“Tata Motors Limited Q1 FY 2016 Earnings Conference Call”

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Moderator: Ladies and gentlemen good day and welcome to the Tata Motors Q1 FY'16 Earnings Conference Call hosted by Macquarie Capital Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Mishra from Macquarie Capital Securities. Over to you Sir!

Amit Mishra: Hello everyone. Thanks for joining the call. We have with us today Group CFO of Tata Motors Mr. C. Ramakrishnan, Mr. Vijay Somaiya, Head of Investor Relations and the IR Team. Sir, I will hand over the call to you for presentation. Over to you Sir!

C. Ramakrishnan: Thank you, Amit. Good evening everybody. Apart from Vijay and his IR Team we also have Ben Birgbauer, Treasurer from JLR joining us here. My colleague CFO in JLR and Mr. Ralf Speth they are in auto show in Europe.

To start the presentation, short while ago we announced the first quarter results. Tata Motors Group consolidated revenue came in at Rs.61,000 Crores down from Rs.64,600 Crores in the first quarter of last year.

EBITDA margin at a consolidated level came in at 16.1 down from 18.2 in the same period last year and profit after tax 2769 Crores down from 5300 Crores in the same period last year.

We will see the individual elements of it. If you come to the India business Tata Motors Limited India, first quarter the net revenue was up at Rs.9300 Crores, up from Rs.7700 Crores in the same period last year.

EBITDA margin was positive at 4.7% compared to a negative EBITDA of 2.8% in the same period last year and profit after tax Rs.258 Crores down from Rs.394 Crores same period last year.

Jaguar Land Rover, these numbers are as per IFRS as JLR reports, net revenue is a little over £5 billion down from £5.3 billion in the first quarter of last year. EBITDA margin came in at 16.4% down from near all time high of 20.3 in the same quarter last year and profit after tax £492 million down from 693 million.

In Tata Motors India business we had a strong growth in medium and heavy commercial vehicle segment of our commercial vehicle business and the passenger vehicle business. However, light commercial vehicle continues to remain weak. The medium and heavy commercial vehicle growth has mainly driven the India performance.

In Jaguar Land Rover it is a solid quarter at EBITDA margin at 16.4% and EBITDA of £800 million plus, but lower than a very strong quarter, which we witnessed about a year ago primarily driven by weaker China sales in this quarter.

In the Tata Motors India business, the net debt to equity came in at 0.63:1 down from 1.36 as of March 31, 2015. In Jaguar Land Rover of course they continue to have a negative debt net of their cash on their balance sheet.

Going a little bit into the India business and commercial vehicles as I said earlier medium and heavy commercial vehicle industry was supported by fleet replacement demand and mainly in the high tonnage segments, so the model mix was also rich. For the company the segment of medium and heavy commercial vehicles grew by about 20.7% year-on-year with a market share of about 52.6%.

LCV industry mainly the numbers are driven by the small commercial vehicle segment continue to remain weak, a hostile financing environment and lack of last mile load factors are the major reason. For the industry the variable marketing expenses continue to remain somewhat in the high territory.

For Tata Motors the international business grew at about 38% in this quarter and contributed significantly to the overall CV performance. We saw the start of assembly and distribution in Vietnam, the launch of Prima in Bangladesh and Sri Lanka, opening up some modern and flagship showrooms and service facilities in the Middle East and start of assembly in Tunisia.

In passenger vehicle business in India, the industry witnessed a growth of about 6.8% year-on-year. Our passenger vehicle segment in the domestic market grew by about 27.4%. Domestic market share therefore increased by 80 basis points in this quarter to reach about 5% and within that in the car segment our market share went up by 1.4%, 140 basis points to reach about 5.6%. As a main launch in this quarter, we launched a new generation GenX Nano.

Jaguar Land Rover the wholesale and retail volumes for the quarter stood at about 110,000 and 115,000 respectively. Not getting into the details of the volume breakup you will see the presentation in the website. We have already put it up in the website. In terms of the breakup the normal pie chart that we have China region accounted for about 14.4% of the global sales down from over 29.5% in the same quarter last year.

The EBITDA was £821 billion with the margin coming at 16.4% arising from the lower wholesale volumes and less favorable market mix due to lower China sales, less favorable model mix overall and it was offset partially by onetime annual receipt of local market incentive primarily China which happens once in a year; in this year it happened in this quarter.

In JLR the total capex and product development spend for the quarter was about 776 million. After this spend, the free cash flow was negative at about £810 million driven significantly by inventory buildup in anticipation of the XE and XF launch and of course resulting from lower China retail sales.

You will just note the product development in capex spend of 776 was slightly lower than that EBITDA in the quarter of £821 million. The working capital factor should correct over time.

JLR continues to have a strong balance sheet as I said earlier. The cash and cash equivalence and liquid investment stood at about £3.3 billion and in addition we have undrawn unutilized but committed bank lines of credit of about 1.5 billion which after the end of the quarter recently we have increased it to £1.8 billion.

PBT as I said earlier was down at 638 million resulting from lower EBITDA for the factors that I talked about earlier, in addition higher depreciation, amortization offset partly by some favorable exchange movements in this quarter.

China: We had indicated previously that economic conditions in China had become more mixed and we expected a certain normalization of the automotive market and this gathered pace in the last quarter with the overall industry down by about 3.4% year-on-year in June and in particular JLR sales were down much more than the industry due to a number of factors which are JLR specific which also we had discussed earlier. Slower sales ramp up of the new local Evoque and start up of the new integrated marketing and sales service organization. Run out of the Free Lander and launch of the new Discovery Sport with import volumes which had to be carefully planned to ensure a complete and smooth transition to the China made products towards the end of this calendar year and run out of XF and XJ in advance of the all new models coming soon. So these are some of the more JLR specific factors that contributed to lower than industry performance in our segment. In response JLR has been discussing these issues for sometime with our retailer and our JV partner. They have since aligned the production and sales target to reflect the slowing market and the model transition issue.

We have re-priced the JV Evoque. A price realignment of about 5% to 6% and we have also realigned the pricing for the launch of the new Jaguar XE. We have made the changes in the integrated marketing and sales and service organization including new experienced senior management and in consultation and in response to the retailer's request we have also arranged for shorter payment cycles for some of the dues which normally get paid out by JLR.

Just to complete the China story in terms of outlook we believe that China will continue to be a growing market for premium vehicles and for JLR. It is after all the largest car market in the world with a growing GDP and increasingly affluent market who will aspire to own the premium vehicles notably JLR. We expect to increase our share in the market with new JLR model launches, some of which I mentioned earlier and more products to come in the future year.

Moving away from China as far as Jaguar Land Rover is concerned we witnessed strong growth in most of the major markets that we have. Europe JLR sales were up about 27.7% outperforming the industry which grew at 7.5%. In UK, JLR grew at 20.5% beating the market growth at 12.9%. In North America in particular US, JLR was up 12.7% compared to market which grew at 3.4%. In other markets Russia was down primarily driving the overall rest of the world performance for reasons well known. On a positive note, the Middle East region picked up handsomely grew by about 17% and South Korea posted strong growth of 54.2%

Looking forward in commercial vehicle in India we continue to see a growth momentum in medium and heavy commercial vehicles and we expect it to become more comprehensive during the rest of the year. The small commercial vehicle segment, which is yet to see any signs of change I think it will reflect growth momentum may be towards the end of this financial year.

The JNNURM phase II orders will support the bus volume growth. From the company point of view we have a wide and compelling product range with several new launches in this financial year. It will be across our Prima and Ultra range of vehicles, refreshes and variants in small commercial vehicle and Pick ups. Export will continue to remain a matter of high focus and we also have received and expected good pipeline of defence orders.

In the passenger vehicle segment our new products and mid-cycle enhancement will drive growth. For example, we will have the full year of Tata Zest and Tata Bolt as well as new generation Nano. We have further exciting model launches this year, new generation models from next year onwards to drive further growth in volumes and improve significantly in our market share.

As I have shared with you all, product plan has been defined and approved till 2020, in broad terms it incorporates at least two new vehicle launches every year from now on in the passenger vehicle business. The business will of course look at every opportunity for improving its international sales.

Jaguar Land Rover looking ahead, we will focus on building on the successful launch of the new Discovery Sport and Jaguar XE, launching of the all new Jaguar XF and Range Rover Evoque in Q2, the 16 model year Jaguar XJ in autumn this year and the Jaguar F-Pace and Evoque convertible in the last quarter. These products are expected to drive significant volume growth in the current year although as we have stated earlier, EBITDA margins are expected to be lower than the very high levels we witnessed in 2014-2015. This is basically a reflection of model mix; launch cost, ramp up cost associated with the new product and more mixed economic conditions particularly in China and the reporting effects on the China JV profits in our account, a combination of these factors. We will continue to focus on our growth strategy in JLR- investing in more new products, power trains, technologies as well as capacity both in UK and overseas. We expect these will deliver growth and profitable growth in the years to come. We continue to focus on generating strong operating cash flow to support our investment in the business in product development and capex which we expect will be in the region of about £3.5 billion or a little more in this financial year. I will stop here along with Vijay and his colleagues and Ben I will take any questions that you may have. Over to you Amit!

Moderator: Thank you very much. We will now begin the question and answer session. Our first question is from the line of Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh: Hello Sir and thanks for the opportunity. My first question is with regard to pricing pressures in China. We have been hearing that lot of dealers have been saying that JLR is giving rebates in China. Most of them are saying the dealers' rebates will actually be paid in Q2 for Q1. So in terms of your accounting , will they reflect in next quarter or are you already provisioning for them in this quarter numbers?

C. Ramakrishnan: I do not know if I can comment about the accounting and provisioning for a particular market and dealer rebates etc. In general if you go back Binay, I have been saying that the segment in the industry across the globe including China has been witnessing fairly very soft conditions in terms of variable marketing expenses in general for the last several quarters and I think these expenses will go up. You see some of that happening now and that will be true for China as well as other markets. Once the variable marketing expenses normally firmed up and committed it will be provided for and it is difficult to say how much of it is provided in this quarter and how much in the next quarter etc., but I think we will see both of the variable and fixed marketing expenses generally creep up in China as well as elsewhere. Against this I think we have discussed earlier, if you step back from 2015-2016, I will come to 2015-2016 fiscal year a little later, if you step back away from quarter-to-quarter or a 90-day performance after the transformation in JLR we started on the new growth strategy about three, four years ago and since that time we have been successfully launching several new products focusing on product development and introduction of new models, new platforms, power trains etc. In the process I think we have also rationalized the number of platform and significantly enhanced the model to platform ratio. We are somewhere halfway through the journey with more efforts on the backend of the business to follow with more model launches on our new platforms, which are much more modular in construction. So I think the business overall is halfway through in terms of becoming much more cost efficient in the backend of the business from design manufacturing and supply chain point of view and some of it will have to be reinvested in the market in terms of supporting the new models and launches and brand building as well as variable marketing expenses, where it will balance out, I think we will have to see as the time goes on. So I think there is a lot to come from the business side in terms of JLR but we will see more pressures of the variable marketing and fixed marketing expenses. I do not know whether it precisely answered your question in terms of accounting and provision for this quarter and next quarter, I think we will see a general pressure on the variable marketing and fixed marketing expenses in this year and may be in the years to come.

Binay Singh: Is that also linked, the other expenses have been pretty flat quarter-to-quarter, so is that also because you are investing into a new engine facility while the top line contribution of those things will be pretty limited for now, is that also getting reflected for now?

C. Ramakrishnan: That is right, you touched upon one other factor also for this quarter apart from JV production and ramp up and the new model ramp up etc., we also have a completely all new engine facility coming into the production and beginning to supply which is also not running up to full capacity or it is also in the ramp up stage. Yes, all this will have a reflection in 2014-2015, which you and I have discussed before.

Binay Singh: So this engine facility as of now is only supplying for the XE?

C. Ramakrishnan: . It will be supplying for the Discovery Sport but right now for the XE and also for the Evoque and other models later..

Binay Singh: Lastly what is the JV loss for the quarter?

C. Ramakrishnan: . It is a 50-50 JV in the consolidated result share of the JV loss is about £6 million.

Moderator: Thank you. Our next question is from line of Yogesh Agarwal from HSBC. Please go ahead.

Yogesh Agarwal: Hi Sir, just going back to the previous question you mentioned marketing cost may go up over the next few quarters, so from a year-on-year perspective the fixed cost both staff and other expenses are up like 900 basis points despite pound depreciation, which would have helped your gross margin, so if I look at gross margins today they are nearly all time high, so going forward as volumes pickup from XE and other models, do you believe operating leverage will help margins from here going forward?

C. Ramakrishnan: You will have to be careful about operating leverage, yes there is huge volume growth potential across various products. Just to pick up the example that you talked about, XE for example, it is a segment that we have not been present before, without the XE the global Jaguar brand volumes have been in the range of 60,000 to 70,000 vehicles annually, the XE segment, which is the Mercedes C-Class or E series is roughly about 1.5 million plus market in the world. Even if you take 3%, 4% or 5% market share across we are talking about another 75,000 potential volumes. In a way we are seeing Jaguar brand volume can double from where it is today, we add one more variant of the XE to come later on i.e F-pace, we are talking about further growth on the Jaguar brand alone and similarly in the Range Rover and Land Rover segments, yes there is a huge operating leverage but remember at the same time for achieving this additional growth and volumes we are also investing in manufacturing capacities. If you take more juice out of an existing plant and grow from 50% capacity utilization to 80% or 90% capacity utilization there will be one type of operating leverage. If JLR capacity is already nearly fully utilized and you are incrementally stepping up capacity, operating leverage impact is likely to be slightly lower because we are also creating new facilities. At the same time I think the business efficiencies will also come into the models itself i.e in the component cost greater share of components across product lineup, common features, commonality and carry over parts between one model to the other. Yes overall I think the business will function much more efficiently from a cost point of view and particularly if you add another dimension to it which we have seen in the last year plus and may be into the next near future at least, commodity and component prices have been relatively benign, so I think we do see a lot more efficiencies in JLR business on the manufacturing design and supply side from a strategic point of view.

Yogesh Agarwal: Sir, net-net above the EBITDA what is the net benefit of currency in this quarter and secondly can you talk a little bit about the US market particularly the Range Rover, Range Rover Sport, has there been any moderation in demand there in the waiting period in US?

C. Ramakrishnan: What is the first question, can you repeat if you do not mind?

Yogesh Agarwal: The net benefit of pound weakness above the EBITDA.

C. Ramakrishnan: Ben, May be you can take this and the other question on US also.

Ben Birgbauer: It is easiest to think about the operating exposure net of realized hedges which was a little bit more than £50 million in the quarter and EBITDA. What I should say is that it is the benefit as compared to a year ago.

Yogesh Agarwal: And sequentially?

Ben Birgbauer: Sequentially it is actually other way round. It is **negative 0.6% in terms of overall impact on EBITDA ..**

Yogesh Agarwal: On the US market for Range Rover?

Ben Birgbauer: I guess actually I do not have the specific data on Range Rover in the US market but in general we have been seeing good growth in the US market with sales up about 13% and actually Vijay is just pointing out to me that in the presentation we actually say Range Rover is up 39.9%.

Yogesh Agarwal: I was just wondering if sequentially the waiting period is coming down and it is getting more normalized the volumes in US?

Ben Birgbauer: Honestly I have not heard anything about waiting time coming down in the US **Moderator:** Thank you. Our next question is from the line of Ashish Nigam from Axis Capital.

Ashish Nigam: This collapse in Evoque volumes in China how much of that is due to demand weakness and how much is due to production issues at the JV?

Ben Birgbauer: Well I don't think there was any production issues. I think in general the quality of the Evoque being produced in the JV plant is every bit as good as what is produced in the UK and I do not think there are any production issues at all. I think the issue has purely been run out of imported Evoque and ramp up of the new Evoque and it is important to note that it is part of that a new integrated marketing and sales and service organization has been set up to support and coordinate sales for the JV. t There has been an issue in the past but I think we have made some changes in the organization and added new people that we think will address those issues.

Ashish Nigam: Sir, just on a related note, what were the JV volumes during the quarter?

C. Ramakrishnan: The wholesale numbers was 3804 vehicles.

Ashish Nigam: You are selling on a steady state around give or take a few thousands Evoque in China which collapsed to this level from around 3000 units a month earlier, so was that because of pricing strategy going wrong or just the perception of Made in China not being the same as Made in UK in the eyes of the Chinese buyer, could you just help us understand that?

Ben Birgbauer: I think it would be wrong to say collapse because I think you have migrated from an imported unit to a JV produced unit but I guess what I would say is that in general the ramp up has been slower than we talked about as I said there has been a new marketing and sales organization. It is also the case that we have made a change in pricing to align to what we think it needs to be in the market and that has been communicated at 5% to 6% so I think there is some things around the launch that did not happen as fast as we had planned but I think we have taken actions to try to address that and I think we need to give it some time to see how things progress after we have implemented those actions.

C. Ramakrishnan: Unlike you I would not rush to start calling it collapse etc., and I do not think you should assess the Evoque potential and performance in the market based on this quarter's performance, I think there has been a combination to single out one or the other and rush to a conclusion and start calling terms like collapse etc., I think it would be somewhat premature. It is a new model going to a completely new facility in a different country, this is the first manufacturing operation for Jaguar Land Rover outside of the UK and partner and different market like China, I think we have been talking about this challenge and ramping up our production there, it is not easy to start scaling up production in all new facility all of a sudden. Yes it can be faster and it gathers momentum month after month and it will gather, the first few thousands will be slower and then we will start churning out faster as everything settles down to more smoother mode. When this is happening at the same time in the same quarter we have seen as anticipated headwinds in China particularly in this segment and we also had to realign and combine the sales and operation function within ourselves and the JV in the integrated sales and marketing, if you triangulate these three factors I do not think you can ascribe one or the other reasons but I think over time it will play out well. The model itself is still a welcome model and as you see elsewhere in the world including China it continues to have strong attraction in the consumers' minds, so I think we need to give it time for it to correct itself. If I were you I definitely would not multiply 3x4 and say this is the annual volume, .

Ashish Nigam: Fair enough sir, no there is also hearsay that the Evoque demand in China has been impacted by the Chery badge on the JV produced Evoques, could you set the record straight that has that been the case and if so how do we plan to rectify that?

Ben Birgbauer: I think the answer is we do not think that has been the issue is the simple answer. The issue we think has been the other things that we have talked about in that we have taken actions to address and I think we need to give time for those actions to take hold.

Ashish Nigam: So you are certain that this pricing action which you all took around a month back is what was required and from hereon you all expect volumes to ramp up without any other action on pricing at least going ahead?

Ben Birgbauer: I think you are trying to put words in my month, but I think in general I think we are confident that we have taken the appropriate actions in terms of the price adjustments and realignment that we talked about in terms of fine tuning some of the aspects of the new marketing and sales organization and adding some new people into the organization and I think we believe we have addressed the problems.

Ashish Nigam: That is very helpful, thank you. Just one last question if I may, your R&D expensed as a percent of sales has been in the 17% to 19% vicinity so how do you see this percent trending going to new launches and is this why you expect a decline in margins going ahead?

C. Ramakrishnan: No I think the overall product development and capex spend if you take the total capex we are in that range 16%, 17% and we expect over a period of time next three to five years to normalize which is more typical of our segment in which we operate more like somewhere between 10% to 12% range …

Ashish Nigam: No I am not talking about the capex as a percent of sales, I am talking about the R&D that is expensed in the P&L which is around 17% or so this quarter at least?

C. Ramakrishnan: Okay the expensed you are saying.

Ashish Nigam: Yes.

C. Ramakrishnan: Yes, that would have a direct impact on the margins.

Ashish Nigam: No sir let me rephrase my question now, how important is that R&D expensed line item in your guidance for lower margin?

C. Ramakrishnan: I do not see it will be a material one, because still the product development expenses which are mainly focused towards new products or new facilities continue to be capitalized. It can change may be from quarter-to-quarter depending on timing and the content of the expenditure incurred in the quarter but remember at the same time the overall R&D expenditure is also contributing to newer products and the attractive margins in terms of multiplicity of models across the platform so I think in overall terms it should be okay.

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

Sonal Gupta: Sir just one on China could you just talk about how is the performance ex the transition models how have you seen things for Range Rover RR Sport and Discovery in the first quarter in China and are you seeing some pricing pressure for these models as well?

Ben Birgbauer: On Range Rover, Range Rover Sport and Discovery so that would be in the larger SUV segment and I think sales for those have held up, we would recognize that, that segment was maybe down about 4% in the quarter and that is about what sales and aggregate of those three models were so we think those have held up.

Sonal Gupta: In terms of transfer pricing for the JV now that you are having this integrated sales and marketing organization do you cross subsidize some of these JV models like the Evoque given the discounting or and it comes back to you as a lower transfer pricing, how does this workout does JV bears the full cost of it?

Ben Birgbauer: Well the JV is a standalone company and so I think we do sell some things to the JV so of course there is some transfer pricing in there but in general for example the adjustment to the price of the Evoque there is no cross subsidy of that, that is for the JVs income statement.

Sonal Gupta: And you have given a negative 6 million so that is all the cost the JV has borne including the pricing issues etc. the discounts that they are giving?

Ben Birgbauer: Well I think that is our consolidation of 50% of the profits of the JV.

Sonal Gupta: On the domestic business you have talked about again 35 to 40 billion in terms of capex in product development, I know there has been some encouraging improvement in terms of margins but they are still very low and if I look at the first quarter versus first quarter despite the rights issue that you have done of Rs.75 billion your net debt has not gone down year-on-year so there is a massive cash burn which is happening in the domestic business and you are not really cutting capex so I just wanted to understand like what is the strategy here?

Vijay Soamiaya: I think if you look at from a rights issue perspective, we got the money in middle of May 2015 so from that perspective what you are seeing is the usage and the reduction in debt for only one, one and a half months so obviously the interest benefits will start flowing through from Q2, also bear in mind that there is a seasonality in working capital in India typically Q1 is the highest working capital then it eases off a bit in the rainy season and then the second half of the year you typically repay the working capital cycle, so you are looking at a point of time when there is seasonality and only part effect of rights issue.

Sonal Gupta: No sir I am saying net debt year-on-year Q1 versus Q1, unless you are saying that it is not really comparable your inventory days are actually similar, receivable days are probably slightly lower so I am just saying that in terms of strategy while you are reiterating your commitments for 35 to 40 billion effectively it means that the domestic business at least for them even assuming some improvement in profitability it will not be free cash flow break even also so I am just trying to come from that angle as to what is really the plan and when do you expect from your side the domestic business today maybe with the free cash flow break even at least.

Vijay Somaiya: I think first of all you should look at Net debt improvement as compared to last quarter (i.e quarter ending march 2015) and not from the same quarter last year ago . Net debt equity as of 30th June 2015 has come down to 0.63 as compared to 1.36 as on March 2015. So there is quite a improvement in Net debt. Further, if you recollect the LCV segment which is a large segment in commercial vehicle, is still showing a negative growth of 19% for Q1 that is a very large segment almost 65% of our commercial vehicle volumes comes from the LCV that is under performing and as you would have heard it in the press conference Mr. Pisharody did say that he expects a recovery in the last quarter of this financial year, I think we need to wait for LCV recovery to happen that is one point. Also as you are aware in the passenger car segment we had told you that, that is a structural story, the capacity utilization there is still lower at around 30%, 35% you need to take your volumes up 50% at least before you break even so passenger car is a drag on the combined profitability at this point of time.

Moderator: Our next question is from the line of Rakesh Jhunjhunwala from Rare Enterprises. Please go ahead.

Rakesh Jhunjhunwala: Sir the last person's question is very relevant, that you have capacity in the car business, we are cash flow negative and **still investing** 16,000 Crores over the next four years, whether the market recovers, does not recover nobody can really predict. So sir this kind of heavy investment, I mean we have not had returns from investments we have made, I do not know, as a financial analyst I have really questions of wisdom of our investment?

C. Ramakrishnan: Thanks Rakesh. I think it is an important point. I think in terms of the industry that we are in passenger vehicles or commercial vehicles in the auto industry we definitely need to make this level of investment for continuously introducing newer platforms, technologies, engines, new models, new applications etc., there is no getting away from this fact.

Rakesh Jhunjhunwala: No sir but also existing capacity is not utilized.

C. Ramakrishnan: Rakesh can I finish.

Rakesh Jhunjhunwala: Yes, please sorry.

C. Ramakrishnan: It does not mean the capital expenditure as you call it 3500 or 4000 Crores range annually is going to create more and more capacities when I am sitting on 30%, 35% capacity utilization passenger vehicles and maybe 50% plus in commercial vehicles I do not think the management is imprudent to invest in more capacities, we are not investing in capacities, the investment is focused towards new products, new engines, new models, model refreshers, new platforms so it is going more directly into the products rather than plant and machinery and capacity being created that is number one, number two I think we are also looking at it at a point of time when the overall market has shrunk considerably in the last three four years, we are coming out of a cycle which has been a prolonged downturn which has been I would say unprecedented both in terms of its severity and also in terms of its length of time I think we are beginning to see coming out of it in steps, it has started happening in medium and heavy commercial vehicles may be give a couple of quarters I think we will see it in small commercial vehicles. In passenger vehicle business more than market I think we had a number of things to correct internally ourselves, number one in terms of newer products and faster introduction of newer and more exciting products, number two in terms of maintaining consistent performance and customer experience and product quality in the market and greater sales effectiveness and number of these actions are also underway and we need to gain back a significant amount of market share that we have lost in the last few years. So I think if you look at the combination of those I think we need to ensure that we emerge from this downturn stronger than what we were when we entered it. In our commercial vehicle range we have completely revitalized our product range, launched the Prima the newer platform vehicle which is highly versatile and highly modular in construction. Prima platform itself can generate something like 80 to 100 different variants, the new light commercial platform is launched which is the Ultra and again an extremely versatile and a modular platform again dozens and dozens of models and applications from a single platform. Tata Ace and its platform will see more and more variants and models coming at different tonnages and each of these models we have ensured in terms of actions and improvements in terms of telematic solutions it contains, in terms of the interior comfort, cabins, in terms of fuel efficiency, power performance, engine output in each of the factors we have ensured from a benchmark point of view we rank amongst the top or the best in each of the segments we operate. Similarly in passenger vehicles we are seeing a migration in the business from older platforms to newer platforms, the new platform models will start coming from next year. In the meantime there is a catch up in terms of the older vehicles that we had, so we are seeing more and more refreshed products out of the older platforms last year and in this year and from next year onwards the new generation platform vehicles will start rolling. So when you look at the business and with macro turnaround hopefully beginning to happen and the business strengthening in terms of continuous investments in new models and products I think the opportunities we see are quite exciting, we will continue to maintain our dominant position in commercial vehicles and grow back our market share and all that requires investments, I think it will be very shortsighted look at the current performance and say that therefore I will cut back on investment for the future.

Rakesh Jhunjhunwala: No the question I had is that when do you expect to break even domestically on a PBT levels, in the fourth quarter?

C. Ramakrishnan: I think then I will be trying to predict it for you…

Rakesh Jhunjhunwala: No it is not question of prediction, the whole assessment, nobody can predict the future there can be a volume de-growth.

C. Ramakrishnan: I think a lot depends on how the macro performance happens, today what we are seeing for example even in the medium heavy commercial vehicle we see growth more driven by a fleet replacement demand rather than for our truck operators' fleet capacity expansion. The tipper segment is yet to start growing even in medium, heavy commercial vehicles, I think in the macro level the number of projects have to get on ground even though there is a lot of good intention and financial closure and things beginning to happen I think we need to see a lot more action on the ground before medium and heavy commercial vehicles achieve a sustainable and real growth momentum in terms of fleet capacity expansion that will trickle down to the small commercial vehicle and last mile vehicle towards the end of the fiscal year. A full turnaround I would think is about a year away.

Rakesh Jhunjhunwala: No what the question is that why this China, China, I mean China is 14% of your sales you said , suppose China slows for a year for whatever reason for transition our sales do not grow there so do you think we have the capability to make up for the sales in the other regions with the kind of products you are launching and the quality of those products?

C. Ramakrishnan: Rakesh once again thank you for the question, I was hoping somebody would raise this. In this quarter we have seen compared to a quarter one year ago China's share of our global volumes in Jaguar Land Rover come down from 29% to 14%, the overall volumes have still been quite respectable and turnover wise it is almost on par and EBITDA wise the margins have come down but it has come down by about 2-3 percentage points, from 19 to 16 this is on the back of China volumes share for JLR coming down from 29% to 14%. Yes we have seen double digit growth in other markets US, UK, Europe and the other markets. In some of the markets that has been as high as 20%, just to restate what I said earlier for JLR Europe saw a growth of about 28% year-on-year, UK saw a growth of 20.5% and US about 12.7%, that is the type of growth we see which is on the back of the newer products and the market pull for the JLR brand, yes we do see volume growth opportunities everywhere including in China it is the largest market in the world and I think it will continue to be an important market for us. Overall on the back of product lineup we feel good about the future, despite this 2015, 2016 being a difficult year for JLR from the operations point of view in terms of the ramp up and model change that is happening in a very crowded way in one particular year. Longer-term we continue to feel optimistic about our growth both top-line and bottom-line.

Rakesh Jhunjhunwala: Sir and after the change how the July has been in China?

C. Ramakrishnan: I do not have the July numbers.

Rakesh Jhunjhunwala: You have some idea sir,.

C. Ramakrishnan: Yes I do but…

Rakesh Jhunjhunwala: Because here the figures have to come in next three four days.

C. Ramakrishnan: Yes that will come in the next few days.

Rakesh Jhunjhunwala: Thank you so much.

Moderator: Thank you. Due to time constraints that was our last question. I now hand the floor back to the management for closing comments.

C. Ramakrishnan: Thanks everybody for joining, sorry I think the number of questions we could take was a little less, because I think I had to expand a little bit on the answers, some of the questions were quite interesting and I had to provide slightly broader and longer-term picture and not so much focus on the quarter in the numbers but thank you very much. As we always do we can engage with you separately and one-to-one meetings to discuss more in detail. Thank you very much for joining in.

Moderator: Thank you very much sir. On behalf of Macquarie Capital Securities that concludes this conference call. Thank you for joining us and you may now disconnect your lines.