



“Tata Motors Q1FY12 Results Conference Call”

**August 11, 2011**

**Moderator** Ladies and gentleman good day and welcome to the Tata Motors Global Investor conference call for the 1<sup>st</sup> Quarter of FY12 hosted by Citi Investment Research. As a reminder all participant 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 opening remarks. Should you need assistance during the conference call, please signal an operator by pressing \* and then 0 on your touch tone telephone. I would like to hand the conference over to Mr. Jamshed Dadabhoy, Vice-president Citi Investment Research. Thank you and over to you.

**Jamshed Dadabhoy** Thanks Rochelle. Good evening ladies and gentlemen and welcome to Tata Motors 1<sup>st</sup> Quarter Fiscal 2012 earnings call. Representing management we have with us Mr. C Ramakrishnan, CFO of Tata Motors and his colleagues. In the interest of time given we have only 45 minutes, management will give us a very brief summary of the results and then we can move directly into Q&A. Over to you Mr. Ramakrishnan.

**C Ramakrishnan** Thank you Jamshed, good evening. Since you said very brief and we're talking about 45 minutes I will try and keep more time for the Q&A side.

We announced our first quarter consolidated as well as standalone results a short while ago. Consolidated global turnover increased by about 24% and PAT was about 2000 crores, 1999 crores PAT for the quarter compared to 1988 crores for the same quarter last year. EBITDA margin globally was at about a little over 13% at 13.3% compared to 14.6% in the previous year's quarter. At the standalone level Tata Motors which is primarily the India operations net revenue was about 12,000 crores, 11,897 crores to be precise, 14% increase over the previous year. PAT was 401 crores compared to 395 crores in the same period last year.

The domestic business EBITDA margins saw a decline of about 300 basis points to 8.4% compared to 11.3% in the same quarter last year, primarily driven by commodity price increases, cost pressures and the other marketing expenses. At JLR we have a significant performance for one more quarter. JLR, Jaguar-Land Rover net revenue was £2.7 billion compared to £2.2 billion on the same quarter last year an increase of 20%. EBITDA margin remained almost flat at 15.1% compared to 15.4% in the previous quarter. Profit after tax was at £219 million compared to £226 million from the same quarter last year. Interest costs are slightly higher considering the major bond money that came in towards May and also certain prepayment of higher cost borrowings that we did during the quarter which was entirely a one-time payment.

We also have slightly higher tax expenditure on some of our relatively new NSCs like China which were not there last year. The domestic business in commercial vehicles we saw volume increase of about 13%. Medium and heavy commission vehicles where the industry grew by about 3.6% in this quarter our growth in volumes of about 5.4%. In small commercial vehicles and light commercial vehicles where the industry grew by 17.3%, we grew by about 18.8%. So overall we gained market shares in this quarter.

We also introduced some new products and overall we took a price increase of about 2.5% in the quarter on commercial vehicles. Passenger cars however we saw a decline in volumes in this quarter from 77,000 to 69,000, total passenger car sales from Tata Motors. We also lost market share, some of it is also segment impact while the overall industry grew by about 8% there was de-growth in some of the segments, particularly segments in which we are present like the compact segment. Tata Nano the sales of about 22,000 units in this quarter which represents an increase almost 49% compared to the same period last year. In passenger cars on the whole we took a price increase of 2% in this quarter. Tata Motors exports the volume grew by about 21% from 12,000 to about 15,000 vehicles.

Other highlights going back to Jaguar-Land Rover business – Volume and mixed growth and the mix was also richer. The retail volume growth was in line with the wholesales therefore the dealer in chain inventories are very much under control. Jaguar-Land Rover model, Freelander assembly also commenced in Pune in this quarter. Some of the products that are displayed introduced in this quarter Jaguar XFR, Jaguar XKR and the 12 model year Jaguar product.

Exchange rates were little more unfavorable in this quarter compared to the same period last year. If you recall dollar pound last year April-June 2010 was averaging about 1.5 to the pound and this quarter it is little over 1.6 which had an impact on our earnings. Our bond issue also had a component of fundraising dollar bonds which also had some one-time revaluation impact at the end of the quarter.

In terms of the regional mix China percentage in terms of global Jaguar-Land Rover sales increased, China accounted for about 15% of Jaguar-Land Rover global turnover compared to about 9% in the same quarter last year. UK declined as proportion of Jaguar-Land Rover global sales, for around 19.4% compared to about 24.6% in the same period last year. North America also saw a marginal decline to 21% compared to 22.6%. Russia however grew, next to China, Russia percentage improved from 3.4% to 5.3%. In terms of volumes Land Rover sales increased from 43,000 to 50,000 in this quarter and Jaguar decline from 15,000 to 11,000 quarter to quarter.

In terms of balance sheet, at consolidated level the net automotive debt equity stood at 0.69 as of June which is more or less same 0.68 at the end of March 2011. For Tata Motors standalone the number was similar, net debt equity of about 0.67 and the Jaguar-Land Rover the net debt came down drastically.

Overall at a consolidated level the net automotive debt was around 14,000 crores which is primarily in Tata Motors standalone 14,500 crores total and about 13,700 crores in Tata Motors and little bit in JLR.

Going forward, the market is beginning to become challenging. The domestic market, interest-rate increases, inflationary concerns, expectation in the Indian economy of lower industrial growth. Despite price increases and diesel price increases the freight rates have been tentatively flat in this quarter. We expect that the thrust on infrastructure and spending on housing, roads

etc should support the growth for commercial vehicles, particularly the MSV truck going forward. Small commercial vehicles which have traditionally behaved much better and have been less impacted by some of the sectional environment, we expect continue to show a strong growth.

Overall we are watching the market cautiously, we remain cautiously optimistic. We are going ahead with the capacity expansion and set up of capacity for the small commercial vehicles in Dharwad. We do have a lineup of products both in commercial vehicles and passenger cars for the rest of the year including the new light commercial vehicles range and the Refresh of some our passenger car products and the New Safari. The Aria 2 Wheel Drive has been launched in August 2011 and our thrust on Nano marketing expansion of dealer network and marketing efforts continue, also for Jaguar-Land Rover going forward.

Similarly on the global front, slightly softening in US and UK, China is continuing to be strong. We are hoping that China, Russia and growth in other territories should give us robust growth in volumes going forward. The big event in Jaguar-Land Rover would of course be the launch of Evoque which is due for launch in September 2011; our plants are in full swing for that.

We will continue to invest in technology and product investment plans, the investments so far are in line with our budget and forecast for the year. I will stop here and request Jamshed to take over the next session in terms of moderating the question and answers.

**Jamshed Dadabhoy**

Thank you Sir.

**Moderator**

Thank you very much. Ladies and gentleman we will now begin the question and answer session. At this time, participants who would like to ask questions, may press \* and 1 on their touch tone telephone. If your questions were answered you may withdraw question from the question queue by entering \* followed by 2. Participants are requested to please use only handsets while asking a question. To ask a question please enter \* and then 1 now. The first question is from the line of Kapil Singh of Nomura, please go ahead.

**Kapil Singh**

Good evening Sir. Could you share some numbers on Evoque as to what is the booking numbers that you have now?

**C Ramakrishnan**

The booking is close to about 18,000 as of end of June.

**Kapil Singh**

What is the growth outlook that we have for different markets in particular China, what is the kind of expectation you have for the full-year?

**C Ramakrishnan**

As we have shared, if at all but last time we mentioned it. In the last fiscal year ended March 2011 the China volumes for Jaguar-Land Rover was about 25,000 sales. We are planning that this would increase to about 40,000 in China for this year.

**Kapil Singh**

This includes Evoque?

- C Ramakrishnan** No it may not include Evoque.
- Kapil Singh** Last question is on the Forex hedges, was there any gain or loss on the Forex hedges during the quarter?
- C Ramakrishnan** There was some foreign exchange impact compared to the earlier quarter what I had mentioned to you in terms of rates, that did impact our earnings in this quarter as compared to the previous year's quarter. The foreign exchange hedges somewhat muted the impact but net-net I would say more negative compared to April-June 2010.
- Kapil Singh** Could you quantify what was the benefit on account of Forex hedges and where does the position stand now for the rest of the year?
- C Ramakrishnan** I would not be able to quantify separately the benefit out of the hedges.
- Kapil Singh** The outstanding position?
- C Ramakrishnan** Outstanding we do look at least on a rolling basis at 12 months period all our hedges and we intend to take different percentages in terms of hedge cover for the successive quarters.
- Kapil Singh** Are we hedged favorably right now?
- C Ramakrishnan** Yes we have hedged favorably and the hedge book is looking quite positive compared to the current rate.
- Kapil Singh** And this will be what percentage of revenues, is hedged right now?
- C Ramakrishnan** Quarterly basis in the immediately next quarter I'm talking particularly with reference to dollar-pound which is the single biggest one, in terms of exposure we would hedge between 60%-70% and reducing percentages in terms of our exposure in the subsequent quarters.
- Kapil Singh** So for the year, Fiscal 2012, Fiscal 2013 what would be the kind of hedges?
- C Ramakrishnan** On an average it would be about half.
- Kapil Singh** Thanks a lot.
- Moderator** Thank you very much. Our next question is from the line of Pramod Kumar of JM Financial, please go ahead.
- Pramod Kumar** Good evening Sir, thanks a lot for the opportunity. Sir just one question on global JLR volume ambition what you had, you are looking at close to 300,000 for this particular fiscal. Just wanted to understand given the response for Evoque and considering the softening which is happening in US and UK and the growth in the rest of the world, would you still aim for that kind of a number or is there kind of a downward revision in expectation?

- C Ramakrishnan** First of all I don't think we had given volume forecast of 300,000 for the year at any point of time. The question has been asked in different ways, people have been talking about what is the capacity to which you could go? In response to which I had said the earlier Jaguar-Land Rover historically in 2007 had about 300,000 in terms of production and sales, it should not be difficult for us to reach that type of number and with the launch of a completely new product like Evoque you would tend to build further on capacity and capabilities in the same facility. So we can look at higher than 300,000 also in terms of our production and manufacturing in delivery capability. That was the context in which that number came up. It is not a volume forecast on the company. Coming back last year we ended up with about 240,000 in terms of global volume and if you recall we did low sales on account of particularly the engine constraints. On an average we were about 10,000 cars. So the equivalent volume last year would have been 250,000 plus given no constraint. We do see significant growth and particularly coming on top of new launch like Evoque which will be available for nearly half the year. That's in a very long ,what we are saying; I am not giving any volume forecast.
- Pramod Kumar** Okay fair enough Sir and my second question pertain to the movement in other expenditure and standalone entity wherein against a revenue growth of around 14% other expenditure shot up in access by 40%. Sir just wanted to understand is there any one-off or these kind of elevated other expenditure levels will continue for the year, for the quarters ahead?
- C Ramakrishnan** To some extent yes, percentage terms it may not of this proportion, in percentage terms it may come down. But yes you will see some compared to the historical past there will be some increase in other expenses, there will be increase in salaries and wages.
- Pramod Kumar** No salary and wages anyways employee expense, I am more bothered about the other expenditure.
- C Ramakrishnan** There are no one-off here.
- Pramod Kumar** And generally which are the sub-heads under which you're seeing significant inflation, is it more in the marketing and sales promotion including discounts or which is driving up such sharp inflation, basically just wanted to understand?
- C Ramakrishnan** It's partly inflation and partly some of the marketing efforts travel communication etc, it's not entirely inflation but the discount should not be part of it.
- Pramod Kumar** One request if you can provide the breakup of the expenditure in JLR including the operational heads and also below the operating level heads like interest and depreciation and product development charges, followed by the call probably on the web site.
- C Ramakrishnan** Yes we will do that.
- Pramod Kumar** Thanks a lot Sir and best of luck.

- Moderator** Thank you. Ladies and gentlemen before we take the next question we would like to request participants to please limit their questions to two during the initial round of question-and-answer, there are several participants waiting for their turn. Our next question is from the line of Sonal Gupta of UBS Securities, please go ahead.
- Sonal Gupta** Thanks for taking my question, good evening Sir. Just one question was, we have seen significant higher retail for Jaguar in North America versus the wholesale number. So just wanted to understand is there some sort of inventory adjustment or are these in line with expectations?
- C Ramakrishnan** These are in line with expectations and you are right there is some inventory correction. With the inventory correction we should be seeing some strong wholesale performance in the coming quarter.
- Sonal Gupta** And just on Jaguar brand in particular because we see a very sharp decline in wholesale numbers, could you just talk us through is there some sort of impact of 12 model year introduction or how do you expect overall growth for Jaguar in FY 12?
- C Ramakrishnan** Jaguar, the coming quarter should see much stronger performance. We have undertaken several measures for improvement in the performance in the Jaguar brand, particularly in couple of key markets like US and China including dealer network, expansion and reorganization and as well as marketing efforts and marketing setup within the company and that coupled with the inventory correction period we have gone through. We should have a strong base for growth in the coming quarters for over a period.
- Sonal Gupta** Sir final question in terms of your strategy for the domestic market, passenger vehicles where we have seen a sharp decline. We have seen a downward pressure because of competitive pressure I guess but what is the strategy, do you anticipate yourself cutting back in some of these marketing push or do you intend to continue with that?
- C Ramakrishnan** No the marketing thrust would continue and that become even more focussed if we go forward. Several measures are being taken internally in the company and at our dealers for improving our overall sales performance and customer reach and conversion and improvement in the market share which we have lost. Starts with dealership expansion in other places, improvement of the processes in the dealerships, strengthening our own network and headcount and processes, it also includes higher spend on more focused advertising and marketing in promotion. So all this would continue.
- Sonal Gupta** Thank you Sir.
- Moderator** Thank you. Our next question is from the line of Raghunandhan of Avendus Capital, please go ahead.

- Raghunandhan** Thanks for taking my question Sir. Can you throw some light on how much was the capitalized expenses in JLR?
- C Ramakrishnan** Can you move on to the next question, I will come back on this question little later.
- Raghunandhan** That's all Sir, only one question. Thank you.
- Moderator** Thank you. Our next question is from the line of Srinivas Rao of Deutsche Bank, please go ahead.
- Srinivas Rao** Thank you very much Sir. I have two questions, one on the domestic business, your EBITDA margins are generally on the lower side of your historical range and I am excluding of course the credit crisis period. So do you see a chance of them moving down further materially from these levels? That's the first question and second could you throw some light on underperformance of Jaguar-Land Rover in the UK, European and Russian market. Is it because of the model you have changed and diesel engine in Jaguar, is that the reason? Because there seems to be fair amount of underperformance in these markets, not so much in US.
- C Ramakrishnan** You are talking about the Jaguar?
- Srinivas Rao** Yeah the second question pertains to Jaguar-Land Rover.
- C Ramakrishnan** Let me take the second question first. We talked about the Jaguar numbers and the performance and what we're doing about it in response to the earlier question. Starting with the dealers and also in terms of the company sales and marketing, we are pushing forward on the Jaguar numbers. There has been some inventory correction, particularly in the US itself so hopefully the Jaguar brand volume to look much better in the coming quarters. Otherwise in terms of the last quarter performance you are quite correct in your observation.
- Srinivas Rao** And secondly on the domestic side in India margins?
- C Ramakrishnan** When you come to the domestic business I have been talking about cost pressures and margin pressures in the last 3-4 quarters call, both on account of commodity price increases and timing gap in terms of passing on the pricing increases. While we have been doing price increases in stages, there has been under recovery in terms of the cost increases.
- Going forward hopefully the commodity prices softening should help bridge this gap. We have also made a price increase of about 2%-2.5% on commercial vehicles last year and even in 1<sup>st</sup> April we have taken a price increase of about 1.5 and 1% on 1<sup>st</sup> July. Passenger cars similarly we have made a small price increase in the beginning of the year. With the increasing pressures on the economy and the external environment we need to be bit careful in terms of price increases going forward, the essential focus of the company will be more on the cost side and cost management. Margin will continue to be under pressure as they have been in the recent past.



- Srinivas Rao** Thank you Sir.
- Moderator** Thank you Mr. Rao. Our next question is from the line of Sahil Kedia of Enam Securities, please go ahead.
- Sahil Kedia** Sir thank you for taking my question. Already in the call you gave a breakup in terms of the debt on the standalone books and JLR, would you mind repeating that?
- C Ramakrishnan** Consolidated net automotive debt which is Tata Motors and Jaguar-Land Rovers but excluding the vehicle financing operation, net automotive debt was about 14,500 crores, of this the standalone Tata Motors debt was about 13,700 crores.
- Sahil Kedia** Could you also share with us of the planned capital expenditure that is there in JLR which is £1.5 billion a year plus India which is roughly 3000 crores, how much have we already spent in the first quarter?
- C Ramakrishnan** You are talking about Tata Motors in India?
- Sahil Kedia** Tata Motors in India 3000 crores roughly that's what we have maintained, for the year and also at JLR our roughly annual spent on product development and capital expenditure is roughly to the tune of £1.5 billion. So how much would we have spent in the first quarter?
- C Ramakrishnan** In Tata Motors standalone the capital expenditure of about 600 crores in the quarter and Jaguar-Land Rover is £370 million.
- Sahil Kedia** Wanted to check is there any negative impact of or any frontloading of publicity expenses pertaining to the launch of the Evoque which would be studied in the quarters running after September which may be depressing margins?
- C Ramakrishnan** There will be publicity and launch and other expenses which will be felt over a period of 1 or 2 months August-September or more particularly September-October. In terms of overall margins the turnover and the profitability in JLR it may not make a very material impact.
- Sahil Kedia** So do we expect margins to be maintained at these levels or do we expect them to go northwards down or southwards, how do you see the profitability within JLR directionally?
- C Ramakrishnan** Directionally margins would be somewhat under pressure, both on account of market, we have seen as you add a product like Evoque which is in a slightly lower segment. The overall margins may be under pressure and also in order to take a forecast on the exchange rates, as I said in the past through operating efficiency improvement and operating leverage with increased volumes our hope and our expectation would-be to be able to maintain the margin but directionally the margins will be somewhat under pressure.
- Sahil Kedia** Alright Sir, thank you so much.

- Moderator** Thank you. Our next question is from the line of Boris Vilidnitsky of Putnam Investments, please go ahead.
- Boris Vilidnitsky** I have two questions, first question I wanted to ask what capacity you guys are targeting for China by the end of this fiscal year, for JLR.
- C Ramakrishnan** For China the production, the supply is entirely are from our UK capacities. There is no capacity specifically set up for China.
- Boris Vilidnitsky** Weren't you guys planning a plant there?
- C Ramakrishnan** No, any manufacturing operation in China would be in the joint-venture with a local partner. Discussions are on with potential partners in China; they have not been concluded yet, so there is no manufacturing or capacity in China. The supplies to China are entirely from UK at this point of time. In terms of our expectations in China market as I said earlier...
- Boris Vilidnitsky** Yeah the 40,000.
- C Ramakrishnan** That's right, that's what our hope and plan would-be for this year. But these are entirely supplied out of UK capacity.
- Boris Vilidnitsky** Now on the domestic competition within India, you have mentioned that you lost some market share can you comment on that and how comparative you are expecting the environment to be going forward this year?
- C Ramakrishnan** My specific reference was to the passenger cars. Commercial vehicles have actually gained market share. For commercial vehicles our market share continues to be over 60%, in medium and heavy commercial vehicle and strong in small commercial vehicles. The comment I made on loss of market share and lower volumes, was a specific reference to passenger cars where I also talked about the company initiatives both at our end and our dealers and expanding the dealer network and bring much greater focus and thrust on our marketing efforts on the passenger car business. We do hope to increase significantly the Nano volumes, also our other passenger car model volumes. A new model of Aria which is the 2 wheel drive has been launched in August last year which should also give us some incremental volumes going forward. And a completely refreshed product which is the Safari will be launched a little later this year along with other model refreshes in our product line. Between dealer network expansion and dealer performance improvement in our own marketing efforts, hopefully we should hope to gain some of the lost market share going forward. My reference was specifically to the passenger car business not commercial vehicles. As I said we have actually increased the market share and we are creating new capacities for our small commercial vehicles.
- Boris Vilidnitsky** Thank you.
- Moderator** Thank you. Our next question is from the line of Mark Franklin of Henderson, please go ahead.

**Mark Franklin**

Thank you, I have just two quick questions for you. The first question is, your domestic passenger vehicle business and obviously the competitive intensity is risen and constrainer has sort of counter riding forces against besides the purchase cost but in terms of if you talk about just a specific performance obviously you guys are lagging the market as in the last three months in terms of volumes. What plans do you have for the longer terms to try and turn that around and the second thing is I apologize if this is already been touched upon but in terms of the Jaguar-Land Rover the EBITDA margins rolling forwards how effective do you see that your raw material cost stay flat from here for the next three quarters and FX stays flat from here for next three quarters. Can you just talk about how you would anticipate margins moving from hereon?

**C Ramakrishnan**

In some ways both the questions I will try to address from my earlier comments. Passenger cars business as I said earlier there is a tremendous movement that is happening within the company in terms of our own marketing efforts, expanding our own marketing people and sales people, expanding our dealer reach more into rural areas and the smaller towns as compared to the larger metros and larger cities, we are branching out in terms of the dealer network. A new team has been in place for the last 2-3 quarters in our own sales and marketing. Our advertisement and publicity in sales promotion expenses have become much more focussed and much stronger, beginning to give some interesting results. We are reaching out to the customer in terms of test drives and conversion of the opportunities and interests into orders. Vehicle improvements have taken place in terms of significant improvement in fuel efficiency performance of the vehicle. Some of our models provide perhaps the best in the industry fuel efficiency and fuel average at this point of time in the Indian market which is a very important consideration in India for purchase. Similarly a major thrust and drive is on for Nano which should also see a significant improvement in volume going forward. I am not sure I will be able to add at this point of time anything in different words that I stated earlier which I have somewhat repeated just now. As for EBITDA margins in Jaguar-Land Rover, in general, compared to the domestic business if I have to contrast the commodity prices and material price content in Jaguar-Land Rover being much more highly featured and highly technologically more advanced vehicles. The percentage of commodity price increases impact on its margins is somewhat muted compared to our domestic business for example. They have been under control and we expect that they remain under control going forward. But directionally I would say the margins will be somewhat under pressure due to a variety of combinations - market, pricing ability, the overall external environment and exchange rates. Our hope and plan would-be to maintain the margins with a series of internal measures, efficiency improvements, better leverage through scale and volume and perhaps a richer regional mix in the emerging markets which tend to be much more profitable, growing more significantly than some other traditional markets. So while our plan and hope would be to maintain the margins, the margins overall directionally will tend to be somewhat under pressure.

**Mark Franklin**

Thanks a lot.

**Moderator**

Thank you. Our next question is from the line of Tejas Gutka of Barclays, please go ahead.

- Tejas Gutka** Good evening Sir, thanks for taking my question. This pertain to JLR numbers, I was looking at the detailed numbers on the JLR website. It says the EBITDA is £362 million which is an EBITDA margin of 13.4% whereas your presentation says EBITDA 408 million which is 15.1% EBITDA margin. Any reason for this variance, also at the PBT level there is a variance in both the numbers?
- C Ramakrishnan** Possibly what you saw in the JLR website would have been the IFRS which is where JLR reports its financials on standalone basis. What I have reported in the consolidated share what I have read out just now is under Indian GAAP what we consolidate here, that may have some of the difference otherwise there should be no difference.
- Tejas Gutka** Okay Sir thanks.
- Moderator** Thank you. Our next question is from the line of Vaishali Jajoo of Aegon Religare, please go ahead.
- Vaishali Jajoo** Good evening everyone. First on the JLR front, if we take from the top-line apart from 14% realization can you give me a breakup of how much was the impact of currency in there and how much of the pricing or the product mix?
- C Ramakrishnan** I will not be able to split the top-line into the various elements that you talked about. As I said earlier directionally if I have to give some point on the exchange front, little more than half of JLR top-line is denominated in dollars or dollar-linked currency and the dollar primarily has moved from 1.55 average in the previous year's quarter to about 1.6-1.67 in the current quarter which is part of the impact on the top-line.
- Vaishalo Jajoo** Apart from that the CapEx of about 370 million how much of it is the R&D expenditure if you can give me that and what is the target of R&D expenditure to sales in JLR for current year?
- C Ramakrishnan** For the current year or maybe for the next 1 or 2 years directionally if I were to compare in R&D product development engineering spend in JLR, it will tend to be around 13%-14% in terms of top-line. Over time we expect it may come somewhere between 10% to 11%.
- Vaishali Jajoo** And can you just explain me the tax impact on JLR front because this time we are seeing a little bit of change in the tax level which is slightly higher than what it was in the quarter. So can you give me more explanation how the taxing is done on that front?
- C Ramakrishnan** Sure, as I said in earlier interaction on the call, JLR continues to be non-tax paying for most of its profits earned in UK because of substantial carry forward of tax depreciation and accumulated carry forwards of the past. The tax impact in JLR continues to be on account of the various national sales companies they have in different jurisdiction on the tax on the profit in the National Sales Company report. In this quarter you see a slightly higher impact on the tax front particularly because of the profit and the operations of China National Sales Company which

was started in July of last year. So there is no NSC or taxation involved in the whole of April to June quarter last year whereas this year we have seen some impact on account of that.

- Vaishali Jajoo** So directionally this will be the tax rates or it can go higher than here on?
- C Ramakrishnan** It will tend to be on the current quarter lines.
- Vaishali Jajoo** On the standalone business can you just give me the Ace capacities right now fully utilized?
- C Ramakrishnan** Yes the Ace capacity is more or less fully utilized between Ace and the other products in the cargo front and some part production we are doing also on the passenger vehicles in Uttarakhand. The intention is the passenger vehicles versions of the Ace platform will be manufactured out of a new factory in Dharwad in South India and Uttarakhand factory will specifically concentrate on the cargo version.
- Vaishali Jajoo** So Dharwad will have only Ace as a LCV or some other products also?
- C Ramakrishnan** Primarily the Ace family, which is the passenger version.
- Vaishali Jajoo** And that is going to start production from when?
- C Ramakrishnan** It should start sometime towards the end of this year or the early next year.
- Vaishali Jajoo** Can you give me the capacity of Dharwad?
- C Ramakrishnan** I don't have right now with me, I will be able to share it a little later.
- Vaishali Jajoo** That's all from my side, thank you.
- Moderator** Thank you very much, our next question is from the line of Akshay Saxena of Credit Suisse, please go ahead.
- Jatin** This is Jatin, my question is related to your interest costs. There was fundraising done in JLR so is there any one time fundraising costs in the interest cost numbers?
- C Ramakrishnan** There is one-time fundraising cost and also as I said earlier, the parts of the bond proceeds have also been used for pre-payment of some higher cost debt in JLR books. There has been some pre-payment charges also which is a one-time charge we have incurred. Totally the one-time charge in this quarter in JLR should be around £20 million.
- Jatin** That's all from my side.
- Moderator** Thank you. Ladies and gentlemen due to time constraint our last question is from the line of Shreya of Morgan Stanley, please go ahead.

- Binay** Thanks for giving us the opportunity. This is Binay from Morgan Stanley. Two questions from our side. Going through your PPT in terms of concern you mentioned that the competitive intensity in the CVs space is inching up. Could you comment upon the competitive intensity in the LCV space in particular? Secondly similarly on Jaguar-Land Rover you also say that the further steps to improve the capital structure of JLR through extension of debt profile. Could you throw some light on that and lastly if you could also comment a bit on the financing environment for CVs in India?
- C Ramakrishnan** Sorry just a clarification on last question where you say financing we're talking about the retail consumer finance?
- Binay** Financing for CVs in India like are you seeing any the first time user?
- C Ramakrishnan** So you're talking about the consumer financing?
- Binay** Yeah.
- C Ramakrishnan** Just going in the same order, the LCV if I break it further into light commercial vehicles which is more between 4 to 7 tonnes and also the small commercial vehicles, if you look at the entire range. Light commercial vehicles our market share would be around roughly about 2/3<sup>rd</sup>. We do have a strong product proposition there and we will be launching a new range of light commercial vehicles later this year. It will be a completely new platform and will have a range of products and from the platform over the next 2-3 years, we are launching several variants of the light commercial vehicle, new platform. On a strong base it should give us tremendous competitive advantage going forward. On the small commercial vehicle side we do have a product Tata Ace which was almost a segment creating product therefore earlier in the 4 wheeler solution we had a 100% market share and there is a competition, Mahindra is there and others are coming up. We do believe our product offers the best value proposition, value for money in the segment. It's one of almost our profitable products and doing extremely good numbers. If there is an indication as we are setting up a newer capacity we do feel very confident about the entire family of Ace and Ace products. The market also tends to be somewhat less impacted by external environment fluctuations in the short-term. Even in 2009 when the crisis hit the automotive industry and the domestic demands for commercial vehicles were impacted for 2 or 3 quarters than the market revived, we saw the revival and growth in demand in small commercial vehicles very quickly. And within the next 1 or 2 quarters subsequently light commercial vehicles and medium commercial vehicles started showing a growth momentum but LCV was hit for the shortest period and rebounded very fast. So with this spread of products, medium and heavy, LCV and small commercial vehicles I think induces a range that gives us ability to take advantage of growth opportunities in different segments. We are also expanding our dealer network like I talked about Nano and other passenger products, similarly on commercial vehicles we are developing a series of more focussed dealerships which could concentrate exclusively on small commercial vehicles and more in the interior and rural areas which will address the last mile requirement and last mile customers in the commercial vehicles with the dedicated smaller dealership dedicated for this product. The passenger version we believe that of the same platform

the small vehicle platform offers growth and volume opportunities which could be as good if not even better than the commercial vehicle curve, goods carrying platform. It is taking off and building up and we should see significant headroom for growth in that segment also. Personally I think that will have a far greater appeal in volume potential in rural and interior parts of the country and our dealer expansion strategy should hopefully match that volume expectation. Lastly you also talked about the consumer financing, while we have seen significant increase in interest rates in general, auto loans have also in parallel gone up including for commercial vehicles, one has seen about 100-150 basis points increase in the last 3 to 6 months. However, I would say in terms of availability of credit and overall liquidity that remains quite satisfactory. We have not seen any major push back or issues in terms of customer credits requirements not being met or becoming more difficult. The liquidity environment continues to be good while the cost is indeed a factor. In terms of availability of credit we have not seen any major issues.

**Binay** And just on the JLR side, in the PPT you have said that you will continue to improve the capital structure of JLR. So could you throw some light on that, what are the plans on that side?

**C Ramakrishnan** Primarily it will be more in terms of refinancing some of JLRs borrowings today. They do have loans and credit facility from bank. What we would like to see is more of medium-term debt, maybe between 3 to 5 years, more by way of flexible lines of credit. We utilize when there is a requirement, so it is maybe flexible lines of credit rather than fixed loans. And hopefully there was some interest advantage in terms of the existing debt that we have in JLR. So these are some of the messages that I wanted to talk about.

**Binay** Thanks a lot Sir.

**Moderator** Thank you very much. Ladies and gentlemen due to time constraint that was the last question. I now hand the conference over to Mr. Ramakrishnan in case Sir would like to answer the pending question from the previous participant.

**C Ramakrishnan** Yes that was the one question I said I will come back later. In this quarter the product development expenses and engineering expenses capitalized was £182 million.

**Moderator** Thank you very much. I now hand the conference over to Mr. Jamshed Dadabhoy to add closing comments. .

**Jamshed Dadabhoy** Thank you Mr. Ramakrishnan for sharing with us the details of the first quarter results and taking up questions. Thank you Ladies and gentlemen.

**Moderator** Thank you Mr. Ramakrishnan and Mr. Dadabhoy. On behalf of Citi Investment Research that concludes this conference call. Thank you for joining us, you may now disconnect