



**Tata Motors Limited**  
Q2 FY09 Earnings Conference Call  
Oct 31st, 2008

**Moderator:** Ladies and gentlemen, good evening and welcome to the Tata Motors Q2 FY'09 results conference call hosted by JM Financial Institutional Services Private Limited. As a reminder for the duration of the conference, all participants' lines are in listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference please signal an operator by pressing "\*" and then "0" on your touchstone phone. Please note that this conference is being recorded. At this time, I would now like to hand the conference over to Mr. Jesal Shah of JM Financial. Thank you and over to you Mr. Shah.

**Jesal Shah:** Thank you operator. Good evening everybody and welcome to Tata Motors Q2 FY'09 Earnings call. To discuss the results we have on the call Mr. Ravikant, Managing Director, Mr. C. Ramakrishnan, Chief Financial Officer, Mr. Rajiv Dube, Head Passenger Cars Business, Mr. Ravi Pisharody, Vice President Sales and Marketing, Commercial Vehicles and Ms. Savita Balachandran, Head Investor Relations. May I request Mr. Ramakrishnan to take us through the financial highlights, subsequent to which we can open the floor for the question and answer session. Over to you Mr. Ramakrishnan.

**C. Ramakrishnan:** Thank you Shah. Good evening ladies and gentlemen and thanks for joining us today in this conference call. I am speaking through a presentation that we had put together but after the call the presentation will also be on our website, so you will have access to that. Just to summarize my opening remarks I will try to cover it as three to four different aspects. One is the business highlight for the company - for the commercial vehicle and passenger car business, International business and vehicle financing. Then I will move on to the financial performance and financial highlight for the company. Then talk a little bit about the key subsidiaries and their performance, and very briefly on some of the significant events during this quarter. To start of, the auto industry, as you all are aware, went through a very challenging quarter and the challenging year, which got more aggravated in the current quarter, high interest rates and significantly reduced liquidity continued to impact the auto sales. In addition to that the vehicle financing availability has



been very tight and very scarce. In the last few months the global cue, the global financial market crisis have added significantly in terms of volatility in stock prices and exchange rates, nonetheless further hit on the liquidity situation at a macro level. In this background Tata Motors volumes declined this quarter compared to the same quarter last year. The decline was contained at about 1%. Our total sales was about 1,35,000 vehicles, commercial vehicles and passenger cars put together compared to 1,36,500 in the previous year same quarter. More specifically on commercial vehicles while the market continued to be impacted by the factors that I mentioned earlier in terms of lack of finance availability and high interest rates. In relative terms, our market share performance has been very gratifying in this quarter. In the overall CV segment our market share stood at 61.6% and in the medium and heavy commercial vehicles, it increased to 59.1% from 58.6% and LCV it stayed at around 64%. Within the medium and heavy commercial vehicles, in the trucks segment, where we have always been traditionally strong, we strengthened our position even further improving to 64.5% from 62%. The market share performance in the overall passenger carrier segment has been even more impressive in the quarter just ended we increased our market share to 60% compared to 52% in the same quarter in the previous year. This has been on the back of impressive growth in volumes and continued strong performance of the Ace Truck and its different versions, Magic and Winger. For the Ace truck, the Uttarakhand plant is ramping up its production very quickly to meet the continued strong demand. In the passenger car, the overall industry showed a decline of 1%, again, model of the same factors in terms of interest rates and finance availability. In addition for the company, the freezing out off the old Indica model affected the market share among hatchbacks in this quarter. We expect that, in the coming quarters, Q3 and Q4 with the strong response that we have received, and the ramp up of the production of the new generation Indica Vista, this position should be soon corrected. In the Sedan segment, Indigo CS continues to do very well and we have achieved a market share about close to about 35% compared to about 28% in the same period last year. Similarly, in the utilities vehicle segment, Sumo Grande and Safari continue to do well and there is a volume growth in this half year of about 10% supported by the new Grande volume. In this period, in the half year, April-September, we also sold 2300 Fiat branded cars, which as you know distributed through Tata Motors distribution network. The overall market share in passenger vehicles, utility vehicles, showed a decline from 13.9% to 13%. In the international business our performance showed a decline on the back of macro economic factors and economic conditions in many of the markets some of our key markets like



South Africa; however our exports to our newer markets and emerging markets like Ukraine, Russia, etc., are proving to be supporting our volume but overall volumes did decline in the quarter by 6.6% compared to the same period last year. One of the key initiatives that we have been focusing on is to further strengthen our capital vehicle financing business where I had mentioned to you all about the three prong strategy which Tata Motors Finance, our non-banking finance subsidiary company as well as Tata Capital combined the disbursement showed up about 9% growth compared to the same period last year in this half year compared to the last half year. In terms of market share the market share has increased in terms of vehicle financing penetration for Tata Motors models and stands at about 32% in this half year. Coming to Tata Motors and Tata Motor Finance the total overall book size is around a little 8000 crores, about 8500 crores, on Tata Motors about 3000 crores and the rest in Tata Motor Finance. In terms of the standalone financial performance of Tata Motors Limited the net revenue for this quarter was a little over 7000 crores at 6.1% growth over the same period Q2 last year, which was 6600 crores. EBITDA margins before the adjustments I will come to those adjustments and one-time items separately. Before this at an operating level EBITDA margin stood at 8.1% in this current quarter compared to 9.2% in the same period last year. 8.1% compared to the 9.2% a decline of about 107 basis points. In the current year after providing for depreciation and interest and after providing for notional valuation loss on account of foreign exchange on our previous convertible borrowings the PBT stood at 358 crores compared to 621 crores in the same period last year. The PAT impact for the company is marginal and low in this quarter as it was in the first quarter on account of the PAT differential we have on the long-term capital gains, dividend income and the weighted deduction available on R&D expenditure. Net of tax PAT stood at 346.9 crores in this current quarter compared to 526 crores in the same period last year. For the half year the total net revenue was 14000 crores in this half year compared to 12700 crores in the same period last year and EBITDA margin was 7.9% compared to the 9.1% in the same period last year half year-to-half year. In terms of working capital inventories have shown a reduction from 39 days to 35 days, from June to September during this quarter. Our receivables have gone up marginally which we hope we will be corrected in the coming quarters. Receivables stand at 18 days at end of this quarter. In terms of the overall balance sheet size the net capital employed stands at about a little over 20000 crores and total borrowings for the company is 11200 crores with a debt equity ratio of 1.37:1 at the end of this quarter for the company. Post the rights issue on a proforma basis the debt equity ratio comes down to 0.91:1. In terms of



key subsidiaries, in terms of the economic performance in those countries like Korea, or Indian subsidiaries the performance continues to be affected by the factors that I talked about earlier with marginally better turnover performance that decline in profit after tax. Tata Daewoo in Korea hosted a profit of 22 crores for this quarter after tax. Telcon 42 crores after tax, both showed a decline of over 40% in the TED performance compared to the same period last year. Tata Technologies our IT subsidiary almost doubled its profit in this challenging environment. In terms of our key subsidiary company I wanted to share some sales performance of Jaguar Land Rover as well. Jaguar Land Rover performance up to June we have provided in the offer document, which you may be familiar with. For the quarter July-September this year Jaguar Land Rover combined sold 51,420 vehicles compared to 69,000 in the same period last year, July-September last year, a decline of about 11% overall. Within this Jaguar continues to be supported by the strong demand for its recently launched product XF with a strong demand and a strong order book position. On the back of this Jaguar in fact in this challenging circumstances increased the sales compared to the same period last year at 17500 cars compared to 14900 in the same period last year and increase of about 3000 cars. Land rover however, saw a volume decline to 44000 vehicles compared to 54000 in the same period for this quarter, both Jaguar and Land Rover continues to expand and show impressive performance in the emerging markets, like Russia, Brazil and China. As I had shared with many of you before that Russia will be the third largest market for Land Rover this year and China will be the fifth largest market. The company has continued to focus on cost reduction. A constant review of the capital expenditure programs and operational efficiency improvements and quality improvement and in the last two three months in this quarter many action items and cross-functional teams have been finalized for joint effort between Tata Motors and the Jaguar Land Rover, mainly focusing on areas like product development and engineering, sourcing, IT and other areas. Just a brief mention of some of the significant events we launched as I told you earlier we launched the Indica Vista, we have very encouraging response from the marketplace. The manufacturing facility of Tata Nano was decided to be relocated from Singur to Sanand, which was announced in the first week of October. The integrated project manufacture of the Nano in Sanand will have an initial capacity of about 250000 cars per annum. Plans are being finalized for the actual activities to commence. We had also mentioned to you about the new subsidiary company we had formed, which is the TML distribution company, which will be a central focal point for sales and distribution operations and logistics operations for Tata Motors. This company also commences its



operations and will ramp up with its activities from August on. I will stop here and we will request for the conference to be more converted opening for questions and answers. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question and answer session. Anyone who wishes to ask a question may press “\*” and “1” on their touchtone telephone. If you wish to remove yourself from the question queue you may press “\*” and “2”. Participants are requested to use handsets while asking a question. Participants are also requested to limit their questions to one per participant. Anyone who has a question may press “\*” and “1” at this time. The first question is from Mr. Mahantesh Sabarad of Centrum Broking. Please go ahead.

**Mahantesh Sabarad:** Good evening sir. Mahantesh here. Just wanted to understand what is it that you are planning in terms of refinancing the Jaguar Land Rover acquisition? You have acquired it for \$2.3 billion and there is an additional working capital there to be pumped in, so...?

**C. Ramakrishnan:** I understand and agree Mahantesh. The total bridge finance is available till as I mentioned earlier till June 2009, one part of the refinancing program which is the domestic issue of shares we have completed and that will be utilized for repayment of the bridge finance part repayment of the bridge finance. We are reviewing our other plans, the next part of the plan was to propose equity or equity related instrument issues overseas markets. This along with divestment program that we have contemplated was also aimed at part refinancing, some of this we have time over the next eight nine months to rethink and replan and after we finalize these plans and implement these plans we will make the announcements.

**Mahantesh Sabarad:** But the gap is too large because we have only managed near a billion dollar refinancing so far and as I see your operational performance that there is not much internal generation for you to really pump into the acquisition on refinancing the acquisition cost, so how do you propose to fill the gap? Would you go for a rollover of the bridge loans for an additional period?

**C. Ramakrishnan:** Not the rollover, we have to re look at the structuring of the instrument in an appropriate manner. That is one option and we will also continue with some of the divestment plans that we have, it may not happen in the next one month or two months, it may happen in the



next couple of quarters depending on the market condition and you need to look at any structured longer-term debt option, all these are under consideration. As I said and when we finalize these we will surely share it with the public.

**Mahantesh Sabarad:** Sure thanks.

**Moderator:** Thank you, Mr. Sabarad. The next question is from Mr. Srinivas Rao of Deutsche Bank. Please go ahead.

**Srinivas Rao:** Hi Srinivas here. Thank you, very much sir. Sir just wanted to check with you would you be able to share any financials for JLR for this quarter?

**C. Ramakrishnan:** As I said earlier Jaguar Land Rover is putting together their systems and processes on a periodical consolidation of the results, which was not in existence prior to our acquisition. In addition to that for quarterly financials for announcement we also had to convert the whole thing into Indian GAAP, these all are our challenging task for large global operations and complex operations. As we had mentioned earlier the quarterly financials and the quarterly performance of Jaguar Land Rover will be reported from the next year onwards. In the meantime we will keep updating the investors and the analysts in terms of their performance from time-to-time, like we had just shared in the offer document and also had shared the business performance with you and we will try to do that as we go along, but regular Indian GAAP financials will be available from next year.

**Srinivas Rao:** Thank you, sir.

**Moderator:** Thank you, Mr. Rao. The next question is from Mr. Ashutosh Goel of Edelweiss. Please go ahead.

**Ashutosh Goel:** Good evening sir. This is about the shifting of the Nano plant to the new location in Gujarat and I know you have maintained that there is no real cost involved or loss involved in the whole shifting exercise, which sounds a bit counter intuitive, so could you just share your thought process on, you know, is it that you want to keep the Singur's site for some future satellite plant or how does it work? How do you look at it confidently that there will not be any financial impact at all of the shifting of your location?



**C. Ramakrishnan:** Can I put it in two parts? Number one we have announced the movement of the Nano project from Singur in the earlier part of this month about 25 days ago, and within a week or less than a week about two weeks ago we announced the relocation of Nano project in Gujarat, many of these plans to do it in a most cost effective and efficient both time wise and cost wise the plans are being finalized and actions are starting. There will be additional cost involved. I do not think we said there will be any incremental cost, there will be incremental cost involved. Looking at the overall impact on the project of what can happen in Gujarat we believe that there will not be any material impact or write off on account of this activity as a project or on the company. As far as West Bengal is concerned the land lease is still on. What is being moved out of West Bengal as far as Tata Motors is concerned is the Nano project. We are evaluating options and whatever we do we will do in consultation and with the concurrence of agreement between us and the West Bengal government.

**Ashutosh Goel:** Second of my questions is related to the hedging loss that you have debited to the reserves. What kinds of contracts are there? Are these on export operations or are there also other kind of forward contracts on say for example loan repayment, part repayment of the bridge loans that we are proposing?

**C. Ramakrishnan:** In terms of hedged reserves you will recall in the first quarter results we had made the announcement in terms of our change in the accounting. This is relating to our trade transactions, exports and import and not any other derivative or speculative transactions.

**Ashutosh Goel:** What is the proportion of our exports that we had, is there a fixed policy on that or is it a very dynamic kind of position that we maintain?

**C. Ramakrishnan:** It will be a combination of both. There will be underlying policy, which will be reviewed from time-to-time depending on the requirements and the conditions, but we do have a policy.

**Ashutosh Goel:** If I were to estimate based on the reserves that you have created, if I were to estimate about \$100 million worth of forward contracts outstanding will that be too far off the mark?

**C. Ramakrishnan:** I can't give you a number at this stage, but it will be lower than that.



**Ashutosh Goel:** Lower than that. Just one last little thing about you know about the tax rate would you be for this year in the minimum alternate tax regime, you know, how does that stand?

**C. Ramakrishnan:** Yes, that is right.

**Ashutosh Goel:** Okay fine. Any other clarification you want to give on that?

**C. Ramakrishnan:** As I said earlier in my opening remarks in terms of the tax rate because of the dividend income and the long-term capital gains from sale of the long-term investments nevertheless product development expenses, which are eligible for weighted deduction and the company does incur large product development and engineering expenditure, the tax rates are definitely lower this year and as you rightly said at the end of the year we will be on MAT.

**Ashutosh Goel:** Okay and the tax provision that you have made in this quarter and the half-year is primarily deferred tax or is it also some part of it is current tax?

**C. Ramakrishnan:** Both, combination of both. Combination of deferred tax, and current tax.

**Ashutosh Goel:** Okay fine. Thanks a lot. That is all from my side.

**Moderator:** Thank you Mr. Goel. The next question is from Mr. Kapil Singh of Nomura Securities. Please go ahead.

**Kapil Singh:** Good evening sir. Just wanted to check on steel prices that have we seen any softness in the current quarter and wanted to know what is the duration of contracts for steel?

**C. Ramakrishnan:** As far as the steel prices are concerned there seems to be a softness in the market in terms of spot rates. How and when it will translate in terms of automotive consumption and contract we have to wait and see, but yes there is a softness in the market as far as spot prices are concerned, but as you know that most manufacturers I am not talking about Tata Motors specific, but most manufacturers do have annual or half-yearly contracts. They have not seen any reduction at all and we need to go a long way in making this happen.

**Kapil Singh:** Okay sir. Thank you.

**Moderator:** Thank you, Mr. Singh. The next question is from Mr. Pramod Amte of ABN AMRO. Please go ahead.



**Pramod Amte:** Sir this is with regard to the JLR, if I am right you were looking at alternative financing of vehicles tie up. Where do you stand now?

**C. Ramakrishnan:** As far as JLR is concerned typically around 35% of the sales were financed through Ford Credit and the Ford Credit arrangement as a part of the acquisition and transition plan to ensure a smooth transfer of business, we ensured that Ford Credit arrangement was valid for another year from the date of transfer. In the meantime as far as UK and European markets are concerned we have tied up already and the agreement has been signed with Fiat Financial Services, which is a joint venture between Fiat Group and Credit Agricole in all probability even before the end of the year, before the end of one year, which was the time given, we should be able to shift the operations to the new setup. So that is an independent arrangement that has already been put in place. The second market big market where we need to tie it at is the US market where the discussions are in very, very advanced and conclusive stage. We should be able to make an announcement most probably next week on that.

**Pramod Amte:** Thanks, and second there have been repeated press reports especially with regard to the production cuts both in the domestic market and for JLR. Would you like to clarify where do you stand and how flexible are your JLR terms to adjust the manpower related to the production or demand?

**C. Ramakrishnan:** Both Tata Motors and Jaguar Land Rover and in fact in all our companies we will continue to adjust our production according to the demand. It depends on the segment. If in a fairness state for example in domestic market the sales for the newly launched Vista and Sedan series are fairly strong and therefore it is a question of supply being less than demand at present. So there is no question of cutting back. Certain segments where the demand is going down then surely we will cut the proposed production and same holds for Jaguar Land Rover.

**Pramod Amte:** But especially JLR how are the workforce flexible how does it stand?

**C. Ramakrishnan:** At both places there is quite a number of temporary workers and some overtime is there, so first you are going to contract that, but there is no impact so far as permanent manpower is concerned. In Jaguar they had a scheme, voluntary scheme, which they had introduced I do not know the exact situation at this moment what were the results of that scheme.



- Pramod Amte:** Okay. Sure sir. Thanks.
- Moderator:** Thank you, Mr. Amte. The next question is from Mr. Shiv Chanani of Reliance Mutual Fund. Please go ahead.
- Shiv Chanani:** Hello. Good evening everybody. Just a couple of things from my side, one is I just wanted to know you have booked around 169 crores of profit on account of some transfer of technology to subsidiary. I just wanted to know what that technology is and where have we transferred that?
- C. Ramakrishnan:** Good evening. As far as the transfer of technology is concerned this is a transaction that took place in July-September quarter last year.
- Shiv Chanani:** Yes, that was to HV Axles right?
- C. Ramakrishnan:** yes, it was reported by us at that time. This is relating to IPRs and technology for commercial vehicle transmission and axles, which based on an independent valuations and assessment was valued and transferred to our subsidiary companies, which we had formed for this purpose HV Axles and HV transmission, is Axle and transmission company as a part of the strategic plan were meant to become a full-fledged companies both manufacturing and business development capabilities and the second part, which we have done last year but the last year quarter Q2 result we did include this profit.
- Shiv Chanani:** Right, and second is just I wanted to know in terms of if you can just throw some light on you know, some outlook on CVs particularly the heavier ones, let us say for the rest of the year?
- C. Ramakrishnan:** You know we do not give an outlook for our business, but looking at the current situation there is certainly because there is since slowing down of infrastructure spending and the contraction in availability of finance and also the rate at which the finance is available today. There is definitely an impact on big trucks and in fact indeed on the entire auto industry.
- Shiv Chanani:** That is true. All right thanks a lot.



- Moderator:** Thank you Mr. Chanani. The next question is from Mr. Sahil Kedia of Enam Securities. Please go ahead.
- Sahil Kedia:** Thank you, for the call. Just a couple of questions. Wanted to get some idea on your CapEx program and how much we have incurred in the first quarter and first half? Also wanted to get an update on our global truck platform launch and how is that progressing?
- C. Ramakrishnan:** I will answer the second question first. It is progressing quite well and it is planned for early part of next year.
- Sahil Kedia:** Next calendar year?
- C. Ramakrishnan:** Financial year.
- Sahil Kedia:** Okay sir and on the CapEx side?
- C. Ramakrishnan:** On the CapEx our plan was close to about 3000 plus crores for the current year. CapEx plan in the light of the current market conditions also being reviewed constantly by the company while the product development, engineering and product introduction related will continue and in fact may be even given higher priority. We are reviewing some of the capital expenditure related to hard capacity creation and we will do it in line with the demand as we go forward. In terms of the first half year can I give you that number at the end of this call? If you do not mind.
- Sahil Kedia:** Sure, sir. Thank you.
- Moderator:** Thank you Mr. Kedia. The next question is from Vaishali Jajoo of Angel Broking. Please go ahead.
- Vaishali Jajoo:** Good evening everybody. I just would like to have the current debt and cash figure, if you can give me?
- C. Ramakrishnan:** Pardon me.
- Vaishali Jajoo:** Current debt and figure in balance sheet?



- C. Ramakrishnan:** As of September 30, Tata Motors Limited the total debt stood at 11200 crores and the debt equity ratio was 1.37. This is the numbers I am giving you as of September 30. With the rights issue it has reduced to 0.91:1.
- Vaishali Jajoo:** Okay. Thank you, sir.
- Moderator:** Thank you Ms. Jajoo. The last question is from Mr. Pramod Kumar of B&K Securities. Please go ahead.
- Pramod Kumar:** Good evening everyone. Sir if you can just throw some more light on the order backlog, I believe XF still commands the order backlog in the global market so if you can just throw some more light on that particular aspect, sir?
- C. Ramakrishnan:** XF continues to have a strong sales, but the overall market has contracted very substantially in the US and it is now beginning to affect the UK and European countries, but overall if you see the Jaguar sales in the four months it has been higher compared to the last year.
- Pramod Kumar:** Yes sir. You are not going to share the numbers, is it? I think you had shared earlier that...?
- C. Ramakrishnan:** In four months after sales we took over last year Jaguar sales were 20,600 and this year they are 24,600, so there is an increase of 4000 as per Jaguar is concerned. As far as Land Rover is concerned there is a reduction from 76,000 to 60,000.
- Pramod Kumar:** Okay, I was more looking at the order backlog for XF actually but I think you may not share that, and sir coming on the pricing action on the CV front, I think, from October beginning we have affected a price increase on the heavy commercial vehicles and...?
- C. Ramakrishnan:** We increased; we have had the price increases this year. Every quarter we have increased the prices so far. On April 1, we have increased price by about 3%, then in July 1, another 3%, and October 1, another 2.5%, so cumulatively we have increased about 8.5%, 9% price increase.
- Pramod Kumar:** And sir, anything on the passenger vehicle side?
- C. Ramakrishnan:** Also, not to that extent but also in passenger's cars side we are seeing steel price increases.



- Pramod Kumar:** And this is going to be the October price increase being the last one, which we are seeing, expecting for the next few months at least. Will that be a fair assessment?
- C. Ramakrishnan:** Sorry?
- Pramod Kumar:** Is the assessment that October the price increase being I think we do not expect further price increases going forward at least in the near future?
- C. Ramakrishnan:** I cannot say anything in this volatile situation what will happen or what can happen.
- Pramod Kumar:** And sir on our steel contracts is it like a, is it a half yearly, quarterly or an annual contract for us at least?
- C. Ramakrishnan:** Generally it is annual; but in the current situation they have been converted to six monthly or three monthly contracts.
- Pramod Kumar:** Six monthly, and what would be your extent of import of steel sir?
- C. Ramakrishnan:** Sorry?
- Pramod Kumar:** Import of steel?
- C. Ramakrishnan:** Yes we are importing steel.
- Pramod Kumar:** Yes exactly, the breakup between domestic steel and the import steel?
- C. Ramakrishnan:** We would not be able to share that.
- Pramod Kumar:** Okay sir, fair enough. Best of luck sir.
- C. Ramakrishnan:** Thank you.
- Moderator:** Thank you Mr. Kumar. The next question is from Mr. Saurabh Das from Sundaram BNP Paribas. Please go ahead.
- Saurabh Das:** Hello sir. Thanks for taking my question. Sir just wanted to check do we have any tax rates as Sanand for the Nano Project?



**C. Ramakrishnan:** Tax rate you mean income tax?

**Saurabh Das:** That is right.

**C. Ramakrishnan:** Income tax is a central subject.

**Saurabh Das:** Okay, and in that case what was our thought process of not going to a tax free zone, we already have some presence in Uttaranchal, so what was our thought process on that?

**C. Ramakrishnan:** You cannot go by each item but we have to see the overall packet. So overall packet here is as good as Uttaranchal.

**Saurabh Das:** Only the proximity to the port is...?

**C. Ramakrishnan:** As indeed it was in West Bengal.

**Saurabh Das:** And sir on, something on the contingent liability of leases of JLR vehicles, which are sold abroad. Can you share some light on that?

**C. Ramakrishnan:** What is that you do you mean contingent liability for I did not understand the question?

**Saurabh Das:** In terms of the leases that we have on cars, is there any buyback arrangement that we have after 5 years that the owners of the cars can give it back and would that have any contingent liability on our group?

**C. Ramakrishnan:** No first of all the cars on lease sales are predominant in one of their market, which is the U.S. For Land Rover it accounts for about 15% of sales and for the Jaguar it is slightly higher. Even there in the lease there is no committed buyback from the company. It will depend on the arrangement each company has with the finance provider. There may be a submittal in terms of the resale value of the car, etc., but beyond this there is no buyback contingent line.

**Saurabh Das:** There is no risk for us in that sense?

**C. Ramakrishnan:** There is a risk to the extent in terms of the resale value of the cars that you build in to the lease upfront.



- Saurabh Das:** Okay and sir just wanted to check what has been the response to Indica Vista for this particular quarter? What is the total sales numbers you can share?
- Rajiv Dube:** The total sales of the Indica have grown. Indica Vista has been on the largest market practically for only one month till September and so it is in a ramp up mode. We are carrying currently, we are quoting delivery time of around six weeks for orders that you book today. As you would have seen from the numbers in August and then in September, in August last week when the Indica was launched, the August numbers of the Indica range were above 7500 and in September they went up to 8500 and this month hopefully you would see them going a shot further and hopefully crossing 10,000.
- Saurabh Das:** Okay, sir there were certain reports that there were certain technical problems with the car, especially the steering system; can you shed some light on that?
- Rajiv Dube:** I think our competitors can share some light.
- Saurabh Das:** Okay. Right and just one last question on the promoter holding, post the rights issue what is the total promoter holding including the non-voting shares?
- C. Ramakrishnan:** There are non-voting shares, we have differential voting shares.
- Saurabh Das:** Correct, differential voting...
- C. Ramakrishnan:** In the main ordinary shares, I am not talking about the differential voting shares, the main ordinary shares some of the holding which earlier stood at 33% have gone up to 42%.
- Saurabh Das:** 42?
- C. Ramakrishnan:** Yes.
- Saurabh Das:** And with the differential voting?
- C. Ramakrishnan:** With the differential voting, in terms of voting percentage, adjusting for the voting power, it has gone up to 43%.
- Saurabh Das:** 43%. Okay. Thanks a lot sir.



- Moderator:** Thank you Mr. Das.
- C. Ramakrishnan:** If I may interrupt for a minute, somebody asked for a capital expenditure figure. The total that we had talked about for the current year, about Rs. 2000 crores has been spent in capital expenditure and product development and engineering.
- Moderator:** Thank you. The next question is from Mr. Jairam Nathan of Kotak Securities. Please go ahead.
- Jairam Nathan:** Hi good evening. Thanks for taking my question. I just wanted to you know spend a little more time on the lease portfolio of Jaguar land rover. Is the lease portfolio on your books?
- C. Ramakrishnan:** No, The lease is done by an independent financing arrangement that we are concluding; either with Ford Motor Credit or will an independent finance provident that we are arranging. We are not carrying any vehicle financing in Jaguar Land Rover.
- Jairam Nathan:** Okay and I just wanted to get some information on the Nano, can you share with us what the production targets for this year and next year are?
- Ravi Kant:** Well I cannot tell you in this uncertain situation but, we are, you know we are in the process of uprooting ourselves from Singur and then putting the plant in Sanand, that is going to take quite a while and in the meanwhile we are going to start production from one of our existing plant in Uttarakhand and Pune, but we do hope to launch the product before the end of this financial year.
- Jairam Nathan:** Okay and what is the gross vehicle weight of Nano versus an average Tata passenger car?
- Ravi Kant:** Well I will have to check up, I do not have the correct.
- Rajiv Dube:** I can give you the Kerb weight with some indications.
- Jairam Nathan:** Yes you can whatever is available is good.
- Rajiv Dube:** The kerb weight is around 600 Kgs if I am not mistaken.
- Jairam Nathan:** Of the Nano?



- Rajiv Dube:** 600 Kgs, but we can confirm this maybe I can give you more specific figures after the conference.
- Jairam Nathan:** Yes sure no problem. Thank you.
- Moderator:** Thank you, Mr. Nathan. The next question comes is from Mr. Mayur Milak of Alchemy Shares and Stock Brokers. Please go ahead.
- Mayur Milak:** Yes hi good evening. Sir I just wanted to have some details on the JLR monthly numbers, if you could give me some monthly breakup on say July, August and September sales for Jaguar Land Rover?
- C. Ramakrishnan:** We just now shared these figures for June to September period.
- Mayur Milak:** Sir monthly breakup, please?
- C. Ramakrishnan:** Monthly break up I do not have for readily with me.
- Company Speaker:** I do not have it readily with me but we can give it to you later.
- Mayur Milak:** Okay thank a lot that will be all.
- Moderator:** Thank you Mr. Milak. The next question comes is from Mr. Govind Chellappa of Credit Suisse. Please go ahead.
- Govind Chellappa:** Yes good evening. I had a question on the truck market. What is the situation as far as the cash flows of truck operators are concerned? Is financing the only problem or are there issues with freight rates today or even load availability, utilization, stuff like that?
- C. Ramakrishnan:** I think the single largest problem is financing because if you see over the last two years there is a strong correlation with new vehicle sales and the rate of finance and the availability of finance. The issues on freight rates and road availability are there but I think these come relatively minor. The biggest issues are on finance and financing rate.
- Govind Chellappa:** Sir, my concern was that you know despite the diesel price increase and now moving into a busy season freight rates have not really gone up despite the fact that truck sales have not



been added too much capacity to the system. So I was just wondering if there is any other issue with the underlying moment of goods?

**C. Ramakrishnan:** The rates did go up but not to the extent of the fuel rate. We saw that at that time the impact of new vehicles was not that severe.

**Govind Chellappa:** There is no return of overloading or anything of that sort?

**C. Ramakrishnan:** Well overloading is there. Overloading I think what we see is that from time-to-time the restriction of overloading has a well enforced or less enforced. I think we are seeing a period when the enforcement of overloading controls are somewhat on the lower sides so that gives the operators some room to improve their profitability.

**Govind Chellappa:** Sure. My second question was on the bridge loan for the Jaguar Land Rover. Could you give us some indication of what are the terms of the loan are? Like interest rate, is there a reset clause, how often is it reset?

**C. Ramakrishnan:** The bridge finance, the interest rate is linked to LIBOR. It is a margin over LIBOR. Different margins for a different period of time, the initial margin for the first three months was 0.75% over LIBOR; later on 1% over LIBOR and 1.25% over LIBOR. At current rates we are at little over 5.5% in terms of the overall weighted cost of the bridge finance, in terms of interest rate. It can be reset every three months or six months as we choose. So it is a flexible interest reset clause and linked to LIBOR. In hindsight as we see in this moment today, in hindsight it is a very, very attractive rate.

**Govind Chellappa:** Sure it is. One last question and I know this question hasn't been asked in this forum for probably four, five years now; wanted to get an idea of what your breakeven points are for the commercial vehicle business? It had come down to I remember early 40s in 2002, 2003? I just wanted to understand given the commodity price movements since then and all the fixed costs that we have built up, would we be very far from it now?

**Ravi Kant:** The breakeven point of course would have gone up with the commodity prices going up and the input costs going up. But my answer in overall terms that will be the same answer we have given in the last four, five years, which is I will not be able to share a very specific number. It has, it has gone up but still very much under control.



**Govind Chellappa:** Okay sir. Thank you.

**Moderator:** Thank you, Mr. Chellappa. The next question comes is from Mr. Amrish Mishra of MS Global India. Please go ahead.

**Amrish Mishra:** Yes hi. Good evening everyone. Many questions answered. I just wanted to understand in the MHCV space we are facing a lot of issues as an industry as a whole. Going into the second half with the kind of base we are working on, can you just give us an idea or if you can just share what kind of growth that we can look forward or you know what kind of challenges that you see in the second half then in FY'10 basically because it is the second year running when the heavy commercial vehicles sales are under tremendous pressure for various reasons. So in second half and then in FY'10 I mean what perspective can you share on those things?

**C. Ramakrishnan:** As you know we do not give forward-looking statements so that would be difficult to...

**Amrish Mishra:** No but, just to understand I mean where do we go from here?

**C. Ramakrishnan:** See all we can say is, I would not talk about external environment, but what is that we need to focus on one is on the product itself as you know that we have introduced some new products with better fuel efficiency and we have been able to therefore increase our already very high market share further and we do hope that as months go by we will continue to improve our market share in the heavy truck segment undoubtedly. What the overall market will be, that is very difficult to say. I do not think anybody in today's time can predict what this will be. All we can say is relatively we will be better off than we were last year.

**Amrish Mishra:** What would be the current inventory for Tata Motors; specially in the MHCV?

**Ravi Kant:** I think the inventories are fairly low with the dealers less than two weeks or so.

**Amrish Mishra:** Less than two weeks. Okay and just wanted to check on this interest cost for outgo for the quarter has been significant, sequentially it has gone up substantially. Can you just share I mean if you can just give some idea about where it has come from?



**C. Ramakrishnan:** Mainly the interest cost interest has come from higher capital deployment both on account of the capital expenditure as well as on the working capital front.

**Amrish Mishra:** Do you see further increasing over the sequential basis?

**C. Ramakrishnan:** Interest costs will be under pressure going forward, both on account of further capital expenditure as well as interest rates; but depending on the interest rate reductions. You can see some gains going forward.

**RaviKant:** But in addition to interest rates we are certainly moving forward to reduce our inventory and therefore overall money that we will be using certainly that should go down and there should be a reduction from that point.

**Amrish Mishra:** Okay, great thanks a lot and have a nice time.

**C. Ramakrishnan:** Thank you.

**Moderator:** Thank you, Mr. Mishra. The next question comes is from Mr. Sonal Gupta. Please go ahead.

**Sonal Gupta:** Two questions, one I wanted to ask you was on JLR, given that the Euro and the pound have sort of depreciated significantly against the dollar. Could you just help us understand a little bit as to would there be an advantage in terms of the operating costs and operating margins because of that for JLR?

**C. Ramakrishnan:** In overall terms as far as the exchange parity is concerned, JLR would benefit under the current situation, in particular with the dollar exports.

**Sonal Gupta:** Right but I mean in terms of the cost what percentage, given the fact that some of your raw materials would be procured from Ford which I believe will be in dollar terms...?

**Company Speaker:** Sorry...

**C. Ramakrishnan:** We are not procuring anything you are talking about engines?

**Sonal Gupta:** Yes.



**Company Speaker:** Engines are produced in the UK itself it is pound denominated.

**C. Ramakrishnan:** Engines is supplied from Ford are from UK. Predominantly in pounds a good part of their cost base, sufficient part of their cost base is in pounds and as I said earlier for Land Rover about 15% and for Jaguar about a little over 20% sales in US. Therefore the US dollar parity as it is today in the outlook should significantly benefit the company.

**Sonal Gupta:** Alright so the cost structure is almost like substantially in pounds so to that extent you would benefit.

**C. Ramakrishnan:** Yes.

**Sonal Gupta:** Okay and my second question was related to the vehicle relating to lower provisioning which you said is given in the note in the financial so is this a reversal of provisioning during the or is it pertaining to just free flow concept?

**C. Ramakrishnan:** This is a continuation of the note we had provided in quarter one.

**Sonal Gupta:** Okay so this is the same as the first?

**C. Ramakrishnan:** That is right.

**Sonal Gupta:** Okay as the first quarter.

**C. Ramakrishnan:** Same as the first quarter.

**Sonal Gupta:** Okay thanks a lot, thank you.

**C. Ramakrishnan:** We were providing for the finance receivables at a much, much more conservative manner than what is required to be done. So we reviewed that and revised that during the first quarter. So this year, this quarter result carries the same note.

**Sonal Gupta:** Right, but any light you can shed on the Tata Motors finance, how is their provisioning looking and what are the, I mean how has Tata Motors finance done this quarter?

**C. Ramakrishnan:** The same change in provisioning norms and a review of the norms has been done for Tata Motors net books as well.



- Sonal Gupta:** And in terms of I mean profits and...?
- C. Ramakrishnan:** Tata Motors Finance, you are talking about the overall financial performance of Tata Motors Finance?
- Sonal Gupta:** Yes have they reported a profit number this quarter?
- C. Ramakrishnan:** No. In fact we will be posting the presentation, which I went through very quickly in the initial. We will be posting it on our website; the details are available in the presentation.
- Sonal Gupta:** Thank you sir.
- Moderator:** Thank you Mr. Gupta. Ladies and gentlemen due to time constraints we will be taking the last question of the day. The last question is from Ms. Rashi Talwar of Demeter Advisors. Please go ahead.
- Rashi Talwar:** Hi, I just had a question on the pension liabilities of JLR, given the current environment and the market over the last couple of months, do you all have any assessment as to how that would impact the pension liability?
- C. Ramakrishnan:** We have not done an assessment but yes the pension liability is coming to for evaluation and discussion with the trustees next year in 2009. That will be continued to be done at that time. We had the discussions with the trustees, whatever is the deficit at that time depending on the asset and liability situation we will work out a funding plan. If you recall I have shared with you in 2007 when the assessment was done, the deterrent was identified as \$600 million, which was fully paid in. Prior to that in 2006, the deficit was about a billion dollars and after discussion with the trustee, what was agreed and approved also by the pension regulatory in UK in 2006 was that the billion dollar deficit will be paid over a 10 year period and substantially towards the later part of the 10 years, in the last five years rather than the first five years. A similar arrangement at that time whatever happens in 2009 depending on the situation at that time we will have to come to a discussion and agreement with the trustees.
- Rashi Talwar:** Okay and when in 2009 is this appraisal to be done?



**C. Ramakrishnan:** It is effective April 2009, but by the time the assessment gets done and the actuaries report and discussions happen and concluded, typically it takes about five, six months period. I would say in the last quarter of 2009.

**Rashi Talwar:** So last quarter of 2009. Right. Okay. Thank you.

**Moderator:** Thank you, Ms. Talwar. At this moment I would now like to hand the conference to Mr. Jesal Shah for his final comments. Please go ahead.

**Jesal Shah:** Thank you operator. On behalf of JM Financial I would like to thank senior management of Tata Motors for taking the time off and sharing the with us the highlights of the results and also I would like to thank all the participants for joining us on the call today. Thank you so much. Bye-bye.

**Moderator:** Thank you.

**C. Ramakrishnan:** Thank you very much. Thanks everybody for joining and thanks specifically to JM Financial for making this happen.

**Moderator:** Thank you. Ladies and gentlemen on behalf of JM Financial Institution Services Private Limited, that concludes this evening's conference call. Thank you for joining us and you may now disconnect the line. Thank you.