Ramanathan: By 2005, I mean when the dead line .....

Dr. Sumantran: In time for the market, in time for the regulation to take place.

Satish Ramanathan: Okay, sir I had also asked on cost cutting as to what initiatives you have implemented on cost cutting, because in one of the earlier interactions you had said that cost cutting on the material front is probably coming down to marginal level in terms of the efforts to what actually you can save.

Ravi Kant: Actually on material there, the cost increased, as you know the steel price has gone up through the roof and actually the cost increase is to the extent of 7-8%, out of which so far we have passed on only 1.5% or so to the market, and so we are under quite a burden of raw material cost increases. We are looking at other means of cost reduction in other areas and we will see what to do.

Praveen Kadle: Satish just to take your question, we have intensified our efforts in terms of cost reduction, new teams have been formed and the teams have been formed across all the plants and in all the areas of our operations, and they are looking at significant cost reduction. We been recently mentioned when we announced the results that at this stage we can't really give the numbers, but I must say that as you know that we had done cost reduction of almost 1000 crores in the period from 2001 to 2003, over the period of three years, so we are looking as for this annual average of about Rs 350 crores (Rs 3.5 bn) or so, so we are looking at similar kind of efforts in terms of cost reduction, and we are working mainly on the raw material side, we are also looking at the employee productivity improvement, we are also looking at some of our variable conversion cost and as well as the fixed cost. So the efforts are to reduce the cost from all areas of our operation.

Satish Ramanathan: Just one last question on the new model initiatives in terms of the going by the announcements that you have made it looks like there will be only face lifts and minor modifications especially in the passenger car segment for the Indica platform, the passenger car, and the UV segment there doesn't seem to be a new product coming in for at least the next one, one and half year, even though it has been quite sometime since the UV work has kicked off. So just wanted to understand what is your thinking in the new product initiatives?

Praveen Kadle: Sumant would you like to take this question.

Dr. Sumantran: Yeah. First of all I think we would not normally like to comment about any new product, which we are bringing in over the coming years. We have in the last nine months gone through a number of new product launches, when we launched the face lifted Indica V2, it has become a much stronger player in the market segment you know in what is a very crowded segment, it has actually grown 31% over last year. We launched the Victor on the Sumo line, that product has now consistently done sales of over 1000 units a month, and year-on-year Sumo sales are running about 39-40% over last year. The most recent product we have launched is the Marina, again in a market segment where people were telling about 150 or so units a month, in the first half month alone we clocked close to 800 units of sale. So I think there has been a fair amount of vitality in the product line up. Of course we have a number of new products also in the pipeline, combinations of face-lifts and other variants, but unfortunately we are not prepared to talk about it at this. You also mentioned something about the range of new diesel engines coming from Maruti, I think one thing is already for Tata Motors our passenger cars and UV lines are already compliant not just with today's standards but also with Euro 3 standards, they are already on sale in Europe with Euro 3 power trains. We got new turbo diesel power trains for those markets as well, and we are also working on the next generation engines, which we will have ready at the right time for the market, so we are prepared for growing competition in not only in power trains, but across the product segments.

Satish Ramanathan: Just one last question on the Rover, what is the status of MG Rover?

Dr. Sumantran: The project continues, last month again we have to had more shipments, but I think this will continue to be dynamic based on what is inventory level in the UK, market dynamics there, and our own interest to address what was for a while a fairly big short fall of availability in the domestic market. We have had large waiting list for the Indica and the Indigo, we are only now beginning to close out, and now with the Marina coming, again we have waiting list for our product. So, this will be a dynamic situation balancing what we would like to sent to Rover and what we would needs to do in the domestic market.

Satish Ramanathan: Thank you sir.

Moderator: Thank you very much sir. Next in line we have Ms. Shilpa Gupta from ICICI Securities.

Shilpa Gupta: Good morning sir. The indicator in terms of metals are more in terms of declining trends, what we say in terms of China raising 25 basis point interest cost, domestic companies announcing cut in steel prices. Do you think that will be a trend that would continue and ease pressures on your profitability, that is one question; and the second is if you can share us EBIDTA margins for your two business, CV's and passenger vehicles, the blended rate is 12.21%, but if you can give us breakup between the two key businesses. Thank you sir.

Praveen Kadle: Okay the interest rates have hardened and the trend across the globe as you rightly said the interest rate in the last few months and more particular in the last few days have hardened. I think there is also a kind of indication given by the Finance Minister as well as by the RBI Governor himself after he announced the policy that he has no further interest rate hike on his agenda. So the interest rates will see marginal increase, may not see big increase, finally keep it in mind that the interest rates are determined not by the actions of the RBI Governor but it is also decided by the demand and supply and overall liquidity in the money market place. So, so long as the liquidity continues to be strong, the interest rate hike may not be seen, and at the same time also keep it in mind that the retail financing has become a big business objective for many of the banks including the public sector banks, so I think the interest rates may not really impact the demand. As far as the steel prices are concerned, I would request Mr. Ravi Kant to talk about the steel prices.

Ravi Kant: Yeah steel prices as far as India is concerned is still very high, and in fact in the last few weeks it has hardened even more on account of increase in the scrap cost and impending shortage of supplies in India. So we are seeing that as far as the steel prices are concerned they will continue to remain pretty much at this level for next at least next few quarters.

Shilpa Gupta: Thank you sir, if you can just give me answer on the EBIDTA margins for the two businesses separately sir?

Praveen Kadle: Let me clarify, automobile business we treat as one segment and we don't really view the business differently.

Shilpa Gupta: Okay sir, thank you sir.

Moderator: Thank you very much madam. Next in line, we have Mr. Amit Dallal from Amit Nalin Securities.

Amit Dallal: Good morning Mr. Kadle. Sir I remember what is the capacity utilization for our Korean plant now? And Bharat Forge is extremely excited about the CV cycle going on a upturn in United States. Is there an opportunity and a potential for our Korean plant?

Ravi Kant: Korean plant utilization is about 25% and we are looking at increasing the utilization there by getting into more segments like medium commercial vehicles and by increasing the exports out of Korea very substantially. So we do expect to increase the capacity utilization in Korean plant. We do not operate in the US, so that's not our market, and therefore any upturn in the US directly may not have any impact on us.

Amit Dallal: Right, what markets do we address?

Ravi Kant: Well we address lot of markets barring the North America and Western Europe. In Western Europe, we have pick-ups and cars, but otherwise other commercial vehicles we don't cater to. So, Africa is a big market for us, Middle East is also a big market for us, Russia is emerging as a big market, South Asia are traditional market has been quite good, and we are looking at some other markets in East Asia, and of course South Korea is the market for us.

Amit Dallal: Thank you very much sir.

Moderator: Thank you very much sir. Next in line, we have Mr. Pramod Amte from Prabhudas Leeladhar.

Pramod Amte: Good morning everybody. This is in particular Mr. Ravi Kant; sir can you give us some sense of how the loan tenures for commercial vehicles finance have behaved in the last six months and also for the interest rate for disbursement of these loan tenure?

Ravi Kant: Yeah you see as far as interest rates are concerned, we have seen interest rates going down to 7%, some of the special cases it may have gone down even below that. We expect these to remain, they may harden slightly later but not at this stage we are not seeing that. And as far as the tenure is concerned, in some cases tenure is also may be extended by a year or so.

Praveen Kadle: And just to add to the point that Mr. Ravi Kant made, the retail financing is now the drive taken even by the public sector banks so there is enough competition in the market place, so the interest rates at least in the retail level have remained soft and for some of the good customers the package offered in terms of the interest rate is quite attractive, we may see some kind of a longer tenure of the loan mainly with the heavy vehicles playing a major role going forward.

Pramod Amte: So basically the increasing tenure, has a risk shifted much more towards the vehicle finance companies?

Praveen Kadle: No I don't think so, if you just increase it marginally by a year or so, then I don't think so.

Pramod Amte: And another specific question to commercial vehicles, we have been hearing that I think the power steering is going to be compulsory from January, am I right sir?

Ravi Kant: That's right, you are right.

Pramod Amte: And what is the price increase or cost increase because of power steering, and .....

Ravi Kant: See some of our products already have power steering, so there will not be all the heavy commercial vehicles and those already have power steering. So all is going to impact is vehicles like medium commercial vehicles, which do not have power steering, but can have an option of adding power steering.

Pramod Amte: But what is the exact norm is about, is it the entire CV's up to M & HCVs or even LCVs to a certain extent have to be with a power steering?

Ravi Kant: No it is mainly for M & HCVs, higher tonnage vehicles.

Pramod Amte: And this will be across the country sir?

Ravi Kant: Yes, across the country.

Pramod Amte: Thanks a lot sir.

Moderator: Thank you very much sir. Next in line, we have Ms. Komal Iyer from UTI.

Komal Iyer: Sir my question is on Daewoo Commercial Vehicle Company, I would like to know how much was the integration we have already done with that, and how many products of Daewoo Commercial we will be introducing in India, and the same how much of the Indian products we will be introducing there, and what is the timeframe of these products to be introduced?

Ravi Kant: See as far as product introduction is concerned, as you know, we took over the company only in March and since then we have started working with joint teams, both for introducing those vehicles in India and for launching a medium commercial vehicle in South Korea. The thing is not to just take the vehicle from Korea and introduce here, but to adapt it to the Indian needs and requirements and that's going to take some time, but we expect to launch these vehicles some time in '05. Ditto for bigger commercial vehicles in Korea, they are not going to be just vehicles taken from here, but they are going to be adapted to the requirements and needs of the Korean market, and they will be launched there and these will also be launched some time in '05. So both ends would see in '05's introductions of these two types of vehicles.

Komal Iyer: Sir what is the status of integration of both the companies, I mean among the manufacturing and marketing operations, which have been integrated, and the platforms?

Ravi Kant: See they are two separate companies, if I mean say so, however, there is a good cross functional and cross locational synergy which is being done, there are a lot of people who keep coming here, there are a lot of people who keep going there, and there are conference calls and things like that, so there is a good integration, we also have a senior person there at Vice-President level who is responsible for Indian integration in Korea.

Komal Iyer: Sir if you could also just give us your outlook on the commercial vehicles industry going forward for the second half of this year?

Ravi Kant: Well as you know every quarter we are seeing, we are in the third year of the growth this year already, and first quarter we saw a growth of about 43%, in second quarter the growth came down to 17%, in the third quarter we expect the growth to be around 10-12%, and fourth to go below 10%. Now the growth rate is always based on the base, and the base is here is going to increase further and there is likely to be some preponement of sale from the first quarter of next year to the fourth quarter of this year on account of the emission and the other norms which are coming in to force, we do expect that first quarter of next year may start off somewhat softer than what we would like it to be.

Komal Iyer: Okay, thank you sir.

Moderator: Thank you very much madam. Next in line, we have Mr. Govind Raj from Deutsche Bank.

Govind Raj: Yeah hi! I had a couple of questions on the CV business; one is, there has been a sharp drop in market share in pick-ups, if you could comment on that; secondly, if you could also talk about the profitability of operators and utilization of the fleet, how it has moved in the recent past?

Ravi Kant: Yeah, there was a drop in market share of pick-ups, but from last three or four months it had dropped to about 28%, and since then every month progressively we have been increasing market share, and in the month of September for which the figures are available, our market share I think was about 35% or so or more than I think 35-37%, and we do expect that in the month of October the trend should continue. And therefore we are not seeing a further decrease in market share, but a continued increase in market share. In second quarter we are very confident that our market shares would continue upwards to climb in pick-up segments. Last month in fact we did quite well and had record sales in that segment.

Govind Raj: Secondly on the profitability of operators and utilizations?

Ravi Kant: As far as profitability of the operator is concerned, I think it has been held to a good level so far, but depending upon the impending price increase in diesel that can upset the situation a bit, but as people are going into more and more heavier vehicles you know where the operating cost on a per ton kilometer basis is lower, so our operators are somehow able to manage their profitability so far. But it is true that there has been some little marginal over bind by the operators in view of lower interest rates and somewhat easier terms and that would certainly be with us for sometime.

Govind Raj: Finally, just had one more question on the wage cost, has there been any salary increase this year so far?

Praveen Kadle: At the beginning of the year we had signed all the wage settlements across all the plants, so that impact is seen in the current year's numbers, so if you see the salary increase as compared to the previous year, we had wage settlement impact at all the locations.

Govind Raj: And what would be the extent of increase?

Praveen Kadle: It's around 7-8 percentage points.

Govind Raj: Okay.

Dr. Sumantran: However, quite a lot of this we are trying to offset by increasing the productivity.

Praveen Kadle: Actually our employee productivity has improved significantly, our cost per vehicle if you look at it, employee cost has come down, and so one should not really look at only in the absolute numbers.

Govind Raj: Sure, thanks a lot.

Moderator: Thank you very much sir. Next in line, we have Ms. Rashi Talwar from Motilal Oswal.

Rashi Talwar: Good morning sir. I actually had a question on the CV outlook that you have just given. In terms of the outlook for the second half, has there been a change in stance that you all have witnessed over the last six months or has this been you know your outlook from which you basically perceived from the beginning of the year.

Ravi Kant: Well for the whole year right at the beginning of the year we had said that the market will grow about 15-17%, and we are sticking to that, we kind of got excited by the first quarter growth, which was on a very low first quarter of pervious year, and I think more or less it is in line with the expectations.

Rashi Talwar: But Mr. Kadle if you remember the last analyst meet we had in Pune, when the question had come up on how you all would really handle the new emission

norms because of the price increase, and the fact that you know you all had said that you all would try and take the price increases during the course of the year, because since the demand is strong you will be more comfortable doing that and not give a one shot price increase on April '05, but that hasn't followed through pretty much as per plans, has it?

Praveen Kadle: No, I need to clarify; we had this conference in Pune sometime in November 2003.

Rashi Talwar: Yeah sorry, November-2003.

Praveen Kadle: Since then we have made the price increases twice, as I mentioned first in January, second time again in the month of May.

Ravi Kant: And the year is not yet over.

Rashi Talwar: Right sir, but do you think you will be able to take it, see the price increases so far as I am to understand is more due to the steel price increases, and not so much in view of the emission norm changes that are going to come in, so do you think you all are comfortably going to be able to take that over the next six months or it will be more like a one time thing in April?

Praveen Kadle: I think that Mr. Ravi Kant did mention that the year is not yet over.

Rashi Talwar: Fair enough sir. Also just another thing on the Korean unit, currently though it forms 60% of subsidiary profit it's a very small part of you know because .....

Praveen Kadle: Sorry, I must clarify here that it is 100% subsidiary of Tata Motors, it is not 60% of the profit ....

Rashi Talwar: Sir, our subsidiary sales, right, going forward do you see this becoming a critically larger portion of Tata Motors, how would you view your strategic positioning on this unit?

Ravi Kant: We are surely have put in place an aggressive plan to increase the capacity utilization, which will increase the revenues from that company and therefore going forward that would be the case, that is not to say that we are not going to be doing the same for other subsidiaries also. So what will be share, we can't say for but surely we will aggressively grow the Tata Motors Daewoo Company.

Rashi Talwar: Fair enough, thank you sir.

Moderator: Thank you very much madam. Next in line, we have Mr. Ashish Jagnani from HDFC Securities.

Ashish Jagnani: Good morning sir, this is Ashish here. Just a question on the Daewoo Commercial Vehicle unit in Korea; from what the figures that we have for the current

quarter is that they have done revenues of 3 billion and with the PBT of 67 million, and if you see sir you know the quarter prior to this, we had if I am right revenues of 3.4 billion and PBT of 193 million; just wanted to check up you know in terms of why this significant fall in PBT levels in the current quarter?

Ravi Kant: Yeah the thing is that Euro 3 norms that have been implemented in Korea, and therefore that has meant a huge cost increase, and we have not been in fact nobody has been able to pass on the same kind of cost into the market, that was Hyundai or other people, so there has been surely a pressure on margins in Korea, which we do hope that over a period of time in next couple of quarters we should be able to recover quite a lot of it. But the key thing is that we have increased our market shares quite substantially, you know when we took over the company the market share was 23%, today we are running at about 34-35%, and at the cost, mainly at the cost of well known imports, imported brands like I mean the well know European brands which are imported into Korea.

Ashish Jagnani: Right sir, could there be any quantification to the cost of Euro 3 norms, you know to comply with Euro 3 norms in Korea?

Ravi Kant: No, we can't share that.

Ashish Jagnani: Okay sir, thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Kalpesh Parekh from ASK Raymond James.

Kalpesh Parekh: Good afternoon sir. Sir I have a question on your UV front, in the note it is mentioned that due to production related constraints at vendors we could not you know the sales was marginally down, can you throw some more light, is that issue being resolved or not?

Dr. Sumantran: Yes Kalpesh this is primarily related to Safari supplies and now the issue has been resolved and we are back on track for Safari sales.

Kalpesh Parekh: Okay, it was only for Safari.

Dr. Sumantran: Yeah it was only for Safari.

Kalpesh Parekh: And my second question is on the passenger vehicles front, I mean what is your outlook on that side because we have seen only 1 or 2% sort of flattish growth happening in the passenger, I am talking about the bus segment, so what is your outlook for that segment, are we seeing any pick up happening on that segment?

Ravi Kant: You are talking about passenger commercial vehicles.

Kalpesh Parekh: Yeah passenger commercial vehicles.

Ravi Kant: Okay, there has been, what you are saying is right, there has been a flat sales as far as that is concerned, on the medium commercial vehicle; however, as far as the light commercial vehicles are concerned, it is still growing, and I don't have the figures off hand right now, medium commercial vehicles has seen a flat growth, yeah.

Kalpesh Parekh: Right, but are we expecting any pickup happening in the coming half or next year as such?

Ravi Kant: You see we are seeing that mainly the growth will come out of lighter commercial vehicle buses because of the interconnectivity of roads which is happening. As I can see here the industry LCV bus industry has grown by close to 7% over last year, also the M & HCV bus thing has declined over last year by 0.5% or so. So this trend we feel will continue in fact to happen in fact we expect very substantial growth in the LCV bus segment.

Kalpesh Parekh: Sir, my last question would be on the fare freight, are you seeing that fare freight firming up for fleet operators, is there operational economic slight improving, I mean giving the scenario of oil price do you expect a major pressure on fleet operators as such, you mentioned few minutes back that they are slightly over buying despite this oil pressure due to attractive financing thing, so do you expect the pressure to mount up in Q3 sort of thing Q3 or Q4?

Ravi Kant: Well a lot depends upon two things. Number one is, what is going to be the change in operating cost on account of if any increase in price of diesel, that surely one question mark which still holds there. And the other would be general economy, actually what happens to the general economy in the next few months, and especially connected with agriculture and industry, not so much software we are talking about, so leaving aside that part, what happens to the industry and to agriculture, that will drive the need for commercial vehicles, so if that softens than there will be a negative impact, if that carries on quite well than I think we will have a robust thing.

Kalpesh Parekh: Right, right, okay sir thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Manish Gaur from Voyager.

Manish Kaur: Hello, good morning everybody. Just a couple of questions. One, could you just update us on what's happening on our South African taxi project, and secondly on this MOU with **Brilliance** China where is it progressing and specially in the light of the fact that **Brilliance** China itself is actually seeing some slow down in Chinese domestic market, would it impact our MOU?

Ravi Kant: Okay, I will take the first question and then pass on to my colleague. As far as taxi project is concerned still under the consideration of the South African Government nothing has yet been decided, but irrespective of that we have launched our vehicles and we are doing quite well and we will continue to grow our business in South Africa

irrespective of the taxi project. Well, if taxi project comes, then of course we will bring it to our new level. As you might have heard that Tata group has bought a bus building plant in South Africa. This is all in preparation for as and when the taxi project comes up, meanwhile we will continue to make busses out of there and sell in the South African market.

Manish Gaur: Okay.

Dr. Sumantran: And then you wanted to understand about China **Brilliance**, as you are aware we have signed an MOU with them, the MOU basically says that we will sit down together and work out what range of opportunities that two companies would like to further work upon together, this is by nature something that will take time. In the meantime there have been further guidance given to the Chinese auto industry by the Chinese Auto Policy, and as a result all the manufactures there are looking to see how their strategy can be in better alignment with what the Auto Policy Of China would like them to do. I think there is no doubt that while the kind of rates of growth that the Chinese market has been seeing last year, has cooled a little bit. Nevertheless, they are still growing comfortably in their 15 to 20% bracket and that is still very very healthy growth for any market globally. So while it is not as red hot as it was last year or the year before last, I think that being a very large market and one that will continue to be growing for the next 5 to 10 years, I think this might be nothing more than perhaps correction to what would be sustainable long term growth for such a large market.

Manish Gaur: So could you give any idea on the timeframe as to you know how much time it will take for us to get a clarity on when we can get in?

Dr. Sumantran: I mean in terms of an agreement any such broad dialogue with another company will necessarily take some time. It will no doubt depend on the kinds and the range of opportunities we decide to work on together, as you can imagine some things that we might want to do can be perhaps done in the shorter period of time and some things will take longer. So as we engage in discussions with them, we will have to see which is the short range and which is the long range opportunity seen to fall in alignment with both company strategies, so it is a little difficult to predict right now as to how long this would take.

Manish Gaur: Okay sir, thank you.

Moderator: Thank you very much sir. Next, we have a follow up question from Mr. Govindraj of Deutsche Bank.

Govindraj: Just a couple of questions again on the CV business; is there any update that you could give us on the service tax issue, I think it comes for final discussions in mid November, what any update on that; and secondly on capacities in commercial vehicles, is there any constraint in any of the ranges?

Ravi Kant: Well, this is still under active consideration of the government, there is some report in today's newspaper, so till it is finalized, it is difficult to say anything.

Govindraj: And secondly on capacities in commercial vehicles, is there any constraint in any of the ranges?

Ravi Kant: Well as far as capacity is concerned, we are running almost to full capacity, but we have as I mentioned some capacity in Korea also that needs to be taken into consideration, and what we are doing is we are increasing the capacity not by making huge investments in plant and machinery, but by increasing the productivity and debottlenecking lot of things. So we are able to produce more than what is stated to be the capacity. So I don't think that's going to be a problem and wherever bottlenecks are there we have already organized investments and as a regular course and they will happen.

Govindraj: Any estimate of at what level would you have to start investing in plant and machinery?

Ravi Kant: We are already investing in plant and machinery, I mean so that's not really the problem. So wherever there we could face bottlenecks, if we face bottlenecks in a painting plant, than we will do that if it fails to do something in say machining capacity and first we would like to then outsource that machining capacity, if possible, if not then we will act to it. So a combination of investment, productivity improvement, and outsourcing, I think we are able to more or less take care of our requirements.

Praveen Kadle: You know we are not really looking at the capacity expansion of the project by itself, we are, as Mr. Ravi Kant mentioned, continuously removing this bottlenecks in our current capacities.

Govindraj: Thanks, thanks a lot.

Moderator: Thank you very much sir. Next in line we have Mr. Anupam from CLSA.

Anupam: Thanks, actually my question has already been answered, thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Vijay Chugh from JP Morgan.

Vijay: Good morning, my question was you know replacement demand still remains to be an important driver of CVs, what is the current thinking of the government in terms of you know scrapages of vehicles more than 10 and 15 years old and do you see that roll out happening across others cities as the experience you have seen in Bombay and Delhi, and you know what would be the current scrapages in the country at this moment?

Ravi Kant: See currently it is in a cold stage, nothing has been decided by the government, and therefore we are carrying on as is, and we are not seeing, you see this 11

other cities, which are going to have higher Euro norms that is what may call for some more busses. Otherwise, the scrapping norms have not yet been finalised across the country.

Vijay: So what is the current thinking actually at least on those?

Ravi Kant: Our association has been in discussions with the government, but no particular view has been taken by the government so far.

Vijay: Okay thanks.

Moderator: Thank you very much sir. Next in line, we have Mr. Praful from ABN Amro.

Praful: Hi! Sir, Praful here. Just wanted to get a data point, what is the breakup of you sales in terms of fresh sales to replacement demand, replacement sales?

Ravi Kant: It is difficult to say that.

Praful: Any rough idea of what could be the trend like?

Praveen Kadle: Praful it will be very difficult data point from an industry perspective to provide details, no specific data that one can give it on that.

Praveen Kadle: We are running close to the end of the call, can we have couple of last questions.

Srinivasan: I am Srinivasan from ABN Amro Equity Sales, I have essentially two questions, what is the thought process on the Rs. 1 lakh car, what is the progress status on that?

Dr. Sumantran: You know the project has continued to develop in the R&D stage, there is growing understanding within the company as to what kind of product it can be and what would be the implications, but while we continue to study various, both vehicle configuration and manufacturing strategies, we have really not yet got to the point where it is a go ahead project, so until we get to that point, we will have to continue to work on analyzing the month of lockage the scenarios and building the full understanding as to what this would mean as a business for the company.

Srinivasan: Sir can you comment on some kind of a timeframe by which you will take a final decision on yes or no on this project?

Dr. Sumantran: Not at this time.

Srinivasan: Okay, my second question is what we understand is your Daewoo Korean facility, the real brain of that facility is the systems engineers, they have good experience

in putting together higher capacity trucks which can stand the competition of say Volvo or the Daimler-Benzes of the world. How are you going to utilize that brain power, I mean what is the integration process on that, could you give us some idea on that sir?

Ravi Kant: Already as I mentioned earlier, cross locational team started in May and we are seeing the strength of both organizations and we are trying to use them as much as possible to each others goods, because ultimately it is really Tata Motors.

Srinivasan: Last question sir is on the cash surplus, what will be the deployment of that, I mean where exactly and how do you feel going forward, cash surplus any areas of new deployment like you know truck finance or you know certain segments where you will think you can make good return on it?

Praveen Kadle: We have Rs 3,500 crores (Rs 35 bn) of cash roughly and about Rs 2800 crores (Rs 28 bn) of loan, so we can say about close to Rs 700 crores (Rs 7 bn) is the surplus cash. Yes we are looking at using it for our financing activities, the financing activity has seen significant growth over the last two years and we are also earmarking this funds for our future capital expenditure, we have already gone on record saying that we would be spending about close to Rs 6000 crores (Rs 60 bn) over a period of next five years, so this money is earmarked for that kind of a capital expenditure.

Srinivasan: Thanks.

Moderator: Thank you very much sir. Next in line, we have Ms. Shrividya from Sundaram.

Krishna Kumar: Good morning sir, this is Krishna Kumar here. Sir could you talk a bit in terms of your competitive scenario in the LCV segment, you know, how do you see yourself in terms of other products of yourself and the competitors in the next one year with the launches extra?

Ravi Kant: Actually if you look at LCV segment, we doing quite well in the traditional LCV segment that is the four ton and seven ton segment, we have improved our market share, we did slow down in pick-up, and as I answered an earlier question for last four months continuously we had increase in the market share, so it is that in September it was the highest market share we had, and we do hope that in October we will continue to go forward. So we are strengthening the products, we are looking at some more items in this category to come into the market, and continue to increase the market share. So I am not seeing great difficulty. The EX versions that we have launched have been very well received in the market place, the fuel efficiency has improved very substantially, the comfort factor has improved substantially, and now we are looking at the appearance part and there has been a substantial improvement, and I think that's the area where we will be focusing a lot in the next six months.

Krishna Kumar: And in terms of the passenger bus segment, how do you see the demand from the private sector in the last six months and going forward do you see any trend change in buying pattern of private sector operators in buses?

Ravi Kant: Yeah as I mentioned earlier the real growth is actually going to come from LCV buses rather than MCV buses, and the trend is there, and we do hope that trend to really strengthen in the coming quarters, and we are fully prepared for that, in one of our earlier questions we are looking at introducing our branded buses during this financial year.

Krishna Kumar: Okay and could you tell us what was the kind of stock position in terms of commercial vehicles at the end of 30<sup>th</sup> September?

Praveen Kadle: We have provided receivables and the inventory number. Receivables were around nine days at the end of September 30<sup>th</sup> and inventory was around 33 days, which is lower than last year, this is for the total company as such.

Krishna Kumar: And sir lastly on the anti skid braking systems, when are we going to become mandatory, you have any views on that, and on a voluntary basis what would be the kind of timeframe when you consider more usage of ABS in your commercial vehicles?

Dr. Sumantran: I think the regulations are still not very clear because the CMVR Technical Committee as well as the ministries are in discussions with the society of auto manufacturers in terms of what would be the appropriate time both in terms of further improving safety standards and being mindful of affordability of how quickly they can be brought in, but in the meantime, I think our company has already developed many of these technologies and in like all other regulations we are confident that we will have the technologies in place in time for the regulations to be in force.

Krishna Kumar: Okay.

Praveen Kadle: Can we close the call right now?

Moderator: Sure sir.

Satish Jain: Okay, thank you ladies and gentlemen for participating in this call, thank you Mr. Kadle, Mr. Ravi Kant, Dharmendra, and Dr. Sumantran for addressing this call. Thank you very much.

Praveen Kadle: And thanks for participation, thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, thank you for choosing CyberBazaar's conferencing service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a nice day.