



Tata Motors Limited
Q3FY10 Consolidated Earnings Conference Call
February 26, 2010

Moderator Ladies and gentlemen, good afternoon and welcome to the conference call hosted by Deutsche Bank and TATA Motors to discuss the company third quarter consolidated results. As a reminder for the duration of this presentation, all participants' lines are in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call, please signal an operator by pressing * and then 0 on your touchtone telephone. Please note that this conference is being recorded. I will now hand the conference over to Mr. Srinivas Rao of Deutsche Bank. Thank you and over to you Mr. Rao.

Srinivas Rao Good afternoon ladies and gentlemen. We at Deutsche Bank pleased to host this conference call and we have with us Mr. C. Ramakrishnan, the CFO of TATA Motors to comment on the third quarter results which obviously have been quite a stellar. Thank you very much sir to taking time out for this conference call. Savita may I now hand over to Mr. Ramakrishnan to make the preliminary comments.

C. Ramakrishnan Srini, thank you very much for hosting this call. Thank you for being with us. Good evening or good afternoon or perhaps even good morning ladies and gentlemen. Thanks for joining us on this call.

We just announced out a short while ago the consolidated results for October December quarter for Tata Motors groups including Jaguar Land Rover as you have seen from our announcement and press release this quarter October-December quarter marked a turn around in the overall performance, a significant turnaround, substantially aided by the turn around we have seen in Jaguar Land Rover performance which has been consistently improving in the past couple of quarters last quarter we announced to you the EBITDTA positive performance of Jaguar Land Rover when if you recall I have shared with you the improvement in the product positioning pricing ability and the net realization from the company. The volume and the market performance



has continued to be good and robust and I do believe some of the cost actions that we have taken have also started bearing earning fruits. So these combined together have substantially improved JLR performance resulting in quite a few quarters, a PAT positive figure of about 55 million pounds for the quarter in Jaguar Land Rover. We do believe that this is very significant turnaround and we hope many of the cost action which of course will happen over a period of time will sustain and will hope to be able to improve on this as we go forward.

The products continued to be well received and we do have some more exciting product launches in the coming month including the much awaited all new XJ. Land Rover also has some relatively newer products in its pipelining including the 2010 model year launches which have been received very well. So on the whole, I think it has been a good turnaround quarter and we hope it will be consolidated and sustained and improve in the coming month. In terms of overall net debt position, the automotive debt equity has come down to little over 4:1 at the end of December compared to about 6:1 at the end of September partly due to the internal performance and partly also due to the fund raising through GDR etc that we did in the early part of the last quarter that was in October. May be with these few overall comments, I would stop here. Many of the figures have already been put up on the internet. I am sure many of you must have seen or would have the opportunity to see it. I am not to take in this call going over the numbers with these brief comments, I will hand you back and open this session for question and answer. I am sure you had a lot of questions and I will try to answer them as much as possible in this conference call.

Moderator

Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. At this time, participants who would like to answer the question may please press * and then 1 on their touchtone telephones. If your questions have been answered and you wish to withdraw question from the queue, please press * followed by 2. You are requested to please use your handsets while asking a question. To ask the question, please press * and 1 now. Our first question is from the line of Binay Singh of Morgan Stanley. Please go ahead.



- Binay Singh** Hello sir I had a question on JLR, could you bring me the reasons for the 8% sequential improvement in the ASP at JLRs and secondly when does the XJ dispatch starts in case of Jaguar
- C. Ramakrishnan** No, the volumes do not reflect any new XJ delivery.
- Binay Singh** Okay, the Jan volume.
- C. Ramakrishnan** No, the January volumes do not reflect any dispatch of new XJ which will happen may be in the coming month.
- Binay Singh** Okay.
- C. Ramakrishnan** They have not any comments that I have mentioned
- Binay Singh** Sir, what is the order backlog that we have of XJ.
- C. Ramakrishnan** There is no order backlog. There is no order..
- Binay Singh** Like pre-booking or something?
- C. Ramakrishnan** There is no pre-booking order.
- Binay Singh** Okay and my first question was on the see a improvement....
- C. Ramakrishnan** As I mentioned earlier, it is influenced both by model mix as well as country and region mix. The Land Rover models, the 2010 models which deliveries are started there have been priced much better. We also see the old XJ on the old X-type series production and that also will have influence in terms of the overall realization which primarily is the model mix which has been quite favorable.
- Binay Singh** And also on the country mix what is the one that you are saying that the country mix has been favorable?
- C. Ramakrishnan** Depends on the market, the China market is a very good market. The Chinese volumes have been robust and the pricing also has been good.



- Binay Singh** Okay, as you said there is no FOREX impact or favorable currency movement over there?
- C. Ramakrishnan** No. The currency mix has not been unfavorable to the company; let me put it this way. Overall, the JLR business would benefit with a stronger dollar on account of exports and since they do have some imports in Euros, the Euro-pound parity would be adverse in the company if the Euro were to be stronger against pound, so overall I would say they have marginally benefited on account of exchange, but nothing very significant.
- Binay Singh** Okay, thank you sir. I will come back for further questions.
- Moderator** Thank you very much Mr. Singh. Our next question is from the line of Jamshed Dadabhoy of Citi Group. Please go ahead.
- Jamshed Dadabhoy** Hi sir, my question is answered. Thank you.
- Moderator** Thank you Mr. Dadabhoy. Ladies and gentlemen before we take the next question, we would like to request participants to please limit the questions to two per participant. Our next question is from the line of Sahil Kedia of Enam Securities. Please go ahead.
- Sahil Kedia** Sir, thank you for taking my question. Couple of questions sir. Can you first tell us why there has been a rise in the depreciation in JLR on the quarter on quarter basis and any specific reason why the wholesale volumes are higher in this quarter versus the retail volume.
- C. Ramakrishnan** On your first question on the depreciation amortization this quarter we did carry some additional one time charge to the extent of about 28 million pounds that partly accounts for the increase that you see in this quarter that is the one time charge.
- Sahil Kedia** Okay.
- C. Ramakrishnan** And as for your second question which is about wholesale volumes as I have shared with you earlier during the last 3-4 quarters or 4-5 quarters I would say right from January onwards, the company has been going through a



period of inventory correction both in the company as well as in the dealer end and the production as well as the wholesale dispatches have been lower than the retail to allow for series of stock correction that the dealer end as well as the company end, that process I think I shared with you last time the processes involved are completed by July-August.

Sahil Kedia So basically this has been normalized?

C. Ramakrishnan Yes, I would think it has been normalized and there has also been rundown on the inventories on account of discontinuation of X-Type, the state was created for the volume uptake of the new XJ.

Sahil Kedia Sir to comeback to the first question which I mentioned on depreciation, you said the 28 million is a one time in nature so even if I, if I suppose to be reduced that would it be fair to assume that the depreciation run rate should be about 90 million per quarter, this quarter was 118 million pound if you remove 28 it should be 90 million which is to sequentially fairly high about say 58 million in the last quarter. I just wanted to understand that what should be assumed should we take 90 as a fair number to resume on a quarterly basis because your depreciation rates have been a little volatile, they were 70 million in Q1 and come down to 58 and are back to 90, so kind of little

C. Ramakrishnan I would say you are not very off the mark I would say between 70 to 90 is correct range. I will give you the range on a quarter basis in terms of direction partly because it is also a function of the level of production.

Sahil Kedia Level of production.

C. Ramakrishnan Pardon me.

Sahil Kedia Is it basically due to the level of production.

C. Ramakrishnan It is also a function of the volumes and shift working around

Sahil Kedia Sure sir, thank you so much.



- Moderator** Thank you Mr. Kedia. Our next question is from the line of Govind Chellappa of Credit Suisse. Please go ahead.
- Govind Chellappa** Could you just explain how your commodity contracts in JLR work. What is the period they run through? When is it up for renewal and what do you think is your ability to pass on this commodity cost?
- C. Ramakrishnan** The commodity contracts predominantly in JLR are annual in nature and if I recollect right they tend to be for the period July-June. In terms of ability to pass on pressures on commodity front, I think it is a question of how the market performs. It will be an industry challenge, so.
- Govind Chellappa** I have a related question, how have incentives moved in the last quarter, I mean if you could you just talk about incentives in your key markets and what kind of impact it had and drastically improved profitability?
- C. Ramakrishnan** One has seen not only in this quarter over the last 2-3 quarters, I think one has seen gradual decline in the incentives on the variable marketing support which has been known as the contributing factors for the net sales realization net margins improvement.
- Govind Chellappa** Okay, and does it continues as we speak or do you see that petering out?
- C. Ramakrishnan** I think it will stabilize over time.
- Govind Chellappa** Okay.
- C. Ramakrishnan** From the current level, is there a scope for further substantial reduction? I would perhaps say no, but depending on the geographies on markets and the success on the new products as they may come down further.
- Govind Chellappa** My last question was on Tata Daewoo. If you could just comment on its performance and why we have seen such a drop in profitability, thanks.
- C. Ramakrishnan** Tata Daewoo was adversely affected by combination of things in this quarter in terms of its own domestic market mix as well as drop in exports with some of the export markets getting affected and more particularly the exchange



also has been unfavorable for the company, hopefully it is only passing quarter and the performance should bounce back in the coming quarter.

Govind Chellappa Okay sir, thank you.

Moderator Thank you Mr. Chellappa. Our next question is from the line of Jairam Nathan of Kotak Securities. Please go ahead.

Jairam Nathan Hi, thanks for I had one question on inventory if I look at your slide then it talks about, I just am a little confused here it talked about wholesale and retail of 57,000 and 55,000 units and then below that you talking about days which are 79, when we think about inventory should be add up the wholesale and retail, I am not sure?

C. Ramakrishnan No, I think idea is the in that page the top part of the chart which is giving both wholesale and retail numbers that gives you an indication of the stock held at the dealership.

Jairam Nathan Okay.

C. Ramakrishnan Normally, the difference would reflect you the reduction in the dealer inventories. If you look at April to June 09 quarter in that bar chart diagram on top, April to June you would see a wholesale of 36,000 units and retail of 47,000 units that would reflect by logic that would mean almost 11,000 vehicle reduction at the dealer held inventory. The company has sold 36,000 and the dealers have been able to retail 47.

Jairam Nathan Okay, that is sales actually.

C. Ramakrishnan Yeah, dealer inventory reduction that is the indication on the top box which is what I said earlier the retail..

Jairam Nathan Okay now it is clear sir.

C. Ramakrishnan And the bottom box so that you get a picture in terms of both the company as well as the dealer inventory is combined. We have tried to give you a



measure of the overall inventory positions. So, the bottom part of the page is both company as well as dealer inventories.

- Jairam Nathan** Okay, the top part is sales.
- C. Ramakrishnan** Okay, the top part is the sales numbers. So, the difference between retail and wholesale will give you an indication of the dealer inventory management.
- Jairam Nathan** Okay and my other last question was on the debt and in JLR?
- C. Ramakrishnan** Yes.
- Jairam Nathan** Debt position in JLR?
- C. Ramakrishnan** Sorry, we will move on to the next question. I will give you that number before close.
- Jairam Nathan** Okay, thanks.
- Moderator** Thank you. Our next question is from the line of Pramod Amte of RBS Equities. Please go ahead.
- Pramod Amte** Hi, actually sir I had a similar question about this consolidated debt as your standalone which you announced.
- C. Ramakrishnan** Yes.
- Pramod Amte** Just wanted to reconcile where they stand so unless until you give us that number, because I think the standalone which you announced was somewhere around 19,500 crores debt.
- C. Ramakrishnan** Yes.
- Pramod Amte** On the December where as console you are showing it at around 23.
- C. Ramakrishnan** Yes.



- Pramod Amte** So, does that mean that the only the remaining part is for the all the subsidiaries combined which is less than 3500 crores?
- C. Ramakrishnan** Yes. Automotive subsidiaries
- Pramod Amte** Is that the way to look at or because the total works out to be somewhere around 23,100 crores?
- C. Ramakrishnan** Yeah, this is consolidated when you talk about 23,000 that is also excluding vehicle financing debt.
- Pramod Amte** Right, so is that right to say that JLR and all other automotive subsidiaries combined as 3500 crores?
- C. Ramakrishnan** Net debt yes.
- Pramod Amte** Sure thanks.
- Moderator** Thank you Mr. Amte. Our next question is from the line of Satish Jain of HDFC Asset Management. Please go ahead.
- Satish Jain** Good afternoon sir. Essentially I wanted to just check out on the sustainability of the margins, we had very good margins in Q3, just wanted to understand what drove that, how sustainable are these margins and what are the further cost cutting measures that JLR proposes to resort to?
- C. Ramakrishnan** I think this quarter just completed October-December marks a very important turnaround in JLR performance and have returned to profitable performance of the net profit level. So far I think we have seen there have been significantly benefited from the stabilization of the market in return of meaningful volume from some terrible quarters which we have seen in 2008 and 2009 and equally important I think the pricing ability of the discounting of the incentive, the net realization has improved substantially. Combined with this, I think the new product excitement and the positioning of the products at much better prices and attractive margins have also been favourable for the company. Some of the cost reduction measures obviously would realize that many of the initiatives they have undertaken on cost front



material costs or overheads and excise reduction etc take some time for them to start flowing into the bottom line that will begin to happen over the last year or so I have shared with you some of the earlier calls and discussion, over the last year or so we have reduced over nearly 2000 people by way of headcount; however the material cost and the other actions, I think they will start flowing through the bigger way in the coming quarters. So, hopefully the market performance is somewhat supportive as it have been in the last one or two quarters. We do believe that we can not only sustain, but improve on the current showing. Just to put it in the context let us also remember that before we went through a very challenging last year and a half before that if you see December calendar year that combined the JLR operation did make a profit of over 600-700 million dollars.

Satish Jain

Okay and also I wanted to understand what is the kind of R&D and Capex spend that we are looking in JLR, next year and probably the year after?

C. Ramakrishnan

It will be difficult to put a year wise figure for you, but I can mention directionally I would say Jaguar Land Rover business would spend about 350 to 400 million pounds by way of product development engineering, investment in the technologies environment related and new product introduction related. In addition for the introduction of the new product there will be some capital spending on toolings, dyes, fixtures etc that would be I would say annually again directionally of the order of about 200 to 250 million pounds. As this is directional one year it could be high, one year it could be low depending on the cascading of the new products.

Satish Jain

Sure, thanks a lot.

Moderator

Thank you Mr. Jain. Our next question is from the line of Kapil Singh of Nomura Securities. Please go ahead.

Kapil Singh

Good evening sir. Just one question on the UK holding company, is there any debt there and if so what was the interest cost there of.

C. Ramakrishnan

UK holding company after the last GDR issue and the FCCN issue that we made in October if you recall we had used the 750 million dollar profits to



fully pay off our acquisition bridge finance we had taken with that there is no major debt outstanding in the holding company.

Kapil Singh Okay and secondly was there any extraordinary employee cost in the quarter, I mean any onetime employee cost as you have been having in the previous couple of quarter?

C. Ramakrishnan No, there is no extraordinary onetime employee cost in this quarter. As I said that short while ago in the conference call, there has been an additional charge of about 28 or 30 million pounds on account of some dyes and additional depreciation amortization charge, on the employee front there has been no additional onetime charge.

Kapil Singh Alright and what was the CAPEX that was done during the quarter if you could share that including R &D?

C. Ramakrishnan Again, I will give you this number. For the quarter in JLR?

Kapil Singh Yeah.

C. Ramakrishnan Okay, just bear with me but before the call ends , I will share the number.

Kapil Singh Alright, thanks.

Moderator Thank you Mr. Singh. Our next question is from the line of Rajat Chandak from ICICI Prudential Mutual Fund. Please go ahead.

Rajat Chandak Yes, we have seen sequential a very good improvement in JLR volumes, just wanted to check are they sustainable as in was October-December seasonally or better quarter for JLR is there anything like that?

C. Ramakrishnan October-December tends to be a good quarter for the company annually, hopefully will be newer products and fresher portfolio that they have and with a launch of new XJ the volume should continue to be as robust as they have been if not improved.



Rajat Chandak Okay sir and so January and say probably most of February has been equally good.

C. Ramakrishnan January numbers we have already shared. It is in the public domain.

Rajat Chandak Okay sir, thank you.

Moderator Thank you Mr. Chandak. Our next question is from the line of Alok Rawath of CLSA India. Please go ahead.

Alok Rawath Sir, couple of questions. One what was the level of capitalized expenses at JLR?

C. Ramakrishnan Okay.

Alok Rawath Second sir in this quarter, the raw material if you look at it on per vehicle basis at JLR, it has not moved much QOQ despite the mixed improvement that you mentioned. So, could you please explain that and thirdly how is the financing situation especially in US and also in Europe?

C. Ramakrishnan this may be in slightly different order when you take financing situation you are talking about the..

Alok Rawath vehicle financing situation.

C. Ramakrishnan The retail customer finance.

Alok Rawath Right.

C. Ramakrishnan Okay, as you know as far as customer financing is concerned, we have arranged for Europe and UK we have tied with state financial services in the place of ford which was providing the vehicle financing earlier and in US market we had tied up with chase so the arrangements are in place transition from Ford credit to these two organizations is fully in place. Typically, I would say the company sponsored vehicle financing catches around 25% of the overall company sales; otherwise the financing is done on the independent basis either at the dealer end or at the customer end. The vehicle



financing market has been supportive of the volumes, so I do think there has been a particular concern or challenge so far at least in this quarter.

Alok Rawath So, in the current quarter or see Jan or Feb, the captive financing levels has it been around 25% mark, would that be fair to assume.

C. Ramakrishnan Yes, it hovers around that level.

Alok Rawath Okay.

C. Ramakrishnan Quarter to quarter it may move in the range of 25-28 or something in that range. There is no extraordinary pattern to be seen here.

Alok Rawath Okay.

C. Ramakrishnan I hope that answers the question. As far as the material costs and the mixes concerned, I think the mix I was commenting on more from the margin point of view both in terms of model mix as well as country and region mix, obviously some of the benefits you see in the bottom line is the cost base has been under control including the material cost.

Alok Rawath Okay so would it be fair to say that some of this raw material per vehicle, the containment of this cost some of it has been because of sourcing initiatives you have initiated?

C. Ramakrishnan The sourcing initiatives is something which the company has had embarked upon even earlier. We hope to be able to accelerate and make it faster more effective and more focussed. Some of it has started flowing in, at one point of time, I think had shared with you may be about a year. Year and a half ago that the company has something like 14-15% of their sourcing from low cost countries. Right now, it is close it about 20% some of it has happened in the last couple of quarters or few quarters and we hope to be able to take it away lower to 30%.

Alok Rawath Okay sir and sir on the capitalized expenses what was the number for this quarter?



- C. Ramakrishnan** For the 9 month's period, April to December it is about 400 million pounds.
- Alok Rawath** 400 million. Thank you sir.
- Moderator** Thank you Mr Rawath. Our next question is from the line of Saurabh Das of Sundaram BNP Paribas. Please go ahead.
- Saurabh Das** Hi sir, congratulations on a great set of numbers and also for tying up the EIB loan. Just two questions from my side. One on the residual cost as we see that the vehicle prices as well as the used vehicle prices have gone up, so did we see any residual cost write back in this quarter or is it probable in the next two quarters, you can give some sense on that? The second question is when we acquired the company, we distinguished between some low hanging fruits in terms of cost rationalization and some on the longer term on the low hanging fruits if you can just give us a sense of where have you actually seen cost rationalization? These two are all from my side, thank you.
- C. Ramakrishnan** Your first question itself had two parts one is about any extraordinary gain that we have taken in this quarter on account of improvement and residual value, the answer is no. I think the second part of the question was related to how do we see this going forward in the next couple of quarters, it will be difficult for me to predict, but I do not expect major extraordinary movement here in the near future. So far in general, there have been quite favourable and Jaguar Land Rover brand particularly Jaguar and also in the case of Land Rover the net realization values had been showing improvement partly as a reflection of the brand improvement and the quality improvement generally they had been on the increase. If I remember my figures right actually about a month ago, I think in its competitive class Jaguar cars had one of the net realization value that do see any extraordinary accounting gain on account of this in the coming quarter, I do not expect either way. The second question you had was in terms of low hanging fruits I was not very sure about the question. I think your question was, are they progressing satisfactorily, have you started seeing some benefits, yes obviously we have. I think we have seen some improvements in the margin on account of that.



- Saurabh Das** Yes, what I was coming to is if I understood you correctly already some 1000 or 1500 employees have been reduced, but if I see the employee cost as an absolute amount, it has not gone down so significantly. I understand there would be temporary workers who would also be substituting them, but are the cost per worker almost familiar in that case?
- C. Ramakrishnan** It is also a function of the work patterns if you are comparing like to like with the last year, for example October-December we went through a shut down period and partial wages and so on, so the base of comparison for many companies, this period is becoming difficult to make, but overall I would say the employee size has come down at the time of our acquiring and taking over the company we had an employee headcount size of about 16,000, it has come down to a little over 14,000 now. So there has been overall contraction depending on the headcount reduction quarter and contributions to the pensions on account of the outgoing employees etc there may be some charge in one of the quarters that you would take even on account of the out going employees but the overall reduction in the headcount I think should start benefiting the company in terms of better operating performance.
- Saurabh Das** Great, just one last question on the EIB loan, it mentioned that it is an 8 year amortizing loan, so the repayment should be on equal installments for over the next 8 years.
- C. Ramakrishnan** The repayments commence from the 3rd year, after 2 years, after that equal amortizing over a total 8-year period.
- Saurabh Das** Great, thanks.
- Moderator** Mr. Das, do you have any further questions.
- Saurabh Das** No I am done with my questions.
- Moderator** Our next question is from the line of Kunal Gupta of UBS securities. Please go ahead.



Kunal Gupta Thanks a lot. Sir, just wanted to know how much of X-Type is there in the retail volume this quarter?

C. Ramakrishnan X-Type retail volume, in this quarter?

Kunal Gupta Yeah.

C. Ramakrishnan Just one second. It is little over 2500.

Kunal Gupta And so for the 9 months figures

C. Ramakrishnan For the?

Kunal Gupta For the 9 months this year?

C. Ramakrishnan It is about 8000.

Kunal Gupta Okay sir. Sir, you had previously once talked about trying to reduce your warranty cost as well, so just wanted to understand how would you sort of go about doing that and how do you be able to achieve that?.

C. Ramakrishnan I think it is an underlying focus on improvement of the product quality.

Kunal Gupta Okay sir. Thank you.

C. Ramakrishnan There have been several measures undertaking in Jaguar Land Rover, not only now but even in the past, Jaguar cars had reached one of the lowest points in terms of quality of under JD Power Survey a few years ago. The types of effort that was undertaken since the last year, they had been toping the chart in terms of quality performance and similarly in Land Rover, even though it has not come to the top of the charts it is well crossed the industry average amongst its peer from a very low point few years ago. I think it has been a significant progress in the last 2-3 years in the company in the products' quality. We hope to be able to continue this and many of the newer products reflect the effort from the company's putting in the design engineering product validation and testing that it does in terms of its new product positioning.



- Kunal Gupta** Right sir and sir just one final question from my side, we have seen a strong jump for Land Rover in this quarter in the other market. Could you just tell us which are the key other markets where you seeing strong growth?
- C. Ramakrishnan** Other markets you are taking outside of US, Europe etc.
- Kunal Gupta** Yes outside the five major which you gave.
- C. Ramakrishnan** China has seen some very good growth.
- Kunal Gupta** Excluding China.
- C. Ramakrishnan** Okay. Outside of these markets in terms of total sales volumes as a percentage, I think collectively it will account for about 10-15% of the total. I do not have a split between various countries within this other category.
- Kunal Gupta** So it seems like others have gone up from 5500 for Land Rover to 8600 this quarter I mean QOQ, so that is why I was wondering as to which are the markets where you are seeing strong growth in these?
- C. Ramakrishnan** Sir, your point is well taken. For a whole quarter, it is about between 5000 to 8000 in terms of total numbers it is but I can share with you the details may be offline I do not have it readily here with me in terms of the split of these other categories.
- Kunal Gupta** Okay sir, thank you sir.
- C. Ramakrishnan** I will surely do that may be if you can drop a mail to me or Savita, will be able to share this with you.
- Kunal Gupta** Sure sir, thank you so much.
- Moderator** Thank you Mr. Gupta. Our next question is from the line of Santhosh Kamath of Franklin Templeton. Please go ahead.



- Santhosh Kamath** Sir, two set of questions. The first one news article saying about State Bank of India taking equity stake in one of you subsidiary Tata motor finance, so can you comment on that sir?
- C. Ramakrishnan** I cannot comment on that beyond saying that I think we had shared our intent to de-leverage through different divestments, part of the plan as and when we are able to conclude anything with various organizations with whom we are discussing and make the necessary announcement and if you could excuse me, I am not able to comment anything beyond that at this stage.
- Santhosh Kamath** Okay and the second was on your total debt position. Where do you see this debt position in the next few quarters? What is the kind of target the company is looking at currently you are at a 23,100 crores consolidated debt. Where do you see this debt a few quarters from now?
- Mr Ramakrishnan** I don't have about a few quarters, but the few quarters ahead, but if you go back to the past this company has traditionally before Jaguar Land Rover acquisition etc, traditionally we have operated at 1:1 or less than 1:1 debt equity as a directional comfortable target one would like to target getting back to that type of levels as early as possible, but we have to put a timeframe it will be next few quarters or couple of quarters or couple of years etc, but definitely the directional movement that you would like to see.
- Santhosh Kamath** So you can say that this is kind of the peak debt level the company is currently in foreseeable future.
- C. Ramakrishnan** I think so.
- Santhosh Kamath** Thank you sir.
- Moderator** Thank you Mr. Kamath. Our next question is from the line of Jinesh Gandhi of Motilal Oswal Securities Limited. Please go ahead.
- Jinesh Gandhi** Hi sir, my questions have been answered. Thanks.
- Moderator** Thank you Mr. Gandhi. Our next question is from the line of Chirag Shah of MK Global. Please go ahead.



- Chirag Shah** Yeah. Sir, one question a house keeping question. Sir, this extraordinary income expense you have classified at 110 odd crores. What exactly is the nature of this expense in the consolidated numbers, if you can help us understand. 109.8 crores to be specific?
- C. Ramakrishnan** Actually, there are 2 items there of similar nature, the line above that is about 124 crores and the next line is about 109 crores. Both relate to the holding company debt that we have in UK. The exchange impact on that, we repaid that debt in the October period after we made the GDR issue on the FCCN issue. The repayment of the debt related exchange loss and the onetime loan cost has been fully charged as a onetime expenditure.
- Chirag Shah** So these are both realized costs, realized losses, the second item of 124 crores, it is also realized or is it more of a notional charge?
- C. Ramakrishnan** Both in a sense are realized charge.
- Chirag Shah** Secondly if I look at your other expenses, you know of all the numbers that you have shared on YOY, they have gone down from 4600 odd crores to 3300 odd crores.
- C. Ramakrishnan** Sorry which one?
- Chirag Shah** Other expenses the net off capitalization if I look at, there is a sharp reduction and this is the level that you have been operating on absolute amount, I was just trying to understand what segments have you have been able to control cost which has been such a sharp reduction?
- C. Ramakrishnan** Consolidated basis particularly like item like other expenditure, it will be difficult for me to comment here. I will be able to share any further details on breakup at this point.
- Chirag Shah** No just trying to understand as a broadline vis-à-vis last year what are the segments that you have been able to reduce, I presume your most of the reduction is at JLR because that standalone levels there has been a good amount of increase that we have seen. So is this a structural just trying to



understand from you what are the areas that helped its warranty cost or what are the key elements that you focus which helped you to bring it down significantly. Will it be possible for you to help us broadly on that side?

C. Ramakrishnan I will endeavor do that may be not on this call, but I will definitely endeavor to do that.

Chirag Shah Great, it would be really helpful us to understand as going ahead how things should shape up.

C. Ramakrishnan Sure, may be in the next quarter when you see a more detailed annual income expenditure statement I am sure you will get from that.

Chirag Shah And if I can take a liberty to ask one more question, you indicated on the raw material cost side you said that contracts are from July to June is the period, so it means that for this quarter you have already got the benefits of the contracts. Is it right or is it more of a volume contract and price negotiations keep on varying? How it is? If you can just also help us understand? So there is no element of rise in material cost for you till June. That is the right way to understand?

C. Ramakrishnan Yes, I would agree.

Chirag Shah Okay great. Thank you very much sir.

C. Ramakrishnan Thank you.

Moderator Our next question is from the line of Pramod Kumar of B&K Securities. Please go ahead.

Pramod Kumar Yeah, good evening sir. Sir just had one query regarding this EIB loan, if you can just explain what could be the broad cost of this particular arrangement of loan which you are getting from EIB including the guarantee cost for the banks especially SBI and others?

C. Ramakrishnan The total Two tier guarantee structure plus it has a basis interest spread on the loan. The total cost is a little over 6% overlying.



- Pramod Kumar** Sorry 60?
- C. Ramakrishnan** 6% overlying.
- Pramod Kumar** 6% plus LIBOR is it. Okay. Sounds good sir and in terms of, this question more pertains to your associate operations especially the Tata-Fiat joint venture. Just wanted to understand how things have been moving there as in because normally we do not get to hear about this operation on a quarterly basis, but given the kind of investments which have gone and I think in the last one year that particular joint venture also raised some 500 million dollars of loans as well. So just wanted to understand how is that operation progressing especially given the increased competition in the domestic car market and all the kind of investments you are looking in that particular joint venture in the future.
- C. Ramakrishnan** Overall, I put it in 3 broad comments after the introduction of the clear product in the joint venture the Grande Punto Linea the volumes have been very encouraging, I think the market acceptance of the products have been very good. The volumes had been ramping up. In the past, there had been delays in the introduction of these models by a couple of quarters in each case. The amount of investments we had made and the delayed launch etc had impacted the companies financial performance in terms of investment cost etc volumes are beginning to look up at, the market acceptance has been very good. We also sold engines from the joint venture for our new generation Indica and Indigo cars. That volumes also were delayed launch of our own products, but those volumes are also as you know, Indica vista the Manza in particular has been doing very good in market as far as the joint venture is concerned, the sourcing of the engine that also has shown some very good results. Hopefully, the JV operation should be on an improvement kind of from now.
- Pramod Kumar** But is it currently making profit or not given the current volumes.
- C. Ramakrishnan** No the JV reported a loss.
- Pramod Kumar** JV report. How much if you can share that?



- C. Ramakrishnan** Just one second. For the quarter, the JV made a loss of about 15 crores.
- Pramod Kumar** 15 crores, okay sounds good sir Thanks a lot and best of luck sir.
- Moderator** Thank you Mr. Kumar. Our next question is from the line of Hitesh Goel of Daiwa Securities. Please go ahead.
- Hitesh Goel** Hello sir, thanks for taking my questions. Sir, I just want to know do you have any hedging contracts on the exports and imports, on your exports values as well as on imports value and secondly I just wanted to know what is the PAT in Indian Rupees for JLR this quarter?
- C. Ramakrishnan** I presume you said PAT in this quarter you mean October-December quarter?
- Hitesh Goyal** Yes sir.
- C. Ramakrishnan** When you said this quarter, I getting worried whether you are asking me about January.
- Hitesh Goel** No, I was talking about 3rd quarter.
- C. Ramakrishnan** The Profit After Tax in JLR for October-December was 416 crores.
- Hitesh Goel** Okay and sir can you.
- C. Ramakrishnan** As far as the hedging contracts are concerned, I was not clear whether your question was about JLR or Tata Motors.
- Hitesh Goel** No sir, I was talking about JLR, I mean do you hedge any part of exports or imports?
- C. Ramakrishnan** They do have some hedging in place, but mostly tends to be through conventional instruments like forward contracts, no sophisticated hedging options and derivatives etc.
- Hitesh Goel** Okay sir. Thanks.



- Moderator** Thank you Mr. Goel. Our next question is a follow up from the line of Govind Chellappa of Credit Suisse. Please go ahead.
- Govind Chellappa** Yeah Hi. Just a couple of questions. One was could you help us understand the seasonality of JLR volumes a little more, I do know that the September and March are fairly strong months, but the data that we have seen in the last two years is obviously not representative of what the normal business cycle has, so if you could give some idea of how the seasonality is, secondly when do you intent to restart investing in your business again in JLR by way of increasing fixed marketing expenses or capacity expansion or rehiring people for capacities. At what level, do you think you will have to do it and third if you could just give a quick comment on what you thought of the budget proposals especially on the R& D expense, did the tax benefit for R& D expense?
- C. Ramakrishnan** Quite a bunch of questions, Govind let me try and do justice. In terms of seasonality as you rightly said, I think the last 12-15 months it is difficult to go back to the 12-15 months and start relating the normal seasonality story or event of the last year or so, but directionally I would say the September-October period and January-March period would tend to be relatively stronger months, rather stronger period in terms of retail sales volume, as for your second question in terms of...
- Govind Chellappa** The reinvestment in businesses in JLR.
- C. Ramakrishnan** That is a difficult one to answer, I would broadly think in terms of capacity or rehiring that will clearly be a function of volumes one has to see, but in the immediate future I do not see capacity challenge coming up for JLR after all the company has performed up to 300,000 vehicles annually not in the distant past.
- Govind Chellappa** But you have mentioned somewhere that your manned capacity is about 200,000, I do not remember in which document you had mentioned, but there was some document from I think it was one of your FCCB filings.



- C. Ramakrishnan** No, we had said the manned capacity would have been around 300,000 at one point of time. We said we had due to the various headcount reduction, etc., the manned capacity had come off by about 10% or so. The 200,000 number that you are talking about is as a target we said, we would aim to achieve a breakeven at about 60% of our manned capacity which would be around between 180-200,000. I don't think we said our manned capacity is 200,000.
- Govind Chellappa** Okay I will correct it then. And lastly on the other budget proposals?
- C. Ramakrishnan** Budget overall I would say we have to wait and see how the market reacts in terms of the excise increases etc which is certainly the company would pass on in terms of the price increases. One of the positive effect for the company and as a positive policy direction is I think the support that has been provided to the R &D spent in terms of the tax shield that will benefit us significantly.
- Govind Chellappa** Could you just quantify what kind of impact it could have, would it be 100 basis points of sales?
- C. Ramakrishnan** A lot will depend on your forecast in terms of the profit.
- Govind Chellappa** Sure I understand that. I have one request sir, would it be possible for you to share the last say 10-15 years' monthly volumes of JLR, I am sure it is there somewhere in the system.
- C. Ramakrishnan** Last 10-15 years?
- Govind Chellappa** We have Tata Motors monthly numbers since 1991. Something like that would be helpful for JLRs right?
- C. Ramakrishnan** Okay we will try and put it out and I am not sure about last 10-15 years, but as far as we can go, we will try and put it out.
- Govind Chellappa** Thank you sir.
- Moderator** Thank you Mr. Chellappa. Ladies and gentlemen, due to time constraints, our last question is from the line of Vaishali Jajoo of Angel Securities. Please go ahead.



- Vaishali Jajoo** Yeah good evening everybody and congratulations on good set of numbers. Most of my questions have been answered. Just one question on the extension of rationalization of employee cost, is there any target where you are further reducing the headcount hereon out of 14,000?
- C. Ramakrishnan** Yeah, I don't think you will see further significant reduction already adjustments as we go on now.
- Vaishali Jajoo** So, those 14,000 we can take as hereon it will not have much of reduction on those front JLR
- C. Ramakrishnan** Yes, I don't think there will be any significant moments. In one of the earlier calls, I had mentioned we are also looking at the global operations in terms of various markets and national tier companies etc. There may be some marginal changes, but not significant where the 14,000 come down to 12,000 or 10,000.
- Vaishali Jajoo** Okay, thank you sir.
- Moderator** Thank you Ms. Jajoo. Ladies and gentlemen that was the last question and now I hand the conference over to Mr. Srinivas Rao for closing comments.
- Srinivas Rao** Ladies and gentlemen, thank you very much for joining the call. Mr. Ramakrishnan, thank you very much for taking time out. It has been a pleasure and congratulations again on your strong set of results
- C. Ramakrishnan** Thank you very much. Thanks for your support and thanks everybody for joining and for your confidence and support to the company and thank you very much. Bye.
- Moderator** Thank you very much gentlemen of the management, thank you Mr. Rao. Ladies and gentlemen on behalf of Deutsches Bank and Tata Motors that concludes this conference call. Thank you for joining us on the Chorus Call Conferencing Servicing and you may now disconnect your lines.