Tata Motors Limited
Q3 FY10 Results Conference Call
January 29th, 2010

Moderator Ladies and gentlemen good morning, good afternoon, good evening, and welcome to the Q3FY10 post results standalone earnings call for Tata Motors Limited hosted by Enam Securities. As a reminder, all participants' lines will be in the listen-only mode. Please note that this conference is being recorded. There will be an opportunity for you to ask questions at the end of today's presentation. Should need any assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. I would now like to hand the conference over to Sahil Kedia from Enam. Thank you and over to you Mr. Kedia.

Sahil Kedia Thank you, good evening to everyone. On behalf of Enam Securities, I would like to welcome all of you to the TATA Motors Q3 standalone post earnings conference call. We have with us top management of the company by Mr. Telang and Mr. C. Ramakrishnan to take us through the results. I would like to hand the call to them to take us through the results.

C. Ramakrishnan Good evening, good afternoon, good morning wherever you are. Thank you very much for joining in this call. This is the call for TATA Motors standalone financial results for the quarter and 9 months ended 31st December, 2009. I have Mr. Telang, Our Managing Director, India Operations here with me. Unfortunately, Mr. Telang has got one other engagement for which he may have to leave in the next 20-25 minutes. I will limit my initial comments. The presentation of the results we have already put up on the website, I am sure many of you would have the opportunity to look at it.

Quickly, for the 3 months October-December 2009, the total vehicle sales were about 165,413, which is an increase of 5% over the immediately preceding quarter July-September and of course 67% increase over the same period last year. For the 9 months period, April to December, the vehicle sales stood at 451,000 compared to 366,000 in the nine months of the previous year. This is on the back of a strong revival what we have seen in the Indian underlying economic performance as well as the result of many other price actions that the company has undertaken in the last year or so.

Specifically coming to the commercial vehicles – Our market share continues to be robust at around 65%. We saw a slight dip in the market shares about percentage point between the immediately preceding quarter and over the last 3-4 quarters, our market share has increased substantially and we have seen a slight dip in this and our aim will be to address only go after that. For the 9 months period April to December, our market share was at 65.6% compared to 62.8% in the same period last year. We continue to see robust underlying demand in all sectors in the commercial vehicles with the small commercial vehicles,ACE and family doing extremely well.

Passenger vehicle volumes increased by about 46% compared to the same quarter last year, the volume stood at 61,500 cars compared to 42,000 in October-December of the previous year and compared to the immediately preceding quarter the volume improved by about 1%. For the 9 months period April-December, the cumulative volume on the passenger cars was at about 172,000 compared to 142,000 in the same period last year 9 months.

We launched the Indigo Manza which continues to have a very exiting response in the market place and very recently last month in December we launched the Mark II Sumo Grande, Nano production has been continuously ramped up. We have completed deliveries of closed to about 18,000 cars till 31st December.

Vehicle financing portfolio in Tata Motors standalone, the portfolio size stood at 1100 crores as of 31st December. Tata Motor Finance, our 100% subsidiary, carried a book size of about 6500 Crores, so in the aggregate around 7600 crores in terms of book size. The market share in vehicle financing we saw some loss of market share particularly this year robust liquidity position the market place and active participation from domestic brands which is a good sign for the auto industry but in the vehicle financing portfolio our market share came down by close to about 2% between last year

Q3 and this year Q3. At the end of December 2009 our market share stood at 25%.

Briefly on the financials for the Q3 of this year, October-December the EBITDA margins stood at 12.8% compared to 1.9% in the same quarter in the previous year which was a disastrous quarter. The turnover net revenue stood at 8980 Crores. PBT, profit before tax, was 555 crores compared to a loss of 419 crores in the same quarter in the previous year, a complete swing in performance. The last year PBT negative of 419 was after providing for notional exchange loss of course of about 226 crores in the previous year. EBITDA margin continues to remain robust at 12.83% in this quarter. Even on a quarter-to-quarter basis compared to the previous quarter we have seen an EBITDA in the aggregates improved by about 8% to about 1152 crores compared to 1066 crores on the back of about 12% improvement in revenue quarter-to-quarter. EBITDA margin came down marginally from 13.36% in the previous quarter Q2 to about 12.83 but continues at a healthy around 13%.

Working capital in terms of inventory and receivables are maintained compared to the previous quarter of September at about 21 days and in terms of debtors day inventory is maintained at about 34 days.

In terms of balance sheet size we have seen in Tata Motors Standalone an improvement in the debt-equity ratio the net debt stood at about 19,500 crores. The net debt-to-equity ratio has come down from 1.6 at the end of September which I shared with you, it is down to about 1.44 at the end of December. On the back of the GDR that we issued in October and the repayment of the foreign currency bridge finance. For the last year and a half the entire bridge finance we have taken for acquisition of Jaguar Landrover stands fully repaid now in tough and challenging market condition.

We do have a fewer projects in the pipeline which we will expect action in this calendar year, in this financial year. There are some short-term challenges facing the industry, hardening of interest rates, and thinking on the government for possible withdrawal gradually in whatever forms of the stimulus support they have provided to revive the economy. We do have some lack of clarity on the exact introduction of the emission norm and commodity price continues to be a concern. You need to be very watchful. These are some of the challenges immediately facing the industry which will have a pressure on the performance.

We have undertaken some pricing actions in January across the board and most of our commercial vehicle, we have increased price on an average by about 1% effective January. Similarly on passenger vehicle, we have taken price increase ranging from Rs. 1500 to Rs. 3500 per vehicle. We will continue to be watchful on our calls and undertake aggressive cost reduction programs as we have done in the past. As I have shared with you we would target to achieve close to about 1000 crores cost reduction in the next 2 to 3 years.

We will continue to focus on new product launches, work on the commercial vehicle and passenger car many of which I am sure most of you have seen displayed in the Auto show recently in Delhi. I will stop here may be in case Mr. Telang has any comments and I will take the question and answers.

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

Binay Singh Good Evening sir. My question was in terms of the raw material impact. Could you tell us what kind of price hikes did we take in the December quarter? When were our raw material contract renegotiated and how do we see them going ahead?

C. Ramakrishnan The raw material contracts have a mix of annual and some of them are half yearly which is difficult to put a percentage but we do have a mix of contract which we had introduced a couple of years ago but mix of contracts on the raw material front particularly on the steel continues. Other price hike was done in October-December quarter. Assuming you are talking about price increase on our products we have taken price increase in October in commercial vehicle.

Binay Singh So what was the range?

C. Ramakrishnan It was a similar percentage 1% more or less across the board.

Binay Singh So basically how do we see the direction in terms of the raw material contracts, when are they coming up for renegotiation? I know you are telling us that it is six monthly and annual but broadly how do you see the pressure from here on?

C. Ramakrishnan As I said before in the earlier conference call for the last quarter and I think they have continuously alerted on this, we do see pressure building up on the commodity prices but it will be difficult to put a percentage as to how much increase we anticipate. I think the company has to follow its internal cost reduction measures that we have achieved in the past and we will continue to focus on that and we look at the opportunity for price increase from time to time. In the last fiscal year in this challenging market conditions in the aggregate, we made price increase of almost 7% to 8% or 8 to 9% on our commercial vehicle. Can the market take that magnitude of increase, doubtful, but will continue to look at opportunities from time to time. I think our greater focus will be on internal cost reduction measures and we will step it up.

Binay Singh And sir secondly on tax rate, the tax rate has gone up on a sequential basis. Could you elaborate on that?

C. Ramakrishnan I think the past on a quarterly basis, the tax rate can vitiated by the contribution to profit from different sources where we have had in the past significant divestment profits which are of long-term nature or whatever you would have perhaps the lower tax rate because that profit is eligible for deduction. We did not this movement, I think as a directionally excluding extraordinary items like divestments or gains are whatever, we have always talked about because of our product development expenditure and deduction that we get on our R&D expenses, our tax rate will be much lower than the marginal tax rate of 30% plus. It would be between 20 to 25%. Quarter to quarter, it can be vitiated because of the long-term capital gains.

Binay Singh Okay, thank you sir.

Moderator Thank you Mr. Singh. The next question is from the line of Jamshed Dadabhoy of Citi Group. Please go ahead.

Jamshed Dadabhoy Good evening sir. Could you give some sense on how costs have moved up on the MHCV portfolio, just some flavor in terms of how steel and tyre prices have moved up to broad cost per vehicle kind of thing?

C. Ramakrishnan Jamshed, it would not be possible to single out product group like MHCV and talk about its cost structure. I think directionally what I can share with you is commodity prices and raw material prices are hardening.

Jamshed Dadabhoy Okay sir, this 1% price hike that you all have done, does it fully pass on the cost pressure that you all have evidenced in the last 3 to 4 months?

C. Ramakrishnan If I see from the beginning of the year rather than 3-4 months, if I see from 9 months, compared to the previous quarter, you have seen a small reduction in the EBITDA margin, so for the 1% price increase and also the 1% price increase we had made in October we have not yet fully factored in the cost increases.

Jamshed Dadabhoy Okay fine sir, thank you.

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

Kapil Singh Good evening sir, this is on the pre-buying expected on trucks, if you could elaborate whether we are experiencing something on that side?

P. M. Telang Hi this is Telang here.Greetings to everyone. The picture seems slightly confusing at this point in time because earlier it was stated from April 1, 2010, 11 of 13 cities will go to BS4 and rest of the country will go to BS3. Current indication at the moment stands that the 1st of April BS4 covers 13 cities when the rest of the country is little unclear because some of the states probably may not have this fuel available in some dialogue going on with various government agencies you may get the clearer view sometimes little later.

Kapil Singh Could you also elaborate on new product launches if you can share some plans with us?

P. M. Telang Then as you know in the Auto Expo we had shown three new products and these three new products Aria, Venture, and Magic Iris we believe that they are very exciting products and probably they will create some new market segments, so we believe that probably they are going to bring a lot of revenues to us. Introduction time will be during the year I cannot tell the specific month at this point of time so very soon we should see start seeing these products coming in the markets one by one.

C Ramakrishnan If I may supplement that if you look at it segment wise if you start with a small commercial vehicles I think Tata Ace has created a segment of itself and its continuing to do very strongly, we are running in terms of full capacity utilization and that has proved to be a very versatile and robust platform with brand new plan in plants in Uttarakhand and we are planning many more models and variance and applications both on the cargo and on the passenger application. I think that platform strategy and product line-up on both fronts passenger as well as cargo I think is well-poised and has a powerful platform going forward in the next three to five years that is on the small commercial vehicles. And on the medium commercial vehicles, we have launched the Prima World Truck platform as I have shared earlier. It is a very versatile platform and generate over 80,000 type of variant in the coming year with a huge combinations in terms of cabin and engines and transmissions, etc. The engines can vary from 180 horsepower to well over 500 horsepower. I think it gives us a very powerful positioning in the market place which will be very-very competitive to the more costlier models that are so far available. I think on MHCV front I think we are well-positioned in terms of the recent launch. Similarly on the bus front our tie-up with Marco Polo and our joint venture should be a very powerful positioning. Commercial vehicles you see some more action on the light commercial vehicles front in the mid range between 4 to 7 tons in the coming year. I think our strategy and our product buildup and line up, I think it is very-very powerful one. Similarly, on the passenger car front, we have just launched our new generation platform on the Hatchback and with an exciting offering with new Indigo Manza. Sumo Grande Mark II has been launched in December and should see a quick response and good response in the market place. And the Crossover, we will see a launch in the coming months. Of course you all know the Nano story. I think in terms of product line up and our capability to address the market, huge offerings and face the competition, I think we are extremely well-poised that is how the opportunities come and we are ready to avail all these opportunities.

Kapil Singh Sir, I also wanted to know a couple of numbers. If you could share the gross debt and cash position separately and the CAPEX till date and CAPEX guidance for FY10, FY11, and FY12.

C. Ramakrishnan Coming to your last question over the next 3 to 5 years, I think our average spend on capital expenditure will be in the range of about 2500 to 3000 crores per year annually. It may vary year-to-year depending on product line up and cascading of the product level front and engineering that is directionally the position. You asked about the debts?

Kapil Singh Gross debt and cash sir?

C. Ramakrishnan Net of cash and liquid investments, and net debt is about 19,500 crores, but before the call is over, I will give you the breakup in terms of gross and net.

Kapil Singh Alright sir, thank you.

C. Ramakrishnan The gross debt is about 20,000 crores and net is about 19,500 crores. You also asked about year-to-date capital expenditure. It is little under 2000 crores.

Moderator	Thank you Mr. Singh. Our next question is from the line of Srinivas Rao of Deutsche Bank, please go ahead.
Srinivas Rao	Thank you so much sir, this is Srinivas here. Just two questions; one if you could throw some light on the capacity expansion plans on Ace and secondly, I just wanted to check on working capital based on the numbers which you have been disclosing on a quarterly basis, It seems that receivable days have kind of expanded and also the working inventory days on a 9 months' basis in fact on the absolute numbers, I think the delta is almost 100 crores each in both of them, so could you throw some light on the working capital side?
C. Ramakrishnan	On the working capital side, in terms of number of days compared to June or September or December it has stayed more or less constant in terms of number of days of sale, but because the seasonality in the year with one quarter being more robust than the other quarter, you will see some fluctuations in working capital up and down and particularly when you are building inventories for the busiest of the four quarters which is January-March quarter rather than quarter-to-quarter basis annually, if you take I think our working capital will continue to be under strict control. As far as Ace platform and Uttarakhand plant capacity Mr. Telang would like to say…
P. M. Telang	I would put it this way putting the Nano over which at moment is doing something like 4000 a month and very soon it will be doing about 5000 per month. I think we will be coming very close to near full capacity so we are already looking at some debottlenecking to take it further creating headroom for new products coming from this platform.
Kapil Singh	Sir, there is no increase in capacity for the next 18 months?
P. M. Telang	We will not like make a concrete statement of that kind but obviously once Nano comes up obviously some capacity will get leveraging and there are some plans to create some debottlenecking of capacity.
Kapil Singh	Thank you sir.

Moderator Thank you Mr. Rao. Our next question is from the line of Pramod Amte of RBS Equities, please go ahead.

Pramod Amte This being the first quarter of Nano, sir how to look at on the margins, is it the margin pressure is because of Nano coming on to in the quarter or is it more to do with the raw material pressure, how much weightage it will get?

C. Ramakrishnan I understand where you are coming to . Nano as I said year-to-date till about December, the total deliveries have been about 18,000 vehicles and as you will recall we started delivering Nano if I am right end June or July of So I am not sure how to answer that question that Nano is exerting a pressure on the margin.

Pramod Amte And secondly, this is to Telang, you have already launched the Prima and there are few models available, wanted to check on the like-to-like basis, how does it compare on a pricing front versus the global majors and also you have a lot of permutation combinations which you thought of making available, are they all available to the customers or they will be gradually rolling out in terms of heat and power sales and all those stuffs?

P. M. Telang What we believe is that Prima is a powerful platform and it will have a huge range going from intermediate commercial vehicles to full fledged with 49 tons in Indian market and going right up to 75 ton gross combination . In countries like South Africa we have still legal permissible load that in the case we decided that we will start in the domestic market progressively so first we are starting the highway tractor trailers combination and first of the month has been 40 tons powered by 280 horsepower then we will be taking further more applications on the tractor and then it will be followed by people and then rest of the segments will follow, Simultaneous launch has already been done in Korea through Tata Daewoo and there we have already been in this segment in that market and very soon probably we will start opening rest of the markets in the world also.

Pramod Amte In terms of pricing, how does it?

P. M. Telang Pricing is fairly competitive and it has to find its own price during the portfolio of TATA Motors with respect to our existing products and what the imported products are and since you had asked this question how do we compete? We believe future wise we will compete very well with all international trucks and the pricing will be more aggressive as compared to those and initial response from the customers has been extremely encouraging.

Pramod Amte So in the sense large price in terms between you and the global majors, now it seems to be that it is narrowing to a very thin line so what will be the competitiveness you will be offering versus the global majors because the product itself is around 30-40% premium to your existing portfolio?

P. M. Telang But it will not almost in the same region as the international competition. There would be still clear price advantage and we would like to see total cost of ownership for the user and that will most probably buyer's behavior and initially we are getting very good reports and particularly because of the high rise in the Golden Quadrilateral are now leading to cushion and we find that probably they are able to clock much better average speeds and driver remains really refresh and there is a provision for the second driver also to travel along he can take rest when the first driver is driving so I think the operator is also finding their own economics of doing it and probably they are finding there is a lot of value in this.

Pramod Amte Sure sir, thanks.

Moderator Thank you Mr. Amte. Our next question is from the line of Jayram Nathan of Kotak, please go ahead.

Jayram Nathan Thanks for taking my question. This question again is for Mr. Telang. Sir, given that the new competition is coming from local manufactures like Mahindra and even Maan to an extent you know the localization content seems to be very high for these players, how would that affect the pricing, I can understand that someone like Mercedes or Volvo might have a higher price, but the new competition that is coming seems to be having a higher localization content?

P. M. Telang Yes, we do know what Mahindra, Leyland, are coming in this field and they are very respectable competition, so we would not underrate them by any chance. Yes I would love the challenge that we want to reach out in the market place but apart from the product I think we have them lot more in terms of reach, penetration, availability of service and spare part. So we offer a sort of full value proposition and also we offer fully built solutions to the customers also, wherein customer can go to one shop so his full requirement is considered, so taking all this into account probably I think we should be able to operate better value proposition.

Jayram Nathan On that can you give me what is the localization content indigenization content for the World Truck?

P. M. Telang Difficult to make a statement once we will do it because it is a initial launch period we would not hesitate to use more imported components where necessary. On a steady state terms certainly it is going to be very high.

Jayram Nathan Next question is to Mr. Ramakrishnan. On the staff costs and depreciation, when we would the Sanand facility kind of you start hitting your numbers?

C. Ramakrishnan Sanand work is going in full swing. You should see commercial production and sales end of this quarter or early next quarter and that is the time when we will start depreciation.

Jayram Nathan And even the staff cost would, because we have been kind of seeing this cost being kind of flattish sequentially?

C. Ramakrishnan Yes when the factory comes on production early next quarter.

Jayram Nathan Thank you sir.

Moderator Thank you Mr. Ramanathan. Our next question is from the line of Aditya Makharia of JP Morgan. Please go ahead.

Aditya Makharia Hi sir, this is for Mr. Telang. We are seeing robust growth in MHCV I was wondering if part of this you are already seeing because of the pre-buying and are transporters probably aware as much as you all are and there is some confusion relating to the delay of the BS-V rollout, which is being highlighted in the media also, so I just wondering what is the mood with the transporters' side now.

P. M. Telang I will not rule out some point of pre-buying happening but otherwise I personally believe the economy is getting to be more robust and that is why probably there is lot of goods transportation that is happening and also on the construction side also one hopes that should continue.

Aditya Makharia Do you see growth rate sustaining lower going into the next year?

P. M. Telang It is a difficult to make a specific statement. We would like to make sure what will be the requirement of the market that we will be trying to having that and as you know that we would like to keep our plans flexible so depending on the market requirement, we would able to sort of ramp up or ramp down…..

Aditya Makharia And just one more question on the realizations, this is probably for Mr. CR, the realizations have really moved up sequentially, I am just wondering what will be the primary reason for the same?

C. Ramakrishnan It is the function of product mix as well.

Aditya Makharia Okay, now because internal price hikes, we have not seen too much, so 1% on the CV so?

C. Ramakrishnan 1% on the CV in the quarter that is not too much.

Aditya Makharia Okay, thanks.

Moderator Thank you Mr. Makharia. Our next question is from the line of Raja Chanda of ICICI Prudential Mutual Funds, please go ahead.

Raja Chanda Good evening sir. Just one question, you said that you have taken price hike of 1% on an average in the last quarter, can you specifically tell for the Ace family what would that have been? Is it possible to get that number that Ace?

P. M. Telang I do not think we have done lot of price correction in Ace family per se.

C. Ramakrishnan The January price increase did not include the Ace.

Raja Chanda In the current year-to-date, what would have been the price increase?

C. Ramakrishnan In the Ace family?

Raja Chanda Yes.

C. Ramakrishnan Year-to-date in the current financial year?

Raja Chanda FY10.

C. Ramakrishnan FY10 in the current financial year, there have been no price correction in yet.

Raja Chanda No price increase.

C. Ramakrishnan So far.

Raja chanda Okay sir, thank you.

Moderator Thank you Mr. Chanda. Our next question is from the line of Jinesh Gandhi of Motilal Oswal Securities Limited, please go ahead.

Jinesh Gandhi Hi sir, my question is on your World Truck Platform, what kind of cannibalization do you see from your existing portfolio?

P. M. Telang Difficult to say this, over a period of time, we expect all our existing customers progressively to migrate to the World Truck platform, but we will leave it to a free choice to the customers and not try to force the pace withdrawing some models at any given point of time. We do hope that as and when the road infrastructure as well as the end-to-end logistics also comes to international levels you will see there is automatic flow towards this kind of vehicle we will have to wait and watch when this happens but till then we would like to leave a free choice to the customers.

Jinesh Gandhi And is the Initial launch of World Truck across all markets in India or is it specific to a certain markets?

P. M. Telang As I said before that first launch has been in the tractor trailer application and that probably would work best on the highways which are almost ready there is a new golden quadrilateral. So we are selective at the moment, so we are giving in the areas where probably you can get the best value for money this would be strategy you understand.

Jinesh Gandhi And secondly, in terms of cost push on the RM in this quarter, sequentially we have seen almost 300 basis point increase, would it be fair to say that is the fair reflection of cost push which one can expect based on your current contract?

C. Ramakrishnan I would just like to state from the specific response that there will be enough profit to come, all that I can tell you, share with you directionally about the pressure building up, I cannot give a precise number next quarter, how much increase I expect.

Jinesh Gandhi Okay sir, thanks a lot.

Moderator Thank you Mr. Gandhi. Our next question is from the line of Sonal Gupta of UBS Securities, please go ahead.

Sonal Gupta Hi, good evening. Just one question, are you including the area sales of Jaguar Landrover in your revenues?

C. Ramakrishnan Yes, that is on the distribution basis where we import the vehicles and that it includes but the number are very small numbers.

Sonal Gupta Could you share the numbers for the quarter?

Speaker The year-to-date sale of Jaguar Landrover has been 79 units.

C. Ramakrishnan That is year-to-date for the nine months.

Sonal Gupta Sir, could you because shed some more light on what really is moving your ASPs, the significant growth that we have seen almost of 8% quarter-on-quarter?

C. Ramakrsihan In what?

Sonal Gupta In the average realization, so what product, is all your products mix from the MHCV side being fairly high value, which is really improving the average realization for your unit.

C. Ramakrishnan Primarily, the model mix we have to break it in terms of the scale between MHCV and lighter cars it is primarily model mix and may be the cumulating effect of some of the price increases. Price increase effect from cumulatively as we make a price increase in July and October, October-December quarter we will see full benefit of both. So, there is a cumulative effect is kicking in. Primarily fundamentally the model exchanged.

Sonal Gupta Just another question on the depreciation. I understand the Manza was launched last quarter, so will the depreciation have gone up as you would have capitalized, I mean the expenses on the R&D side for Manza?

C. Ramakrishnan That is right.

Sonal Gupta We have not really seen change in depreciation for the quarter basically, I mean sequentially?

C. Ramakrishnan The depreciation increase and decrease can also be due to the shift working or nature of the deprecation if you charge for each of the quarter month-on-month this way we can compare it for closely out of quarter-to-quarter basis. So, as we launched the product and the realization started development, etc., the regular expenses begin the depreciation amortization.

Sonal Gupta And just a followup question on this thing. For Nano, the product development expenses would have been already capitalized or will they be quarterly capitalized ones the Sanand Plant comes on stream?

C. Ramakrishnan That would be capitalized once the Sanand Plant come on stream.

Sonal Gupta Okay sir, thank you so much.

Moderator Thank you Mr. Gupta. Our next question is from the line of Chirag Shah of MK Global, please go ahead.

Chirag Shah My question is on inventory side, if I see your inventory attrition has roughly been around 700 crores for 9 months for this financial year, but if I look at the volume your production vis-à-vis sales there is a decrease actually on the MHCV side if I look at it, so I was wondering whether this pertains to raw materials or how one should annualize it?

C. Ramakrishnan May be if you can share the details of the numbers that you have got we will be able to comment better on that. If you can take it offline.

Chirag Shah No it was in the result update, you have indicated your commercial vehicle production is up by 25,000 odd numbers vis-à-vis of sales so it is not that bigger increase, so it is because of raw material or because of just trying to understand on that side and how should one look at this particular aspect?

C. Ramakrishnan I understood the question that I would not get into the detail number workings here on this call with everyone may be you can take offline.

Chirag Shah Fair enough sir. Second question, just to understand if you can help me with this what would be your product development expenditure on Nano, till now and how are you looking at if you have to elongate it for a longer period of time in terms of what products you are looking at launching over the next 2 years, how that particular platform will require CAPEX from product development side? You can just please help us understand because what I understand is a fairly big platform for you in terms of offerings that you are looking at and the innovations we are looking at?

C. Ramakrishnan It is difficult to talk in terms of the specific product and disaggregate it or run models in terms of product development CAPEX if at all. We have shared in the past is the total expenditure on the Nano project including the facility creation, capacity creation, product development, etc., in the aggregate is around little over 2000 crores.

Chirag Shah This will meet most of the product development expenditure and any new extension expansion will not entail huge development, that is how it is?

C. Ramakrishnan Let me take it step by step. This includes creation of the capacity, factories, facilities, etc. as well as product development and this is for the current Nano. We do have some, as being stated in the past by our Chairman Ravikant everybody, we are looking at Nano for possible different markets in the future. We have been talking about Nano Europa, those types of cars and that type of effort would entail fresh product development effort over the next 2 to 3 years.

Chirag Shah Okay fair enough.

C. Ramakrishnan In order to quantify that but as far the current project is concerned, this includes the setting of capacities of 2,50,000 cars annually in Gujarat, this Sanand. That capacity can be increased with marginal investment very little marginal investment to about 300,000-350,000 beyond that capacity increase would attain fresh investment in….

Chirag shah Second round of CAPEX over them. Sir last question is if you can help us understand any FCCBs due for repayment in the next 12 months and any dilutive FCCB is outstanding number of shares, how much that would be, just help us understand your capital structure it would be helpful?

C. Ramakrishnan In terms of debt maturity we have three FCCBs which are maturing over the next 12-24 months. You have asked me for 12 months but I will give you a slightly longer picture. The two FCCBs which are maturing one is in February and the other is in April of 2011 February and April of 2011, between the two the total aggregate amount is about $400 million at present. In terms of maturity value including the redemption premium, etc. it is about $500 million. The face value is 400 and the redemption value is about $500 million, this is for yearly 2011. The cars issue which is also an FCCB convertible into specific shares, but it is about $490 million that is maturing in 2012. These are the three FCCBs that we have so for about $400 to 500 million in yearly 2011 and about $490 in 2012. These are convertible on issue terms. These are convertible at fairly high rates compared to the present market well over Rs. 800-900 per share.

Chirag Shah Okay fair enough, Thank you. This was helpful.

Moderator Thank you Mr. Shah. Our next question is from the line of Mahantesh Sabarad of Centrum Broking. Please go ahead.

Mahantesh Sabarad Good evening CR. Just a few questions on you debt numbers I noticed between the September numbers to the December numbers the gross debt has gone up, just wanted to seek a clarification this is a long-term debt that has gone up or this working capital debt that has gone up?

C. Ramakrishnan Primarily, what has happened in this quarter is if you recall Mahantesh we have issued this GDRs and FCCBs in October that included $375 million of FCCBs that we have issued which was due to repay the foreign currency debt that was standing in the subsidiary company in UK. If you recall, just to give you the mechanics, we have taken the bridge finance for acquisition of Jaguar Landrover in our UK subsidiary company and when we issued the FCCBs that debt has come in Tata Motor standalone books that is why you have seen optically an increase in Tata motors standalone debts. FCCBs created in Tata Motors to repay that debt.

Mahantesh Sabarad So, essentially it is a long term debt because I should treat FCCBs as Long-terms right?

C. Ramakrishnan I would hope so because these are convertible at fairly attractive prices.

Mahantesh Sabarad Did we convert any one of them since the October issue?

C. Ramakrishnan Normally FCCBs they would typically they would tend to get converted more and more towards the redemption time.

Mahantesh Sabarad Because they are in the money already, right?

C. Ramakrishnan They are well in the money.

Mahantesh Sabarad My second question is partly linked to your new product introduction sir, the Prima range of CVs just wanted to understand what is the value add from HVAL and HVTL so the incremental numbers from Prima will also be in for consolidated basis for HVTL and HVAL and increase in revenues?

C. Ramakrishan It do have a positive impact on HVAL and HVTL going forward because the Prima volumes are still limited as it is to be launched in expansion phase.

Mahantesh Sabarad But do they supply the aggregates?

C. Ramakrishnan The volumes are is very-very limited and as Mr. Telang said earlier that initial launch has been mostly on the imported aggregate but as and when the volumes build up HVAL and HVTL will participate in a big way in world level.

Mahantesh Sabarad I was under the impression there were some Eaton ZF gearboxes on the Prima so not part of HVTL and HVAL.

C**. Ramakrishnan** Right now, the Prima whatever limited launches and sales that we are making does not have any HVL-HVTL products but we can see it over the coming years.

Mahantesh Sabarad Over the coming years, okay. And lastly just one question on the Nano once again, can you share what is the outstanding amount of Nano bookings that you are on the books because if I understand the as you sell the vehicles, you will also on the balance sheet throw down on those advances that you have. So, what is the outstanding amount in the balance sheet, any color you canthrow on that ?

C. Ramakrishnan The outstanding amount in terms of the booking will continue for in terms of full servicing the outstanding orders that will take us about a year for full service.

Mahantesh Sabarad About a year kind of, but then has you delivered them and you are not actually realizing cash?

C. Ramakrishnan Yes, because you will draw on the outstanding. From an accounting perspective since the orders have been received with full payment as and when you sell the cars you make an accounting adjustments with the advance.

Mahantesh Sabarad Okay may be one question I can squeeze in on your employee cost, there were wage negotiations on revision skew this year or end of this year have they been concluded and going into FY11 the way we assume there will be a higher rate as far as wage cost is concerned?

C. Ramakrishnan During this year Pune was due, that has been concluded.

Mahantesh Sabarad What kind of impact can we, as an analyst, build-in into our FY11 numbers?

C. Ramakrishnan On the next year numbers?

Mahantesh Sabarad What would be an appropriate mechanism to build it into our workings?

C. Ramakrishnan It will be difficult to predict at this point of time because at the next year we will also have….

Mahantesh Sabarad Jamshedpur is due in March or April.

C. Ramakrishnan Difficult to predict an increase.

Mahantesh Sabarad In Pune at least what kind of increase?

C. Ramakrishnan The Pune is still going on that has not been concluded.

Mahantesh Sabarad Okay, but then generally speaking wage renegotiation based on historical past exert upward bias?

C. Ramakrishnan It depends.

Mahantesh Sabarad Okay. Thank you.

Moderator Ladies and gentlemen our next question is from the line of Amul Vora of Corporate Database. Please go ahead.

Amul Vora Good evening sir, my question is, recently in press release it was mentioned that you are looking at producing only 5000 World Truck in 2011 and 12,000 in FY12, now if I look at the number of total HCVs for the current year, it amounts to just 3%-4% in next year., is it true that are we going to target only 5000 vehicles next year?

C. Ramakrishnan I cannot really recollect the press release.

Amul Vora It was reported on 29th January in Financial Express from Jamshedpur.

C. Ramakrishnan 29th January as in today.

Amul Vora Yes, it is there on the website of Financial Express that the demand picking up for Tata Motors World Truck HCVs and it is mentioned the company is targeting 5000 World Truck in 2010-2011 and 12,000 unit in year 2011-2012?

C. Ramakrishnan I can check on that but I do not think we normally do not talk about specific target numbers going into the future. World Truck hopefully should ramp up much better.

Amul Vora Thank you very much.

Moderator Thank you Mr. Vora. Ladies and gentlemen that was the last question. Now I hand the conference over to Mr. Sahil Kedia for closing comments.

Sahil Kedia Thank you all of you for joining in and thank you to the company as well thank you for the call. That concludes the conference.

C. Ramakrishnan Thank you very much everybody and thank you to Enam for the arrangements made. Thank you very much for the joining us today.

Moderator Thank you Mr. Kedia and thank you gentlemen of the management. Ladies and gentlemen on behalf of Enam Securities that concludes this conference call. Thank you for joining us on the Chorus Call Conferencing Service and you may now disconnect your lines. Thank you.