



Tata Motors Limited
Q1 FY10 Earnings Conference Call
July 27th, 2009

Moderator: Ladies and gentlemen, Good evening and welcome to the Tata Motors Q1 FY10 conference call hosted by Tata Securities Ltd. As a reminder, all participants' lines will be in the listen-only mode and please note that this conference is being recorded. There will be an opportunity to ask questions at the end of presentation. If you need any assistance during this conference, please signal an operator by pressing '*' and then '0' on your touchtone phone. I would now like to hand the conference over to Mr.Dharmendra Grover of Tata Securities Ltd. Thank you and over to you Mr.Grover.

Dharmendra Grover: On behalf of Tata Securities, I welcome everyone to Tata Motors Q1FY10 earnings call. To discuss the results we have on the call the senior management along with the CFO, Mr. C Ramakrishnan. I would now like to hand over the call to Mr. C Ramakrishnan, who would take us through the financial highlights and then subsequently, we will open the floor for the Q&A session. Over to you, sir.

C Ramakrishnan: Dharmendra, thank you very much. Good evening ladies and gentlemen. On behalf of Tata Motors thank you very much for taking the time and joining us on this call. This is a call to present to you the financial results of Tata Motors as a standalone entity. In due course, on a voluntary basis, the company would also be declaring their financial results of consolidated operations, which will follow later. But this call at this point in time is for Tata Motors standalone financials.

We announced the financial results of Tata Motors a short while ago for the period April to June FY09-10.,The total vehicle sales stood at 127,340 vehicles compared to 133,079 in the same period last year. There is significant decline in the export performance which came down by nearly half from 9,000 in the previous year to about 5,000. Otherwise, on the domestic front, with commercial vehicles and the aggregate of all segments put together, there was a marginal increase at 72,216 vehicle sales, compared to 71,409 in the same period last year.



Passenger cars and utility vehicles were close to about 49,900 in the current quarter compared to 52,000 in the same period last year. In the aggregate, all domestic and international operations are placed at about 127,000 vehicles compared to 133,000 last year.

With the result, gross turnover declined from Rs 7,796 crore to Rs. 6877 crs and net income from operations declined from Rs 6,900 crore to Rs 6,400 crore in the same period in the current financial year. Partly on account of marginally lower volume and also because of the change in the model-mix where the commercial vehicle number saw a bigger increase in small commercial vehicles compared to medium and heavy commercial vehicles. In terms of profit, the net profit after tax for the period was reported at Rs 514 crore compared to Rs 326 crore in the same period last year.

We will see more of this as I briefly take you through a small presentation we have put together. This presentation will be loaded on our website at the conclusion of this call. So you will be able to access the presentation shortly after this call. In the domestic market, we are seeing increased signs of stability and growth coming back. The industry witnessed a negative growth, a de-growth of about 9.2% in overall terms with Tata Motors number showing a much lower negative growth compared to the industry. In terms of Tata Motors numbers, commercial vehicles, domestic, was at 72,216 in the current year Q1 compared to 71,409 in the same period last year--an increase of about 1.1%. Passenger vehicles, as I said earlier at 49,900 compared to 52,000 in the same period last year, a negative growth of about 4.9%.

In commercial vehicles, across all segments, Tata Motors posted significant gains in the market share in the domestic industry. Where medium and heavy vehicles are concerned, the industry continued to decline but the declines are narrowing down quarter-on-quarter. The decline in the first quarter was about 40% compared to 60%+ that we had seen in the immediate preceding quarters. The trend seems to be narrowing down. For light commercial vehicles, the aggregate actually grew in the industry level by about 20% and Tata Motors' grew by about 28%. In terms of bus volumes, medium and heavy commercial bus industry declined actually by 16%. On the other hand, Tata Motors in this segment grew by about 10%.



Overall, in terms of market share in LCV, we improved our market share from about 62.8% in the same quarter previous year to the current quarter at 66.7%.

In MHCV vehicles, similarly, we improved our market share significantly from 59% in last year's Q1 to about 68.5% in the current year's Q1. I believe that we are running at one of the highest market shares in the recent past, as far as I can remember. We unveiled the World Truck in this quarter towards the end of May. It has been received well and we hope to be able to match international performance in our trucks, combined with affordable lifecycle cost for the customers.

As far as the passenger vehicle is concerned, Indica Vista continues to do well and improve our market share position in the passenger vehicle market. In small cars, our market share increased from 11.3% in April to June quarter last year to about 11.8% in the current quarter. The exit market share in June '09 ran at about 11.8%. In addition, as you know, Indica Vista has been priced more advantageously with the realisations ranging 20% higher than the earlier models. Competition continues to be intense in the passenger car segment and Indica Vista's performance has to be seen in the context of six new launches and totally 21 players in the market space.

Fiat Linea was launched in January '08 and the Grande Punto has also been launched, which combined with our newer products should strengthen our position in the passenger car segment in the coming quarters. Towards the end of the quarter in June, we also launched the Jaguar Land Rover products in India from our flagship showroom in Mumbai and we hope to build up on Jaguar Land Rover's presence in India through further retail networks. Regarding Tata Nano, names of one lakh allottees and another 55,000 retainees have been declared and communications sent to individual allottees and deliveries will commence from July '09. Utility vehicles continue to face stiff competition from the market leader but renewed efforts are on by the company to improve our position, particularly in the second half.

As I said earlier, the export markets continue to witness significant negative growth particularly affected in markets like South Africa, Sri Lanka among



others. Hopefully with some normalcy coming in the rest of the world, things should improve in the coming quarter.

As far as vehicle financing is concerned, our Tata Motor Finance support for our automotive business continues to be critical. The market share compared to last year has come down actually since the liquidity position in the market and the availability of credit for the individual buyers continues to be relatively easy compared to the scenes that we had seen last year. Currently, we are about 28% in terms of market share through our captive financing compared to 33-34% we had posted in the last year. In vehicle financing business, the book price is at around Rs 7,600 crore split between Rs 1,800 crore in Tata Motors standalone balance sheet and about Rs 5,800 crore in our subsidiary, Tata Motor Finance Ltd.

As I said earlier, the profit after tax for the current quarter April to June stood at Rs 514 crore compared to Rs 326 crore in the same period last year, an increase of about 57.5%. Before depreciation interest and before other income an extraordinary income item like exchange fluctuation, valuation loss before all this at an operating level, operating margin stood at 11.4% compared to 7.1% in the same period last year, an improvement in operating margin of 430 basis points, mainly driven by better realization on our products on account of successive price increases we had made last year, the full benefit of which is flowing through now, containment of cost on the cost performance side and benefit starting to come through in terms of commodity prices and the result of aggressive cost reduction and other actions being initiated within the company. We had other income in this quarter of about Rs 300 crore, which was mainly on account of the profit on parts sale of our long term investment, Tata Steel shares, for which you have seen separate announcements earlier in the quarter. Last year also had other incomes of similar magnitude, about Rs 300 crore plus. Last year's figures included a loss from valuation, notional loss on valuation of about Rs 162 crore on account of our foreign currency borrowings which has come down to about Rs 6 crore in the current year this quarter.

So it has been a quarter which has seen robust performance on the operating side with significant improvement in operating margins. In terms of



inventory, as it happens during the financial year, we see some built-up of stocks among others in the first quarter. The inventory has increased from about 28 days in March '09 end of the financial year to about 32 days in June '09, but significantly lower than 39 days in June '08 that we saw last year. Receivables, similarly, have gone up marginally from 18 days to 23 days during this quarter.

You would recall that we had rolled over the bridge finance of \$2bn that we had in May through issuance of rupee bonds in the domestic market close to about Rs 4,200 crore, . This resulted in borrowings increasing from about Rs 12,400 crore to about Rs 15,900 crore in this quarter in Tata Motors standalone financial.

It was mainly due to the borrowing on account of Jaguar Land Rover acquisition, shifting from the holding company which was the foreign currency loan to a domestic borrowing through bond issue. But you would also recall that in the process we had adjusted the maturity profile of the debt in the company as the bonds run through from 4, 5 and 7 years with a much smaller 2-year tranche. We continue to remain focused on de-leveraging the balance sheet, one of that is the part sale of Tata Steel shares in Q1 that you saw.

We continue to remain in discussions and exploration in terms of other divestment and we will pursue these and also capital raising at an appropriate time in the future. During the period April to June '09 this quarter, which just ended, operating profit in cash terms was ~Rs 800 crore, about Rs 794 crore compared to Rs 696 crore in the same period last year. And including working capital, Nano booking and other changes, the total cash generation was close to about Rs 2,000 crore. Looking forward, the Union Government's budget, which was announced recently has tremendous focus on infrastructure growth and investments with significantly increased allocations under the JNNURM scheme for purchase of buses, Pradhan Mantri Gram Sadak Yojana increased allocation by almost 45%, National Growth Development, National Highways and Railways. We expect that these initiatives by the government will sustain the growth that we have



begun to see in the automotive sector and should benefit us from the coming quarters and at the industry level.

We hope to continue to benefit from the decline in the raw material cost in the coming quarter, added to which we will have a continued trust on our internal cost reduction programs across the company. Combined with this, Tata Motors will continue to focus on new product launches and hope to derive incremental volumes as production ramps up and market volume ramps up for the Indica Vista, Nano, Fiat Linea and Grande Punto to a much lesser extent in terms of preference also for the Jaguar Land Rover volumes. We expect, in the second half of this financial year, to launch a new Indigo Sedan on the new platform as well as the crossover vehicles. The World Truck, which we unveiled, will see its retail launch in the coming month together with further variants of Tata Ace.

With the combination of government actions at the economy and industry level, company actions through cost reduction and material price containment, while it is a challenging period and one needs to temper it with cautious optimism, we hope to be able to sustain this performance with the new product launches and hopefully growth in volumes.

With this, I will end my initial remark. I have my senior management colleague Mr.Ravi Pisharody, who is the President of our Commercial Vehicle Business and Mr. S Krishnan, Head of Passenger Car Marketing, along with my colleagues from finance. We will be happy to take any questions that you may have here.

Moderator: Ladies and gentlemen we will now begin with the question and answer session. Participants with questions may press ‘*’ and ‘1’ at this time. Our first question is from Pramod Kumar of B&K Securities. Please go ahead.

Pramod Kumar: Sir, just wanted to know what has been the pricing action between the March and the June quarter on the M&HCV side sir?

C Ramakrishnan: Between March '09 to June '09?

Pramod Kumar: Yes sir.



- C Ramakrishnan:** There was no change in pricing. We entered the first quarter of FY10 with the same prices that we had in the previous quarter.
- Pramod Kumar:** So, in terms of RM to sales if I see there has been an improvement of roughly 630bps between these two quarters, so it has been entirely driven by reduction in raw material prices.
- C Ramakrishnan:** You are comparing which two quarters Pramod?
- Pramod Kumar:** Sir, March and June and I would do it on a sequential basis.
- C Ramakrishnan:** That is one, and also since you are looking at aggregate numbers, you also have to factor in for model-mix changes.
- Pramod Kumar:** Yeah definitely, I mean we have been slightly better, so that is there. But sir if you can just explain, I think because 630 bps is a very good improvement and substantial one which we have not seen from most of the RM negotiating companies like Maruti or any other company. Sir, if you can just throw some more light as to what has actually led to this kind of an improvement and which commodities are we getting such benefits and what is the nature of contracts we have currently on steel and aluminum sir?
- C Ramakrishnan:** So I think you have to see it through a slightly broader context. I think it's an inter-play of three-four factors. It will be difficult to segregate in this call. It is an inter-play of mix variation. As we had mentioned before, the small commercial vehicles today are one of the highest margin products. So that has also helped to improve the bottom line performance. So one is broadly the model mix scenario, the second is also the medium and heavy commercial vehicle content also has improved in this quarter compared to the previous quarter and the third is we had already announced very aggressive cost reduction programs and many of the cost reduction programs start giving their benefits on a rolling basis on the succeeding quarters. What you will see in the first quarter is a cumulative effect of what we have done in so many quarters previously apart from commodity prices. So it is an inter-play of four-five factors.



- Pramod Kumar:** So the fourth factor would be the most significant in terms of the price benefits which you got from our supplier, is it correct?
- C Ramakrishnan:** I would not say that. I think it is a mix of all these.
- Pramod Kumar:** Okay and sir in terms of contracts. If you can just tell us steel and aluminum how do we deal as a mix of quarterly or a half yearly or we do it on spot sir?
- C Ramakrishnan:** The aluminum content by itself is not very significant but coming to steel as in Tata Motors for quite some time, we do have a mix of quarterly, half-yearly and annual contracts.
- Pramod Kumar:** So a mix of all of them and finally on the capex side. Sir what is the outlook now, how much have we done in first quarter and what is the outlook for the rest of the year?
- C Ramakrishnan:** As the capital expenditure is concerned, our capex for the first quarter is at about Rs 580 crore.
- Pramod Kumar:** And for the rest of the year what is the outlook sir? We will be still doing around roughly Rs 2,000 crore?
- C Ramakrishnan:** Yeah, you see it will be about Rs 2,500 crore.
- Pramod Kumar:** Okay, for the full year?
- C Ramakrishnan:** Approximately Rs 2,500 to Rs 3,000 crore.
- Pramod Kumar:** Okay sir. Thanks a lot and I will come back for more questions. Best of luck.
- Moderator:** Thank you Mr Kumar. Our next question is from Satish Ramnathan of Sundaram BNP. Please go ahead.
- Satish Ramnathan:** Sir, could you tell us a little bit about the commercial vehicle industry as it stands today in terms of what is actually happening on the ground in respect to your specific segments such as your HCVs and MCVs, and if there is any regional difference in a significant manner; and also in terms of World Truck, what has been the response since it has been launched during a little



weak period and what would be the kind of pricing differential between our conventional trucks and the World Truck platform?

C Ramakrishnan: Satish, that's quite a few questions packed into one. I am requesting my colleague Ravi Pisharody to respond to that.

Satish Ramnathan: Thank you, sir.

Ravi Pisharody: The first part of your question is what is the situation on the commercial vehicle industry on the ground and the behaviour of the different segments? If I were to talk about the three broad segments and I will start with light commercial vehicle segment which Mr.Ramakrishnan also read out. The growth numbers have been fairly strong. Our numbers itself are showing growth in the region of 25%. So this segment is being quite strong and the moment post the liquidity crisis yields and financing came back into the market, there were customers waiting to buy vehicles and that return to a sort of normalcy has been quite strong. And of course, the fact that we now rolled out quite a few variant of Ace and Magic family also means that we have grown the market share quite a lot.

So firstly, this industry itself has been behaving fairly strong and we have gained a market share in the region of 5-6% plus in the light commercial vehicle segment only. The other segment I would like to talk about is buses, both light as well as medium and heavy. I think the medium and heavy-light distinction is not really relevant for the bus group. So this segment has been growing and has grown in this quarter also because passenger transportation is strong, government purchases have also been there and actually in this segment we are also reporting a 12% market share growth in the medium and heavy bus business and in the light bus business a lower number but not very much lower than 10%.

But the industry is quite strong and with the JNNURM purchase deliveries kicking in from July, in terms of year-on-year performance of bus industry is also showing growth. The third segment would be M&HCV truck segment which has been weak from October but here also there is a month-on-month recovery. We are now in June, if I take the exit, in June the decline over previous year was down to about 20% as opposed to 40-50% a few months



ago and we can see this trend continuing while the purchases of industry are lower than previous year, there is a secular monthly recovery trend.

In terms of regional distribution for LCV and buses which have been fairly uniform, I think all four regions have been reporting similar behaviour. In M&HCV only we see some regional disparities. So North and East are showing faster signs of stability, in fact some of the states have actually grown year-on-year, whereas West and South are still relatively weak and this is the area where we feel recovery is yet to happen and we are looking forward to recoveries over the next six month in west and south in M&HCV segment. That very much in a sense is the answer to your first question.

Satish Ramnathan: Yeah in the World Truck in terms of the pricing differential and the response the World Truck also how it set itself apart from your older products and also the newer products in terms of the Volvo and Mercedes.

Ravi Pisharody: The World Truck was unveiled to customers as well as media on May 29. We will be starting sales of the World Truck in the next quarter with a tractor-trailer model. Pricing for that is still not finalised. We will be announcing pricing closer to the date of launch. In terms of how that vehicle is set apart from the current vehicles, I thought that is something we talked at length during the World Truck launch. Clearly one of the points is the higher horsepower. Currently the horsepower in India stops somewhere around 230 horsepower on the commercial truck side. The starting model itself is 280 but we will go up to 560 horsepowers very soon, also there would be more reliable aggregates and AC cabins for driving comfort. The cabin, in fact, will be different from what we market currently. So pricing differential will be decided over the next few weeks but clearly a message to our customers, if they are in the business of operative economies, is life cycle cost so in terms of the fact that we will be able to carry more loads, do more trips in the period of say one month instead six they might be able to do seven or eight since we clearly see that in terms of operating economics it could be better for a customer. That is a platform but we will be announcing these details over the next few weeks.



Satish Ramnathan: Also in terms of the Sumo Grande and Indica Vista the response has been very moderate. A lot of money has been spent on these models, what is the strategy to rejuvenate the sales of these two models before they get stayed ?

C Ramakrishnan: I think the information is incorrect. Indica Vista's month-on-month has been growing in terms of numbers. As you are aware you know in the market we have a two-brand strategy. Meaning within the Indica, the existing, or the earlier Indica also exists in the market and addresses a segment of the market and the Vista addresses the premium end of the market. Same is the case with Sumo. The earlier Sumo as well as the Sumo Grande both of them are positioned in the market to address two different sets of customers and clearly we have seen our market share grown, which is what we have mentioned at the beginning of the call, where our market share has jumped in this quarter from about 11.3% to 11.8%. So we are seeing growth in numbers as also increase in market share.

Satish Ramnathan: And finally last question is on the market share gains that you have made in commercial vehicles. Do you think you can hold on to a fair bit of it as it is something structured that you have achieved or is it because of the regional shift that your market shares has grown.

Ravi Pisharody: We have grown 6% in overall commercial vehicle market share. It is a very competitive market out there. So it will be challenging to retain those types of growths. But clearly it is not just a regional shift. It is also the fact that a number of products that you have introduced both in this medium and heavy truck business as well as the LCV segment. It was actually introduced in 2008-09 but we could not realise the benefit because of the market downturn. In fact, these market share gains actually started in Q3 and Q4 of previous year. So we are quite confident of being able to make significant market share gains this year.

Satish Ramnathan: Okay, thank you sir.

Moderator: Thank you Mr Ramanathan. Our next question is from the line of Jamshed Dadabhoy of Citigroup. Please go ahead.



Jamshed Dadabhoy: I have got this quick question from my side. Could you shed some light on why the excise duty is low this quarter compared to the last quarter, excise duty as a percentage of gross sales. Is there something on the model make side that is missing and my second question is there has not been any price hikes on any of the MHCVs but could you quantify if how much has been in terms of a mix shift in terms of just the MHCVs, especially on the tractor-trailer side and the tipper side. How that segment has done quarter-on-quarter?

C Ramakrishnan: As far as your first question regarding excise duty is concerned, I think there is an element of overall reduction in excise duty that we are seeing here plus with the increased content of Tata Ace which as you know is from our Uttarakhand factory, Uttarakhand as you know has an exemption from excise duty. It is mainly to account for the reduction in excise duty even though the sales number has remained more or less same. In terms of your second question, I do not think I would be in a position to share the further break-up in terms of M&HCV trucks into tractors, tipper among others. In fact, I lost your question, can you repeat the question?

Jamshed Dadabhoy: That was precisely the question. If you could provide some more granularity on the M&HCV side in terms of how these particular segments are doing sequentially? Basically the question is on the MHCV side where are you all seeing sequential improvement? Is it across the board or are there any specific segments that you see growth?

C Ramakrishnan: Okay I will request Ravi Pisharody to give a sense of across which segments and usages we are seeing?

Ravi Pisharody: I think the trends are similar across segments, particularly if we talk about the tractor tailors and tipper. So clearly in terms of whatever was previous year growth is still negative but the sequential recoveries as we see is definitely there across all segments whether it is multi-axel vehicles, tractor trailer or tipper. Just to give you an example of tractor trailer, which after July 2008, the segment was impacted by the depression. So we are seeing that number since January-February on the tractor-trailers are recovering month-on-month sequentially but clearly even the rates of last year April-September were relatively high. We are still trading behind the previous year.



But within the segments, there is not much to choose from in terms of a differential performance.

Jamshed Dadabhoy: Okay, thanks sir.

Moderator: Thank you Mr Dadabhoy. The next question is from the line of Jairam Nathan of Kotak, please go ahead.

Jairam Nathan: I had a question on your Fiat venture. You mentioned the products quite a bit, can you just explain to us what was the contribution and if possible just the economics of the Fiat venture?

C Ramakrishnan: As far as the standalone Tata Motors' performance is concerned, under the arrangement we only market the Fiat products through our distribution. In the standalone financial results, what you will see is only the impact of what the company normally would get by way of distribution margin, both in terms of volumes and the margins. Since we are talking only about the distribution margin here, it is not a very significant part of our earnings for the quarter.

Jairam Nathan: And my second question is did the D&A. in the last quarter 4Q have some extraordinary items which we saw a sequential decline in the current quarter?

C Ramakrishnan: No, I do not think there was any extraordinary item from quarter-on-quarter.

Jairam Nathan: We did see like a decline from Rs.2.8 bn to Rs.2.2bn.

C Ramakrishnan: No, some of the D&A amounts also relates to the time of launch and volumes among others. So apart from that, I do not think there is any extraordinary item that has caused this thing.

Jairam Nathan: Okay. Thank you.

Moderator: Thank you Mr. Nathan. The next question is from the line of Mahantesh Sabarad of Centrum Broking. Please go ahead.

Mahantesh Sabarad: One question here. What are your outstanding shares on Tisco that you hold right now?



C Ramakrishnan: Post the sale that we did in Q1 of this year what we continue to hold is one crore shares.

Mahantesh Sabarad: And you have not sold anything in this month thereafter?

C Ramakrishnan: No.

Mahantesh Sabarad: Okay, that was one question. And a bit on your margin front. I noticed you have done considerably better on the margin front. Would you tell us whether there has been any thing because of the revised AS11 standards that you have been adopting there which is lowering even your material cost or you are changing your realisations?

C Ramakrishnan: No, there has been no effect on account of accounting changes or exchange fluctuation accounting on the material cost on our operating margin.

Mahantesh Sabarad: Okay, sir there is no advantage there, alright. And is there anything on the inventory that you have actually taken some write-offs or something? Are there individual items on the balance sheet side on the inventory of materials or even inventory of finished goods?

C Ramakrishnan: No Mahantesh, there is nothing extraordinary.

Mahantesh Sabarad: Because somewhere I thought while you were giving out your press statement, you mentioned something on the inventory front.

C Ramakrishnan: No.

Mahantesh Sabarad: Fine. I think that is all from my side. Thank you very much.

Moderator: Thank you Mr Sabarad. The next question is from the line of Aditya Makharia of JP Morgan. Please go ahead.

Aditya Makharia: Just wanted to know how rising commodity cost would impact you from now?

C Ramakrishnan: We will have to watch it as we go along.



- Aditya Makharia:** Right, given that you know steel has already bounced off the lows which it had over the past two months, you are up about 25-30%. So given that contracts are by and large quarterly, would your RM costs kind of go up from here?
- C Ramakrishnan:** I do not want to make a prediction. Maintaining margins at this level would indeed be a challenge. I think the company depending on the market conditions, market movement on the commodity prices among others will have to significantly accelerate our internal efforts on cost containment. I do not deny, I do not want to get away from the fact that marginal improvement such as the one we have achieved is tough to hold on and manage. But we will try our best to do that.
- Aditya Makharia:** Okay and is there any sort of inventory which you are holding on, currently in terms of your steel and aluminum?
- C Ramakrishnan:** Commodities, of course, any time of the day we would hold inventories. I am not sure I understand the question.
- Aditya Makharia:** Okay, now just like prices are up. So you would benefit into Q2 as well at least on lowest deal cost.
- C Ramakrishnan:** I think so. It is function of inventory and cyclical nature of the contract.
- Aditya Makharia:** Okay fine. Thanks.
- Moderator:** Thank you Makharia. The next question is from the line of Chirag Shah of Emkay Global. Please go ahead.
- Chirag Shah:** My question is again on the raw materials. If you can explain to us what would be your strategy for the spot buying percentage vis-à-vis contract? How much of the portion of your raw material is based on spot?
- C Ramakrishnan:** It will be difficult to...
- Chirag Shah:** In the current scenario as of today or as of the closing of this quarter...
- C Ramakrishnan:** It will be difficult to respond on specific percentages. As we said, compared to a few years ago when we had relatively longer term contract one year, two



years. I think we have moved to a mix of quarterly, half-yearly and annual contracts. So it is a mix. But it will be difficult to share percentages that may not be appropriate.

Chirag Shah: Okay. Secondly, on the margin side, you have indicated that LCV products are high margin products right now. In your packing order how would be the margin profile of different products you have? Not necessarily in terms of what margins but how would you place at the top end and at the bottom end? Which products would be positioned as they stand today?

C Ramakrishnan: I think we have refrained from commenting on individual product group margins in general terms. I do not want to break away from what we have shared with you or not shared with you. To respond to the earlier question in terms of margin improvement, I only commented that small commercial vehicles do have a very high margin.

Chirag Shah: Just an update. By what time you would be ready in Gujarat in terms of full capacity, means what would be the time like for you to go up to your full utilisation level for the Nano plant?

C Ramakrishnan: Gujarat Sanand plant is under construction. I think the deliveries from the plant will start from early next calendar year. I think your question was in terms of full ramp-up of capacity.

Chirag Shah: Yeah, what would be the lead time that you would need once you start commercial production to ramp it up, to the optimal capacity that you are looking at giving the strong demand?

C Ramakrishnan: Typically as you know in an automobile plant of their sales and volumes including vendor ramp-up of supplies among others. I think from the start of commercial production, full ramp-up may take 6-8 months.

Chirag Shah: So is it right that initially you would be operating at 50% kind of capacity utilisation of the installed capacity of 2.5 lakhs? Is it a right assumption?

C Ramakrishnan: In the very first month?



- Chirag Shah:** No, say in the first six months or first eight months you indicated or for the full FY11 on an average basis you would be operating at roughly 1-1.5 lakh kind of a capacity, full ramp-up, benefits would be obtained a year later thereafter. Am I right?
- C Ramakrishnan:** It is a very difficult call. We will try the best we can to start the commercial production there in fairly quick time. Having started the construction recently and to say that we will start the commercial production in the early part of next year itself is a huge challenge.
- Chirag Shah:** Okay. Fair enough. Sir, last question on any fund-raising plans? Any kind of fund raising plans: semi equity or equity plans?
- C Ramakrishnan:** As I have shared with you in the past six months or may be more and I also mentioned in the press conference a little earlier today, the company is indeed focused on de-leveraging. We even look at our investment portfolio to follow through the series of divestments.
- Chirag Shah:** But no equity dilution or semi or equity-yielding instruments?
- C Ramakrishnan:** No, it is very much part of our plan to do appropriate capital raising. What form and when it will happen I cannot predict at this point of time.
- Chirag Shah:** Thank you. Thank you very much.
- Moderator:** Thank you Mr Shah. The next question is from the line of Srinivas Rao of Deutsche Bank. Please go ahead.
- Srinivas Rao:** Thank you sir. This is Srinivas here. Just wanted to ask you on the cash flow side. You mentioned that the cash profit was around Rs 800-odd crore. Could you throw some light on the working capital side sir?
- C Ramakrishnan:** As I mentioned, inventories and receivables are actually slightly higher at the end of the quarter compared to the beginning of the quarter. Therefore, we saw a negative working capital movement. This was more than offset by increase in the current liabilities and also the advance booking we had taken for the Nano. So in overall terms, if I compile everything including cash from



operations, there was a cash generation of about Rs 2,000 crore in this quarter together with adequate working capital changes.

Srinivas Rao: Okay sir. That is the total money you cash from the operations against your capex of around Rs 500-odd crore which you mentioned.

C Ramakrishnan: That is right.

Srinivas Rao: Okay and sir just, I mean you mentioned the total long term debt. What is the total debt at Rs 14,000 crore, is that correct?

C Ramakrishnan: Total debt on the balance sheet at the end of the quarter was about Rs 16,900 crore.

Srinivas Rao: Okay and of that sir, the long term portion. What will be due this year?

C Ramakrishnan: In terms of dues within the current year there is not... there is a very insignificant portion that is due within the current year.

Srinivas Rao: Okay. Sir, thank you so much.

Moderator: Thank you Mr Rao. The next question is from the line of Amit Kasat of Anand Rathi. Please go ahead.

Amit Kasat: Hello, sir just wanted to ask after the excise duty reduction, what was the excise benefit which you people passed on to the customers in all the three segments CVs, PVs and UVs, in the absolute amount if you can give?

C Ramakrishnan: Which excise reduction are you talking about?

Amit Kasat: The excise reduction which happened in the past nine months across the segments. So what was the excise benefit which you passed on to the customers?

C Ramakrishnan: Whatever the excise benefit that was fully passed on the price across all the segments.

Amit Kasat: Yeah, I mean not all the products but you can give for the CVs, PVs and UVs approximate numbers absolute.



- C Ramakrishnan:** Absolute approximate numbers, can I give you a little later? If you can send a mail on this query, Savitha we will be happy to respond.
- Amit Kasat:** Okay. Second, on the raw material front you talked about especially on the steel that you have quarter, yearly, and half-yearly contracts. Can you just share the percentage of the total raw material requirement which is on the quarterly basis, half-year, and yearly basis?
- C Ramakrishnan:** Total raw material requirements in terms of tonnages?
- Amit Kasat:** Yeah tonnages which is quarterly contracts, half-yearly contracts, and full year contracts?
- C Ramakrishnan:** I am sorry. I do not think you will be able to break up our raw material purchases into the timing of the contracts. That will not be possible.
- Amit Kasat:** Okay thanks.
- Moderator:** Thank you Mr Kasat. The next question is from the line of Pramod Amte of RBS Equities. Please go ahead.
- Pramod Amte:** Again, this is with regard to the raw material front. In terms of the material contracts, are there any retrospective benefits of the past quarter which you have carried in this quarter?
- C Ramakrishnan:** No, there are no retrospective benefits but in terms of material cost, whatever cost reductions we achieved quarter-on-quarter that will continue to benefit the company because they are recurring cost reduction benefits. Any cost reductions are valid which we do in one quarter that will continue to benefit over time.
- Pramod Amte:** And in that context, is it fair to assume that in a quarter you saved almost like Rs 300-400 crore, which on an annualised basis is almost Rs 1,000-1,200 crore?
- C Ramakrishnan:** I am not sure where you got the number from.
- Pramod Amte:** No, if I were to assume that...



- C Ramakrishnan:** I can only say I wish it was true but I think that would be a very aggressive number.
- Pramod Amte:** Yeah, because if I look at your trend of 73% was your average for previous year and against that like your competitor announced the results today and their RM came down on a sequential basis by almost like a 200 basis points. So even if you got a much more aggressive plan, that could have resulted in this type of numbers?
- C Ramakrishnan:** See, there is a reduction in raw material content percentage to turnover as it is visible from our results. But I thought your question was relating it directly to material cost prices. I think a combination as I said earlier of both cost reduction as well as material prices.
- Pramod Amte:** And in terms of the Nano bookings amount which you have received. How is the treatment both in terms of P&L and the balance sheet?
- C Ramakrishnan:** In terms of the amount you have received there is no impact on the P&L because that is advance money against orders. In terms of balance sheet, it would be part of our working capital as current liabilities are advance monies from customers. So apart from the interest impact it would have favourably, there is no income taken into account.
- Pramod Amte:** Sure and just coming to some of the notes which you have given. Note #3, can you explain what is the impact on your results? It shows some Rs 750 crore have been debited to your result, what is the exact nature?
- C Ramakrishnan:** It does not have an impact on the financial results.
- Pramod Amte:** But does it have an impact on the balance sheet, the reserves amount?
- C Ramakrishnan:** It would have an impact on the balance sheet in terms of reserves. This is consistent with the practice we had followed in the past wherever bonds and debentures have been issued which are redeemed at a premium, the premium payable on redemption is debited to the share premium account that we have. That is the practice we have followed in this quarter. It has no effect in this quarter's financial results.



- Pramod Amte:** Sure sir. Thanks and all the best.
- Moderator:** Thank you Mr Amte. The next question is from the line of Jatin Chawla of IIFL. Please go ahead.
- Jatin Chawla:** Yeah my question was on the price increases taken in July. I understand that there was a price increase on M&HCV. Have you taken any price increase on other fronts as well?
- C Ramakrishnan:** Yeah, we have taken some price increases on the M&HCV Trucks as well as LCV vehicles also. This is basically to recover some of the input cost of feature which we added over the past six to eight months. Like all our trucks are now being featured with radial tyers and the features like clutch booster. Because of the soft market condition, we have not taken these increases earlier that increase we have taken on the July 1.
- Jatin Chawla:** Could you quantify those price increases?
- C Ramakrishnan:** In percentage terms this will be in order of 1.5% on the product that we have increased prices.
- Jatin Chawla:** Okay thanks. That is all.
- Moderator:** Thank you Mr Chawla. Our next question is from the line of Govind of Credit Suisse. Please go ahead.
- Govind:** Yeah. Hi sir this is Govind. Just couple of questions. Could you tell us how the general operating environment for truck operators is? Now if you could just break it down in terms of how the financing situation is? How is the momentum in NPAs and now if you could speak from your experience in your own portfolio, as well as general cash flows or operators? Is it significantly better now compared to what it was say in the March quarter and is that the reason why we are seeing sequential improvement or is it just base effect on the investment that you have seen. My second question is if you could help us with what was the production in Uttaranchal in the current quarter, in the June quarter? And what would be the general run-rate?



Ravi Pisharody : I will come to the Uttaranchal question may be a little later. First part of your question was the operating environment for a truck operator. See one point I want to make is for the truck operator there is a lot of market sentiment that is very important. So sometimes more than the actual financing rate or freight rates or actual cost of operation, sentiments which have plunged quite deeply down in November-December which led to a very sharp fall in purchase, that sentiment started improving some time in February-March itself. So I would say that not the beginning of the previous quarter but towards the middle to the later part of the January-March quarter the sentiments started improving. So that improvement in sentiment continues.

There are many more operators coming forward and indicating their requirements for bulk quantities which we are buying over three to four months. In terms of their own operating environment, freight rates have stabilised and contrary to popular opinion when freight prices go up marginally, actually the pressure on these operators to drop prices goes away for some time. So if the fuel increase has been significant, that could have put their operations under some challenge. But as soon as the increase is somewhat nominal, this is sort of helping them to keep away pressures on price reduction which was there when prices were reduced six months ago. So I think the load factor as well as the freight rates seemed to be improving and the overall sentiment in terms of the truckers because they are a community which operates a lot with internal word-of-mouth sentiment. That sentiment seems to be improving.

Govind: And the financing situation?

Ravi Pisharody: The financing situation is improving. You know one of things which we have taken on ourselves is to improve our shares with banks in the period October to December. When the government stimulus started kicking in, banks were the first to come out and try to improve their support. What has happened now is the banks are very much in the fray. Private NBFCs had also come back. So while the interest rates are not ideal, we are definitely lower than what it was in the previous two quarters but still higher than what it was in four to six quarters ago. But availability of finance, number of financiers



operating today are I think quite strong. The financing environment is also improving quite a bit.

Govind: And then lastly on NPAs for that question?

Ravi Pisharody: I mean you talked about M&HCV segment. But really the sentiments on the small commercial vehicles, and I am talking about this because this is an important part of our business in this quarter. So the sort of environment which small commercial vehicle operates is extremely strong. Their operative economy is actually very much positive given that interest rates have dropped. So actually in the current months, we are doing all small commercials actually on a run-rate of about 12,000-13,000 vehicles and we believe that can be ramped up to 15,000 and above in the coming months.

Govind: Okay. I think you got my question wrong. I was asking about NPAs, delinquencies on CV loans.

Ravi Pisharody: Yeah delinquencies had reached sort of fairly high level in the October-December quarter but since then our observation is that it is improving.

Govind: Okay one last question on the subject. Could you tell us what you expect to happen in the market because of the new environmental norms coming in April and if there are disruptions of the kind that happened last time around in terms of the government coming and changing things at the last moment? Are we better prepared this time around?

Ravi Pisharody: I will answer your second question first. I think as a company we are part of the SIAM group of manufacturers. So we are participating through SIAM in various discussion with the government and the committee. So like what happened last time does not happen in terms of sort of turnaround in the last days of the year. Currently we have no indication that anything will go wrong. We are gearing up for that sort of transition. What typically we are expecting to happen is since the migration from BS2 to BS3 and BS3 to BS4 will result in cost increases and hence higher price to customers. There is likely to be some pre-buying in the January-March quarter which will typically then result in the April-June quarter of the next year going somewhat depressed. So that is what might happen with this change over.



- Govind:** Okay. My second question was on Uttaranchal production.
- C Ramakrishnan:** Yeah, this is the question I actually answered five minutes ago. Our current run-rate is about 13,000 a month. We are expecting to cross 15 very soon.
- Govind:** Okay, all of Ace is now produced only in Uttaranchal?
- C Ramakrishnan:** Yeah, all Ace and Ace Magic, which is a passenger version of Ace platform, is produced from Uttaranchal.
- Govind:** Okay, thanks a lot sir.
- Moderator:** Thank you. The next question is from the line of Kapil Singh of Nomumra Securities. Please go ahead.
- Kapil Singh:** My first question is about the vehicles sales numbers that we have reported (127,340). Does that include Fiat vehicles too?
- C Ramakrishnan:** The number 127,340 includes Fiat vehicles. Fiat branded vehicles that we are marketing.
- Kapil Singh:** How much would that be?
- C Ramakrishnan:** It is almost about 4,000 or so.
- Kapil Singh:** Okay and secondly in terms of raw material benefit. Have we seen the entire benefit coming through or some of the contracts were running into this quarter and we will see further benefits going forward also?
- C Ramakrishnan:** We hope we are able to maintain this but it is pretty difficult to predict because some of these discussions are still going on. As I said, it is a mix of quarterly, annual contracts among others. Just five minutes ago I answered the question about the recent uptrend in raw material prices. I would stop shot of making any conjecture on that account.
- Kapil Singh:** Okay thanks.



Moderator: Thank you, Mr Singh. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to Mr Dharmendra Grover of Tata Securities for closing comments.

Dharmendra Grover: Yeah, thanks a lot. On behalf of Tata Securities I would like to thank the senior management of Tata Motors, Mr CR, Mr Pisharody and Mr Krishnan. Thanks a lot for taking time and giving the highlights of the quarter results to the investor public and thanks a lot to all the participants. Thanks a lot. Bye.

C Ramakrishnan: Thank you very much, Dharmendra.

Moderator: Thank you Mr Grover. Thank you gentlemen of the Tata Motors Management, ladies and gentlemen on behalf of Tata Securities Ltd. That concludes this evening's conference call. Thank you for joining us on the Chorus Call Conferencing Service and you may now disconnect your lines.