



Tata Motors Limited
Q2 FY10 Standalone Earnings Conference Call
October 26, 2009

Moderator: Ladies and gentlemen, good morning, good evening and welcome to the Tata Motors Q2 FY10 standalone earnings conference call hosted by Tata Securities Ltd. As a reminder, for the duration of this conference, all participants' lines will be 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 any assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

Now I would like to hand the conference over to Mr Ajay Shethiya from Tata Securities Ltd. Thank you and over to you sir.

Ajay Shethiya: Thank you, Melissa. On behalf of Tata Securities, I welcome everyone to Tata Motors Q2FY10 standalone earnings call. To discuss the results we have on the call the senior management Mr P M Telang, Managing Director, Indian Operations and CFO, Mr C. Ramakrishnan.

I would now like to hand over the call to Mr Ramakrishnan, who would take us through the financial highlights. Over to you, sir.

C Ramakrishnan: Thank you, Ajay. Thanks, everybody for joining the call. Good evening to all of you. We have put together a small presentation for this call which is already available on Tata Motors website. So, without trying to go through the presentation in detail, some of the highlights are in terms of basic numbers and volume. The trend of improvement in various segments in the underlying business, both commercial vehicles and passenger car that we started seeing from the beginning of this calendar year, has become stronger, more pronounced and more comprehensive, including in the MHCV segment in the current quarter.



Tata Motors, of course, performed better than the industry and improved our market share in most of the segments that we are present in. Our domestic volume grew by about 23% YoY. Exports were down. And overall volume, domestic and exports improved by about 17.4% compared to the same period last year. For Q2 this year, our total volumes were 158,000 vehicles compared to 135,000 vehicles in the same period last year, that is Q2.. The growth has been about 21% in commercial vehicles and about 27% in passenger vehicles, both domestic and down by about 38% in exports.

Coming to the commercial vehicle volume, as I said, the overall volume grew by about 21% and overall we have improved our market share from 62.0% to 65.5% across all commercial vehicles segment. In medium and heavy commercial vehicles, our market share increased about 59.8% compared to 63.5% in the same period last year. In LCV, we have increased our market share to 67%. And during this quarter, in terms of new products, we unveiled some of the offering from the Ace platform--Tata Super Ace, Tata Ace EX and also a certain Pickup on the 407 platform.

In passenger vehicles, the growth has been about 13% in Q2. Indica Vista continues its strong performance. In this quarter, we commenced our deliveries of Tata Nano. Over 7,500 cars have been delivered of Tata Nano. And we also launched the Indigo, the new Indigo on the new platform, Indigo Manza, which is receiving favourable feedback, both physically and from the customer. And we have started deliveries and the order book continues to be strong on our Jaguar-Land Rover volumes in India. Vehicle financing continues to provide us critical support for our core business.

In terms of overall book file, the vehicle financing portfolio is about Rs 8,250 crores. About Rs 1,500 crores on Tata Motors balance sheet and about Rs 6,700 crores in the subsidiary company balance sheet. Disbursals during Q2: finance disbursals were about Rs 1,500 crores compared to about Rs 1,900 crores in the same period last year. And market share in terms of Tata motor vehicle financing is at about 24% in Q2. In terms of financial highlight for Q2 of this financial year, our net revenue was Rs 7,900 crores compared to Rs 7,100 crores in the same quarter in the previous year. This reflects an improvement of about 12.7% net revenue growth.



EBITDA margin improved to 13.36% compared to 7.57% in Q2 of last year. That is an improvement of about 579 basis points at EBITDA level. At PAT level, after accounting for other income and after accounting for certain changes in the exchange fluctuation treatment between last year to this year PAT, profit after tax was Rs 729 crores in this current quarter compared to 347 crores in the same quarter in the previous year, an improvement of over 110% in PAT performance. In terms of cash profit, the company generated cash profit of about Rs 1200 crores in this quarter compared to about Rs 800 crores in the same period last year. Similarly, the numbers I shared with you just now are for the Q2. Similarly, for H1, that is April to September, the turnover increased to about Rs 14,400 crores compared to Rs 14,000 crores in H1 of last year and PAT stood at Rs 1,200 crores for H1 of this year compared to Rs 673 crores PAT in the same period last year--an increase of about 84.7%.

Inventories and receivables have marginally gone up compared to June quarter to September which normally happens typically during the cycle in the financial year. This will be brought down in the coming quarter. Inventory at the end of Sept09 was at 33 days compared to 32 days at the end of the last quarter. And receivables were at 21 days compared to 18 days in June. As far as our balance sheet size is concerned, over the past 12-15 months, we have successfully completed series of equity raising in the form of our rights issue in Oct'08, GDR issue more recently, about a week, 10 days ago.

We also raised long-term funds through issue of rupee bonds over a five, seven-year maturity profile. And we have also along with this GDR issued convertible note and we have divested some of our investment portfolio, including Tata Steel, and a few other divestment. On the completion of all this by end of this month, in the next couple of days we would have refinanced and repaid successfully the entire \$3bn loan that we have raised for the acquisition of Jaguar Land Rover.

In terms of overall balance sheet size, as of end of Q2, the net debt was at Rs 18,600 crores compared to Rs 16,900 at the end of first quarter. There is an increase in the net debt of Tata Motors standalone level. This reflects a debt



equity ratio of 1.6 at the standalone level. And post the issuance of GDR, the debt equity ratio from 1.6 comes down to about 1.34 : 1 at net debt level on Tata Motors standalone balance sheet. Going forward, in the next near and medium term future, we expect continued strong growth in the commercial vehicles space.

The order book that we have of over 5,000 buses for delivery between now and March, the bus deliveries are of JNNURM scheme should add to our volume performance. Models from the world truck platform will be launched in H2 in India. We have launched the Indigo Manza on 14th October'09 to an encouraging response from auto critics and the market and this will add to our volumes in the coming quarter. The success of new products, right from Tata Ace, Magic and other products, will continue to drive our volume and market share performance, going forward.

While EBITDA margins are at one of the highest level at 13.36% at the overall company level, we do expect some strengthening trend indicated on the commodity prices and also due to some mix changes you will see some pressure on the margins going forward. But we hope through our successful and accelerated cost reduction performance and opportunity for any price correction, we would be able to hold on to our margins, but this is something which we need to see as we go along. The company, of course, remains committed and we will continue further de-leveraging activities on its balance sheet.

With these brief remarks, as I mentioned more detailed presentation is available on the website, I will not take time in this call. I will stop here and Mr Telang, our Managing Director, who is here with us and myself we will be happy to take any questions that you may have. Back to you, Ajay.

Moderator:

Thank you, sir. Ladies and gentlemen we will now begin with the question-and-answer session. Anyone who wishes to ask a question may please press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question. Our first question is from the line of Srinivas Rao from Deutsche Bank, please go ahead.



Srinivas Rao: Sir, just wanted to know if you can throw some light on the reasons for the improvement in margin. I mean, we know that there has been a change in the sales mix. But the improvement is quite large in terms of margins. So would you like to throw some light on the profitability that you are seeing in the MHCV portfolio and LCV portfolio?

C. Ramakrishnan: In terms of the margins I think it has been contributed by two, three factors. Number one, apart from the overall volume improvement, you will recall what I had shared in some of my earlier calls. We had made significant price increases last year on commercial vehicles. On an average we have made a price increase in the last 12, 15 months of close to about 7% or 8% along with the commodity price increases that we have seen. I think that has improved the underlying margin performance. Along with that, the company undertook several cost reduction measures and accelerated many of our efforts in that area. And many of our products, Tata Ace, whose volumes have been significantly improving year-on-year, one of our best margin products. So I think a variety of these things have contributed to the margin improvement.

Srinivas Rao: Specifically, any light on the CV, MHCV portfolio having a bigger impact on the margin improvement?

C. Ramakrishnan: As I said it will be difficult to discuss on the margins at a segment or a segmented level.

Srinivas Rao: Thank you, sir. I think I will let others ask the question.

Moderator: Thank you, Mr Rao. The next question is from the line of Prateek Mehta from Bajaj Allianz, please go ahead.

Prateek Mehta: Would it be possible to give out the number of fully diluted shares including 'A' ordinary shares, outstanding FCCB shares, GDR as well as convertible size?

C. Ramakrishnan: As of Sept 30 the number of ordinary shares outstanding... you want as of Sept 30?

Prateek Mehta: Sept 30, all the shares put together.



- C. Ramakrishnan:** I will give you before the end of this call.
- Prateek Mehta:** Sure, thanks. That is it from my side.
- Moderator:** Thank you, Mr Mehta. The next question is from the line of Govind Chellappa of Credit Suisse, please go ahead.
- Govind Chellappa:** A couple of questions. One, could you just run us through what has been the Capex incurred in the first half and in light of the capital raising and the much easier liquidity situation and better profitability are you looking at restarting any of the projects that you might have delayed or shelved? Also if you could tell us about what you are doing about the capacity for Ace, which seems to be reaching its peak capacity. My second question was on the launches in the sub 3 ton segment, the 407, Super Ace and the 500 Kg Ace as well. What has been the progress there? What is the kind of impact in the marketplace that you are expecting qualitatively? Whom do you compete against? And do you look to be in markets, regain the market share that you have lost in the pick up segment?
- C. Ramakrishnan:** On the first question. In terms of numbers, the capital expenditure for the first half of the year was about 1300 crores. And you also asked about any major projects shared etc. As we have said earlier, our focus on the thrust of new products, new model introduction, newer products has continued with no major changes, except for some minor shifting that happened in the field, but no major changes or cutbacks. What we had held back at some point would further increase in capacities across the board and we will review as we go along. As far as Tata Ace is concerned, yes, we are running at full capacities and we can step up the Tata Ace volumes in our Uttarakhand plant to some extent. At some point in time, we will have to start looking at what the next plan of action on Tata Ace should be. As far as your question on sub 3 ton and related models maybe, Mr Telang may have a comment on that.
- P. M. Telang:** Yeah, what we believe is that the small commercial vehicle's sector in India may grow faster because the rural economies are improving and these products would make a lot of sense in that variant. Which is why we have launched the Super ACE product recently on the Ace platform and it is getting a very encouraging response in the marketplace. Super Ace is a



product which is basically meant for the international market because it has more sophisticated features, independent suspension, power steering and things like that. So probably that may work in the niche segments in India, but we are waiting to see how these things move forward. And 500 KG vehicles, at the moment, it is not out in the market.

Govind Chellappa: Just one follow-up question on the Ace capacity. Is there any urgency because of the Sunset clause on the excise duty benefits in Uttaranchal? Would you have to do it before 2010 because after that you might not get the excise duty benefit?

P. M. Telang: To an extent, yes. But in terms of debottlenecking, if it is an existing plant, I do not see an issue. But if it is separately a new facility, then obviously it applies to the Sunset clause.

Govind Chellappa: Okay, and the last question from my side. After repaying the \$750mn of the bridge loan, were there any covenants constraints that the loan had which had prevented you from going ahead with any investment which you could now go ahead with?

C. Ramakrishnan: Yes, loan account had certain covenants, financial covenants in terms of capital expenditure investments, etc. The loan has been fully repaid and or of getting repaid in the next two days and this covenant will no longer be applicable.

Govind Chellappa: Anything that you can be specific on?

C. Ramakrishnan: No, by far I think the covenants also took into account whatever our priorities and projects were even at that point of time. Any newer projects or investments they can definitely look at it with a greater degree of freedom, but I think we will look at it from the point of view of the leveraging that is still there in the companies. We need to balance the requirements with our de-leveraging effort at this point.

Govind Chellappa: Okay, sir, thank you.

Moderator: Thank you, Mr Chellappa. The next question is from the line of Saurav Das from Sundaram BNP, please go ahead.



- Saurav Das:** My first question pertains to this quarter's number on employee expense. If I just look at employee expense on a sequential basis and even on a year-on-year, there is a sharp uptick. So is this on account of any new plant or facility which has come through. Is it on account of Sanand or if you can throw some light on that?
- C. Ramakrishnan:** No, there is no one-time or a specific item that you can refer to. Mostly it has been on account of the 2%, normal increases that happens.
- Saurav Das:** Okay. So this is more or less a recurring number which we can take forward?
- C. Ramakrishnan:** Yes.
- Saurav Das:** Okay. The second is on Uttaranchal. If you can broadly give us the production which has been there in the quarter from there. Shall I assume the entire CV volumes more or less from Uttaranchal?
- P. M. Telang:** Recent magic volumes what you see for the last quarter would be all closing out of the Uttaranchal.
- Saurav Das:** Okay, so roughly Rs 50,000 a quarter?
- C. Ramakrishnan:** Yeah, it will be around Rs 40,000 to Rs 45,000.
- Saurav Das:** Okay, and the second is on any pricing action on the MHCV portfolio which we have taken in the quarter. How is the market responding to that and whether we have an ability to pass on the pressure on to the raw materials through price increases in the near future?
- C. Ramakrishnan:** As I said earlier, when the raw material prices increased substantially between '08 and '09, we made price increases of around 7-8%. Obviously, a price increase of that magnitude is a difficult act to follow.
- Saurav Das:** Sir, my question pertains to the second quarter which went by. Did we take any price increases in that quarter?
- C. Ramakrishnan:** Yes, we did make a price increase, but a smaller one.
- Saurav Das:** Can you quantify it, sir?



- C. Ramakrishnan:** Yeah, about 1.5% effective July.
- Saurav Das:** Effective July? And do we see an opportunity to pass on any further raw material pressures going forward?
- C. Ramakrishnan:** We continue to explore this. In October, we have made a further price increase of about 1%.
- Saurav Das:** Okay. This is applicable on your entire CV portfolio or only on MHCV?
- C. Ramakrishnan:** Most of it.
- Saurav Das:** Okay. Including the Ace platform?
- C. Ramakrishnan:** No, excluding the Ace platform. Otherwise, across it.
- Saurav Das:** Sure. And one final question is regarding the tax rate calculations. Just help me if I am wrong in my assumption. 900-odd crores is our PBT and if I assume that your entire other income does not attract any tax on the Rs 370 crores of investment, then the effective tax rate works out to be roughly around 30 to 33%. So, that makes me think that we are not getting any benefits out of the Uttaranchal plant on the tax rate?
- C. Ramakrishnan:** No, it will be difficult to judge it on a quarter-to-quarter basis. Overall, we have indicated on the steady state basis of our tax rate weighted average. Even though the tax rates happened to be very low in the earlier period, because of the lower profit, our tax rate, I think, is averaged on a weighted average basis year-to-year. So it will be between 15-20%.
- Saurav Das:** Okay. Great. Thanks. This is helpful.
- Moderator:** Thank you, Mr Das. The next question is from the line of Jayram Nathan from Kotak, please go ahead.
- Jayram Nathan:** I had a couple of questions on the other income. If I exclude the profit on sale of investments and dividend on a quarter and year-to-date basis, the non-operating income seems to be close to zero or even negative. Where do you generally put the miscellaneous receipts in this and stuff?



- C. Ramakrishnan:** Miscellaneous receipts comprise even other than just the product revenue, which arises out of operations like scrap sales or whatever. That all goes as a part of the top line itself.
- Jayram Nathan:** Okay and the dividend from subsidiary for the quarter. Was that a normal dividend or kind of the special dividend?
- C. Ramakrishnan:** No, there will be no special dividend at all. In fact, this year, because of the financial performance for the year-ended Mar'09 it has just been much lower in most of our subsidiaries. The dividend income has been on the lowest side.
- Jayram Nathan:** Okay, and lastly, on the profit on sale of investments. Was there anything other than Tata Steel in there?
- C. Ramakrishnan:** No.
- Jayram Nathan:** It was all Tata Steel?
- C. Ramakrishnan:** Yeah.
- Jayram Nathan:** And further going forward, what kind of divestments do you think is possible?
- C. Ramakrishnan:** We will continue to look at it. I think we have shared it from time to time. We are looking at reducing our 100% holding in some of our subsidiary companies. I have talked about Tata Motor Finance earlier. Some of these discussions on efforts will continue. Even though the acquisition bridge finance has been fully repaid, we will continue to de-leverage through many of these opportunities.
- Jayram Nathan:** Okay, excuse me, my last question was on the capitalised expenditure. Will that kind of stay in the same level or do you think it will come down as you commission this Sanand plant?
- C. Ramakrishnan:** As a broad indication, it is difficult to comment on a precise number, quarter-to-quarter or year-to-year. It is a broad indication. In the last couple of years, if you see, we had the World Truck platform, we had the new Indica platform, we had the Nano related expenditure and we were investing in the



last couple of years, two, three years investing in the Uttaranchal plant, we are investing in Singur, now Sanand plant, the new Indigo development. So there have been a bit of a crowding in the last two, three years. While the product development and other efforts by the company will continue, I would expect overall the capital expenditure and product development expenditure to be slightly lower than what it has been in the past. We had given an indication, that on an average at any given time, the company would spend about 10,000 crores in all, in capital expenditure and product development over the next three to five years. Going forward, I would expect it to be more in the region of around Rs 8,000 crores rather than Rs 10,000 crores.

Jayram Nathan: So Rs 8,000 crores over three years?

C. Ramakrishnan: Three to four years. I mean it is difficult to give a precise number, because that also depends on capturing a program and channelising of the program.

Jayram Nathan: Okay, thank you.

Moderator: Thank you, Mr Nathan. The next question is from the line of Jinesh Gandhi from Motilal Oswal Securities Ltd. Please go ahead.

Jinesh Gandhi: My question is on this other income which includes about Rs 390 crores on profit on sale of investments. Just to reconfirm, is it entirely on Tata Steel or something else is there?

C. Ramakrishnan: No, entirely Tata Steel.

Jinesh Gandhi: Okay and secondly in terms of our RM costs. What about our steel contracts, steel and other commodity contracts. Do we have sufficient contracts in place up for renegotiations?

C. Ramakrishnan: No, we have been going towards a mix of contracts, where we have a mix between annual, half-yearly and also quarterly.

Jinesh Gandhi: Okay. So even on the steel side, it is mix of contracts?

C. Ramakrishnan: Yes. I am talking about the steel side. So, we will begin to see some hardening and some increase indication.



Jinesh Gandhi: Okay. And lastly in terms of our CV business. Yet we have seen significant improvement in CV cycle driven by incentive on the depreciation side. Now since that window is over how is the demand shaping up post Sept 30?

P. M. Telang: Yeah this is Telang here. It is too early to make a judgment. But overall sense is that economic activity has started moving. Manufacturing sector has picked up. We are seeing good movement in cement etc and we are seeing some revival also on some of the mining activities. And if the government continues with this plan for this national development of highways etc, all this will lead to sort of stable demand and of course it is too early to say that the government should remove all the incentives. So we are hoping that the government also will take the lenient view. Having said that we are coming back from the brink and last year the performance was a disaster. But we need to see on a continuum where we were on a trajectory for the last three or four years. I think that we have gone down, it will surely be better for us compared to the last year. I think probably India needs to cover lot more ground and we believe that it is going to happen soon.

Jinesh Gandhi: Okay, sir. Thanks a lot.

Moderator: Thank you, Mr Gandhi. The next question is from the line of Kapil Singh from Nomura, please go ahead.

Kapil Singh: Sir, my question is on Nano. What is the production target that we have for FY10 and FY11? And if you could also tell me what is the current order book?

P. M. Telang: We do not want to give specific numbers at this point in time, but generally considering I think, at the moment we are making Nanos roughly in the region of call say 100 a day. Very soon we will be planning to make about 150 per day in the Uttaranchal plant and we are expecting some production to start in the last financial year of this year and progressive ramp-up would happen about say in July, August, by which time we will be reaching a capacity of 250,000 on annualised basis. And, of course, at the moment we have enough demand to see us for quite some time, because our ramp up is happening and beyond that when the booking is completely open, then we will see what kind of market demand will come.



- Kapil Singh:** Okay and sir, what is the booking, current order book that you have?
- C. Ramakrishnan:** We are not able to give a precise number on the order book position. Except going back to what Mr Telang said, the current run rate and the going forward, we are out of the focus. Will take quite some time for this.
- Kapil Singh :** Okay and sir, second question on Capex. What are the Capex plans for FY10 and '11?
- C. Ramakrishnan:** As I said earlier, we don't normally forecast precise numbers. But as a broad indication compared to over Rs 3,000 or Rs 3,500 crores on an average per year in the last three, four years, I would expect our average would be more between Rs 2,500 to Rs 3,000 Cr a year.
- Kapil Singh:** Thanks. Thanks a lot.
- Moderator:** Thank you, Mr Singh. The next question is from the line of Pramod Amte from RBS Equities, please go ahead.
- Pramod Amte:** Hello sir, this is with regard to your linkage with Fiat. If I am right you share the plants and also you have distribution rights. How is this interaction booked into your P&L. In the region of full value of the vehicle itself or only the transaction?
- C. Ramakrishnan:** I am not very clear on the question. But to the extent I have understood, we have a joint venture with Fiat which is the manufacturing joint venture in India. It is a 50-50 joint venture. That joint venture company has two divisions. One is the engine and transmission manufacturing and the other is the car manufacturing. The engines and transmission manufactured by the joint venture are used for its own requirement for manufacture of Fiat cars and we also buy the engines and transmission for segments on the new Indica platform and the new Indigo. So it is a provider of PowerTrain solution for Tata Motors. In the passenger car division, we manufacture Grande Punto and Linea. Those cars are distributed by Tata Motors in its capacity as a distributor. So, this is the overall expansion of our relationship in India on the joint venture. I am not very sure whether I addressed the question. If there is anything I need to clarify further, I will be happy to do that.



- Pramod Amte:** No, the distribution commissions. Do you just book the commissions in the sales part of yours or...?
- C. Ramakrishnan:** No, in terms of the distribution arrangements that is taken in our top line and also it is taken as purchase of cars. So the bottom line will be impacted to the positive rate to the extent of the distribution commission. That means two line items.
- Pramod Amte:** In the sense, total car value is taken at a top line?
- C. Ramakrishnan:** Yes correct.
- Pramod Amte:** Sir, and second is pertaining to the Capex. The Chairman was quoted in the AGM saying that the Capex for this year is up from Rs 2,800 crores to around Rs 4,000 crores. Wanted to know what is the reason for the same? And which projects are these targeted for?
- C. Ramakrishnan:** The Chairman was commenting about the year that just ended, Mar 31, '09. Just a short while ago, as I mentioned in the last couple of years, the capital expenditure product investment etc has been crowded on account of variety of projects that we are undertaking. We are creating capacity. The Nano plant was being created and the product is under development. The World Truck has been launched just now. So that investment was in full phase. And we have the new Indica, the new Indigo program going on. So, variety of these projects with major platform development and manufacturing capacity creations has contributed to this increase.
- Pramod Amte:** And last, this is specific to Mr Telang. Sir, what is the status of the new emission norms implementing from Apr 1? Will they go ahead or what is the current situation you expect?
- P. M. Telang:** The intention of the government is to go ahead. But we would like to watch carefully because like it happened last time, a few states at the last moment said that they are not fully ready. They have agreed to a scenario that few states are allowed to carry on the previous norms than others. For the next four to five months, we are just going to wait and watch, but otherwise we are preparing ourselves for the changeover.



- Pramod Amte:** But what will be the reasons for the states to oppose or where are the preparations lacking?
- P. M. Telang:** Non-availability of adequate fuel and the right type of fuel. The BS3 and BS4 norms would call for certain fuel and issue comes for those vehicles on diesel, where the sulfur PPM standards are in default. That is where the issues are.
- Pramod Amte:** Sure, sir, thanks.
- Moderator:** Thank you, Mr Amte. The next question is from the line of Pramod Kumar from B&K Securities. Please go ahead.
- Pramod Kumar:** Sir, my question is regarding the commodity costs. Just wanted to ensure whether you have given out any increases to the tyre manufacturers or tyre suppliers in the second quarter?
- P. M. Telang:** Difficult to answer, specifically the question. Yes I mean there are some price corrections which are required at various points of time. But it is difficult to make a full statement on this.
- Pramod Kumar:** Okay, not a problem. And this question would be to CR, sir. Sir, on the outstanding FCCB's which we issued prior to this \$375mn, is there a case for a re-pricing of that?
- C. Ramakrishnan:** We will look at all the options. Those FCCB's,, there have been two or three issuances in the past. They are in the market till about 2011, early part of 2011. We will look at our options in terms of what we need to do there.
- Pramod Kumar:** Okay, you have the option of waiting till then. Basically it is closer to the payment date or maturity date?
- C. Ramakrishnan:** Yes.
- Pramod Kumar:** And sir, just a follow-up on Pramod Amte's question regarding the Fiat car billing. So you mean to say that the cars are built to Tata Motors and then that goes to the top line and whatever commission you get is part of the operating income?



- C. Ramakrishnan:** That is right.
- Pramod Kumar:** Okay, fair enough, sir and thanks a lot and best of luck for the future.
- Moderator:** Thank you, Mr Kumar. The next question is from the line of Jamshed Dadabhoy from Citigroup, please go ahead.
- Jamshed Dadabhoy:** Specifically on the CV side. Do you have some estimate or idea on how much is the tonnage sold for the industry? Is lower on a YoY basis for the first half? That is my first point. And my second question is what is your view on whether the government will look to raise excise rates again on CV? And if they do this, do you envisage passing that excise icon?
- P. M. Telang:** Your first question, I can give directional answer. Instead of specific numbers and I think in the first quarter of this year, year-on-year, numbers in the industry are clearly lower as compared to the last year's corresponding period. The second quarter at Tata Motors just managed to cross last year's number. The industry still remains rather negative. So that probably explains in terms of the tonnage. Probably we are not at the same level as we were in the previous years in the first half. What is the second question?
- Jamshed Dadabhoy:** The second question was in case the excise duty or anything, do you think there is a pressure from the government to increase it?
- P. M. Telang:** From what we have been seeing that the Finance Minister has been making statements that it could be. But we have not recovered fully and perhaps he would like to keep the support going and probably I think the government feels that probably the growth momentum first should continue. We are hopeful about that probably...
- Jamshed Dadabhoy:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Sonaal Gupta from UBS Securities. Please go ahead.
- Sonaal Gupta:** Just a couple of questions from my side. One was to understand the JNNURM bus orders. Will there be on the parent balance P&L or will they go through the Marco Polo JV?



- P. M. Telang:** They will be on Tata Motors Ltd. They will be as the parent company.
- Sonaal Gupta:** Okay. What has been the quantum of investments in the first half into the Fiat JV. If you could just share those numbers?
- C. Ramakrishnan:** The additional capitalisation with Fiat JV has been about Rs 100 crores in this half year.
- Sonaal Gupta:** Okay, so there will be no other additional equity contribution...
- C. Ramakrishnan:** No.
- Sonaal Gupta:** And sir, last question from my side was would you be able to share what are the advances that you are holding on account of Tata Nano?
- C. Ramakrishnan:** I think the question was asked in a different form slightly earlier. I think we responded to that.
- Sonaal Gupta:** Okay, thank you.
- C. Ramakrishnan:** Before we end, may I just take two minutes? There was a question on number of shares outstanding, including on a fully diluted basis post-GDR issue. I just wanted to share the numbers. As of Sept 30, before the GDR issue, before the issue, we had 44.98 crores of shares outstanding, ordinary shares and a further additional 6.42 crores of 'A' shares, ordinary 'A' shares, 44.98 and 6.42 crores. In addition to this, the GDR issue has resulted in issuance of about 2.99 crores for the share and the FCCN issue has resulted in issuance, then fully converted of further 2.78 crores share.
- Moderator:** Thank you, sir. Ladies and gentlemen, due to time constraints we will be taking one last question from the line of Chirag Shah from MK Global. Please go ahead.
- Chirag Shah:** Sir, my question is about your capitalisation you indicated. What will be the Capex that will be added to the gross block. If I see you have Rs 7,000 crores of CWIP of which Rs 2,500 crores is product development as on Mar09. So, what would be the amount being added to gross block?
- C. Ramakrishnan:** The gross block additions, what I told you is the total gross block additions.



- Chirag Shah:** Okay, so roughly Rs 2,000-2,500 crores of estimates would be the gross block additions.
- C. Ramakrishnan:** As I said I do not want to give a forecast number for any balance sheet based specifically. What I shared with you was for the half year ended Sept 30 the total addition to gross block net basis about Rs 1,300 crores.
- Chirag Shah:** Okay, fair. And second, coming back to the question on the tax rate, which seems to be 33% in this quarter. Does it actually mean that you have upped your internal guidance on profit liability and hence you have provided for higher tax. Because in 1Q, your tax provision was very low or that tax expense was very low.
- C. Ramakrishnan:** No, I think this will be something which depends on the other factors like the actual incurrence of various expenses. The benefits we get out of R&D and the other tax incentive. It is also a function of the total profits and function of the EXIM profit under tax on account of other income. It may change from quarter to quarter because of unusual movement. We had always shared even when the tax rate that we had shown in the accounts earlier was very low. I think our indication has been on a steady state basis. Our tax rate, because of the R&D and other benefits that we get, our tax rate is not likely to be at the marginal rate of 30% plus. It is more likely to be around 20%. I think we continue to hold the provision.
- Chirag Shah:** Okay. Just a clarification. Sir, you indicated you have taken 2.5% price hike in the MHCV portfolio, right?
- C. Ramakrishnan:** For the half year.
- Chirag Shah:** And second was again a housekeeping question. On your inventory, there is accretion of Rs 553 crores. Is it largely of raw material, metal, your raw material, or more of a finished goods accretion?
- C. Ramakrishnan:** No, I think it is both. Normally you will see in a year, the inventories in particular, do come down to its lowest point on Mar 31 and normally during the year there is a build-up of inventory. I do not think this year is anything unusual. Last year was an exception, but every year you will see in the



second half of the year, the production turnover and other activities get built up for the busy season ahead. That is a certain accretion to inventory, which will come down again by Mar 31.

Chirag Shah: Sir, my last question is if you can just help us understand your current consolidated balance sheet position in terms of what would be the debt amount, or what would be the debt equity after this post GDR and FCCN issue. How that would be looking. If you can throw some light, it will be helpful?

C. Ramakrishnan: Yes, I will definitely be through that. But we will be having in the next month. Before the end of the month, we will be announcing our consolidated results as we had done in the past. And we will share with you the consolidated financial performance, as well as the debt and the overall leverage position at the consolidated level. I will not be able to do that today. But towards end of November, we will be talking to you once again on the consolidated financial performance.

Chirag Shah: Okay, fair enough, thank you very much.

C. Ramakrishnan: Thank you very much. I am conscious that I have tried to rush through some of the questions. We were working at some time pressure in this particular day. But our people are available. If there are any further questions, we will take it offline on a one to one basis. Thank you very much everybody for being with us on the call. And my thanks to Tata Securities for arranging and hosting this call.

Ajay Shethiya: Thanks a lot, sir. On behalf of Tata Securities I would like to thank the senior management of Tata Motors. Thanks a lot for taking time and giving highlights of the quarter results. Thank you so much for being on the call.

C. Ramakrishnan: Thank you.

P. M. Telang; Thank you. Bye.

Moderator; Thank you gentlemen of the management. Thank you, Mr Shethiya. Ladies and gentlemen on behalf of Tata Securities Ltd that concludes this conference call. Thank you for joining us and you may now disconnect.