“Tata Motors Limited Q1 Financial Year 2015 Earnings Results Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the Tata Motors Limited Q1FY15 Results Conference Call hosted by Kotak Institutional Equities. As a reminder all participants line 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. Should you need assistance during this conference call, please signal an operator by pressing "*" followed by "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand over the conference to Mr. Hitesh Goel from Kotak Institutional Equities. Thank you and over to you!

Hitesh Goel: Thanks Mohsin. I welcome the management of Tata Motors for 1QFY15 Earnings Conference call. We have with us Mr. C Ramakrishnan, CFO of Tata Motors, along with the Investor Relations team which is headed by Mr. Vijay Somaiya. I would now like to hand over the call to Mr. C Ramakrishnan for opening remarks. Over to you Sir!

C. Ramakrishnan: Thank you, Hitesh. Thanks for hosting this call and thanks for all the participants joining in. Short while ago we announced the Q1 financial year 2014-15 results for Tata Motors consolidated, standalone and Jaguar Land Rover.

I will quickly run through some of the numbers and highlights. Many of you may have already been familiar with this. At a consolidated level, Tata Motors grew; the net revenues came in at approx. Rs.64700 Crores, up from Rs.46800 Crores in the same Q1 period last year.

EBITDA margin came at 18.2%, up from 14.5% last year and profit after tax at the consolidated level wasRs5,400 Crores up from Rs1,700 Crores. The Tata Motors India business however, continued to be impacted by the macro conditions here. Net revenue was down to Rs. 7700 Crores down from Rs. 9100 Crores in the same quarter last year.

EBITDA margin came in again at negative of 2.8% compared to positive of 2.3% in the same period last year; however, lower significantly than the Q4 of FY14 that is the immediately preceding quarter EBITDA margin which came in at negative 6% with certain incremental write off that we had to take.

Profit after tax, after accounting for Jaguar Land Rover dividend in June for TML standalone came in at Rs. 394 Crores.

Jaguar Land Rover, the numbers I am reading out as per IFRS financials in British pounds. Net revenue was £5.3 billion up from £4 billion in the first quarter of last year. EBITDA margin came in at 20.3% up from 15.8% last year and profit after tax £693 million, up from £304 million same quarter last year.

In terms of balance sheet and debt to equity ratio, at a consolidated level, excluding the finance receivables from the Tata Motor Finance business, the automotive business between Tata Motors and Jaguar Land Rover, the net automotive debt equity was 0.09. At TML standalone level it was higher at 0.73 and at Jaguar Land Rover, the net debt was negative.

As far as Tata Motors business is concerned, the overall demand factor in the industry, the macroeconomic factors continue to impact the demand curve for the entire CV industry including ourselves. The light commercial and small commercial vehicles continue to be significantly impacted due to external factors and also more recently due to financers pulling off from their automotive financing focus.

Passenger vehicle industry witnessed some revival on the back of growth in demand from rural and semi-urban areas. However, our passenger vehicle business, the company underperformed to some extent, mainly due to inventory correction factors across the channel for providing the room for upcoming Zest launch.

For the industry, marketing spends continue to remain high. In medium and heavy trucks, our market share continues to remain strong at 54%. In commercial vehicle business, we launched the all-new range of Tata ULTRA trucks in the quarter with intermediate and light commercial vehicle range between payload 5 and 15 tons.

In passenger vehicle, we launched the all-new Aria with the VARICOR 2.2 litre engine and other value-added features.

In terms of Jaguar Land Rover business, both wholesale and retail volume, Q1 stood at almost the same 115,000 up 27% and 22% respectively from the same period last year. EBITDA margin, which I reported a short while ago at 20.3%, reflected the wholesale volume increase, richer market mix, with solid sales in emerging markets, rich product mix supported by the ongoing continued success of Range Rover Sports, Range Rover and Jaguar F-TYPE.

In Jaguar Land Rover, we continued to invest, as we had indicated earlier, in product developments and capital expenditures and for the quarter the spend was about £682 million.

Our free cash flow after the capex spend stood marginally positive at £5 million. Cash and financial deposits on the balance sheet of Jaguar Land Rover stood at a healthy £3.3 billion and as I said earlier, Jaguar Land Rover paid a dividend of £150 million in June.

Looking forward, in commercial vehicle business, in India, we see positive investment and business sentiments picking up and supporting the demand for some of the segments, notably the medium and heavy trucks. M&HCV is showing improvement, even though it is on a small base compared to last year and we expect the trend will continue and we will see some further momentum particularly in the second half. Similarly in M&HCV buses, we expect the JNNURM phase II orders will also drive the bus volumes up. We continue to believe that we have a very compelling and widest product range in our commercial vehicle business with the new launches across Prima and Ultra range of vehicles refreshes/variants in small commercial vehicles and pickups.

We believe this will provide a strong foundation for our growth when the demand picks up in the market. In commercial vehicle, export growth will continue to be a high focus. We entered Philippines automotive market in Q1 and Malaysia and Vietnam will follow.

Passenger vehicles, you would know that we launched the Nano Twist, Vista VXTech, and All-New Tata Aria in the last few months and we are awaiting the significant launch of the Zest in a short while from now. For Zest, the response has been extremely encouraging and very positive from auto journalists, auto enthusiasts, media and leading financiers who have seen and tested the product.

Our product portfolio in passenger vehicles has been finalized and they received the board approval short while ago, which is program running up to 2020, which demonstrates our commitment to improve this business significantly.

As in commercial vehicles, we will continue to focus on some of the opportunities available in the export markets at our passenger vehicle as well.

Jaguar Land Rover, the sales momentum continues to build up or move the brand as we have seen in some of the earlier quarters. We are preparing for the launch of new Discovery Sport, Jaguar XE, the new family of 2 litre engines in the new engine plant and the new China JV will commence its manufacturing between now and the end of the year.

Our thrust in terms of product investment and capital expenditures will continue in Jaguar Land Rover and we expect for the year, the spend will be in the region of £3.5 billion to £3.7 billion and we will continue to monitor economic and sales trends to balance sales and production and focus on profitable growth and strong operating cash flow to support the investment.

With this short introduction, I will stop here and throw the floor open for any questions that you may have.

Moderator: Participants we will now begin with the question and answer session. We have the first question from the line of Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh: Congratulations for a very good set of numbers. Questions are pertaining more to the JLR side of the business. Could you give us a sense of within JLR other expenses, what was the realized Forex gains? And secondly again relating other expenses only, I think that sequentially it has come down sharply, so clearly drove that? That will be the first question.

C. Ramakrishnan: Picking up the second question first you will see volume growth and revenue growth are building up. Some of the expenses, our launch-related or follow-through expenses also were not witnessed in this quarter. So there is no major one-off gain or anything of that nature, but it is more a momentum and this revenue growth is driving some of the expenses percentages been looking much better. In terms of realized foreign exchange gains, what was that?

Vijay Somaiya: 77.

C. Ramakrishnan: £77 million in the quarter.

Binay Singh: Then it means, if I compare with the third quarter, December quarter, your volumes are broadly the same as December quarter, your other expenses are down, so then the regional mix improved like this quarter you had a very sharp increase of China, does it also mean lesser marketing expenses or the other expenses go down or it is only the letting fee launch or something that is not there this quarter.

C. Ramakrishnan: You are right, the first quarter in the regional mix something that has been also a factor of the richer product mix as well. The numbers and the margins may not convey fully. The demand has been more towards much higher in the products across markets and the growth and the pull factor in the market across the globe has been quite healthy that contributes more both towards richer product mix within the same brands helping with lower expenses in terms of marketing expenses. You are quite right. But I will just add the product mix and product content to the factor that you mentioned earlier.

Binay Singh: I think the last question on China as a percentage of shares, how do you see that panning out for the rest of the year?

C. Ramakrishnan: It is difficult to predict. We see growth in practically all the markets and in the growth in other emerging markets in Asia also has been very encouraging. We have done well in US and even in Europe which has faced some challenging situation, we have seen some growth. So we see strong demand pull across the globe. It will be a question of allocation and managing the demand and balancing it across the globe. But we do see momentum across our product range. The product has done quite well, the Range Rover, The Range Rover Sport, Evoque continues a strong pull.

Binay Singh: So, my question was we have always had very strong demand but the management internally changed the target about how much we want to send to each market, like in which quarter US gave declining and China growing so to that extent what level of China as a percentage of sales are you targeting?

C. Ramakrishnan: No, I would not be able to comment on that. It will be difficult to comment on it on a quarterly basis.

Binay Singh: More like an annual basis for a size of in China?

C. Ramakrishnan: I would not be drawn into predicting demand and sales number analysis in the allocations.

Binay Singh: Thank you. Thanks a lot and congratulations again.

Moderator: Thank you. We have the next question from the line of Kapil Singh of Nomura Securities. Please go ahead.

Kapil Singh: Good evening and congrats. My first question is regarding your volumes. how do you see capacity expansion if you could help us understand that?

C. Ramakrishnan: We are continuing to invest in capacity in UK. Very shortly during the year itself, towards the end of the year, the China capacity will also come on stream and overtime, that should release some of the UK capacities as well. Since we do see demand fairly strong across markets it definitely gives us an ability to manage the product content and the market demand and balance of our production in line with that, but yes, you are right in parallel, we are also continuing to invest in our capacity, full capacity expansion.

Kapil Singh: Sir, any numbers you can share like, what kind of capacity could target and when they would start coming in UK? For example in this September or December and FY 2015, 2016, 2017 and what kind of capacities you would look at?

C. Ramakrishnan: It will be difficult to give a time and a percent number other than saying it is a continuous one. We have been expanding capacities in the last two three years since 2010 and we will continue to do so.

Kapil Singh: Okay. And sir, secondly, there is being a lot of news flow from the Chinese marketing regarding discussions with the regulator. Is there further ongoing discussions happening with them or that issue has been closed for now?

C. Ramakrishnan: We continue to engage with the authorities not only in China elsewhere wherever we do business. We have a healthy relationship and always dialogue in various markets including in China. Yes in China, we have had the discussions and jointly in terms of the market and given the focus that we have in the China market, the price reduction that we have announced on three of our products will definitely help us get a much more market competitive. As far as whether it is ongoing whether it will be further, I am not in a position to say how quick from the ongoing discussions with the authority. It is not possible to predict that.

Kapil Singh: Right sir. And now, I just wanted to check whether it is still ongoing or not, so, I think…?

C. Ramakrishnan: I understand your question. It is a dialogue that we will to have. It is difficult to predict.

Kapil Singh: Thanks. I will follow-up in the queue.

Moderator: Thank you. We have the next question from the line of Hitesh Goel from Kotak Institutional Equities. Please go ahead.

Hitesh Goel: Thank you for taking my questions. Sir, this is, or just continuing on Kapil's question, so that even reading that the Chinese authorities are worried about the excess pricing that is charged in China versus UK. But how did you look at pricing? Because in UK you would be giving discounts as well so just wanted to understand how they are looking at this the premium in the

Chinese market and it should be market determined in my view or what are the discussion with the authorities on that?

C. Ramakrishnan: I do not think it is appropriate for me to comment on how the authorities will look at or given the exposition on this. Pricing in China, not only for us, for all manufacturers tends to be higher then it is a factor of high content of duties etc. So it is an ongoing dialogue. It will not be appropriate for me to predict how they should be looking at or how they look at etc. It is not a question that I can address.

Hitesh Goel: Can you also tell us what would be your starting capacity on China and how will it ramp up in FY 2015 and just to get a sense on FY 2015?

C. Ramakrishnan: This year?

Hitesh Goel: Yes, FY 2015, because, yes, I mean, how will it ramp up in FY 2015?

C. Ramakrishnan: Because the production started will be sometime in the later part of this year towards the end of this calendar year. As we announced earlier, I have also shared with all of you earlier. In the first phase, the China capacity should be around 130,000 vehicles which is mainly intended for three of our models the Evoque, the Freelander and Jaguar XF. From production to reach full 130,000 capacity, I would think it will be about year-and-a-half to two years.

Hitesh Goel: Thank you very much.

Moderator: Thank you. And the next question is from the line of Aditya Makharia from JPMorgan. Please go ahead.

Aditya Makharia: Yes, just on the India business you did mentioned that you are seeing volumes are expected to improve into the second half. In terms of profitability, we have seen the losses come down, margins to come in negative so, when could we expect potential break-even or maybe even a recovery?

C. Ramakrishnan: First of all, Aditya did you send me a text message a short while ago?

Aditya Makharia: Yes Sir.

C. Ramakrishnan: Thank you very much for the message. Yes, India business as I said earlier, we do see some positive momentum and numbers picking up in M&HCV – medium and heavy trucks. In general if you take that as a lead indictor for a turnaround in the industry or the overall economic factors, it is a good sign, but I look caution that it is off a small base last year. And we have seen that trend for about two three months now. So one hopes it is a consistent and will continue. In parallel we have also seen some frictions coming back into the freight rates as well no longer going down stable or marginally increasing in some sectors. If you take a combination of all these we do expect that this momentum hopefully should continue. I would think that we will see a greater impact on this maybe in the second half of the year and perhaps more sharply in Q4, we will definitely see some impact other than Q3, but I think more will be in Q4 and onwards. On the other parts of commercial vehicle, as a general principle, I would say the small commercial vehicles was last to go down when big trucks fell, as the small commercial vehicles demand continues to have some momentum for some more time then they started tapering down. When the recovery starts, I think we have seen the impact on medium and heavy commercial vehicles and I think the small commercial vehicles should follow, maybe within a couple of quarters thereafter.

Aditya Makharia: And just in terms of JLR, could you quantify the impact of the strengthening GBP in this quarter's numbers?

C. Ramakrishnan: It is difficult to talk about the current strengthening of the GBP, because as you know, we also had shared with you some of our forward cover and hedge programs that we have for the immediate quarter at any point of time we will be covered almost 60% 70% in terms of our forward covers and exposure. But in general, you are right, GBP is strengthening is not good for the business, because most of our revenue, a good part of our revenue is in dollar terms. But the immediate impact is somewhat masked by the hedge and the forward cover that we have in place.

Aditya Makharia: So, fair to say that we will see the impact in the coming quarters?

C. Ramakrishnan: Into the future quarters.

Aditya Makharia: Thanks, sir.

Moderator: Thank you. We have the next question from the line of Robin Zhu from Bernstein. Please go ahead.

Robin Zhu: Thanks for letting me ask this question. Congrats on a very good set of results. Couple of questions will we see a significant starting costs in Q3 or Q4 for the JV and for the Jaguar XE in you will be starting more programs, is that going to be any sort of one-time costs as a result? My second question is last year in Q2 we saw these weird sorts of local incentives, is that going to repeat next quarter or is that – it turned to be a one shot payout?

C. Ramakrishnan: There were two or three questions mixed up in that, but I think the first question was the China JV starting production will there be a significant impact of the start-up cost etc., on Jaguar Land Rover's bottomline. The start-up cost etc., associated with the JV will be in the JV book. So, I am not sure whether I understood the question correctly. It will be in the JV's book in terms of expenses.

Robin Zhu: You will still see an equity income right from the JV? The loss is going to be…

C. Ramakrishnan: Yes, there will be some impact of that surely, and similarly when you have a major launch program in a quarter, whether it is XE or other models that we have been talking about, yes we will have one-time launch expenses coming into the Q3 and Q4.

Robin Zhu: Could you quantify these impacts?

C. Ramakrishnan: No, I do not think I will be able to quantify at this stage. I think the other question, the last question was – I could not follow that clearly. Can you please repeat that?

Robin Zhu: Yes, the local incentives booked in Q2, FY 2014, the management guided referred to be various subsidies at the national sales company level? Is that going to repeat next quarter?

C. Ramakrishnan: Oh, you are talking about the local VAT and other incentives?

Robin Zhu: Yes.

C. Ramakrishnan: Yes, there would be some of that coming in the coming quarters, but not really very material or significant in nature.

Robin Zhu: I am sorry, and just one last follow-up. I mean, you mentioned the hedging gain was £77 million in Q1 and you have 70% coverage on your hedging books, so does that mean that actual sort of sequential effects headwinds was around £100 million, £110 million, is that reasonable?

C. Ramakrishnan: Yes, £77 million is the realized gain in our hedge book.

Robin Zhu: Well, and that, but your 70 has been covered. So, the organic, sort of, FX loss or FX has due to sequential effects, is that £100 million?

C. Ramakrishnan: So I am not sure I am good at arithmetic. Can we take it offline separately please?

Robin Zhu: Sure, okay. Thank you.

Moderator: Thank you. We have the next question from the line of Srinath Krishnan from Sundaram Mutual Fund. Please go ahead.

Srinath Krishnan: Thanks. Sir, during FY 2014 you had a publicity expense of about £75 million for JLR. So, with entering into the segment recently in the new segment, do you think as a percentage of sales would be increasing margin from here or how do you look at this publicity expenditures?

C. Ramakrishnan: We are talking entering newer segments, launching new products and three four programs are coming together, this year in particular and also in the future years. I do not want to comment on the percentages because that is forecast of the revenues, but yes we need to do the publicity and the brand building expenses.

Srinath Krishnan: Sure, this is a pretty large amount of 4%, 4.5%, was it significantly lower during the quarter?

C. Ramakrishnan: Yes, in this quarter?

Srinath Krishnan: Yes Sir.

C. Ramakrishnan: Yes.

Srinath Krishnan: Okay, so, it's just a timing, is it? For the forthcoming quarters, we could see it reverse?

C. Ramakrishnan: Yes.

Srinath Krishnan: Okay, thank you sir.

C. Ramakrishnan: You said it much better, yes.

Moderator: Thank you. We have the next question from the line of Sonal Gupta from UBS. Please go ahead.

Sonal Gupta: Good evening Sir. Thanks for taking my question. Sir, just coming back couple of clarifications on the JLR side, so China, I mean, do you see some other manufacturers take adjustments on the spare parts pricing? Have you made any adjustments on your end there?

C. Ramakrishnan: No, actually when we make any corrections or any adjustments what they have done, we will make a necessary announcement. It will not be possible or appropriate to comment on this ongoing discussion.

Sonal Gupta: Sir, could you just talk about on the M&HCV side how did the discounting trends progressed on a sequential basis and in Q1 versus Q4 of last year and then any price increases that you've taken in M&HCVs or LCVs?

C. Ramakrishnan: I will take the second question first. Yes, we have taken the price increase on M&HCV, one price increase of April 1st that is of cutting across almost all our product lines which was about 1% which is on April 1st and one now on July 1st. These are the two. As we have done in the past, we have taken these two quarterly price increases. In terms of discount while it continues to remain high and yes, I think we have seen some discount levels coming off on a quarter-to-quarter basis.

Sonal Gupta: Sir, last question is on your financing Tata Motors Finance has posted loss of Rs. 100 Crores this quarter and the previously shown very high NPA levels. So I just want to understand, how do you plan to see, I mean, do you need to sort of inject significant amount of capital into this company given the NPA levels and deteriorating numbers?

C. Ramakrishnan: No, I think, , let me put in the other way now. Yes the NPA levels as we have seen in other parts of the auto financing in particular in financing companies and banks in general, the NPA levels have increased for everyone. In Tata Motor Finance, considering a lot of the focus is on first time users and promoting some of the segment-leading products, if you remember a few years ago, Tata Motor Finance was – along with Tata Motors helped us in launching the Tata Ace in the market itself and that market head in Tata Ace is a first time user segment used to be very, very high. So they also supported many of the FTU segments and other segment-leading initiatives. So the NPA levels in Tata Motor Finance have tended to be somewhat higher. They are putting together a series of measures for bringing it down and attacking their collections and attacking those high NPA levels. Apart from that in terms of equity injection, etc., it would be a function the growth. We cater to about on average about 20% to 25% of the total sales in Tata Motors that is the market share they have and they remain a captive financier to the extent of incremental sales in Tata Motors into the market, their bigger growth will have to be together with the equity injection from time-to-time. If I remember, right, last year we injected totally about Rs. 300 Crores of equity for 2013-2014 and annually yes, the injection of equity but more to support the growth in Tata Motor Finance's own portfolio. Their portfolio stands today at well over Rs. 20,000 Crores which have been built to this level in the last five, six years and continuing to grow.

Sonal Gupta: Thank you so much.

Moderator: Thank you. We have the next question from the line of Jamshed Dadabhoy from Citigroup. Please go ahead.

Jamshed Dadabhoy: Yes, good evening. Sir, could you give some on the Ingenium engines at the WolverHampton plant, what is the capacity? And these engines, are they going to be additive i.e., only new models, or are they plus any of your current engine line-up?

C. Ramakrishnan: That is a good question. The plant is intended to have capacity of 250000 engines annually. As we have said before, it will have both gasoline and diesel versions in a couple of configurations. It will be for the newer models and gradually it will also fill in some of the requirements for the running models. Eventually we see this engine had a total vehicle portfolio to be of the increase or build up time.

Jamshed Dadabhoy: So what can be ultimate capacity instead of 250,000 could we look at it going to say, 500,000 in three years?

C. Ramakrishnan: I would not like to put a time limit time horizon to this. If you recall at one point of time, we also talked about setting up a second capacity somewhere else possible in India etc., we are looking at some options, but right now, the focus will be to start this engine capacity and introduce our vehicle program and add as and when the demand justifies for the expansion of capacity.

Jamshed Dadabhoy: Second issue, on China so, could you give us a sense of what buying behavior is likely, if you cut prices at that extremely high end by say 10%, 15%, what is the impact that you see or you think will happen on volumes? Is there elasticity of demand or not really at that price points?

C. Ramakrishnan: I am not sure that I am competent to answer that and also to put down in specific quantitative terms, the next you will ask me is, by how much percentage will the volume grow up, because of this, it is not the scientific or engineering equation. Definitely the reduction in prices on a comparable product should become competitive significant in terms of our customer-focused in wanting to respond to the market and the other requirements and I am not sure that there is a formula I can tell you that if prices cut with this, price reduction the volume will go up x percentage. But yes, I think there will be a greater pull in the market.

Jamshed Dadabhoy: I will come back Sir. Thank you very much.

Moderator: Thank you. We have the next question from the line of Sahil Kedia of Barclays. Please go ahead.

Sahil Kedia: Thank you for the opportunity. Sir, we have always maintained that on JLR side expect that margins should be in that 14% to 16% EBITDA margin range. Surely that change is now what are you looking there in terms of a sustainable profitability given that what we have seen in Q1?

C. Ramakrishnan: The 14% to 16% is haunting every quarter. Yes I guess, I think the margin commensurate as the volumes and the growth and the success that we have managed has been quite satisfying increasingly in JLR. Rather than put a percentage, I think I will answer it more in terms of the positive and the negative influences on the margins going forward. Let it draw your own conclusions as to where it will be. We on our side would tend to be more cautious than optimistic and aggressive on this. Yes, with the expansion in the models and the platform model strategy, being able to introduce more and more vehicles in different white spaces of similar configuration or basic product configuration, I think we are able to influence the cost of the margins quite favorably. I think I have also shared with early how numbers of models in JLR have been in the marketplace. They are increasing at a time and a number of platforms are actually coming down. With the various content sharing and configuration and architecture sharing across platforms and across models, the influence of the cost should be positive. As volume build up, I think we will also have a better say on our material costs and our negotiations to the suppliers. On the other side, the cost factors have been fairly benign in the lot of last year, both on the material front and other on component side and in this industry naturally you will have some operating leverage or advantages as the volumes grow up sequentially like this. All this is good. On the other hand, I think we need to be cautious about the exchange front on which we have no control at all. As it is, in the last couple of years we are seeing the exchange move from 1.5, 1.55 range to 1.65, 1.7 range. That is one factor. Secondly, we should be cautious about marketing expenses as well, variable marketing in particular. They have been fairly low at the low end of the range in the recent past, as volumes build-up, as we enter newer segments that may become pressure on the marketing expenses also. Rather than giving you a number, I would caution on both this, our aim will be to grow with a healthy margins not growth at any cost, yes, this focus on margins and operating cash flow generation to support our future programs. And beyond this, it is difficult to give a precise number on a range.

Sahil Kedia: Sir, you mentioned that costs have been relatively benign, I just want to understand, in that case, why have our gross margins or RMC to sales being largely range bond despite improved product mix? Is there something here that we are missing or misreading here?

C. Ramakrishnan: It is difficult to comment on that on a quarterly basis. The leverage can come in a variety of line items. We except the material costs have been fairly benign. It also depends on the model mix in any particular quarter and the regional mix. But trending-wise, you see the last couple of years, the material costs have been fairly under control.

Sahil Kedia: But on a year-on-year basis, I mean, that, R&D actually has gone up and also on a QoQ. So, just wanted to understand are we missing something here, because, if your product mix is getting better which is respected in a higher profitability, ideally your contribution margins also should improve, so just wanted to make sure that we are understanding this or something that we are missing here?

C. Ramakrishnan: When we say product mix, even within a particular brand, the content mix can be favorable, but across brands, the mix can be slightly differently. If you have more of one particular model rather than the other particular model, it could make a difference.

Sahil Kedia: So, one last question if I may. Can you just tell us, what is your China distribution footprint currently? And where do you intend to take it by the time you new JV starts to ramp up or thereabout?

C. Ramakrishnan: Taking from my memory, I think the current distribution footprint in terms of window to the customers, is about 140 or so. I believe it has crossed 150 as we speak and it should cross about 200 plus in a short while.

Sahil Kedia: So this would be, short while would be probably close to the launch or the manufacturing starting?

C. Ramakrishnan: In this year.

Sahil Kedia: Thank you Sir. That is very helpful.

Moderator: Thank you. We have the next question from the line of Govind Chellappa from Jefferies. Please go ahead.

Govind Chellappa: Good evening. I had a couple of questions. One, on the domestic side, can you comment about how the resale prices of heavy trucks are moving? Have we seen a sharp increase in the recent past commensurate with the small recovery that you have seen? That is my first question.

C. Ramakrishnan: No, I do not think we have seen any sharp or otherwise increase in the resale price yet.

Govind Chellappa: My second question was on China, and two questions to that. Would the variant mix of individual models in China be vastly superior to what you see in rest of the world?

C. Ramakrishnan: Sorry, Govind, Can you repeat the question?

Govind Chellappa: Yes, the variant mix within each model at this point in time, it did happened for example when you launched Evoque…?

C. Ramakrishnan: Yes, with the variant mix on a market-to-market basis?

Govind Chellappa: Yes, would it be much superior than China, than rest of the world?

C. Ramakrishnan: My intuitive answer is, yes. But I need to reconfirm that.

Govind Chellappa: Now there will be lots of questions about China and I asked one as well. But, I will ask one that everybody is trying to figure out without having much hope on whether you will answer it or not. What proportion of your EBITDA comes from China right now?

C. Ramakrishnan: I think you answered it for me.

Govind Chellappa: Yes, could you give us any guidance, I mean, that's pretty much the most important…

C. Ramakrishnan: We do not discuss. I need to be careful about the information that we share with everyone. We do not discuss marketwise profitability, because there is so much in terms of cost allocation and so on. It will be difficult to talk about that and we do not do that.

Govind Chellappa: Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, no further questions can be taken. I now hand the floor back to Hitesh Goel. Over to you!

Hitesh Goel: Thanks you Mosin. I would like to thank Tata Motors management for giving us a chance to host this conference call. Thank you very much.

C. Ramakrishnan: Thank you. Thank you everybody.

Moderator: Thank you. On behalf of Kotak Institutional Equities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.