



TATA MOTORS

Q3FY08 Results Conference Call January 31, 2008

- Moderator: Good evening ladies and gentlemen. I am Ravi Bob, the moderator for this conference. Welcome to the Conference Call of Tata Motors, December-2007 results hosted by ABN AMRO Asia Equities. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the question and answer session will be conducted for participants connected to WebEx International Bridge. After that, the question and answer session will be conducted for participants in India. I would like to handover to Mr. Pramod Amte. Thank you and over to you sir.
- Pramod Amte: Yeah, good evening everybody. This is Pramod Amte welcoming you all on behalf of ABN AMRO Asia Equities for Tata Motors December-2007 results conference call. We have with us Mr. C. Ramakrishnan, Chief Financial Office of Tata Motors, along with Savitha Balachandran, Head of IR Function, Tata Motors, to discuss about today's announced December-2007 result highlights and the outlook of the company. I now request Mr. Ramakrishnan to address the conference.
- C. Ramakrishnan: Thank you very much. Thank you Pramod and thanks to those who have dialed in today. Thanks for your time and joining in this conference call. By now, you would have already had the press release and the brief presentation that was made a short while ago. So, I do not want to go through the presentation or the highlights of the results once again and take your time. Maybe if I can cut short the presentation, we can straight away go into the question and answer session, Pramod if that is okay with you.
- Pramod Amte: Yeah fine sir, or if you do not want to highlight anything worthwhile else, we will directly go to Q&A. As you wish.
- C. Ramakrishnan: Yeah, we can go to the Q&A.
- Pramod Amte: Sure. Moderator, will you open the call for Q&A?



Moderator: Sure sir. Thank you very much sir. At this moment, I would like to handover the proceedings to WebEx International Moderator to conduct the Q&A for participants connected to WebEx International Bridge. After this, we will have the question and answer session for participants at India Bridge. Thank you and over to WebEx International moderator.

International Moderator: Thank you Ravi. We will now begin the Q&A session for participants connected to the WebEx International Bridge. Please press *1 to ask a question. Participants who wish to ask questions, please press *1. Participants who wish to ask questions, please press *1. Participants who wish to ask questions, please press *1. Participants who wish to ask questions, please press *1. At this moment, there are no questions from participants at WebEx International Center. I would like to handover the proceedings back to Ravi.

Moderator: Thank you Laurie. We will now begin the Q&A interactive session for India participants. Participants who wish to ask questions, please press * and 1 on your telephone keypad. On pressing * and 1, participants will get a chance to present their questions on first in-line basis. Participants are requested to use only handsets while asking a question. I would request the participants to kindly restrict to one question in the initial round and come back for the followup questions. Now to ask a question, please press *1. The first question comes from Mr. Pramod Kumar of B&K Securities.

Pramod Kumar: Good evening sir. Sir, just a small query. Have we taken any pricing action on the CV side sir, during the quarter?

C. Ramakrishnan: Good evening Pramod Kumar. Let us just share the details with you for the October price increase. Your question is about the Commercial Vehicle?

Pramod Kumar: Yes sir.

C. Ramakrishnan: On the M&HCV trucks and buses, price increase was on an average about 2%.

Pramod Kumar: 2% from October sir?

C. Ramakrishnan: That is right, yeah.

- Pramod Kumar: And another small query regarding your Tata Motor Finance sir. If you can just share with us what is the total investment from Tata Motors in Tata Motor Finance as of now?
- C. Ramakrishnan: The total share infusion into Tata Motor Finance. Hello?
- Pramod Kumar: Yes sir.
- C. Ramakrishnan: The total share money infusion is about 850 crores cumulatively till date.
- Pramod Kumar: 850 crores sir?
- C. Ramakrishnan: Yeah.
- Pramod Kumar: And any plans of taking it public sir?
- C. Ramakrishnan: Not at this moment.
- Pramod Kumar: Okay sir, thanks a lot sir and best of luck for the future sir.
- C. Ramakrishnan: Thank you very much.
- Moderator: Thank you very much sir. Next in line we have Mr. Bala from Morgan Stanley.
- Mr. Bala: Good evening Mr. Ramakrishnan.
- C. Ramakrishnan: Good evening Bala.
- Mr. Bala: Sir, a quick question on the Tata Motor Finance profitability. If I look at it, the year to date profitability, especially in the third quarter has sharply come off, was there any specific reason because the top-line has not come off that much, whilst the bottom line has come off pretty drastically from around, till first half it was around 450 million or 45 crores of profit and for the current quarter it is only 8 crores of profit?
- C. Ramakrishnan: Sorry, I am not clear about your question and the number you have.
- Mr. Bala: Okay, till the profit after tax for TMFL, the Tata Motor Finance Limited, in the first half was 45 crores, whereas in the current quarter even though the top-line did not decline, though it did come off



by around 30 odd crores but not much, whereas the profit after tax has come off more drastically to only 8 crores. Was there any higher provisioning taken during the period?

C. Ramakrishnan:

Mainly, it is a function of the interest rate.

Mr. Bala:

Okay.

C. Ramakrishnan:

We have explained in the market place also that there has been a pressure on the interest rates both in terms of borrowing cost and there is a pressure in the marketplace in terms of how much the industry can observe.

Mr. Bala:

Right, because I also see the comment that you have maintained the spread that is the reason why I am asking that question.

C. Ramakrishnan:

Rates also have been under pressure, but more importantly, the portfolio also has to be monitored closely as in the market pressures, the provisioning also has been stepped up. It is a combination of factors.

Mr. Bala:

Okay, perfect. Thanks a lot. I will come back with a followup later. Thanks.

Moderator:

Thank you very much sir. Next in line, we have Mr. Manoj Bajaj an individual share holder.

Manoj Bajaj:

Hello.

Moderator:

Mr. Manoj, your line is open. Sir, you can go ahead.

Manoj Bajaj:

Hi good evening.

C. Ramakrishnan:

Good evening Manoj.

Manoj Bajaj:

Hi, good evening. I just, you know, there is a lot excitement and firstly want to congratulate Tata Motors for Nano.

C. Ramakrishnan:

Thank you very much.

Manoj Bajaj:

You know, the great show that happened and, you know, made India proud, but I am just worried as a share holder, does it really make Tata Motors profitable, by you know producing such a cheap car in future or it is an overhead?

- C. Ramakrishnan: Right, Tata Motors is conscious of its responsibility to the share holders. We have an internal benchmark in terms of project returns, which all projects go through and that is no different in the case of small car. Again, I personally do not call it cheap car, it is a low-priced car.
- Manoj Bajaj: Okay.
- C. Ramakrishnan: And, the project has gone through the same standards and benchmarks and there is no difference.
- Manoj Bajaj: Okay, thank you.
- Moderator: Thank you very much sir. Next in line, we have Mr. Govind from Credit Suisse.
- Mr. Govind: Yeah, hi. Just a quick question on Commercial Vehicles. Are we seeing any signs of improvement in demand as we speak, how is the financing position in the market? Are the banks who had slowed down a bit are they back in the market and are you seeing any signs of stress as far as NPAs are concerned ?
- C. Ramakrishnan: My answer is somewhat mixed. The interest rates or the availability of the credit is not as it should be. I think, there should be greater level of funds being made available on liquidity in the system than it is at present. Unfortunately, the interest rate does not seem to have been reconsidered at this point of time, so interest rates for the buyers also continued to be high. So, in that sense the pressures we talked about from the market place continue as we speak. We only hope there would be a greater control on the inflation, and the continued assurance on the economic performance would see some relaxations, both on the liquidity availability and on the costs in the near terms.
- Mr. Govind: But, are you seeing any signs of stress as far as the operators are concerned in terms of the cash flows and their ability to repay?
- C. Ramakrishnan: The freight rates are holding steady, which with a combination of the liquidity and the interest rates. It seems to be a good sign, perhaps the fundamental demand of the infrastructure and the fundamentals of the economy continue to be strong perhaps,

which is one more reason why there could be a serious reconsideration of the tightness that is prevailing today. The freight rate seems to be holding quite steady. As we see forward in terms of diesel prices or further pressures that may begin to happen on freight rates, etc, is difficult to predict at this stage, but freight rates and the operator profitability seems to be manageable at this point of time at least.

Mr. Govind:

Yeah. One final question on the relative subject. Would you be in a position to tell us what you think of the growth for M&HCV trucks next year for FY09 for the industry?

C. Ramakrishnan:

We are positive on the outlook. Normally, we do not share numbers in terms of outlook and growth. We are positive for the main reason the economic performance continues to be strong and seems to be very promising in this region and for India. Structurally, there are every reason why the growth should come forward, but I would refrain myself from predicting a number and having to debate about it in the next conference call.

Mr. Govind:

Thank you. I have many more questions. I will come back later.

Moderator:

Thank you very much sir. Next in line, we have Mr. Ashutosh Goel from Edelweiss.

Ashutosh Goel:

Good evening sir. Congratulations on the good set of numbers. My question is related to the sale of the stake in the HV Axles that you have done during the quarter which came as a bit of surprise because it never got announced during the quarter, but could you share with us, you know, whom have you sold this stake to ?

C. Ramakrishnan:

The stake has been sold to Tata Capital.

Ashutosh Goel:

Oh, okay.

C. Ramakrishnan:

It should not be a surprise primarily as this is something which we have been sharing with the analysts and also in other forums that we have had when these companies are formed, our strategic direction was always to spin them off as subsidiary companies and allow them to grow in their own direction and focus on the businesses that they have as independent companies.

Ashutosh Goel: So.....

C. Ramakrishnan: The first step of the capacity creation, the new product being embedded in this company and begin to operate as separate companies was undertaken in the first few years.

Ashutosh Goel: Okay.

C. Ramakrishnan: Earlier, we also enabled the companies to become fuller and more comprehensive by transferring the intellectual property rights and design capabilities and skills to these companies. I would believe that it is the right time for unlocking some of the value in these subsidiaries.

Ashutosh Goel: Right sir.

C. Ramakrishnan: This is the first step, and this is in line with the plan which I think in terms of direction strategy which we had shared with you earlier.

Ashutosh Goel: Okay.

C. Ramakrishnan: This is the next step in the same direction.

Ashutosh Goel: This sale included some amount of fresh issue or it is out of the 45-crore capital that is, you know, the base capital of the subsidiaries.

C. Ramakrishnan: No, there was no fresh issue. It was sale out of Tata Motors holding.

Ashutosh Goel: Okay, so can we take it as a precursor to a possible of you IPO sometime down the line.

C. Ramakrishnan: You can take it as a precursor, but I do not how or what somewhere down the line would mean. We will do it at the right time

Ashutosh Goel: Yeah correct. Okay. And, just one more bit of information on Tata Motor Finance, what is the kind of debt that is there on Tata Motor Finance as of now?

C. Ramakrishnan: Could you just bear with us for one minute please?

Ashutosh Goel: That and the loan book if you please. Hello? Hello?.



Moderator: Hello, Mr. Ramakrishnan?

C. Ramakrishnan: Just give me a minute please; otherwise, we can go onto the next question, we will come back to it later.

Ashutosh Goel: That and loan book.

C. Ramakrishnan: Yeah, I got it.

Moderator: Mr. Ashutosh, can you please come back for the followup questions.

Ashutosh Goel: Yeah.

Moderator: Thank you very much sir. Next in line, we have Mr. Kapil Singh from Lehman Brothers.

Kapil Singh: Yeah, hi sir. Congratulations on a good set of numbers. Hello? Hello?

C. Ramakrishnan: Yes, please go ahead, good evening.

Kapil Singh: Yeah, good evening sir. Congratulations on a good set of numbers.

C. Ramakrishnan: Thank you.

Kapil Singh: Just wanted to ask that where is that, that we have seen a decline in raw material prices and what is your view going ahead?

C. Ramakrishnan: Raw material prices continue to exert pressure on the bottom line. It is perhaps declining in terms of the pressure it is exerting, but I would not say it is an absolute decline.

Kapil Singh: Okay. Yeah, I mean, in terms of percentage of sales?

C. Ramakrishnan: In terms of the total raw material consumption to percentage of sales?

Kapil Singh: Right, right.

C. Ramakrishnan: I think, it will hold more or less steady at this level and, may be with some of the cost reduction programs, it may see some improvement. A lot depends on the underlying raw material prices in which direction they go.

Kapil Singh: Okay.

- C. Ramakrishnan: We expect that the raw material prices may somewhat steady as we go forward, but otherwise, I expect the percentage is to be more or less at this level.
- Kapil Singh: Okay sir. Okay, thanks a lot. I will come back for a followup question.
- C. Ramakrishnan: Thank you.
- Moderator: Thank you very much sir. Next in line, we have Mr. Srinivas from Deutsche Bank.
- Mr. Srinivas: Hi, this is Srinivas here from Deutsche Bank.
- C. Ramakrishnan: Good evening Srinivas.
- Mr. Srinivas: Hi, how are you sir? Sir, I just wanted to check with you your press release paints a slightly bearish tone on margins and the fact that you know numbers are under pressure, but you know, if we just put down the numbers, your margins have kind of significantly gone up on quarter over quarter, are we missing something or are we reading it wrong?
- C. Ramakrishnan: No, I think it is important that we communicate the underlying trend in the business.
- Mr. Srinivas: So, I mean, the fact that your margins having seen a fairly rapid jump and they have been the highest in the last four quarters, I mean, should we not take it then as a trend, would that be a fair assumption?
- C. Ramakrishnan: Well, you can draw your conclusion, but for the details of the financial statements, we also have to compare it over a period of last year.
- Srinivas: Okay sir.
- C. Ramakrishnan: But we thought we should also communicate to you the underlying pressures on the business and as a business.
- Srinivas: Okay sir. Thanks a lot sir. Thank you.
- Moderator: Thank you very much sir. Next in line, we have Mr. Chirag Shah from Emkay Shares.
- Chirag Shah: Yeah, good evening sir.

- C. Ramakrishnan: Good evening.
- Chirag Shah: Sir, I just wanted an update on the new Indica that we are trying to launch. When is the launch likely to happen on that side?
- C. Ramakrishnan: It will be later this year. We have not fixed a month on the launch. It will be sometime later this year.
- Chirag Shah: But, can we expect in first quarter of financial year 2009 or it is not yet finalized tentatively the launch date or a launch period I would say, not necessary a date. Can we expect it to happen in somewhere in first quarter of 2009?
- C. Ramakrishnan: Somewhere there about, we have not fixed an exact month or a date for that. It will be somewhere around that time.
- Chirag Shah: Okay, and second question was again on margins, if you can help us understand. If you look at your competitors numbers, they have been somehow able to manage the raw material costs, probably both of you have been able to do price hikes on the CV sector and to some extent, you have been able to pass it on, but at the same time, we see some pressure on you at this point of time. Is it a trend we can look at it because of product mix is changing, this would really mean that the margins would be under pressure. That is right or I am not reading it in a right way?
- C. Ramakrishnan: No, I think, you are reading it right in one sense in the sense, in the sense you need to when you compare margins, you need to take into account the full line of product range of the company. I do not want to comment on the competitor results.
- Chirag Shah: Yeah.
- C. Ramakrishnan: The underlying tone in the automotive business is that the margins indeed are under pressure.
- Chirag Shah: Okay, so would that mean that, what I am trying to understand is that is the pressure is across the products in terms of be it LCV, be it Ace or it is more to do with one particular segment of our product portfolio.
- C. Ramakrishnan: I would say it is fairly across.

- Chirag Shah: Can you pardon me sir?
- C. Ramakrishnan: I would say it is fairly across.
- Chirag Shah: Okay sir, thank you.
- Moderator: Thank you very much sir. Mr. Ramakrishnan?
- C. Ramakrishnan: Yes.
- Moderator: Sir, I sense a lot of background noise from this line sir. I would go ahead with the next question. Next in line, we have Mr. Rahul from Enam Securities. Mr. Rahul, you can go ahead sir.
- Mr. Sahil: This is Sahil here. I just wanted to understand, if you can share with us, what are your product launches for this year and if you can shed some light on your bus strategy especially to Marco Polo bus.
- C. Ramakrishnan: When you say product strategy for this year, you mean for the April-December?
- Mr. Sahil: No, over the next 12-18 months, if you can just shed some light on the product launches across CVs and cars especially. If you can shed some light also on your bus strategy.
- C. Ramakrishnan: As far as the going forward, product launches will cover both Commercial Vehicle and Passenger Vehicle section. We have a line up of products in both. Some of the examples in the commercial vehicles would be the high-end truck, very high end trucks, the 40 ton.....
- Mr. Sahil: Okay.
- C. Ramakrishnan: ...and there will be some further variants of the Tata Ace also at the other end. There are several other application vehicles and Tippers, etc., which are also being lined up. That is a fairly comprehensive range coming up in the commercial vehicle. Commercial vehicle also had a new pickup version.
- Mr. Sahil: Okay.



- C. Ramakrishnan: As far as the car is concerned, you know all about the Tata Nano and the new Indica which we displayed in the Auto Expo.
- Mr. Sahil: Yup.
- C. Ramakrishnan: There will be a newer version of the Sumo, which was also displayed, the Sumo Grande, and also other version of Indigo as well. So, the entire product line be it commercial vehicles, heavy trucks or ranging upto 1 ton as well as in the passenger car, we do have a line up of models at various points of times in the coming 12 months.
- Mr. Sahil: Sir, if you then shed some light on your Marco Polo buses that you had also shown at the Auto Expo. What is the timeline of launch of that?
- C. Ramakrishnan: Marco Polo buses for some of the specific requirements in North India, they have already started operating from a facility created for this purpose in our Lucknow plant
- Mr. Sahil: Okay sir.
- C. Ramakrishnan: So in that sense, the JV has already started delivering the vehicle.
- Mr. Sahil: So, when is your
- C. Ramakrishnan: The main plant is coming up in Dharwad in Karnataka.
- Mr. Sahil: So, when is that expected to come about?
- C. Ramakrishnan: It will come up maybe in the next few months.
- Mr. Sahil: Alright. There is still one last question. Can you help us with the timeline of your global truck platform that you were talking about? Are there any firm plans or timelines on that? Or when that could be launched?
- C. Ramakrishnan: Yeah, the world truck platform would be launched in Korea followed by launch in India.
- Mr. Sahil: Sir, any timeline that you can share with us.
- C. Ramakrishnan: Korea launch will be somewhere during this year, that is middle of the year.

- Mr. Sahil: And, India launch sir.
- C. Ramakrishnan: Followed by India later, we have not timed the India launch yet but it could be either end of this year or next year.
- Mr. Sahil: Alright sir. Thank you. I will come back with questions later. Thank you.
- Moderator: Thank you very much sir. May I request the participants to restrict to one question in the initial round and come back for the followup question. Next in line, we have Mr. Amit from Motilal Oswal.
- Mr. Amit: Hi, thanks. My question has been addressed.
- Moderator: Thank you very much sir. Next in line, we have Mr. Shah from Allard Partners.
- Mr. Shah: Good evening sir. My question is that, out of the total trucks sold in the industry, what would be the percentage of trucks sold which are Euro II compliant and Euro III compliant.
- C. Ramakrishnan: I do not think we have the statistics available for that.
- Mr. Shah: Okay, but broadly, you know, maybe when the norms changed from Euro II and to Euro III compliance across the board some years down the line, what do you think would be impact on the cost of production.
- C. Ramakrishnan: On the total industry numbers, between Euro II and Euro III, I am not sure I will be able to.....
- Mr. Shah: Okay, but, what about Tata Motors?
- C. Ramakrishnan: Tata motors, maybe if it is okay with you, can you send a mail to us and we can respond to you separately on this. I do not have the information readily available today.
- Mr. Shah: Okay, okay and sir about, you know, when the norms change from Euro II to Euro III, what would be impact on the costs.
- C. Ramakrishnan: Euro II to Euro III costs in terms of the impact on the company I think most manufacturers should be able to pass on because the operators also would



recover through better fuel efficiency and other advantages.

Mr. Shah:

Okay.

C. Ramakrishnan:

So, in terms of net impact on the bottom line, I think, it would not be very significant.

Mr. Shah:

Okay, and since we have been using the CRDi technology for Indica, would it be used in other commercial vehicles also.

C. Ramakrishnan:

As a technology, yes. Particularly in the smaller vehicles.

Mr. Shah:

Smaller vehicles.

C. Ramakrishnan:

The technology yes, but it depends from engine to engine.

Mr. Shah:

Okay, but not in the larger or commercial vehicles?

C. Ramakrishnan:

At present, not.

Mr. Shah:

Okay, thank you.

Moderator:

Thank you very much sir. Next in line, we have Mr. Manishi from UBS.

Mr. Manishi:

Good evening C. Ramakrishnan. This is Manishi from UBS. Hi.

C. Ramakrishnan:

Good evening. Hi.

Mr. Manishi:

Hi. I just wanted to know what is the kind of dealer pipeline inventory position in both commercial vehicles and passenger cars right now?

C. Ramakrishnan:

Dealer pipeline inventories are very carefully monitored. We have not seen any increase in that at all. That has been very carefully controlled.

Mr. Manishi:

Right.

C. Ramakrishnan:

I would think normally it ranges between 2-3 weeks. We have not seen significant increase in that. In fact, in the passenger car side, we have had some reductions in the inventory pipeline. It would be closer to 2 rather than.... I am talking about averages.

- Mr. Manishi: That is right. Now, I recall, given a few months back, when the inventory position had risen, you were forced to cut back on the number of production days at the Pune plant, have you rolled that back.
- C. Ramakrishnan: Yes.
- Mr. Manishi: Okay.
- C. Ramakrishnan: That was in the very early part of this year.
- Mr. Manishi: That is right.
- C. Ramakrishnan: That is restored within a short while.
- Mr. Manishi: Okay, that is about it from my side. Thank you.
- Moderator: Thank you very much sir. Next in line, we have Mr. Ambarish from MF Global.
- Mr. Ambarish: Yeah, hello sir.
- C. Ramakrishnan: Hi.
- Mr. Ambarish: Yeah, hi. Congratulations for the numbers. I just wanted to understand the improvement in realizations is one because of the price hike and two because of a better product mix. Is there anything else that has helped us in this price realization improvement?
- C. Ramakrishnan: There is nothing specific of significance apart from what you have outlined.
- Mr. Ambarish: And, just a simple thing on the CAPEX that have been done till date and the plan for this full year and next year?
- C. Ramakrishnan: I am sorry, can you please repeat the question.
- Mr. Ambarish: The CAPEX that we have completed so far till date and what would be the same for the full year FY08?
- C. Ramakrishnan: The capital expenditure till date would be of the order of about 3000 crores.
- Mr. Ambarish: And towards what?



- C. Ramakrishnan: Mostly, the good part of CAPEX as you know go towards product development and creation of new technologies and platform.
- Mr. Ambarish: I just wanted to know if any specific, I mean, where this significant amount of this has been dedicated to, if at all possible.
- C. Ramakrishnan: I will not be able to give you a project wise breakup of the capital expenditure. You are aware of the various large projects that the company is undertaking.
- Mr. Ambarish: Absolutely.
- C. Ramakrishnan: So, part of it would have gone in Tata Nano, part of it would have been in the new Indica program, the world truck program and other programs, but I do not think I will be in a position to give you the project wise spend. These are the large programs that are ongoing at any point of time.
- Mr. Ambarish: And what would be the total CAPEX for the full year of FY2008?
- C. Ramakrishnan: You mean in the next 3 months?
- Mr. Ambarish: Yeah, correct.
- C. Ramakrishnan: I would expect it should end up with somewhere around 3500 to 3700.
- Mr. Ambarish: Sure, thanks a lot.
- Moderator: Thank you very much sir. Next in line, we have Mr. Ajay from Tata Securities.
- Mr. Ajay: Hello, good evening.
- C. Ramakrishnan: Good evening.
- Mr. Ajay: Two questions. One on the international business. Can you take us through the strategic direction of Tata Motors in terms of how it is looking to expand the international business and some update on the Thailand venture.
- C. Ramakrishnan: I will take up the Thailand question first.
- Mr. Ajay: Okay.

- C. Ramakrishnan: Thailand, we have set up the joint venture with Thonburi for manufacture and sale of our pickup truck.
- Mr. Ajay: Right.
- C. Ramakrishnan: So, that is going as per plan and later this year, it should come on stream.
- Mr. Ajay: Okay.
- C. Ramakrishnan: It is going as per schedule. Initially, it will be for the Thailand market and we are looking at opportunities for other regional markets as well.
- Mr. Ajay: Okay.
- C. Ramakrishnan: As far as the strategic direction in terms of international business is concerned, I think it is a key area in trucks for us. As we have stated before, we would like to see our top line somewhere around 25-30% being accounted for international business to spread our presence both in the domestic and in the international economies. In commercial vehicle, some of our key markets would be South Africa and African region, Middle East, some parts of Europe where our pickups are being sold today, and we will continue to be in some of the neighboring countries where we have had a very large and successful presence for a long time.
- Mr. Ajay: Okay.
- C. Ramakrishnan: Some of the key markets we are looking at are Russia and some of the Eastern European markets, and we also have some plans which are under consideration for Latin America.
- Mr. Ajay: Right sir.
- C. Ramakrishnan: In passenger car, once again, South Africa and some of the countries around that will play a key role. We have had very successful presence in South Africa with some interesting performance and market share, etc., in many of our products in the passenger vehicle.
- Mr. Ajay: Right sir.

C. Ramakrishnan: Turkey has been another example. So, in both passenger vehicle and commercial vehicle, international business is going to reach about 25-30% of our total turnover will be a key aim for us.

Ajay: Right. Sir, second was on the small cars. The way we understand that is some sort of delay in the Singur facility coming up on stream and assume that the production will first take place from either Pune and then Uttarkhand, what is the sort of capacity if you are looking to launch Nano in December?

C. Ramakrishnan: I do not know what your reference was to December?

Mr. Ajay: Okay.

C. Ramakrishnan: The car will be launched sometime later this year. In terms of capacities in Singur, the plant is being set up for 250,000 cars per year and can go up to about 350,000 or so per year on a full 100% three shift utilization basis, that is the capacity that is being envisaged.

Mr. Ajay: And the initial roll out will be from this facility?

C. Ramakrishnan: We have to see. It will be very difficult to comment at this stage.

Mr. Ajay: Okay sir, fair enough. Thank you so much.

Moderator: Thank you very much sir. Next in line, we have Mr. Ramnath from IDFC SSKI Securities.

Mr. Ramnath: Yeah, good evening sir.

C. Ramakrishnan: Good evening Ramnath.

Mr. Ramnath: I just wanted a specific question on the revenue part of it. I think, we have really had a very excellent number in terms of revenues and even if we were to adjust for this 2% price increase in commercial vehicles, the numbers appear to be very strong, so are there any other things that we need to particularly take note of in the top-line numbers or is it something which can continue as we go forward as well.

C. Ramakrishnan: There is nothing specific I can comment on, but in terms of going forward as you know very well in

terms of percentages and realizations, I would be unable to offer a comment.

- Mr. Ramnath: No problems at all. No, just wanted to know if there is anything specific that we should know as regards to the revenue part of it. If there was anything one time in this number that have come through or just the same.
- C. Ramakrishnan: Nothing specific apart from what has been disclosed.
- Mr. Ramnath: Fair enough sir. Thank you very much. All the best to you.
- C. Ramakrishnan: Thank you.
- Moderator: Thank you very much sir. Next in line, we have Mr. Jamshed from Citigroup.
- Mr. Jamshed: Yes sir. A quick question. What are your total borrowing limits as of now and are there any plans to enhance these?
- C. Ramakrishnan: The foreign limits are adequate, there is no immediate plan to enhance the bottom line.
- Mr. Jamshed: It is still maintained at 12,000 crores?
- C. Ramakrishnan: Yeah.
- Mr. Jamshed: Okay, thanks sir.
- Moderator: Thank you very much sir. Next in line, we have Ms. Supriya from ICICI Direct.
- Ms. Supriya: Good evening sir and congratulations for a great set of number. Just had a question on your subsidiaries. I just wanted to understand the Tata Daewoo has shown a growth of around 46% and Telco Construction at 50.19%, so is it possible for you to share some more details in terms of what have contributed, whether it is the volume or realization, anymore details on the growth in the top line.
- C. Ramakrishnan: As far as TDCV is concerned for the April to December, the volumes have gone up by about over 60% compared to the previous year same period.



- Ms. Supriya: Okay, thanks. About the construction equipments.
- C. Ramakrishnan: At Telcon also, volumes have gone up by nearly almost 44% as compared to the previous year.
- Ms. Supriya: Anything that has been also contributed by increase in realization?
- C. Ramakrishnan: That is right. Increase in realization and the margins. Both the companies have performed very well.
- Ms. Supriya: Okay sir, thanks a lot and all the best for the future quarter.
- C. Ramakrishnan: Thank you.
- Moderator: Thank you very much madam.
- C. Ramakrishnan: May, I just interrupt for a moment. There was a question earlier about the total loan and finance portfolio.
- Moderator: Yes sir, you can go ahead sir.
- C. Ramakrishnan: From Ashutosh. You are on the line?
- Moderator: Sir, might be you can give out the information because he will be on the listen-only mode.
- C. Ramakrishnan: The total loan portfolio was about 5600 crores and the stock-on-hire value which was the other question you asked was about 5800 crores.
- Moderator: Can we move on to the next question sir.
- C. Ramakrishnan: Yeah.
- Moderator: Thank you very much sir. Next in line, we have a followup question from Mr. Govind of Credit Suisse.
- Mr. Govind: Yeah, just one little question related to your stake sale. I was wondering is there a sort of transferring stake that you have in say in companies like Tata Steel to Tata Capital, it is obviously worth much more and it is not related to your business. My question is why transfer HV Axles to Tata Capital and not Tata Steel or other stakes that you have which are not business related.

- C. Ramakrishnan: I have no specific comment or answer for this.
- Mr. Govind: Okay fine. One more question. Is there any write back of provisions or anything during this quarter which explains for good margins, any onetime item at all.
- C. Ramakrishnan: No.
- Mr. Govind: Okay, thank you.
- Moderator: Thank you very much sir. Next in line, we have Mr. Ashutosh Goel from Edelweiss.
- Ashutosh Goel: Yeah, sir. Thanks for giving out that information on Tata Motor Finance. I just wanted to understand on that what do you refer to as stock-on-hand, you know, the figure of 5800 crores that you have mentioned.
- C. Ramakrishnan: Stock-on-hire.
- Ashutosh Goel: That is just, you know, outstanding portfolio of loans.
- C. Ramakrishnan: That is right, at stock value.
- Ashutosh Goel: Okay and then, what was the loan book that you refer to, that is the debt on the books of Tata Motor Finance.
- C. Ramakrishnan: Tata Motor Finance, that is right.
- Ashutosh Goel: Okay.
- C. Ramakrishnan: I think, that was your question.
- Ashutosh Goel: There was another question that I had on the JV with Fiat that we have entered into, originally that was announced to be a 50-50 JV but your note to the results say that, you know, you have invested a certain amount towards 49% stake. Has there been a change in the structure of the holding of that JV?
- C. Ramakrishnan: No, there is no change in the intention. The 49 will be topped up to 50% very shortly.
- Ashutosh Goel: And, when do we expect this plan to be in operation to the capacity, I understand it is already producing the Fiat Palio and you know other Fiat products.

- C. Ramakrishnan: Palio is already coming out of Ranjangaon facility.
- Ashutosh Goel: Right. So, when do we expect the capacity ramp up to happen so that 125,000 and engine and transmission capacity to come up.
- C. Ramakrishnan: While we were finalizing and going into the joint venture agreement and the formalities are being completed, parallely, we had also started work on the facility creation and investment.
- Ashutosh Goel: Okay.
- C. Ramakrishnan: The first set of engines have started and the trial production, etc, are starting, and there is a capacity build up and ramp up will start on the engine and transmission. As you know, this engines and transmission will be going on the new Indica car, they will be available for the new Indica launch.
- Ashutosh Goel: Okay and, the vehicle assembly facility also will be coming up shortly?
- C. Ramakrishnan: Parallely the investment in the car manufacturing facilities are also going on. This is a completely new facility, I am not talking about the Palio one. It is intended that the new Fiat car the Linea or Punto will be launched in the market place sometime in the later part of this year.
- Ashutosh Goel: Okay, so the product that will be manufactured at the car assembly plant will be the Fiat Punto and Linea.
- C. Ramakrishnan: That is right, and we will also be using the facility, capacity is being created or incremental requirement for the new Indica.
- Ashutosh Goel: Okay but not a full-fledged production of the new Indica.
- C. Ramakrishnan: The new Indica will continue to be produced out of the Tata Motor car plant.
- Ashutosh Goel: Okay, and for this new Indica at the Pune plant, are we setting up a new facility or it will be at the same Indica facility that we have.
- C. Ramakrishnan: Yeah same, it will be the same Indica facility with the modifications that are required for the new car.

- Ashutosh Goel: Okay, thanks a lot sir.
- C. Ramakrishnan: Thank you.
- Moderator: Thank you very much sir. May I request the participants to restrict to one question and come back for the followup questions. Next in line, we have a followup question from Mr. Bala of Morgan Stanley.
- Mr. Bala: My followup question is could you share with us the exact number on spare parts, roughly what is the year-on-year comparison on the spare parts sales.
- C. Ramakrishnan: Bala, I do not have the breakup right now with me.
- Bala: Okay.
- C. Ramakrishnan: When we have it, we will share it with you.
- Bala: Thank you.
- Moderator: Thank you very much sir. Next in line, we have Mr. Shiv from Reliance Mutual Fund.
- Mr. Shiv: Hello.
- Moderator: Your line is open sir.
- Mr. Shiv: Yeah, hello.
- C. Ramakrishnan: Hi, good evening.
- Mr. Shiv: Yeah, hi good evening. Just a couple of things from my side. One is I wanted to know what was the basis for the valuation of HV Axles?
- C. Ramakrishnan: It was based on an independent expert valuation.
- Mr. Shiv: Independent evaluator, is it, okay. And second is if you can share something on what is the NPA levels for Tata Motor Finance.
- C. Ramakrishnan: The NPA levels in the finance portfolio is fairly under control and I am not sure I will be able to share the absolute number with you.
- Mr. Shiv: Or if you can at least share the trend, I mean, like have they gone up in let us say Q3 over Q2.

- C. Ramakrishnan: They have gone up but not alarming. As you know, the NPA provisioning we make on a more conservative basis than it is required under the regulations, and we have not made any changes to the NPA provisioning now. Industry has indeed seen some pressures on this line. I do not think what we have is out of tune.
- Mr. Shiv: Okay, but, I mean, do you see this thing improving going forward or like what is your take on that.
- C. Ramakrishnan: Specifically on the NPA?
- Mr. Shiv: Yeah.
- C. Ramakrishnan: Yeah, I think it should, particularly with some better liquidity as we go forward and pressure on the interest costs on the margins we operated, I think, it should hopefully see the improvement.
- Mr. Shiv: Right, and the third thing is, are you actually dispersing anything from Tata Motors still or it is completely out now.
- C. Ramakrishnan: There will finance portfolio from Tata Motors also. We are creating the facility as Tata Capital for meeting the incremental requirements.
- Mr. Shiv: Right, right. That is what I am asking. Incrementally, are you dispersing anything from Tata Motors?
- C. Ramakrishnan: Yes, we are.
- Mr. Shiv: You are still doing that?
- C. Ramakrishnan: Yes.
- Mr. Shiv: Any particular reason for that.
- C. Ramakrishnan: We will continue to capture value in the main company also.
- Mr. Shiv: But does not that give you a conflict of interest?
- C. Ramakrishnan: No. It is something that will be managed together. So, I do not see a conflict of interests here.
- Mr. Shiv: Just you know to probably push a little bit, what is the basis on which you decide, you know, like this particular portfolio has to be financed through Tata



Motor Finance and this particular through Tata Motor as a company?

C. Ramakrishnan:

No, it will be jointly decided internally.

Mr. Shiv:

But, are there any broad guidelines to that.

C. Ramakrishnan:

We would have internal guidelines, but I am not sure it is a point for discussion.

Mr. Shiv:

Alright, and the other thing that I wanted to know is about Tata Daewoo, I mean, of course you have been doing very well over there. Can you just share a little bit on, you know, like one you are obviously capturing a lot of market share out there, so you know like what is leading to this kind of a market share gain, and second is how that particular market itself is growing at or performing?

C. Ramakrishnan:

The market is growing marginally after seeing some steadiness the last couple of years, but the company has performed particularly well in terms of its market share that is aided primarily by some new segments that they entered into last year and some aggressive sales performance in the heavier segment which they were having even earlier.

Mr. Shiv:

So, it is basically the new segments that you are capturing.

C. Ramakrishnan:

That is right, and the market this year, in terms of the total market, heavy commercial market in Korea has indeed seen a significant improvement.

Mr. Shiv:

What will be the kind of volume growth that the market would have seen?

C. Ramakrishnan:

In the heavy segment, the volume after some declining trend in the last couple of years, the market has seen some over 30% growth in the current year.

Mr. Shiv:

30% growth?

C. Ramakrishnan:

That is right.

Mr. Shiv:

Okay, and any particular reason, I mean, is it lead again by let us say construction or something or you know like what is it?

C. Ramakrishnan:

I am unable to comment on that.

- Mr. Shiv: Alright, and lastly in terms of your Telcon, again you are doing very well over there. What I wanted to know is would you be facing any immediate capacity constraints out there.
- C. Ramakrishnan: No, the capacity plans and extension plans are in place. I do not see the growth being constrained by want of capacity.
- Mr. Shiv: Alright and, in terms of Tata Technologies, I think the performance has probably suffered a little bit probably because of currency or something, can you just explain it.
- C. Ramakrishnan: The Tata Technologies for the April to December period, the income top-line grew from about a little over 700 crores to almost 800 crores and the profit after tax increased a little more than double from about 8 crores to about 17 crores.
- Mr. Shiv: But, if I look at Q3, I think you have grown somewhere around you know like 9.6% on a YOY basis and probably you know like you are at 270 crore versus 260 crore in September quarter, so I mean what are we seeing there and you know like what do we expect going forward.
- C. Ramakrishnan: I think this is more of a quarterly correction. I do not see that as a concern or a trend at this point of time.
- Mr. Shiv: So, what exactly happened, you know like, what led to that kind of a correction?
- C. Ramakrishnan: It is a question of the project completion and the booking of the income, so it is possible that some of them may be a fill over. I do not see underlying shift here.
- Mr. Shiv: Alright. Alright, thanks a lot of taking the questions.
- Moderator: Thank you very much sir.
- Pramod Amte: Moderator, this is Pramod from ABN. Can we have the last question please.
- Moderator: Sure sir. Next in line, we have a followup question from Mr. Chirag Shah of Emkay Shares.

- Chirag Shah: If you can just throw some light on the exports front, how has been the appreciation affecting us and how we have been managing that. Have we actually seen some decline over the last 6 months in terms of profitability on the export front mainly because of this rupee appreciation, and also if you can throw some light on how is the billing done, directly or indirectly, in dollar exposure, what would be the dollar exposure for us?
- C. Ramakrishnan: The currency appreciation like for all exports of the country we have seen some pressure on the margin which is to the extent possible which is getting corrected from time to time through better price realization or a better mix, but there is no getting away from the fact that the pricing is indeed beginning to exert pressure on the margin, there is no doubt about that. In terms of mix, good part of our sales will be distributed in dollars and Euros.
- Chirag Shah: Can you share some numbers at what percentage of this would be in Euros or something, what is more likely how do you see the trend going ahead, are we moving to Euro as a currency if you can shed some light on that side.
- C. Ramakrishnan: No, I think it would depend primarily on the destination of the exports. I think the current mix between the dollar and Euro will continue to hold.
- Chirag Shah: Okay, can you share what will be current mix like on a broader basis in terms of currency percentage.
- C. Ramakrishnan: I am sorry, I do not think I will be able to share that.
- Chirag Shah: Okay, and lastly if you can share what is the debt on your books as of date, as on 31st December?
- C. Ramakrishnan: Just one minute, as of December 2007, hello ?
- Chirag Shah: Yeah, yeah sir. Please go on.
- C. Ramakrishnan: As of December 2007, the net debt has come up marginally to around 3500 crores.
- Chirag Shah: This is the net figure, okay. Coming to exports , have we actually pricing actions? If you can shed some light, what would be the pricing action that we have taken in rupee terms or in dollar terms in terms of percentage, can you share something o that side, will it be possible.

- C. Ramakrishnan: We had talked about some pricing actions we have taken in commercial vehicles earlier in the conversation. Several types of pricing actions are being taken from time to time for different markets at different points of time, but we have seen some price elevation improvements, but not entirely offsetting the currency pressure.
- Chirag Shah: Okay sir. Thank you very much.
- Moderator: Thank you very much sir.
- C. Ramakrishnan: Thank you very much everybody. Thanks for your time and interest and if there are any further details or any further questions that you have, you can contact us. We will be happy to share to the extent that we can.
- Moderator: Thank you very much sir.
- C. Ramakrishnan: Thank you.
- Moderator: Ladies and gentlemen, thank you for choosing WebEx's Conferencing Service. That concludes this conference call. Thank you for your participation. You may now disconnect your lines. Thank you and have a great evening.
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