



Tata Motors Limited
Q2FY10 Consolidated Earnings Conference Call
November 27, 2009

Operator:

Thank you for standing by and welcome to the Tata Motors Q2 FY2009-10 consolidated earnings conference call. At this time, all the participants are in listen-only mode. We will begin with a presentation followed by a question and answer session at which time if you wish to ask a question, please press *1 on your telephone keypad and wait for your name to be announced. Please be advised, the conference is being recorded today.

I would like to hand the conference over to Mr. Govindrajan Challappa, over to you sir.

Mr. Govindrajan Challappa:

Hello everybody. On behalf of Credit Suisse, I welcome you all to Tata Motors second quarter's consolidated results conference call. On the call, we have the team from Tata Motors lead by Mr. Ravi Kant, Vice Chairman, and Mr. C. Ramakrishnan, the CFO. I would request Mr. Ravi Kant and Mr. Ramakrishnan to make their initial remarks after which we will throw the call open to Q&A. Over to you sir.

Mr. Ramakrishnan:

Govind and Monisha, thank you very much. Good evening everybody. I am Ramakrishnan. Just to start off quickly, you may be already having the press release and the results and the presentation that we had made. In summary, I will keep my comments very brief at this point of time, may be we can take more details in the Q&A session. In summary, a profitable second quarters. Things are, of course in terms of Indian operations, you must have seen and you are familiar with the results of second quarter in comparison to our first quarter. Jaguar Land Rover, and many of our other subjective operations are all slowly coming back to a more stabilization mode, improvements in the market and improvement in the volumes, etc.

On a consolidated basis, for Q2 our turnover was in Rs.21,100 crores and EBITDA was at Rs. 1592 crores, consolidated EBITDA margin of around 7.5% and the cash profit at Rs. 1439 crores, and net profit was positive at Rs. 22 crores. This Rs. 22 crores profit compared to a negative loss in the previous year sales quarter of Rs. 942 crores and the loss of Rs. 329 crores in the immediate preceding quarter that is April to June. Quickly going on to Jaguar Land Rover, as I said earlier, many of the indicators that we had mentioned to you in terms of volumes, in terms of competitive incentives in the market



place, residual value, consumer credit availability, things have begun to stabilize or improving even though currency volatility has been more severe in this quarter, particularly in the case of dollar, pound, as well as ruble. Overall, the indications are more of stabilizing or improving nature. We had also gone through a period of inventory correction if you are aware in Jaguar Land Rover for the last two-three quarters. The inventory correction has have been fully in place and therefore, in this quarter Q2, we saw wholesale catching up with retail sale. Wholesale sales of Jaguar Land Rover improved from 35,900 in the immediately preceding quarter to 44,300 in the current quarter Q2, an increase of about 23%, even though retail volumes remained more or less constant, marginally down.

In terms of total inventory, including the company dealer, etc., in Jaguar Land Rover, what was at 125-150 days, we have brought it down to less than 100 days, at around 97 days, and we expect this will remain stable. Briefly, in terms of market, retail volumes in North America in this quarter was slightly down compared to the immediately preceding quarter. UK was very strong. Europe excluding Russia was again marginally down, Russia marginally better and China marginally better, that is in terms of retail market sales. I will not go through the numbers again because you must already have access to the presentation.

In terms of funding arrangement, in Jaguar Land Rover, we arranged for additional about 250 million pounds of external funding for Jaguar Land Rover including the State Bank loan which we announced earlier of 175 million pounds. And post-September, the company has been successful in concluding a working capital funding arrangement with GE Capital. Discussions are progressing and we should be able to reach conclusion in the next few weeks in terms of the EIB loan withdrawal as well, which is 340 million pounds fraction. As the pension revaluation process is going on, the discussions with the trustees is on, we have just begun those discussions and evaluation exercise. As you know, we have to complete it by next year July. As we see it as of 30th September, the total pension fund obligation was valued at 3.9 million pounds and the fair value of the pension asset was about 3.6 million pounds. Tata Daewoo commercial vehicle reported profit in this quarter, a turnover of more or less constant compared to the preceding quarter, and the economy is stabilizing, and the volumes are beginning to see some improvement. Market share is more or less stable. Our new world truck, Primer Truck has been launched in Korea to a good response. In the quarter, TDCB Korea Company reported a profit of 19 crores. This compares to 22 crores profit in the last year same quarter and 18 crores profit in the immediately preceding quarter, so more or less at the same level. Telcon our construction equipment company, however, reported a loss of about 11 crores in this current quarter compared to a good profit in the previous year same quarter about 41 crores, a very marginal loss in the immediately preceding quarter. Tata Technologies' profit improved substantially to about 25 crores in this quarter compared to 5 in the immediately preceding quarter. Tata Motor Finance which because of its NPA and other provisioning requirements had reported losses in the last three to four quarters, turned profitable. In Q2 Tata Motor Finance reported a profit of about 21 crores. The other two main subsidiaries HV-Translation and HV-Access, also reported better profits on the back of robust demand for commercial vehicles.



Coming to the balance sheet, at a consolidated level, in the automotive business, the debt level had gone up to about 24,000 at the end of September with a consolidated debt equity ratio at the automotive level of about 4.1. As you all know subsequent to 30th September in the yearly quarter of October, we have made a GDR issue and a convertible bond issues. With the issue of GDR, the whole profits have been used to fully repay the entire outstanding loan with finance we had taken. With this the debt has come down to about 22,000 crores at the automotive level and the debt equity ratio stands to that 4.1 on a Performa basis post-September. Our efforts to continue to correct the balance sheet through divestments and further funding would continue and as and when these are finalized, we will share the results with you. With this I will stop and I mean we can say cover the rest of the information that you may be interested in through the questions and answers. Govind, back to you.

Mr. Govindrajan Challappa:

Yes, Monisha, we can start the Q&A?

Operator:

Certainly sir. At this time, if you wish to ask a question, please press *1 on your telephone keypad and wait for your name to be announced. If you wish to cancel the request, please press the hash or the pound key. Participants who are on the speaker phone, are requested to pick up the handset and ask the question.

First in line, we have question from Mr. Sahil Kedia from Enam Securities, you may go ahead please.

Mr. Sahil Kedia:

Thank you for the call. Just a couple of questions sir. One, can you tell us, one in terms of the reason for the big correction that we have seen. On the volume front, you mentioned this is because of the negative reduction, could you throw some light that how much of this is because of some of the older products like the x-type being phased out? Is there an impact of that coming in?

Mr. Ramakrishnan:

Yes, the phasing out of some of the older products and this may have had and positive impact on the overall realization and the profitability. If you look at the retail sales, I am talking about the market sales, retails sales, October-December of about 48,000, January-March was about 47,000, April-June again was 47,000. So, there has been more or less steady or around the same number. Our wholesale volumes have been down compared to this, and the inventory that had gone up substantially during October-December in the subsequent period. So, the wholesales now from the company are now catching up on the retail side. So, we expect this stabilization probably is being



completed and this will continue.

Mr. Sahil Kedia:

All right sir. Can you help us with the amount that you have capitalized in this current quarter, please?

Mr. Ramakrishnan:

Capitalized through?

Mr. Sahil Kedia:

Through the P&L and for JLR, sir.

Mr. Ramakrishnan:

On the product development side? Yes, product development engineering, the total capitalization is about 800 crores.

Mr. Sahil Kedia:

800 crores, okay. And what has been the H1 Capex that we have done. Sir, this is for the first half or the quarter?

Mr. Ramakrishnan:

For this quarter.

Mr. Sahil Kedia:

For the quarter. Okay. Also, can you give us what has been the Capex that we have incurred in JLR for the year, sir? Just for the first half and for the quarter, we just want to get a sense in terms of what is the total amount that we are capitalizing and Capex separately?

Mr. Ramakrishnan:

You are talking about the capital expenditure or you are talking about the product development engineering?

Mr. Sahil Kedia:

Capital expenditure, sir.



Mr. Ramakrishnan:

The capital expenditure has been much lower. The capital expenditure has been around 90 million pounds in this quarter.

Mr. Sahil Kedia:

90 million pounds in this quarter. Sir, if I am not mistaken, in the last quarter this number was 50 million?

Mr. Ramakrishnan:

Yes.

Mr. Sahil Kedia:

Any reason why the number has gone up?

Mr. Ramakrishnan:

It is only a question of timing of the expenditure, nothing substantial. Next quarter, it may be down. Quarter to quarter it is difficult to . . . it is a question of the timing and payment. Totally for the year, annually, if I give you a total picture, annually the company spends about 350 to 400 million pounds in terms of product development engineering and about 200 million to 250 million pounds in terms of capital expenditure. We see no reason why this annual flow should increase or decrease substantially. So, that is quarter to quarter it may vary by 10 to 15 million pounds.

Mr. Sahil Kedia:

All right, sir. Sir, there is one last thing, the 800 crores that you mentioned has been entirely passed through the P&L, just confirming that?

Mr. Ramakrishnan:

I am sorry.

Mr. Sahil Kedia:

The 800 crores that you mentioned, has been entirely passed through the P&L?

Mr. Ramakrishnan:

No, this 800 crores is the capitalization.

Mr. Sahil Kedia:



Correct. So, this is entirely, this will be passing through the P&L. I just want to confirm that.

Mr. Ramakrishnan:

Passing through the P&L means?

Mr. Sahil Kedia:

You have capitalized it through the P&L?

Mr. Ramakrishnan:

That is right, that is right. The line item you see in our public results, which talks about expenditure transfer to capital account that includes this.

Mr. Sahil Kedia:

All right sir. Thank you so much.

Mr. Ramakrishnan:

That is your question I suppose.

Mr. Sahil Kedia:

Yes, thank you so much. I will come back.

Operator:

Thank you sir. Our next question comes from Mr. Saurabh Das from Sundaram BNP Paribas, you may go ahead please.

Mr. Saurabh Das:

Thanks a lot for the opportunity sir. There are two questions from my side. The first is, if you can give us some color on the incentive per car on a blended basis which we have incurred this quarter and the previous quarter. There has been any trending down of that which has also been reflected in a higher realization. And the second is that have we faced any product recalls in Jaguar in the previous quarter and can you put some color on the product launches for the next year.

Mr. Ramakrishnan:



Okay. In terms of the variable marketing incentives, both in terms of discounts or incentive support to the dealers and also the convention you do with the financials in terms of resale value, all have seen a positive trend. They have come down and therefore in this quarter the company's realization and the expenditure on this account has been lower. So, it will be difficult to put a percentage to this because it varies widely from market to market and product to product, but on the whole, they have been moving quite healthy. Just to give an example, in the US market the resale values have improved from mid 40s or high 40s to 50+, in the case of Jaguar brand alone and to some extent Land Rover also has seen that benefit, it is almost 3% to 4% increase in the resale value. Yes, on the whole, your point is very valid. The realizations through reduction is very good market existence, have benefitted the company with quarter and we expect it will be sustainable.

Your second question was on product recall, etc., where I think no major recalls. There is always some effort that goes on in different markets, nothing of major or substantial nature, considering that they operate in about 150 countries that may be product recall for limited volume from different markets at different points of time but happens for all manufacturers, but nothing of substantial or major nature. And the third question was on product launches. We have had some launches and some limited dispatches from the Land Rover range which was 2010 model here, but some of the dispatches and retail sales have already started happening. On the Jaguar that we have launched which has been definite and written about extremely well which we have excited about, that is the all new XJ, that will be in the coming quarter, January-March quarter.

Mr. Saurabh Das:

Right. And just if time permits, one last question. If you can share the residual risk cost provisioning of this quarter and the previous quarter, that would be helpful.

Mr. Ramakrishnan:

I may not be able to share specific number on some of these line items, it will not be appropriate to . . .

Mr. Saurabh Das:

But the trend to that?

Mr. Ramakrishnan:

The trend has been positive, as I said the residual values of the vehicles has been improving.

Mr. Saurabh Das:

Okay. Thanks for the opportunity, thank you.



Mr. Ramakrishnan:

Thank you very much.

Operator:

Thank you sir. Our next question comes from Mr. Rajat Malhotra from Franklin Templeton. Year-old may go ahead, please.

Mr. Rajat Malhotra:

Thank you. I just have one housekeeping question like what are the cash levels on a consolidated basis at the end of this quarter and secondly I had a question regarding the marketing expenses on JLR as a P&L. You have mentioned in your presentation that you were being able to successfully lower some six marketing expenses, I just wanted you to please throw some color on what kind of six expenses were these and given that you probably need to spend a little bit more on increasing sales revenue of product, how do you see this expense both on fixing variable spending in the next few quarters?

Mr. Ramakrishnan:

The first one on your housekeeping question that is relating to, you talk about the cash on the balance sheet of the company on a consolidated basis is over 6000 crores on a consolidated basis, and on the fixed marketing expenses, we have had expenditure reduction on the fixed marketing expenses in this quarter. On a quarter basis, the expenditure reduction is of the order of 30 million pounds.

Mr. Rajat Malhotra:

And what is the nature of these fixed marketing expenses?

Mr. Ramakrishnan:

These are mostly in general market publicity predominantly, and this also includes, fixed marketing also includes the advance auto exhibition or displays, etc., that you do and advance target displays that you do for the 2010 model launches, and this also includes the fixed costs you incur in running of the various national sales companies, etc., people cost.

Mr. Rajat Malhotra:

How do you emphasize this going forward, the trend on this fixed cost?

Mr. Ramakrishnan:

I would expect this would be trending down both in terms of better more focused efforts



on this, and hopefully the near products with the type of excitement they seem to have created may require lesser support. Thirdly, I think we would also undertake as we go along, we would also undertake the restructuring of some of these national sales companies towards may be consolidating them or either on a regional basis or on a grand basis, combined may be Jaguar and Land Rover operations and get single companies and with some restructuring across we have got about 2000 people in the national sales companies outside of UK. There is some scope for reduction. So, on the phone I would say this is the trend now.

Mr. Rajat Malhotra:

Thank you.

Operator:

Thank you sir. Next in line we have a question from Mr. Jayaram Nathan from Kotak Mahindra, you may go ahead please.

Mr. Jayaram Nathan:

Hi, thanks for taking my questions. I had just had a question on your labor expense. Is your labor status have any one time items? I know you had some last quarter.

Mr. Ramakrishnan:

Yes, this quarter also we have some additional write off in terms of pension as well as some restructuring expenses.

Mr. Jayaram Nathan:

Okay. Can you give us the magnitude of it.

Mr. Ramakrishnan:

Is not very very significant in this quarter, it is about 11 million pounds.



Mr. Jayaram Nathan:

11 million pounds. Okay, you know just, there was a comment in your 20F that you filed with the SEC that your manned capacity is currently at 170,000 units. Now, from what I understand, I could be wrong, what that means is if you significantly increase your production above 170, you might have to hire more people. Is that a fair statement or if you could just explain what do you mean by manned capacity?

Mr. Ramakrishnan:

Yes, manned capacity primarily reflects the people capacity, but normally for increased production you would manage it through shift operation.

Mr. Jayaram Nathan:

But does that mean overtime and stuff?

Mr. Ramakrishnan:

Overtime or additional temporary people or overtime.

Mr. Jayaram Nathan:

So, as we increase, as we see your production increasing, how should we think about your labor expense on an absolute basis?

Mr. Ramakrishnan:

As a percentage of revenue, it should come down.

Mr. Jayaram Nathan:

Okay, but on an absolute basis, do you think it will be flat to up?

Mr. Ramakrishnan:

Well, cannot say that.

Mr. Jayaram Nathan:

Okay.



Mr. Ramakrishnan:

I would hope that this would also even on a percentage basis, as well as absolute basis, it should generally be on the trend now. There are measures that we are undertaking for further rationalization. In the earlier question, I already talked about some of the overseas opportunities that we have. They also announced some attempts for discussion with the unions in terms of changing some of the labor word content, labor mix as the seniors retiring people may be replaced with lower cost people, also there will be some attempt towards pension restructuring as well.

Mr. Jayaram Nathan:

Okay.

Mr. Ramakrishnan:

As a combination of all these over time I would expect this would be again similar to fixed marketing which would also be trending down.

Mr. Jayaram Nathan:

Okay, my second question was on your inventory base. If I look at some WARDS data which comes out in the US, it shows your dealer inventory days actually went up from 97 at the end of September to 104 at the end of October. Now, are there missing something or because, that compares to like 25 days of BMW or something or 50 days for Mercedes. Just wondering if there is anything again you know something wrong with the data or something we are missing.

Mr. Ramakrishnan:

Sorry, I am not able to comment on this. I have not seen that report, my apologies, but I will send you a separate input on this. My apologies, I am not able to comment immediately on this.

Mr. Jayaram Nathan:

Okay. And my last question was actually on your debt level. Can you give us an idea of what your debt levels at JLR is currently and given your negotiating for further debt, what should we think of at the end of the year?

Mr. Ramakrishnan:

At present, the total debt level for JLR operations is about 9000 crores.

Mr. Jayaram Nathan:



Okay.

Mr. Ramakrishnan:

We still have the EIB funding to be completed which is about 340 million pounds, that will be another 2500 crores, but over a period of time, by March I think, some of the existing debt may also be repaid. I would expect on the whole the 9000 crores we marginally increase but not very significantly. When I talk about the end of the year, I talk about 31st March.

Mr. Jayaram Nathan:

Yes, I realize. Thank you.

Operator:

Thank you sir. Our next question comes from Mr. Pramod Kumar from BNK Securities, you may go ahead please.

Mr. Pramod Kumar:

Good evening sir. Sir, during the quarter with your wholesale numbers coming in line with the retail numbers, there has been a significant change in the sales mix of Land Rover. I mean, Land Rover contribution has gone up considerably and as we understand, you can correct me if I am wrong, that the Land Rover is more profitable than a Jaguar. My question is whether this kind of a sales mix is sustainable or would you expect the sales mix to again go in favor of Jaguar with the new launches coming in. And my second question would be in the incremental wholesale numbers. What is the contribution from the new models of Land Rover wherein our commodity cost may not be so high given the softening in the commodity prices in the recent few months?

Mr. Ramakrishnan:

Of course, taking your last question first, it is difficult for me to give you a contribution number. As for the earlier part of your question, quarter-to-quarter it may change. In the next quarter, Jaguar numbers, January-March quarter with the launch of the newer products and the dispatches, the wholesales for Jaguar may see a slight increase in content, but broadly as a trend I would take two-thirds one-third distribution sustain for sometime between Land Rover and Jaguar. Like you rightly mentioned, with the launch of the new XJ, this one-third Jaguar and two-thirds Land Rover that mix may change in favor of Jaguar, let me say one-third January-March. Broadly, if you take a year, the product distribution between the two brands is two-thirds Land Rover and one-third Jaguar, I think that will be more or less we will end up with.

Mr. Pramod Kumar:



Okay. And sir, there was an exception item of around 55 crores on the consolidated P&L, can you just explain the nature of that?

Mr. Ramakrishnan:

As this is primarily Jaguar Land Rover item, this is consolidated, so you would not do which company, so just to clarify if this is a Jaguar Land Rover item, pertains to some very old litigation claims which you have provided while the litigation process is on, we have provided for it with much, much earlier period. We have to source them and specialize.

Mr. Pramod Kumar:

Okay. And sir, one question on this thing. Coming back to the other question on the contribution from the new models, is it right at least to assume that bulk of the improvement has come from there?

Mr. Ramakrishnan:

Yes, that is practical.

Mr. Pramod Kumar:

Okay. And the next model launch from Land Rover would be LRX, which would be at least a year away, at the end of the second quarter?

Mr. Ramakrishnan:

It will be two years; it will be the following year.

Mr. Pramod Kumar:

Two years away.

Mr. Ramakrishnan:

That will be the next major completely new product and hopefully a very exciting one, but between now and then Land Rover also will see some further technology infusion.

Mr. Pramod Kumar:

Okay. And on the Jaguar side, after XJ what do we have sir, and when is that?

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Mr. Ramakrishnan:

There are many other variants new models which are being conceived today but it would



not be appropriate to share the details of these things.

Mr. Pramod Kumar:

Okay. And sir, one final question more on the accounting side, as a policy side. If we were to compare the accounting policy in terms of your capitalizing bulk of the product development expenditure for Jaguar Land Rover, I just wanted to know how does that compare with the other luxury car manufacturers in Europe and US?

Mr. Ramakrishnan:

It depends on what accounting gapping follows.

Mr. Pramod Kumar:

IRFS, under IRFS as to how much do they capitalize vis-à-vis JLR in Europe at least?

Mr. Pramod Kumar:

It will be difficult to comment. It will depend on the mix of the R&D expenses both into the main products. Just go through an analysis of the R&D efforts on analysis on new product creation. It is not a percentage that has been prescribed. It arises out of the product program content that you have. If more of the work is on ongoing model improvement or of smaller magnitude nature, this can be written off, as it happens in Tata Motors or in Jaguar Land Rover.

Mr. Pramod Kumar:

So, it is no hard and fast rule and so there is a scope for management disposition as well, as to what they believe will be a longer-term benefit and all that, right?

Mr. Ramakrishnan:

There is an assessment, it is a technical-cum-financial assessment which also has the consultation with the auditors. So, if it is going to newer products like the new XJ or new technologies or new vehicles, that part of it will be capitalized. It is more on your ongoing products where you are trying to improve the quality or change of component, etc., that we can do it.

Mr. Pramod Kumar:

Okay. Thanks a lot and best of luck for the future.

Operator:

Thank you sir. Next in line we have a question from Mr. Jinesh Gandhi from Motilal Oswal, you may go ahead sir.



Mr. Jinesh Gandhi:

Hi, sir. My question is on your consolidated tax rate. This quarter we have seen significant tax provisioning as against normal tax footage being at around 130 to 140 crores excluding Forex losses and profit on sale of Tata Steel shares. So, can you throw some light on that, what could be your full year tax rate?

Mr. Ramakrishnan:

It will be difficult to have that against tax provision at a global level because just to give an example, if you take the Jaguar Land Rover operations, they have got about 25+ national sales companies all over the world. As you consolidate the Jaguar Land Rover operation, the profit or loss will get consolidated with the parent companies when the position allows, you may still have a profit in some of these companies which attract tax in the local jurisdiction and that we cannot set it off from one jurisdiction to another or with the parent company. So, when you have a group of companies at a global level, different companies or statutory companies and they get numbers differently for tax. As you consolidate the profit or loss result of operations, you cannot consolidate or net off the tax liability one against the other. So, you will still have, possibly you will have a situation where the consolidated picture at the top line may be launch or a much lower profit, the tax element which will be higher. And net-net on the whole, Jaguar Land Rover taxation liability will be very minimal and relates entirely to the global operations and not the main UK automotive business which have substantial tax credits in the past. I think we disclosed it in the last year at the time of the acquisition, Jaguar Land Rover has got over \$3 billion of tax credits they can claim in the future. So, we do not expect Jaguar Land Rover operations to be significantly paying tax, it is many years to come. The tax credit available or date of line actually it is close to about \$4 billion dollars.

Mr. Jinesh Gandhi:

Okay.

Mr. Ramakrishnan:

So what you see is more, because the low profit or the loss situation in the consolidated picture, will be a tax liability without high, but I do not see there is an alarming nature going forward.

Mr. Jinesh Gandhi:

Okay, and secondly in terms of JLR depreciation and amortization on this quarter, sequentially we have seen decline in provisioning for depreciation and amortization, is there anything to look into or is there anything more often that or how one should read it?



Mr. Ramakrishnan:

No there is nothing, one off in the one of may be a question of the functioning shift working or whatever, there is nothing extraordinary, quarter to quarter it may see some changes.

Mr. Jinesh Gandhi:

Okay. And last question in terms of in the presentation you have mentioned that there has been new business strategy at JRL. Can you throw some more light on that, what is the change in the business strategy and can you throw more light on that?

Mr. Ramakrishnan:

We had announced a short while ago actually few weeks ago, Jaguar Land Rover has outlined at a high level longer term strategy, number one to attack its cost base and aggressively reduce its break even points going forward with a serious of measures on the material cost, on the designing expenses, on employee productivity, a whole serious of marketing and other overhead expenses and there is a whole set of initiatives going ahead for time to bring down the break even point from a very high level may be 60% to 65% as quickly as possible and may be even go further down over time.

Mr. Jinesh Gandhi:

Okay.

Mr. Ramakrishnan:

On the product front, we will continue to focus both on Land Rover and Jaguar side on much more environment friendly, no emission product, focus on hybrid, focus on the smaller Land Rover, the program has been confirmed to go into production in the next two year as Mr. Ravi Kant said shortly. For the product strategy will continue to focus on this. In terms of manufacturing foot print, as we discussed it earlier, from our three manufacturing locations, we have decided to come to two, and one of the plans we have not taken the final decision to fit in an evaluation problems going on. Overtime, some time in the next decade, coinciding hopefully that some of the platform changes, etc., the correction will also take place. We had also announced the intention to rationalize the two engineering sites they have between Gaydon and Whitney, while the fight may continue, it will increasingly operate as a single design engineering center and Whitney over time may focus more and more on corporate activity.

Mr. Ramakrishnan:

Lastly, we have also announced some intention on the labor cost and the pension front, these you will understand are pretty sensitive and discussions are going on several fronts. I do not want to elaborate, but we have announced our intention to reduce the entire different benefit scheme and we have also announced our intention to move the labor



force more and more towards younger and better cost effective.

Mr. Jinesh Gandhi:

Okay. And any timeline which we are looking at for something like rationalizing number of manufacturing sites?

Mr. Ramakrishnan:

Recently, I think we have said it, this would be well into the next decade, we are not talking about the next two-three years, it will be after.

Mr. Jinesh Gandhi:

Okay. Thanks a lot, I will come back in queue.

Operator:

Thank you sir. Next in line we have a question from Mr. Kapil Sen from Nomura, you may go ahead please.

Mr. Kapil Sen:

Good evening sir. Hello?

Mr. Ramakrishnan:

Please go ahead good evening.

Mr. Kapil Sen:

Sir, I just wanted to know what is our current holding in Tata Steel in terms of number of shares?

Mr. Ramakrishnan:

Tata Steel, much of the holdings we had have been divested.

Mr. Kapil Sen:

Okay.

Operator:

Mr. Kapil, have you done with your question?



Mr. Kapil Sen:

Yes, I thought

Mr. Ramakrishnan:

Just one second. Sorry, why do not we go ahead. Before the end of the call I will give you this. Sorry about that.

Mr. Kapil Sen:

All right sir, thank you.

Operator:

Thank you sir. Our next question comes from Mr. Madhuchanda Dev from Kotak, you may go ahead please.

Mr. Madhuchanda Dev:

Yes, as you outlined the strategies with respect to Jaguar Land Rover in the presentation, what kind of margin impact or margin trajectory can one expect should you succeed in doing the same, medium to long term.

Mr. Ramakrishnan:

I am sorry, my apologies. Can you please repeat that. There was a slight interruption here, my apologies, please.

Mr. Madhuchanda Dev:

Okay. You have outlined strategies with respect to Jaguar Land Rover. Should you succeed in implementing whatever you have planned out. What kind of margin trajectory for the company do you see in the medium to long term?

Mr. Ramakrishnan:

It will be difficult for me to focus margin number. I can give you only an outline of what we have in mind. As I said earlier, you can confirm to whatever it translates to. We definitely would like to as quickly as possible, target a break even of between 60% to 65% and perhaps even go below that.

Mr. Madhuchanda Dev:



And this 50% to 55% break even by when do you think will be possible given the implementation program that you have?

Mr. Ramakrishnan:

Sorry, I did not say 50% to 55%, I said 60% to 65%.

Mr. Madhuchanda Dev:

60% to 65%, okay. And how quickly do you think you can get to that kind of a stage?

Mr. Ramakrishnan:

Within the next year.

Mr. Madhuchanda Dev:

Within the next year, okay. And is there any liver of margin improvement that is likely to pan out in the second half of the fiscal given all the strategies that you have followed in the last six months to nine months?

Mr. Ramakrishnan:

I think you will have to wait for six months to discuss it further.

Mr. Madhuchanda Dev:

Okay. Thanks.

Operator:

Thank you madam.

Mr. Ramakrishnan:

Sorry, may I just take one movement please for the benefit of everybody. The total number of Tata Steel shares that we have remaining are about 40 lakhs.

Operator:

Shall we take the next question sir?

Mr. Ramakrishnan:

Yes, please go ahead.



Operator:

Our next question comes from Mr. Sonal Gupta from UBS Securities, you may go ahead please.

Mr. Sonal Gupta:

Thank you. Good evening sir. Sir, just a couple of questions. One was we have booked more actuarial loss in this quarter. I mean, we had taken some hit last year as well. So just want to understand as to why this additional equity loss is coming through?

Mr. Ramakrishnan:

As you know the deficit arises on two counts. One is on the present value of the defined benefit obligations that we have which is a function of the future pension payment discount at different value. The discount rate affect goes down as the interest rate goes down in the market and the discount rate goes down, the present value of the benefit increases and is very sensitive to that, that has been the main trigger as we have seen, whether it is UK or other market, particularly in UK the interest rates have gone down to getting much lower discount rates for the future obligation. While the asset corrections are beginning to happen in terms of holding values, it has not been able to compensate. These are processes that you will keep doing tomorrow, one year later, two years later, if the discount increases, this may show a opposite trend.

Mr. Sonal Gupta:

Okay, sir. Sir, also just wanted to understand, there has been a decline in Jaguar Land Rover depreciation and amortization expense quarter on quarter. Any reasons for that?

Mr. Ramakrishnan:

As we said, quarter on quarter it will be difficult to comment. I can only give an annual indication which I mentioned earlier, there should not be any substantial deviation from an annual trend of what I said earlier. Quarter on quarter depending on the timing of the payment or timing of incurring because of the crowding of the process, it may show some ups or down.

Mr. Sonal Gupta:

Okay, sir. Just wanted to understand, you have stopped the production of the X-type, so is that no longer being reflected in your retail sales number, is that back of that out of your retail sales or is it still there?

Mr. Ramakrishnan:

On the retail, it is being stopped.



Mr. Sonal Gupta:

Can you tell us how much is it contributing to your retail sales as of now?

Mr. Ramakrishnan:

The numbers will be very small. It will be the I mean, just one second, out of the total sales in July-September almost 11,700 Jaguar cars, the extent is about 2000.

Mr. Sonal Gupta:

Okay. Finally, how do you see the raw material trends going forward. I mean, are you still expecting decline on the raw material side and what can we expect on the raw material side for JLR?

Mr. Ramakrishnan:

I will not comment on the commodity price trend, that I will come back a little later which is beginning to harden and we are concerned in that area. But generally I would say due to the company's internal efforts, the material cost and the raw material trend should be contained or should move down. The number of initiatives that have been launched in this direction both in terms of internal consumption, productivity increases as well as better sourcing efficiency including low-cost country resourcing. So, these trends I think would help us in managing our material and component costs much better. The one factor that we need to constantly watch is the underlying commodity price trend that will be more of an industry phenomenon if in line with the commodity pricing phases there are opportunity of price correction, or further cost reduction, we will have to manage this slightly differently. But parking that side for a moment, in terms of commodity trend, on the whole I would say material cost should be managed much more efficiently.

Mr. Sonal Gupta:

Right, sir. Great. Thank you so much.

Operator:

Thank you sir. Next in line we have a question from Mr. Ambrish Mishra from MF Global, you may go ahead please.

Mr. Ambrish Mishra:

I just wanted to understand you know most of the retail sales especially in the markets like US and Europe, we have seen quarter-on-quarter decline while the last four quarter trends have been more or less stable. This retail volume is going ahead because our



wholesale volumes henceforth would by and large will depend upon how retails come up.

Mr. Ramakrishnan:

It is difficult for me to take the conjuncture on the market. I think you have better equal judgment on that, but generally I would say this quarter apart I would say the US, the UK, and China should be relatively stable or better, concerned mainly in Europe other than Russia, in continental Europe and Russia. I would say two-thirds we have seen some stability on growth coming.

Mr. Ambrish Mishra:

Okay, fine. Thank you.

Operator:

Thank you sir. I will take up the final question. Our final question comes from Mr. Jatin Chawla from IISL, you may go ahead please.

Mr. Jatin Chawla:

Hello. Yes, I just wanted to know, have you started XJ bookings?

Mr. Ramakrishnan:

No.

Mr. Jatin Chawla:

And the JLR debt at 9000 crores that you mentioned, is it end of October or end of September?

Mr. Ramakrishnan:

End of September.

Mr. Jatin Chawla:

Okay, so that does not include the \$250 million GE funding?

Mr. Ramakrishnan:

No. \$250 million GE funding has also not been drawn even in October. It is a credit line that has been sanctioned to the company and it comprises of two parts, about half of it by GE which is a sanctioned draw able line of credit, which is not yet drawn fully. The other half is on a syndication basis for which efforts are on. The total line is \$250 million. Even the first half of 125, we have not drawn down still. The line of credit and funding is available for the company.



Mr. Jatin Chawla:

Okay. And the last question on the employee cost, you know, if I look at your employee cost in the previous quarter, it was 176 million pounds and if I address the one-time adjustment of 16 million pounds, it was 160 million pounds; and in this quarter on 187 you said there is an adjustment of 10 to 11 million pounds. Still on a quarter-on-quarter basis, there is an increase of almost 16 to 17 million pounds when the company is you know actually in the process of reducing employees, so just wanted to know the standup?

Mr. Ramakrishnan:

No, between the last quarters to this quarter, there has not been a significant reduction in the head count for employees. It has remained more or less stable. For example, if there is any inflation or any salary adjustment for even higher production levels, etc., there might have been a marginal adjustment.

Mr. Jatin Chawla:

Okay, thanks.

Mr. Ramakrishnan:

Thank you.

Operator:

Thank you sir.

Mr. Ramakrishnan:

Thank you very much everybody. Thanks for taking your time and participating in this conference call and for Credit Suisse, Monisha and Govind, special thanks to you.

Mr. Govindrajan Challappa:

Thank you.

Operator:

Thank you sir. That does conclude our conference call today. Thank you for participating. You may all disconnect now.