



Tata Motors Limited

Q1 FY10 Consolidated Earnings Conference Call

August 31, 2009

Moderator: Good evening ladies and gentlemen. Welcome to Tata Motors Conference Call hosted by IDFC-SSKI Securities Limited. I am Priyanka, the moderator for this conference. For the duration of the presentation, all participants' lines will be in the listen-only mode. After the presentation, the Q&A session will be conducted for participants connected to the international bridge. After that, the Q&A session will be conducted for participants in India. Now, I would like to hand over to Mr. Ramnath. Thank you and over to you sir.

Mr. Ramnath: Good evening. On behalf of IDFC-SSKI Securities, I welcome you all to the Q1 FY10 consolidated results of Tata Motors and also take this opportunity to welcome Mr. C. Ramakrishnan, CFO and the Investor Relations Team of Tata Motors. Mr. Ramakrishnan...

Mr. C. Ramakrishnan: Yes Ramnath.

Mr. Ramnath: Yeah, sir may I request you to kindly run through the overall numbers and then probably we can start the Q&A session sir. Thank you very much for coming and over to you sir.

Mr. C. Ramakrishnan: Thank you very much Ramnath. Good evening ladies and gentlemen. This is the conference call for the consolidated financial result announcement of Tata Motors. We reported our standalone numbers about a month ago. In terms of consolidated P&L of Tata Motors, Jaguar-Land Rover, and all our subsidiaries combined, before I get into the numbers, just one caution, the



figures for the previous year as you all know, we acquired Jaguar-Land Rover effective June 2008, so all the figures in the previous period, previous year same quarter April to June included Jaguar-Land Rover number only for one month, that is June 2008. In the current quarter, the consolidated result that I am talking about includes the full effect of the acquisition for the entire three months. So, the two quarters, last year this quarter and the same quarter this year are not strictly comparable. With that preamble, let me get straight into the numbers. The gross revenue reported for Tata Motors consolidated April to June was 17,000 crores compared to about 15,500 crores in the same quarter, in the same period last year. EBITDA, earnings before interest, tax, and depreciation was at rupees 596 crores in this quarter compared to about 1600 crores in the same period last year reflecting an EBITDA margin drop to 3.6% compared to about 11.7% in the previous year. After interest and other income, the cash profit of the Tata Motors consolidated entity, cash profit was positive 330 crores compared to 1600 crores in the same period last year. Net of depreciation, amortization, and certain notional valuation, foreign exchange gain and loss, Tata Motors consolidated results after tax, net profit of 329 crores loss, 320 minus compared to 720 crores profit in the same period last year. Just to refresh your memory, on a standalone basis, Tata Motors reported 6,900 crores of revenue and 514 crores of profit after tax for this quarter. As for the balance sheet, the total debt level at Tata Motors consolidated level is over 30,000 crores, it is about 33,000 crores. That includes about 7,600 crores of debt of the vehicle financing portfolio that we carry in Tata Motors and in our subsidiary, Tata Motor Finance and net of this 7,600, the net automotive debt, net of cash and bank balances is about 21,000 crores.

Some highlights on Jaguar-Land Rover. Market conditions continue to remain challenging and have had an adverse impact



on the volumes. Retail volumes are down by about 35% and wholesale volumes are down by about 52% compared to the same period last year. The retail volumes were much lower, thanks to the company's initiative in terms of adjusting its sales to the market demand and management of its inventories both at its level and at the dealer level. The company has been focusing heavily on its internal measures like cost reduction on various fronts including variable and fixed marketing cost and other overheads, salary cost, etc., and many of these have started showing impact on the company's performance positively. Jaguar-Land Rover also continued to win several awards for its newer vehicles. XF, Freelander 2, XJ, etc., have won quite a few awards and recognition. The company continues to invest in its CO2 and emission reduction program. The LRX new small range Rover and Jaguar's CO2 offset programs and the new Jaguar and Land Rover engines are some of the examples in this regard. The company also continues to display its newer product range to very good critical acclaim and recognition in the media including for the 2010 model year launches. They have received very encouraging response from the displays we have done so far and these dispatches and wholesales will start in the coming month. This includes the new XJ revealed to the media in July and will be available in the market from the early 2010 onwards with new generation petrol and diesel engines. We also opened...Jaguar-Land Rover also opened its first Indian dealership in Mumbai to an encouraging response. During the quarter, we also announced ceasing of X-type production at Halewood with a three-week shutdown commencing in September and which also involves certain reduction in headcount. The company, Jaguar-Land Rover has been able to tie up some of their funding and financing requirements. I will talk a little more about it a little later. In terms of wholesale volumes, April to June 09, Jaguar-Land Rover sales were 35,900 vehicles. If I have to give you in the context of the immediately



preceding quarter which may be a little more meaningful to compare, that is January-March 09, the wholesale volumes were 32,600, so increase of about 10% in the wholesale volumes. Retail volumes are more or less flat. In terms of some of the retail markets, North America grew by about 10% compared to the immediately preceding quarter. China grew very impressively at over 50% and Europe also grew by about 10-12% with decline noticed in UK and more significantly in Russia. This is in terms of retail volume in April to June 09 compared to the immediately preceding quarter, that is January-March. In terms of sale of products and total revenue, Jaguar-Land Rover revenue stood at 1,125 million pounds for this quarter, 1.125 billion pounds and the net loss net of tax was about 64 million pounds. This 64 million pounds loss is after notional valuation, gain, and depreciation and amortization charge of about 69 million pounds. In terms of the funding arrangements as I mentioned earlier, during this quarter, Jaguar-Land Rover raised additional funding through borrowing of about 150 million pounds, one five zero million pounds, out of which 50 million was from Tata Motors, parent company funding and balance 100 million, they were able to procure from outside sources. Since March 09, the company has been gradually putting in place its working capital requirements with external funders including Bank of Baroda, Standard Chartered Bank, Burdale, that is Bank of Ireland subsidiary, and we are likely to conclude in the very near future one or two additional bank funding. With the improvement in the liquidity in the market and with the improvement in the market conditions, we are also confident of tying up and concluding very shortly the European Investment Bank loan which has been sanctioned for Jaguar-Land Rover, that is about 340 million pounds. With the conclusion of the remaining working capital facility and the DAP funding, we expect the company's funding requirement fully taken care of.



A brief overview on some of the other subsidiaries. Tata Daewoo Commercial Vehicles similarly compared to the immediately preceding quarter January-March saw some impressive improvement in its volumes from 1500 vehicles to 2200 vehicles and Tata Daewoo also improved its market share compared to the immediately preceding quarter from 25% to 28%. Capacity utilization increased to about 44-45%. The world truck platform is being launched in South Korea later in September. Telcon, which is our construction equipment subsidiary, continues to be affected by lower sales with further decline in volumes in Q1 April-June compared to the immediately preceding quarter, in excavators as well as wheel loaders. However, back hoe loaders saw some significant improvement in volume. Our IT subsidiary Tata Technologies continues to focus on its growth including various offshore capabilities built up over the years and continues to expand its customer portfolio and is much more diversified today than it was many years ago in terms of its revenue distribution from top 10 customers. Tata Motor Finance reflecting the overall improvement in the market liquidity and also reflecting the lower volume of sales, Tata Motor Finance, the total disbursements came down to about 1400 crores compared to nearly 2000 crores in the immediately preceding quarter. The book size at the end of June was at 5800 crores in the subsidiary books, Tata Motor Finance Limited and about 1800 crores in Tata Motors standalone books. Our other two subsidiaries, Axles and Transmission subsidiaries reflect the performance in the commercial vehicle business lower than same period last year and lower than the immediately preceding quarter and continue to be affected by volumes. In terms of some quick financial summary, Tata Daewoo in Korea reported a profit of 18 crores in this quarter compared to 46 crores in the same period last year. Telcon at PAT level was almost breakeven. Tata Technologies



reported a profit of 5 crores compared to nearly 9 crores, a little over 9 crores in the previous year. Tata Motor Finance, however, reported a loss of about 37 crores in this quarter mainly due to the provisioning required for the NPAs and the provisioning continues to be more conservative compared to market. Transmission and Axle subsidiaries also reported profit at 7 crores and 10 crores respectively, but lower than the same period last year which was 11 and 13 compared to 7 and 10. So, it is a mixed bag. Jaguar-Land Rover doing much better than the immediately preceding quarter and some of the other subsidiaries totally linked to the automotive business reflecting the volume pressures.

With this very quick word, the presentation from which I shared some of these highlights with you, the full presentation is available on our website. I will now hand you over back to Ramnath for sequencing the question and answers.

Mr. Ramnath:

Yeah.

Mr. C. Ramakrishnan:

Over to you.

Mr. Ramnath:

Thank you sir. Ma'am, can we start the Q&A session please.

Moderator:

Sure sir. At this moment, I would like to hand over the proceedings to international moderator to conduct the Q&A for participants connected to the international bridge. Thank you and over to the international moderator.

International

Moderator:

Thank you Priyanka. Ladies and gentlemen, we will now begin the Q&A session for participants connected to the international bridge. Please press 01 to ask a question. Once again, please press 01 to ask a question. Participants with question, please



press 01 now. Priyanka, at this moment, there are no questions from participants at the international bridge. One moment please, I think I have one question. First question is coming from Mr. Bhawan. Over to you sir.

Mr. Pawan: Yeah, hello sir. Just a housekeeping question, what is the depreciation rate used in JLR overall on the capitalized assets?

Mr. C. Ramakrishnan: The depreciation rate you said?

Mr. Pawan: Yeah. Given that, I mean like in the luxury cars, there should be accelerated depreciation, I just wanted to understand how you amortize your assets in Jaguar and Land Rover.

Mr. C. Ramakrishnan: If you are talking about the asset depreciation, plant and machinery, buildings, etc., these will follow the same economic value of the respective assets. I don't believe they are very different from what we use here. In terms of product development expenditure which is where your question perhaps is more relevant...

Mr. Pawan: Right.

Mr. C. Ramakrishnan: ...these are also written off over the expected economic life.

Mr. Pawan: So, I mean like is it little bit difference between the luxury cars and other car segments which you have, I mean like to give an example, Suzuki depreciates pretty quickly and they changed their policy globally couple of years back too, so if you can help us understand what is the...how you amortize those kind of expenses, given the nature of product?

Mr. C. Ramakrishnan: It will be difficult to draw a line here. For example, some of the product development expenditure in specific, technologies or this



thing that will go with the useful life of the technology itself which we are talking about investment for stop-start technology or any of those CO2 emission technologies, they will be amortized over the useful life of the technologies. If you are talking about let's say a product upgrade or a new face-lifted version or whatever, they will have a shorter life. If you are talking about completely a whole new platform, that will follow its own logic. It will be difficult to prescribe one number answer for this and this is something which is reviewed periodically for every program and a call is taken in consultation with the auditors. I can't give you an imaginary number.

Mr. Pawan:

Okay sir, no worries. Thank you sir, thank you so much.

International

Moderator:

Thank you sir. Participants with question, please press 01 now, thank you. Next on line is Mr. Abhijit Sarkar. Over to you sir.

Mr. Abhijit Sarkar:

Yes sir, if you could give us some idea of the inventory that JLR has.

Mr. C. Ramakrishnan:

Inventory, we look at end-tails including the dealership inventories and the company inventories. During the quarter and over the last two-three quarters, the inventory levels have been brought down quite significantly.

Mr. Abhijit Sarkar:

Sir, what kind of numbers does the company carry, let's say as of July?

Mr. C. Ramakrishnan:

As of June, the JLR business carried an inventory of close to about 6000 crores. I can't readily convert that in terms of number of days, but normally the company typically would carry about a month's sales in terms of its inventories.



Mr. Abhijit Sarkar: And you mentioned that wholesales sales were 35,000 vehicles, what was the retail number?

Mr. C. Ramakrishnan: Just one second, just one second.

Mr. Abhijit Sarkar: Yeah, sure.

Mr. C. Ramakrishnan: The retail volumes are about 47,000, four seven.

Mr. Abhijit Sarkar: So, the total for the quarter would be 47 plus 35 right?

Mr. C. Ramakrishnan: No, no, for the same quarter April to June.

Mr. Abhijit Sarkar: Yes.

Mr. C. Ramakrishnan: If you are talking about retail volumes, the retail volumes reflect the dealer sales into the market, to the end customers.

Mr. Abhijit Sarkar: Okay.

Mr. C. Ramakrishnan: That is 47,000.

Mr. Abhijit Sarkar: Okay.

Mr. C. Ramakrishnan: For the same quarter, company sales into the pipeline, dealers were about 35,000. So, net-net, the dealership inventory reduced by about 12,000.

Mr. Abhijit Sarkar: Okay.

Mr. C. Ramakrishnan: It is not 35 plus 47.

Mr. Abhijit Sarkar: Okay, very well. And sir, on the Tata Motor Finance Company, you mentioned it as a loss.



Mr. C. Ramakrishnan: Yes.

Mr. Abhijit Sarkar: If you could give us some more color as to what exactly this company does, in the sense that what kind of spread it operates at, what is the borrowing rate, what is the lending rate and why does it incur losses, is it because of customers who have not being paying because of the financial crisis or is it some other reason? Hello...

Mr. C. Ramakrishnan: Just one second.

Mr. Abhijit Sarkar: Yeah.

Mr. C. Ramakrishnan: I am sorry for the interruption. You were enquiring about the Tata Motor Finance.

Mr. Abhijit Sarkar: Right. I mean I am just trying to understand its business model because you have obviously...

Mr. C. Ramakrishnan: Yeah, Tata Motor Finance is the arm for us for vehicle financing in India for Tata Motors vehicles.

Mr. Abhijit Sarkar: Right.

Mr. C. Ramakrishnan: It is a 100% subsidiary of Tata Motors...]

Mr. Abhijit Sarkar: Right.

Mr. C. Ramakrishnan: ...and the brand with which it goes to market is Tata Motor Finance and the vehicle financing is done in the name of Tata Motor Finance partly in the subsidiary company's books and also we continue to do a little bit in Tata Motors standalone balance sheet as well. The combined portfolio of the two entities



as of 30th June is what the number I gave you, which is about 7600 crores of vehicle financing receivable, 5800 crores in Tata Motor Finance Limited and about 1800 crores in Tata Motors. As a strategy what we wanted to do was, originally this business was conducted in Tata Motors itself. A few years ago, we formed a separate subsidiary company with a view to focus further and provide a strategic support for vehicle sales of Tata Motors and being a separate financing subsidiary company, we expect that this business would be able to leverage on its capital better and be able to procure much higher level of borrowed funds, which Tata Motors as a parent company may not be able to do in terms of leveraging and financial ratio and any incremental requirement as we go forward could also be done through Tata Capital which is also another financing business that is available within this group. So, there will be a certain amount which is done in Tata Motors. There will be a large portion of vehicle financing which will be done in Tata Motor Finance and any incremental requirement from time to time could be met out of Tata Capital. This was the broad strategy with which we went to market. Last year, year and a half has been difficult in terms of market, in terms of NPA provisioning that has been required. Our net loss on account of nonpayment continues to be very, very low. These are all provisioning that we do from time to time based on past performance and assessment. We continue to follow up on those receivables and the eventual loss continues to be very low and not a matter of concern. As far as provisioning is concerned, Tata Motor Finance provides for its receivables at a level and based on certain assessments which are much more conservative than what is required by the Reserve Bank norms for NBFCs. This has caused some additional losses, provisioning losses in Tata Motor Finance, which we expect will be under control going forward in the coming quarters.



Mr. Abhijit Sarkar: Do you see this business turning around?

Mr. C. Ramakrishnan: Yes, you also asked about the margin.

Mr. Abhijit Sarkar: Yeah.

Mr. C. Ramakrishnan: The net interest margin in the business, NIM as we call it is about 7%, 6.67%.

Mr. Abhijit Sarkar: 6.67% is the NIM and you would be providing somewhere about thereabouts because you are currently having losses right?

Mr. C. Ramakrishnan: Yeah, apart from administrative and other overheads.

Mr. Abhijit Sarkar: Okay, very well. Just two small questions, one is how are the CV sales this month and maybe a word on Nano, how is the production scaling up and when do you want to be, like full production?

Mr. C. Ramakrishnan: For both questions, as of today I would say it is a little bit early. Tomorrow, we will make the announcements anyway on our current month sales. In terms of overall direction, we continue to see the trend that we have seen in the last few months in terms of improving trend and one hopes this will be sustainable in the domestic market.

Mr. Abhijit Sarkar: Very well sir. Thank you very much.

Mr. C. Ramakrishnan: You will see that...in the next 24-48 hours, the numbers should be announced.

Mr. Abhijit Sarkar: Sure sir. Thanks, bye-bye.

Mr. C. Ramakrishnan: Yeah.



International

Moderator: Thank you sir. Participants with questions please press 01 now. At this moment, there are no further questions from participants at the international bridge. I would like to hand over the proceedings back to India moderator Priyanka. Over to you ma'am.

Moderator: Thank you Wahida. We will now begin the Q&A interactive session for India participants. Participants who wish to ask questions please press *1 on your telephone keypad. On pressing *1, participants will get a chance to present their questions on a first-in-line basis. Participants are requested to use only handsets while asking a question. To ask a question, please press *1 now. First in line, we have Mr. Anish from Morgan Stanley. Over to you sir.

Mr. Binay: Hello sir. Sir, this is Binay from Morgan Stanley. Sir, just one question, like sequentially you are saying that we have improved, have we also improved in terms of financial performance from the march quarter, if so could you throw some light as to how was the financial performance in the March quarter in terms of gross margins or EBIT margins for JLR.

Mr. C. Ramakrishnan: Well, we announced consolidated 10 months result for Jaguar-Land Rover. I don't think we reported separately for March quarter.

Mr. Binay: Right, right.

Mr. C. Ramakrishnan: It is sufficient to say the April-June performance is indeed a significant improvement over the immediately preceding quarter.

Mr. Binay: Okay.



Mr. C. Ramakrishnan: Just now for this April to June quarter, we have reported a net loss after tax of about 69 million pounds.

Mr. Binay: Right.

Mr. C. Ramakrishnan: 64 million pounds. It was a little over double of that number in the immediately preceding quarter, mainly driven by reduction in marketing expenses, other overhead cost, headcount cost and certain improvement and benefit on account of stabilizing raw material prices.

Mr. Binay: Sir, have we started seeing the benefit of lower raw material prices because raw material as a percentage of sales doesn't reflect much?

Mr. C. Ramakrishnan: Yes, we have started seeing some of the benefits.

Mr. Binay: Okay. And is the major benefit yet to come in the coming quarters?

Mr. C. Ramakrishnan: It is difficult to say because the prices have also started somewhat stabilizing at the lower end, but we expect it will benefit us for some more time.

Mr. Binay: And sir, could you also give us the debt position of JLR, will it just be the EIB loan added to the March numbers?

Mr. C. Ramakrishnan: EIB loan has not yet been drawn.

Mr. Binay: Okay.



- Mr. C. Ramakrishnan: The March number is what we had shared with you earlier. The debt position increases by about 150 million pounds in Jaguar-Land Rover...
- Mr. Binay: Right.
- Mr. C. Ramakrishnan: ...which I said earlier.
- Mr. Binay: And sir, just one last question, in terms of our employee cost, you said that we have already started seeing improvement on that, what kind of reduction can we expect further from here on, like in terms of our...we roughly did around 560 million pounds in the 10 months and we have done around 176 this three months, so what kind of reduction can we see over a period of time in this?
- Mr. C. Ramakrishnan: Over a period of time, I would expect compared to last year, on an average I would expect something like at least a 20% reduction in headcount cost.
- Mr. Binay: Okay, thanks a lot sir. I will come back if I have further questions.
- Mr. C. Ramakrishnan: Thank you.
- Moderator: Thank you very much sir. Next in line, we have Mr. Jinesh Gandhi from Motilal Oswal Securities. Over to you sir.
- Mr. Jinesh Gandhi: Good evening sir. My question is on JLR, you mentioned losses of 64 million pounds, is it after taking in gain on pension account?
- Mr. C. Ramakrishnan: Pension?



Mr. Jinesh Gandhi: Yeah, I mean in your note number 5, you have mentioned pension gains of about...actual gains of about 362 crores, so this 64 million pound loss is after factoring in that or how it is?

Mr. C. Ramakrishnan: No, this does not factor any gain.

Mr. Jinesh Gandhi: So, where is it account for, this 362 crores of actual gains on pensions of JLR?

Mr. C. Ramakrishnan: No, this has been adjusted into the results.

Mr. Jinesh Gandhi: Directly into the results.

Mr. C. Ramakrishnan: This 64 million loss which I reported is without taking any benefit on it.

Mr. Jinesh Gandhi: Okay. And as you indicated, this is half of what was their loss in fourth quarter of FY09.

Mr. C. Ramakrishnan: That's right.

Mr. Jinesh Gandhi: Indicatively, okay. And secondly on Tata Motor Finance, would you be able to throw some light on how numbers were in fourth quarter in terms of profitability.

Mr. C. Ramakrishnan: Fourth quarter last year Tata Motor Finance also reported a loss.

Mr. Jinesh Gandhi: Okay.

Mr. C. Ramakrishnan: Before the end of this call, I will share that number with you.

Mr. Jinesh Gandhi: Okay sir, thanks.

Mr. C. Ramakrishnan: It was higher. That has also come down.



Mr. Jinesh Gandhi:

Okay, thanks.

Moderator:

Thank you very much sir. Next in line, we have Mr. Rajesh Shah from Credit Suisse. Over to you.

Mr. Govind:

Yeah, hi. This is Govind. I had three-four questions on JLR. Just elaborating on a question asked earlier, your employee cost run rate now seems to be higher than it was for the 10 months of last year, so could you just explain what has happened, you know, why haven't we seen the benefits already and when do we start seeing that? My second question was again a question similar to earlier question. The raw material cost per unit has actually gone up, again compared to the run rate of last year and it has gone up more than the increase in average realization. Could you just explain that as well, is it because of mix and how does it change going forward? Third, you had mentioned that you had saved some...on the overheads, etc., if you could just quantify it or at least tell us under which heads have you saved that amount and how sustainable it is? And lastly, when do your wholesales in JLR catch up with retail sales, are you comfortable with the current inventory and therefore do we expect wholesales to catch up with retail sales from the next quarter? Thanks.

Mr. C. Ramakrishnan:

Coming to the material cost question, as a percentage that you asked, it is primarily driven by mix. We are not seeing...at the individual model level, we are not seeing any pressures or concern on account of that. It is mainly in the aggregate when you see. It is mostly on the model impact, on the model mix and volume. As far as our employee cost numbers are concerned, it is a little difficult to compare in terms of run rate for 10 months and 3 months separately. It is also a question of the mix of the labor and the mix of the concerned labor, it is difficult to comment on that basis, but overall we do target, between last



year to the current year in terms...as I responded to one of the questions earlier, we do expect significant savings in terms of headcount cost.

[Also refer to the ADDENDUM point no 1 and 2 at the end of the document]

Mr. Govind: So, would it be 20% lower for the current year compared to last year or it is just a direction?

Mr. C. Ramakrishnan: I think it will come over time. I can't say in absolute terms this year versus last year, it will be 20%, however, but if you take a steady state period into the future, I think on an annualized basis, we should see reduction of that magnitude.

Mr. Govind: Okay.

Mr. C. Ramakrishnan: Whether full part of that will come in the current fiscal year itself, it will be difficult to say that. You also asked about other areas in which we have seen cost reduction. I think one of the main areas has also been the variable and fixed marketing expenses in terms of the amount per vehicle. We have seen some significant savings there.

Mr. Govind: So, this is the publicity expense of 283 million pounds for last year, is that the one you are referring to?

Mr. C. Ramakrishnan: Publicity which goes into fixed marketing expenses and we have also seen some...in the market itself, we have seen some discounts and other support also at a reduced level, which is the variable marketing expense.

Mr. Govind: Yeah. My last question was on when do you think wholesales will catch up with retail?



Mr. C. Ramakrishnan:

I think it should happen maybe in the current quarter itself because in the current quarter we will also see the dispatch wholesale sales of the new model here. So, some of the reduction you see is also a phenomenon of run-out of the old models and as and when the dispatches begin, the wholesale could certainly exceed the retail also.

Mr. Govind:

Okay. Sir, if you could just allow me to elaborate on the employee question further, you know, I am just talking about the absolute amount. The absolute run rate has gone up whereas the employee headcount has gone down, so unless you have let go off, you know, low paid employees and hired more of the, you know, higher paid employees, I can't understand how it can go up on a sequential basis when you have let go off employees and, you know, our general understanding is that you have had a new wage agreement which freezes pay at a lower level.

Mr. C. Ramakrishnan:

That's right.

Mr. Govind:

So, how can it go up on an absolute amount is what I am trying to understand.

Mr. C. Ramakrishnan:

Can you just give me one minute else.

Mr. Govind:

Okay.

Mr. C. Ramakrishnan:

Govind, I will have to get back to you separately on this please.

Mr. Govind:

Sure sir, sure. Thanks.

Mr. C. Ramakrishnan:

I will surely do that.

Mr. Govind:

Sure, thanks.



- Moderator: Thank you very much sir.
- Mr. C. Ramakrishnan: In fact, since it is a call for a wider audience, my response to Govind also we will put it on the internet, on our website, just for the benefit of everybody.
- Moderator: Thank you sir. Next in line, we have Mr. Pramod Amthe from RBS Equities. Over to you sir.
- Mr. Pramod Amthe: Sir, this is with regard to understanding JLR's cyclicalities on a quarterly basis, both in terms of volumes and also basis on the expenses, would you be able to help us understand?
- Mr. C. Ramakrishnan: Sorry, can you be a little more specific.
- Mr. Pramod Amthe: No, because we haven't seen JLR quarterly performance for a long time and this is the first one to come through, can you give us a flavor in terms of the volume cyclicalities on a quarterly basis, how it usually behaves and also how do expenses behave on a quarterly basis, which are the peak quarters and trough quarters especially for JLR?
- Mr. C. Ramakrishnan: I would say in general if you go by our fiscal year...
- Mr. Pramod Amthe: Okay, yeah.
- Mr. C. Ramakrishnan: ...the January-March sales in any year is likely to be strong, January-March, that is in our fiscal year terms, that is the fourth quarter, January-March quarter and the second quarter, which is July-September is also likely to be strong. October-December and April-June are likely to be relatively weak.
- Pramod Amthe: This is to JLR itself?



Mr. C. Ramakrishnan:

I am talking with reference to JLR.

Mr. Pramod Amthe:

Okay, thanks. And sir, with regard to the breakeven point, where do you stand now as compared to might be by December 08, what type of cost reductions have helped and how they have reduced as a breakeven point on a PAT level for JLR?

Mr. C. Ramakrishnan:

I can't share a number with you. All I can mention is that this is one of the targets that we have taken up in terms of lowering the breakeven points in the business. As you know, in December 2007 which is the calendar year 2007, the company produced and sold nearly 233,000 vehicles, so that was very near to full capacity it had and since then, there have been...we have to be careful about this capacity because we have to look at it both from a technical point of view and also from manned capacity point of view. In terms of manned capacity, there have been reduction in the headcount, etc., that have been achieved since then. So, the capacity in terms of manned capacity itself has come down and we are targeting that we should achieve a breakeven point at much, much lower levels compared to the capacity. Unfortunately, it is not our practice to share a number with you in terms of breakeven points. That is one of the priorities that we have.

Mr. Pramod Amthe:

Okay. Sir, definitely as you mentioned in your quarterly review that there is a distinct improvement in the June performance versus March, is that pace of improvement going to substantially improve going forward or how do you look at incremental improvement, will it be a significant one to look at or it will be a gradual one to come through?

Mr. C. Ramakrishnan:

It is a challenging time for the industry and also for the company. We have, as we have shared with you earlier and also in the public domain, we have initiated number of programs



within the company for aggressive cost reduction and working capital management, both in the short, medium term and in the long term. We hope these will be sustaining and accelerate as we go forward. We have also brought in external consultants in many of these areas, one looking at it from commercial and overheads and expenses and working capital improvement and the other looking at it more from manufacturing and engineering processes. We are working with some international consultants in both these areas and within the company, several teams have been formed for aggressive cost reduction programs, not very dissimilar to some of the programs that we have kick-started and did successfully in Tata Motors itself a few years ago and which is ongoing. So, a wide group of middle and younger level managers have been involved in this program in Jaguar-Land Rover and it is gathering momentum. We are looking forward with confidence with the achievements and the outputs that will unfold in the coming quarters, but having said that, I can't underestimate the challenges involved. It is indeed a challenging time, but we are confident of looking optimistically about the future. It will begin to yield its results in the coming quarter.

Mr. Pramod Amthe:

And with regard to your FCCB conversion raised, since you did the FCCBs and post that you had done a decent amount of dilution through rights and all, how does the conversion prices change because of this and where do they stand as a conversion for FCCBs into equity?

Mr. C. Ramakrishnan:

The FCCB conversion prices remain more or less at the same level. The conversion price depending on the time we issued the various FCCBs are at very high level compared to the current market, ranging from 700, 900 to 1000 rupees per share. Even after the rights issue, there has not been much dilution in the conversion price. The terms where that the price will be adjusted if the rights issue is made at a discount to the prevailing market



price since our discount in the rights issue was about 10% compared to the market price. The dilution in the conversion price of the FCCBs has been very, very marginal. They remain more or less at the same level at which they were issued. In terms of maturity, they would mature on various dates commencing from early 2011, mid 2011, and 2012.

Mr. Pramod Amthe: Sir, last question, as you said the capacity as compared to what you acquired and since then the manning has substantially come down, looking at structurally the world is changing over from the...even on the scrappage policies and all, inclining towards the more fuel efficient vehicles. When you expect those types of volumes to come back in your medium term turnaround policies in terms of volume to reach those peak numbers?

Mr. C. Ramakrishnan: As I said, the peak volumes between Jaguar-Land Rover were in 2007 at about 276,000 or 280,000 vehicles. It will be difficult for me to predict which year we will see those volumes again. Our aim is that the company should operate at much lower volumes and achieve profitability at the lower volumes. As and when the volume uptake happens, maybe from 2010 or subsequently as the volumes start improving, that will be a plus rather than targeting the business to focus on increase in volumes.

Mr. Pramod Amthe: Thanks and all the best.

Mr. C. Ramakrishnan: Thank you very much.

Moderator: Thank you very much sir. Next in line, we have Mr. Saurabh Das from Sundaram BNP Paribas. Over to you sir.

Mr. Saurabh Das: Good evening sir. Just a quick question from my side, in your subsidiary reports you have mentioned that there has been a



significant provisioning for the residual cost decline, just wanted to get a sense as to have we seen that declines stabilizing or, you know, if there is an improvement in that residual cost? The second data point which I wanted was for the quarter what has been the capitalization on JLR? And finally, what is the gross block as of this quarter end for JLR?

Mr. C. Ramakrishnan: Your first question on residual cost, you are talking about with reference to Jaguar-Land Rover?

Mr. Saurabh Das: That's right.

Mr. C. Ramakrishnan: Okay. We have seen improvement in the residual values...

Mr. Saurabh Das: Okay.

Mr. C. Ramakrishnan: ...more or less across the board, both in Land Rover and in Jaguar.

Mr. Saurabh Das: Right.

Mr. C. Ramakrishnan: Personally if you ask me, I am expecting this would be sustainable going forward.

Mr. Saurabh Das: Okay.

Mr. C. Ramakrishnan: We have seen this trend fairly strongly in the last few months. And the second question related to product development expenses I think.

Mr. Saurabh Das: The total capitalization for the quarter for JLR.

Mr. C. Ramakrishnan: The total capitalization is of the order of about 100 million pounds.



Mr. Saurabh Das: Okay.

Mr. C. Ramakrishnan: And your third question was?

Mr. Saurabh Das: On the total gross block as of June end.

Mr. C. Ramakrishnan: Just one second.

Mr. Saurabh Das: Sure. And the R&D cost for the quarter as well.

Mr. C. Ramakrishnan: The total gross block in JLR business is about half a billion pounds.

Mr. Saurabh Das: Okay.

Mr. C. Ramakrishnan: And you also wanted to know the...

Mr. Saurabh Das: R&D cost for the quarter.

Mr. C. Ramakrishnan: R&D cost for the quarter is about 100 million pounds.

Mr. Saurabh Das: Okay. Thanks, thanks a lot sir.

Mr. C. Ramakrishnan: Thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Jamshed from Citigroup. Over to you sir.

Mr. Jamshed Dadabhoy: Since the gross profit per vehicle if you look at it as sales less material cost seems to have declined a bit on a quarter-on-quarter basis, when you look at it on a profit per vehicle basis, so if you could shed some light on why this is lower. And the second question is that the net loss in this quarter you mentioned is half



of the last quarter, but how does this compare when you look at it on a pre-exceptional basis when you sort of adjust for the notional exchange that has happened on the FCCB borrowing?

Mr. C. Ramakrishnan: Actually this is without any...what I mentioned has no bearing on the FCCB or any of the notional loss.

Mr. Jamshed Dadabhoy: Okay, so it is on a PBT, pre-exceptional basis.

Mr. C. Ramakrishnan: That's right.

Mr. Jamshed Dadabhoy: Okay. And...

Mr. C. Ramakrishnan: And as far as your material cost turnover ratio declining, but the profit or the loss position improving is concerned, I think the...as far as the material cost content is concerned, I think it is a function of the model mix, etc., which I mentioned earlier, but overall since the overheads and other expenses, you must remember that the headcount cost or the other overheads are fairly high in Jaguar-Land Rover compared to the model that we are familiar within India. Since there has been uniform reduction in practically every area of the business, the net margins have performed better than in the previous quarter.

J Mr. amshed Dadabhoy: Sir, how much capacity are you planning to mothball?

Mr. C. Ramakrishnan: We haven't taken any decision on mothballing any capacities. All the three factories are running and there can be some shutdown from time to time in terms of production and other market requirements. There has been no mothballing of any capacities.

Mr. Jamshed Dadabhoy: Okay. So, the headcount reduction, where will it happen, will it be in line manufacturing, is it going to be in sales and support?



Mr. C. Ramakrishnan: Or it could be in other support services. We will have to constantly look at every area and start reducing the manpower.

Mr. Jamshed Dadabhoy: Anything on the R&D side sir?

Mr. C. Ramakrishnan: R&D side, we have out of the 14,000 people, nearly about 4,000 are in R&D or product development engineering in some form or the other. It also has a mix of contracted and company's own this thing. We will look at every opportunity in that area as well.

Mr. Jamshed Dadabhoy: Okay. Thanks sir.

Mr. C. Ramakrishnan: There has been some reduction there also.

Mr. Jamshed Dadabhoy: Okay, okay.

Moderator: Thank you very much sir. Next in line, we have Mr. Rajat Chandak from ICICI Prudential. Over to you sir.

Mr. Rajat Chandak: Most of the questions have been answered on the numbers front. Just on the business side as you said, you know, we may be on a lower volume side, but still wanting to be profitable, that is more or less like the model of a premium car maker Porsche. So, are we targeting some certain customer segments, you know, abroad and who are those customers who would be willing to buy a Jaguar vis-à-vis a BMW, Audi, or Porsche or Merc?

Mr. C. Ramakrishnan: Well, I am not sure I can do justice to this question on this conference call.

Mr. Rajat Chandak: Okay. But some certain customer segments you might be having in mind, you know.



- Mr. C. Ramakrishnan: Well, as a brand, Jaguar stands for beautiful fast cars, so that is the type of customer segment it will continue to attract and hopefully it will.
- Mr. Rajat Chandak: And what would be the differentiating factor for our products?
- Mr. C. Ramakrishnan: In terms of its performance, in terms of styling and interiors and the comforts, in terms of its power and performance.
- Mr. Rajat Chandak: Okay sir.
- Mr. C. Ramakrishnan: Land Rover in terms of its brand image and the content and the vehicle has always stood for the higher standard in off-road vehicles.
- Mr. Rajat Chandak: Right sir. Thank you, thanks a lot.
- Mr. C. Ramakrishnan: Beyond that, I am not sure I can do justice to this question on this call.
- Mr. Rajat Chandak: Right, thank you.
- Mr. C. Ramakrishnan: Right.
- Moderator: Thank you very much sir. Next in line, we have Mr. Jairam Nathan from Kotak. Over to you sir.
- Mr. Jairam Nathan: Thanks sir. On the...just a question on your X-Type, the X-Type is getting discontinued, can you tell us what are the annual sales of that model?
- Mr. C. Ramakrishnan: The annual sales volume has been declining over the last one or two years and this is the latest model.



- Mr. Jairam Nathan: And a related question...
- Mr. C. Ramakrishnan: It is about 4000 vehicles in a year.
- Mr. Jairam Nathan: Okay. And do you need to take a kind of inventory charge of the vehicles that are already in inventory of these vehicles because once you kind of announce that it is discontinued, you kind of, you know, you see a decline in residual values.
- Mr. C. Ramakrishnan: No, there is no inventory right now for any of these vehicles.
- Mr. Jairam Nathan: Okay.
- Mr. C. Ramakrishnan: What normally happens is that you tend to promote this through a higher discount or variable marketing support in those months. So, that is built into the company's plans and whatever...financials. This is an ongoing thing. As and when a new model is replaced with an older model, the older model sales will continue to show a declining trend and will continue to be supported somewhat higher than other running models.
- Mr. Jairam Nathan: Okay. And on the pension, is there any update on the discussions with the trust or...
- Mr. C. Ramakrishnan: No, there is no update. We will be commencing our discussions with the trustee. The discussions will be ongoing. In terms of statutory requirements, the negotiation with the trustees in terms of the funding gap and the funding arrangement, that will be concluded before June-July of next year.
- Mr. Jairam Nathan: Okay. And lastly, what was the CAPEX for the quarter for JLR specifically?



Mr. C. Ramakrishnan: The total capital expenditure was of the order of about 150 million pounds.

Mr. Jairam Nathan: Okay. And...

Mr. C. Ramakrishnan: That includes both product development engineering expenses as well as capital expenditure.

Mr. Jairam Nathan: And that is a good run rate for the year?

Mr. C. Ramakrishnan: Between the two, yes.

Mr. Jairam Nathan: Okay. Okay, thank you.

Moderator: Thank you very much sir. Next in line, we have Mr. Pramod Kumar from B&K Securities. Over to you sir.

Mr. Pramod Kumar: Sir, on the standalone numbers if I compare between first quarter and first quarter last year, the standalone EBIT before exceptional item had improved by around 200 crores roughly and whereas if I look at the consolidated results in terms of segmental excluding JLR, there is a decline of around 150 million whereas I think other subsidiaries excluding JLR, there is not much of a loss as such. So, if you can just help me explain this particular variation?

Mr. C. Ramakrishnan: May I request one thing.

Mr. Pramod Kumar: Yeah.

Mr. C. Ramakrishnan: Whatever numbers you have worked out, if you can...

Mr. Pramod Kumar: No, for example, standalone EBIT in first quarter FY10 was around 8 billion and it was roughly 6.2 billion in last quarter of



the same year. This is as per your reported numbers, as in I am not adding back or deducting any exceptional or anything like that or any changes to other income and if I compare with the segmental results which you have given, excluding JLR, your segmental EBIT is at 4.6 or rather 462...

Mr. C. Ramakrishnan: No, my only request was a number reconciliation like this, instead of taking everybody's time on the call, if you can send me a short mail and we will help you reply.

[Please refer to ADDENDUM point no 2 at the end of the document]

Mr. Pramod Kumar: Sure. And...okay, I will do that later sir, and in addition to that, sir the cash in bank or rather the forex adjustment on JLR's books, is it going to be recurring in nature and the nature of the forex treatment in a bit of detail actually?

Mr. C. Ramakrishnan: The Jaguar-Land Rover as a business is exposed to dollar-pound and also pound-euro exposures.

Mr. Pramod Kumar: Yeah.

Mr. C. Ramakrishnan: It exposed about...Jaguar exposed about, between Jaguar and Land Rover, about 20-25% of its sales are in dollars in the US market and it also has certain exposures in euro both in terms of exports as well as import of certain components.

Mr. Pramod Kumar: Okay.

Mr. C. Ramakrishnan: So, this will be an ongoing feature in terms of its exposure management.



- Mr. Pramod Kumar: So, this will be ongoing and so any specific reason why it has been treated as...has been shown as exceptional item?
- Mr. C. Ramakrishnan: It also depends on its financing activity. In line with the AS-11 treatment that we have in India, we have got Jaguar-Land Rover numbers also comparable to that.
- Mr. Pramod Kumar: Okay. And sir, in the presentation which you have given, you have shown cash in bank of around 4350 crores.
- Mr. C. Ramakrishnan: Yes.
- Mr. Pramod Kumar: Just wanted to know is it on the standalone books or what is the utilization of this particular cash because I think at the yearend we didn't have such high amounts of cash balance?
- Mr. C. Ramakrishnan: No, this is on a consolidated level including deposits with various banks including in the vehicle financing business, including the cash and bank balances of Jaguar-Land Rover in various operating companies across the globe, national sales companies on that particular day.
- Mr. Pramod Kumar: Okay. And sir, going back to Govind's question regarding employee expenses on an absolute level on the run basis being higher, is it because there is some reclassification because if I see, your other expenditure has dropped considerably on a run rate basis, is it something got to do with reclassification by any chance?
- Mr. C. Ramakrishnan: No, there has been no reclassification this quarter. I will definitely respond to that particular question.
- Mr. Pramod Kumar: Okay, fair enough sir and best of luck for the future. Thank you.



- Moderator: Thank you very much sir. Next in line, we have Mr. Sahil Kedia from Enam Securities. Over to you sir.
- Mr. Sahil Kedia: Sir, thank you for the call. Just a couple of questions, if you can help us understand your policy for capitalizing these costs, you have seen a big amount being capitalized, both on a full year and in the first quarter. If you can please help us understand what is the typical policy in terms of R&D and product development in terms of how much is actually expensed versus capitalized?
- Mr. C. Ramakrishnan: In Jaguar-Land Rover, the capitalization of the product development and R&D expenditure follows the same principle that we have in Tata Motors.
- Mr. Sahil Kedia: Okay. So, the 100 million dollar R&D cost that you have mentioned would be entirely...
- Mr. C. Ramakrishnan: 100 million pounds.
- Mr. Sahil Kedia: 100 million pounds, sorry, would be entirely capitalized?
- Mr. C. Ramakrishnan: More or less fully because most of the product development engineering expenses is towards newer technologies and newer vehicles. That would receive the same treatment as we have in Tata Motors.
- Mr. Sahil Kedia: Okay, because you also then subsequently mentioned that your CAPEX has been 150 million pounds.
- Mr. C. Ramakrishnan: Yes.
- Mr. Sahil Kedia: So, of which you have basically capitalized about a 100 million?



- Mr. C. Ramakrishnan: No, 150 what I mentioned includes capital expenditure as well which, of course, will be capitalized in terms of asset creation or dyes, tooling, etc.
- Mr. Sahil Kedia: Correct.
- Mr. C. Ramakrishnan: Out of the 100 million which is product development and engineering expenses, a good part of it will be capitalized towards newer product support programs.
- Mr. Sahil Kedia: So, then is it fair to assume a similar kind of mix in terms of, you know, two-thirds being capitalized and one-third being expensed?
- Mr. C. Ramakrishnan: No, no, no, I don't know where you got the two-thirds, one-third...
- Mr. Sahil Kedia: No, because you said you capitalized about a 100, so just wanted to get some clarity in terms of how do you look at in terms of CAPEX being capitalized versus expensed.
- Mr. C. Ramakrishnan: Sorry, let me start from the beginning.
- Mr. Sahil Kedia: Sure.
- Mr. C. Ramakrishnan: I thought I was responding to your question more to do with cash flows. The total outflow on account of product development engineering expenses and capital expenditure...
- Mr. Sahil Kedia: Correct.
- Mr. C. Ramakrishnan: ...was of the order of about 150 million pounds...
- Mr. Sahil Kedia: Yes.



- Mr. C. Ramakrishnan: ...for the quarter.
- Mr. Sahil Kedia: Yes sir.
- Mr. C. Ramakrishnan: If I have to break it, one-third of it would have been on capital expenditure, as we would conventionally call it as capital expenditure in terms of asset creation, etc.
- Mr. Sahil Kedia: Correct.
- Mr. C. Ramakrishnan: Investment in plant and machinery and dyes and tooling and so on.
- Mr. Sahil Kedia: Which will be entirely capitalized, correct.
- Mr. C. Ramakrishnan: Which will be entirely capitalized and 100 would have been the total product development and engineering expenses, out of which it is difficult to put a percentage in terms of two-thirds, one-thirds, etc., but it will be...
- Mr. Sahil Kedia: Okay, okay, understood.
- Mr. C. Ramakrishnan: ...slightly more than that.
- Mr. Sahil Kedia: Understood sir. Secondly sir, wanted to also understand you mentioned in the presentation that you will be looking to deleverage the balance sheet, if there is any action that you can talk about and, you know, what is the kind of working capital that you are looking at JLR sir this year and any requirements, if you can share numbers on this?
- Mr. C. Ramakrishnan: Working capital is one area where the company has done much, much better in terms of tightening its own working capital



requirement. As I said earlier, as we go through the year, in terms of the cyclical nature of the year, August...because of the annual shutdown, August-September, August in particular tends to be the peak in terms of the working capital requirements and thereafter the company would have lower and lower working capital requirements going forward as we speak.

Mr. Sahil Kedia:

Okay.

Mr. C. Ramakrishnan:

And in any case on working capital including inventory reduction and decrease in supplier payment terms, etc., the company has been doing much better than in the past...

Mr. Sahil Kedia:

Okay.

Mr. C. Ramakrishnan:

...and we expect that this trend will continue going forward and I would expect that as we speak September-October onwards the total overall funding requirements should be lower than what they are today.

Mr. Sahil Kedia:

And any firm plans on deleveraging the balance sheet sir?

Mr. C. Ramakrishnan:

Any firm plans on?

Mr. Sahil Kedia:

Deleveraging the balance sheet, as mentioned in your presentation.

Mr. C. Ramakrishnan:

Yes, deleveraging we are talking about at Tata Motors level.

Mr. Sahil Kedia:

Yes.

Mr. C. Ramakrishnan:

We will continue to...we had talked about our divestment programs and also capital raising at the appropriate point of time.



I can't share a calendar or a timetable with you just now, but yes we will continue to pursue those.

Sahil Kedia: Sir, any indicative amount?

Mr. C. Ramakrishnan: Well, the total acquisition debt that we had taken which was rolled over of about 1 billion dollars, we already sold part of our investment in Tata Steel in the last quarter, April to June and repaid about 150 million dollars. So, the net amount outstanding is about 850 million dollars.

Mr. Sahil Kedia: Yes sir.

Mr. C. Ramakrishnan: So, that is the overall debt that we have which comes up for repayment before December 2010.

Mr. Sahil Kedia: Okay. Alright sir, thank you so much.

Moderator: Thank you very much sir. And the last question is from Mr. Chirag Shah from Emkay Global. Over to you sir.

Mr. Chirag Shah: A question on the raw material side, if you can just help us understand how do the contracts work over there and what is the kind of indicative reductions you have secured and for what time period on the material costs?

Mr. C. Ramakrishnan: As far as raw material costs are concerned, Jaguar-Land Rover has both steel and aluminium requirements.

Mr. Chirag Shah: Yeah.

Mr. C. Ramakrishnan: In particular, in aluminium we have seen some good improvement compared to a year ago or six months ago.



- Mr. Chirag Shah: Okay.
- Mr. C. Ramakrishnan: And their contracts tend to be for...compared to our Indian experience, the Jaguar-Land Rover contracts tend to be annual contract...
- Mr. Chirag Shah: Okay.
- Mr. C. Ramakrishnan: ...and typically follows an annual cycle commencing some time in April.
- Mr. Chirag Shah: Okay.
- Mr. C. Ramakrishnan: So, we have seen some benefit of that in the current quarter.
- Mr. Chirag Shah: Okay. But what is the kind of indicative reductions that you have obtained, if you can help us understand on that side, it would be...
- Mr. C. Ramakrishnan: Well, we have definitely seen good improvement in the aluminium prices.
- Mr. Chirag Shah: Okay.
- Mr. C. Ramakrishnan: As you know, aluminium which used to be around 2000 euros plus per tonne has come down quite sharply.
- Mr. Chirag Shah: Okay.
- Mr. C. Ramakrishnan: Steel, we have seen some, but how far this will be sustainable, I leave it to you to make the estimation.



- Mr. Chirag Shah: So, there are quarterly price revisions or clauses like that, I presume there has to be for volatility purposes post what happened in the last two years?
- Mr. C. Ramakrishnan: No, mostly it is annual.
- Mr. Chirag Shah: It is annual only. Second one on the pricing, if you can just help us understand what is the kind of pressure that...you indicated that pricing pressures have been declining in terms of discounts, incentives, etc. By what time do you expect to reach at, you know, at a level where the discounting is reduced significantly or it has normalized levels?
- Mr. C. Ramakrishnan: No, I think a certain amount of discount or market support is something that happens at a regular phenomenon, not only in this brand, but generally in the market.
- Mr. Chirag Shah: Fair enough, but...
- Mr. C. Ramakrishnan: I can't see a situation where there won't be any market support provision by OEMs.
- Mr. Chirag Shah: Okay. And the next question, you know, was on the employee side. You indicated earlier also that you are looking at downsizing by around 2000 odd number of employees.
- Mr. C. Ramakrishnan: In total.
- Mr. Chirag Shah: In total, yeah, in total at JLR.
- Mr. C. Ramakrishnan: Yeah.
- Mr. Chirag Shah: Okay, now if I look at your current cost, this was a most opportune time probably because of the down-cycle that was



witnessed, but it seems that the downsizing has not gathered that pace because you have just acquired the business. So, going ahead, how would you ensure that the downsizing actually happens, you know, and if volumes pick up, then there would not be much need of downsizing or if the downsizing that is required irrespective of volumes going up by 20%, is it the right assessment that we should look at?

Mr. C. Ramakrishnan: Okay. Just to clarify...

Mr. Chirag Shah: Yeah.

Mr. C. Ramakrishnan: ...we were talking about 2000 plus headcount reduction from year to year, 2008 thereabouts to about 2009.

Mr. Chirag Shah: Okay.

Mr. C. Ramakrishnan: A good part of it has already been achieved.

Mr. Chirag Shah: Okay.

Mr. C. Ramakrishnan: About 1500-1700 people reduction has already happened and balance also will take place.

Mr. Chirag Shah: Fair enough. But then the impact of that is not visible in the...okay, fair enough, you explained on that side. And last question, if I can take it ahead, is that you indicated your...just for clarification, your R&D cost is roughly 100 million pounds on a quarterly basis and that could be assumed as a run rate, is it right?

Mr. C. Ramakrishnan: That's right.



- Mr. Chirag Shah: And just again to take it slightly, is it that this kind of run rate can be assumed for a foreseeable future or you are undergoing some specific programs, as a result of which this run rate is on the higher side or next two to three years we can expect at least this kind of run rate, this as a base run rate and it could only increase, how should one look at this run rate?
- Mr. C. Ramakrishnan: I would look at it more as an average.
- Mr. Chirag Shah: Okay.
- Mr. C. Ramakrishnan: I wouldn't look at it as a base and then further increase this.
- Mr. Chirag Shah: Fair enough, fair enough. Thank you, thank you very much.
- Mr. C. Ramakrishnan: It is, of course, indicative. It can change from year to year, either due to prioritization or cascading of the programs or queuing up of the program.
- Mr. Chirag Shah: Okay.
- Mr. C. Ramakrishnan: As an indication...as an indicator, yes, it is a good average.
- Mr. Chirag Shah: Okay, thank you, thank you very much.
- Moderator: Thank you very much sir.
- Mr. C. Ramakrishnan: Thank you very much.
- Mr. Ramnath: Yeah, thank you Mr. Ramakrishnan. Thank you Savitha and the entire IR team and all of you for logging in, thank you very much.
- Mr. C. Ramakrishnan: Thank you Ramnath, thank you very much.



Mr. Ramnath: Thank you sir, bye, all the best, thank you.

Moderator: Thank you very much sir.

Mr. Ramnath: Thank you. Bye.

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.

ADDENDUM:

1. Q1 FY10 Raw material cost at Jaguar Land Rover:

Material costs have increased by 6% as a percentage of revenue for the period April - June '09 versus the period June'08 - March '09. The increase is primarily due to exchange rates and the reduction in revenue. Jaguar Land Rover sources a significant proportion of material from suppliers based in mainland Europe with the contracts denominated in €. The weakening of the GBP against the Euro resulted in higher material costs thus adversely impacting gross margins.

2. Q1 FY10 Employee cost at Jaguar Land Rover:

JLR personnel costs have increased by 5% as a percentage of revenue for the period April - June '09 versus the period June'08 - March '09 which is primarily due to the reduction in revenue for the period. In addition, the absolute personnel costs in the April - June '09 are impacted by costs of a non-recurring nature associated with employee separation programs implemented as part of business restructuring actions (impact of ~ GBP 16 mn in the period Apr-June'09)