"Tata Motors Q2 FY13 Earnings Conference Call"

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MANAGEMENT: **MR. C. RAMAKRISHNAN – CFO, TATA MOTORS LIMITED**

MODERATORS: **MR. AMIT MISHRA – MACQUARIE CAPITAL SECURITIES**

Moderator Ladies and gentlemen good day and welcome to the Tata Motors' Q2 FY13 earnings conference call hosted by Macquarie Capital Securities. As a reminder for the duration of this conference, 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 presentation. Should you need assistance during this conference call, please signal an operator by pressing '*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Amit Mishra – Macquarie Capital Securities. Thank you and over to you sir.

Amit Mishra Thank you. We welcome you all to Tata Motors Q2 FY13 results call. This evening we have with us Mr. C. Ramakrishnan – CFO of Tata Motors and along with him the Investor Relations team. I will request Mr. Ramakrishnan to give a brief review for the quarter and then we will open Q&A. Thank you and over to you sir.

C. Ramakrishnan Thanks for joining us on the call which is the Q2 results announcements, Tata Motors consolidated stand alone. I just thought I will quickly run through some of these selected slides and provide a bit of a context and then we can open for Q&A. In this quarter our consolidated net revenue was up 20% at around Rs. 43,000 crores compared to around Rs,36,000crores the same period last year. EBITDA margin came in at 13.5%up marginally from 13.3% same period last year. Profit after tax for the quarter, consolidated, was Rs. 2075crores up 11% from around Rs. 1800 crores in the same quarter last year. The results obviously were, substantially supported by an excellent performance in one more quarter of Jaguar Land Rovers in U.K. In Jaguar Land Rover Net Revenue was up at £3288 GBP Million compared to around 2.9 GBP Billion in the same quarter last year. EBITDA margin came in stronger at 14.8% compared to 14.4%. Profit After Tax is GBP 305 million compared to GBP 172 million in the same quarter last year. Reflects a Net Revenue growth of about 13%, improvement in EBITDA margins and 77% a growth in profit after tax. The standalone performance however was under pressure. Net revenue was almost flat slightly lower at Rs. 12,481crores compared to around Rs. 12,900crores in the same quarter last year. EBITDA margin saw a significant pressure, droping to to 5.9% compared to 7.2% last year. Profit after tax however was substantially helped by dividend that we have received from Jaguar Land Rover during this quarter and accounted as other income in Tata Motors. So profit after tax came in at 867crores up from 102crores in the same period quarter last year.

In terms of the India performance, commercial vehicles, there has been improvement in this quarter in our market share. In the quarter, our market share stood at 59.7% slightly up from the previous quarter. In terms of the external environment, market environment, we saw a weak macro-economic outlook, sluggish industrial demand and a couple of increases in terms of diesel prices and excise increases which overall impacted the M&HCV demand. Our Ace family of products and small commercial vehicles in general, saw a significant growth in demand and volumes. We announced certain new product launches in heavy trucks across our traditional platforms and Prima range and launched few services for better customer service. The improvement in market share and the improvement in volume is of course substantially supported by growth in LCVs and ICVs. However in commercial vehicles, we did see growth and pressure on marketing expenses. In passenger vehicles, the industry grew modestly at about 3% during the quarter. The overall growth was subdued compared to some of the earlier year's figures we had seen. There are some selective segments, the UV segments and the micro segments represented by Nano which saw some robust growth. We continue to focus improving on the initiative that we had launched in the last few quarters, in terms of market connect, dealer network expansion, product refreshes and so on. The recent launches of Sumo Gold and Nano 2012 model year vehicle and new Vista have grown and helped us boost the volumes. Market share in passenger vehicles grew modestly and ended at 12.3% in the quarter.

Our export performance from India saw a decline of about 9% mainly because of subdued demands and market situation in some of our key markets like Sri Lanka and Bangladesh and some of the volume growth we saw in other markets like Nepal, Thailand, South Africa and some of the Middle Eastern countries. Overall the export stood at around 15,000 vehicles compared to around 16,200 vehicles last year.

Jaguar Land Rover overall volumes up about 14%, 68,000 units up to around 77,000 units. It is reflective of the strong demands for our new launches particularly the Evoque. Range Rover Evoque which we unveiled last year has received very good response in the market and also China region from a geographical mix continues to show strong growth. For the quarter, China represented about 21% of our global sales, North America about 17%, U.K about 20%, Europe about 18.9%. China 21% is up from about 16% in the same quarter last year in terms of share of our whole sale mix. As I said earlier EBITDA margin in JLR, came in at about 14% with improved volumes, more favourable geographical mix, favourable exchange rate, commodity cost remaining under check. Operating cash flow for the quarter was about £110 million after capital expenditure and product development expenses. Capital expenditure and product development expenses for the quarter stood at about £480 million. In the quarter as I said earlier Jaguar Land Rover also declared an inaugural dividend of about £150 million which was paid to Tata Motors during this period. End of the quarter, cash and bank balances in Jaguar Land Rover stood at a little over £2 billion. Several product actions and newer launches are on the way in Jaguar Land Rover.

In terms of our other subsidiaries, some of the major ones, Tata Motors Finance, our vehicle financing subsidiary in India reported a profit after tax of about Rs. 69crores in this quarter up from about Rs.52crores in the same quarter last year. Tata Technologies, our IT and engineering services subsidiary, reported Rs. Profit After Tax at Rs. 68crores compared to Rs. 48crores in the same quarter last year. TML Drivelines which is our axles and transmission subsidiary, reported profit after tax at Rs. 33crores down from Rs. 55crores in the same period last year reflective of the weaker demand and volume and performance in the medium and heavy commercial range in our business. Tata Daewoo, our commercial vehicle subsidiary in Korea saw a relatively flat performance in terms of profit 1 billion Korean Won at the same level of last year, with a marginal drop in revenue. Going forward, we expect the external environment for commercial vehicles will remain somewhat challenging in terms of volumes, external market environment and marketing cost pressures. We believe the growth will be driven by smaller commercial vehicles both in the cargo segment and in the passenger segment. The company will continue to focus on newer launches unveiling the full range of the Prima and the new Ultra range of LCVs and other variants on the Ace platform and we will continue to focus on dealer network expansion and offering host services for our customers. In case of passenger cars, similarly, our focus will be to aggressively pursue the several initiatives we had started in the last few quarters. On the product side, regular refreshes, on the customer-side, better experience and engagement side in the market place, better dealer connectivity and better dealer penetration. And in both the businesses commercial vehicles and passenger cars considering the market costs and volumes we will of course re-double our efforts on cost containment. In terms of the overall balance sheet, the net automotive debt equity at a consolidated level was at 0.29:1 at the end of the quarter and the Tata Motors standalone level was at 0.77:1. Jaguar Land Rover in terms of net debt was negative with their huge cash flow of over £2 billion at the end of the quarter. I will stop here and hand it back to Amit for starting the question and answer session.

Moderator Thank you very much sir. We will now begin with the question and answer session. We have the first question from the line of Pramod Kumar from IDFC Securities. Please go ahead.

Pramod Kumar My first question pertains to Jaguar Land Rover where I think on a sequential basis, our realizations are down, same is the case of volume as well. And as we can see from the data, the geographical mix also weakened to an extent along with product mix. However your gross margin performance of JLR seems to be quite opposite, as you have seen a 170 bps gross margin expansion. Just wanted to understand any one-off in that? If not how sustainable is this kind of margin given that you will have new ramp up in Range Rover which is supposed to be much more higher margin?

C. Ramakrishnan In some of the markets like U.K. and elsewhere we do see some seasonal variations and therefore sequentially Q2 and Q1, it becomes little difficult to compare and explain. Q2, the business in Jaguar Land Rover because of August month we also saw some shut downs and change of productions from old models to new models. So these seasonal factors we need to keep in mind, both in terms of accounting for the volume variations. Having said that, as you rightly mentioned a more favourable geographical mix has definitely helped our margins. The exchange rate has also been better, here I am comparing the same period last year.

Pramod Kumar I am talking about quarter on quarter sir, because YOY it is fairly clear, as to everything has improved. But on sequential basis, that is what I am looking for.

C. Ramakrishnan Primarily, combination of exchange rate environment, costs, geographical mix, but the volume performance is also influenced on account of seasonal variations and some other select markets.

Pramod Kumar So, in that sense I think the gross margins there is enough room for improvement considering we going to be ramping up our Range Rover as well going forward?

C. Ramakrishnan From our internal actions and terms of costs and volumes etc., yes. But I think we need to be watchful. We are cautiously optimistic about the future. We need to be conscious about the external environment, demand and we do see in the last few quarters, some of the expenses on the variable and fixed marketing also creeping up. So we have to be watchful on these.

Pramod Kumar But no one-off on the RM side, in terms of any commodity hedges being favourable?

C. Ramakrishnan No.

Pramod Kumar The final question is on the standalone business. Again here we had a significant improvement in the mix on a sequential basis, in terms of commercial vehicles growing by 17%. However our gross margins have gone quite low dramatically in that sense, just if you can throw some colour on that. What are the reasons for this and how many of those factors you see easing off in the near future?

C. Ramakrishnan One of the prime drivers of course has been the volume as well as model mix. In both the businesses, commercial vehicles and passenger cars we have seen significant increase in variable marketing expenses. And in passenger cars, since last few quarters, they have also significantly stepped up our publicity in fixed marketing expenses. These have added to the pressure on the bottom line, lot more depends on the external environment and how we see the market shaping up in the future. In general I would say the market in terms of money market and funds availability, the liquidity remains strong. Expectations are there in terms of reductions in interest rates particularly for the automotive. If the demand picks up and the policy framework comes across much stronger, possibly the margins accompanied by volume growth can happen over the next few quarters. The external environment, it is difficult for me to predict a precise date for improvement.

Pramod Kumar And sir, on your Ace product, when do we become tax paying for Pantnagar? Or we already are paying higher tax for Pantnagar?

C. Ramakrishnan Income tax you do not pay separately for Pantnagar and other facilities. Tata Motors is one single legal entity and assessed as such. So we file our return and pay tax on a consolidated basis for Tata Motors as a company, not location by location.

Pramod Kumar But the tax incentives are there for Pantnagar right? I think the first 5 years, you had a 100% income tax exemption for the plant, I am referring to that in that context.

C. Ramakrishnan I am also referring to that. The tax incentives are available for an assesse in Pantnagar. If you are an assesse with multiple locations and if you are filing a return on the total basis for the company as a whole, you may not get the benefit for one particular location.

Pramod Kumar So we have not benefited so much because of that tax holiday as such. That is what you are indicating?

C. Ramakrishnan That is right.

Moderator Thank you. The next question from the line of Pramod Amthe of CIMB. Please go ahead.

Pramod Amthe This is again with regards to the margin profile for the parent. It seems to have deteriorated substantially. Are there any one-offs and what are the management efforts to bring it back to the normalcy levels?

C. Ramakrishnan If you look at our two businesses, I think the commercial vehicle business in terms of volumes we have done better. We have done reasonably well and in terms of market share we have improved, if you take the performance in a slightly more holistic fashion beyond the financials. Even in a tough market condition and with growing competition, we have marginally improved our market share overall. The small commercial vehicles are doing quite well and the model mix as it goes more in favour of small commercial vehicles, down in the case of medium and heavy commercial vehicles, you definitely see an impact negatively on the overall margin. In passenger car in general, our capacity utilization levels have been quite modest while we see some traction in volumes and market share. We are at less than 50% in terms of overall capacity utilization in the passenger car business which is also hurting the overall performance. Combined with these two factors, we have also seen a period where due to intense competition activity in both the businesses, we have seen discounts and variable marketing expenses rise quite sharply. There are no particular one-offs that I can talk about beyond what I have stated just now. I am talking more at the EBITDA level, at the PBT level, our reported profit has been helped substantially by a dividend from Jaguar Land Rover and we have also had to have some write off in the case of our another subsidiary company in Spain where we have had to take close to about Rs. 200 crores write-off in this quarter.

Pramod Amthe With regards to the JLR and the new Range Rover, would you like to share what type of capacities you have created? And what will be the outlook on a sustainable basis, as proportion of Land Rover volumes it can form, might be one year down the line?

C. Ramakrishnan We would definitely hope to sell in terms of volumes more than the current Range Rover model. You have the numbers for the current Range Rover and the capacity also has been created at higher levels than the current volumes for the current Range Rovers. I am not sure that I would like to give the volume guidance for a specific model in this call.

Pramod Amthe Want to get your thoughts on the margin profile for this new product in the context that you have invested substantially for the new platform. And this is the first time we are going to see the top end of the product coming out under the Tata management as compared to Evoque. So how this margin profile build up for the top end? Will it be a fully pricing power in the initial stages itself or it will still be at an operating leverage play as we saw in case of Evoque?

C. Ramakrishnan It is a slightly complex question. It is something which is not very easy to deal with in one go. With specific reference to the Range Rover and the new family of products to follow in the next couple of years, they will be sharing a similar architecture, the new aluminium architecture. As the new platform and the new architecture line up unfolds into the future, I think we will see some significant synergies across models, across the various top heads of a single structure. Of course in terms of material content and cost, the new Range Rover is significantly lighter than the current one, it is about 400-450 Kgs lighter in weight compared to the old one. So we should see some improvement in our bottom line performance.

Moderator Thank you. The next question from the line of Jamshed Dadaboy from Citi Group. Please go ahead.

Jamshed Dadaboy Sir, two questions on the domestic business. One on the Tata Prima, noticed that you launched newer range with slightly de-contented cabin, what is the rationale behind that? Second question is on the passenger car side. Sir what is the way forward for this business in terms of positioning given that most of the market has become diesel? So the niche which Tata Motors occupied on the diesel side is no longer there.

C. Ramakrishnan On the commercial vehicle side, your question was about the Prima. The Prima as you know was fairly advanced and a futuristic truck offering some of the best features and comfort and performance compared to any other truck in the advanced markets and pricing wise positioned quite high in terms of our conventional product range. The gap being large, we thought we should also have a position somewhere in between, so we will have a three product positioning strategy. Our conventional model, Prima at the top end and as you called it, the decontented version of the Prima somewhere in the middle. So we have the positioning that suites different customer preferences and different customer capabilities to buy and operate. Across these three, we will offer multiple range of products, so the combinations you could get could be quite interesting.

As far as the passenger car is concerned, we have talked about it before and also in one on one meeting. We believe we have got the right products in the right segments. And we do have a position that occupies significant place in the value and volume segments in the market. I think we need to get our act better in terms of both product refreshes, periodic excitement in the market in terms of newer introductions and better execution capability both in quality as well as in customer connect. So several initiatives, as I said in many of the earlier calls in our interactions, several initiatives internally within the company are underway. We have begun to see some traction, whether it is the Nano or the models, we have seen some modest improvement in volumes as well as the market share. But I think they have a long way to go.

Jamshed Dadaboy Sir, do you think there is ever a scenario where Tata Motors exits the passenger car business?

C. Ramakrishnan No. That is not in our mind.

Moderator Thank you. The next question from the line of Govind Chellapa from Jefferies. Please go ahead.

Govind Chellapa My first question was on your dealer profitability in China. We have been hearing a lot about how the extraordinary profitability that the dealers enjoyed has now come off. Would you like to comment on that? Are there dealer margins now at what you think at sustainable levels or are they are higher or lower than that?

C. Ramakrishnan I would not be off hand able to comment specifically on Jaguar Land Rover dealer profitability, I do not have the numbers or the information readily at hand. But in general I would say we do see some market behaviour from time to time in China, particularly in some of our competition models we have heard about discounts in different models across competition lines. We do see some stories where earlier we used to hear quite frequently about a customer willing to pay a higher premium for getting a vehicle out of turn or getting quicker than the normal waiting period. So, anecdotal hot stories in the market are lesser and lesser, you hardly hear about them these days. We do see some marketing expenses keeping up particularly at the dealer front. But I don't know if I will be able to share immediately a number in terms of dealer profitability percentages. But we do see some pressure and some stories on pressure.

Govind Chellapa Has there been any instance of your incentivising any car in China in the last quarter or last couple of quarters?

C. Ramakrishnan Not that I am aware of. If at all I would think it is not significant enough that I have noticed.

Govind Chellapa Your margins on the JLR side at least for me, I do not know about others in the call, I found it impossible to forecast. There is just too many variables especially on currency side. BMW has guided to 8 to 10% as their target sustainable EBIT margins. Not for the next quarter, but generally going forward, is there any such number that you have in mind that you can help us with?

C. Ramakrishnan Govind, as you know I am fairly a consistent person. So my answer would also be consistent. I do not want to give a guidance on profit margins, whether it is for Jaguar Land Rovers or for Tata Motors or at any consolidated level.

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

Kapil Singh Firstly on the MHCV side, we have seen quite weak numbers especially in October. Have you been running down inventory, are the retails and wholesales in line? How do you see the inventory position for this segment?

C. Ramakrishnan The inventories are fairly under control. Nothing significant to report, the retails have been generally tracking the wholesales.

Kapil Singh Secondly on the CAPEX side, I believe you are planning somewhere around Rs. 3,000 and 3,500crores CAPEX in the stand alone business. Could you give us a split between passenger vehicle business and commercial vehicle business and any guidance you have for next year?

C. Ramakrishnan I think my guidance was around Rs. 3,000crores. I doubt whether it will exceed. I would say directionally for the next 4, 5 years, it will be on an average annually about Rs. 3,000crores in that region. That is my directional indication for this year as well as the future. In one year it may be slightly up and one year it may be slightly down because of product timing and sequence and some of the expenses being incurred in the lump, so generally in that direction. As far as split between the commercial vehicles and passenger cars is concerned, I would think slightly more than half of it would be passenger cars and for commercial vehicles in terms of capital spend will be slightly less.

Kapil Singh Can you also give us a split like how much of this is for capacity expansion and how much is for R&D? Or is it largely for R&D because you have enough capacity?

C. Ramakrishnan Again your question is on the India business. If you look at in terms of passenger cars across all our product lines we are running approximately around 50% in that region in terms of capacity utilization. So we have sufficient head room for growth and volumes without having to invest in capacity substantially in our passenger car business. In commercial vehicles, I would say in round numbers we are running about 70, 75% in terms of capacity utilisation across most of our products, in terms of medium and heavy commercial vehicles as well as light commercial vehicles. So beyond a certain point we may have to invest in capacities. As far as small commercial vehicles are concerned, I mentioned last year in the call, we are practically full on capacities in the Pantnagar plant. So we have to create one more capacity particularly focussed on the passenger version, in Dharwad in Karnataka. That is going on stream right now. Over the next couple of years we will build the capacity to match what we have in Pantnagar. That will be a major investment in capacity. Having said this, I should also say as you introduce newer models, as you introduce bigger variants, you also have to invest not so much in capacity to manufacture but also have to invest in flexibility and capability to manufacture in terms of handling multiple product lines and multiple variants and execution. So even if you did not have increase in absolute volume through capacity, you may still have to invest in manufacturing to handle newer products.

Kapil Singh Just to understand more clearly, broadly how much of this 3,000crores will be in R&D?

C. Ramakrishnan I would think good part of it will be in product development and research development and I would think if you take the hard asset like planting machinery whether it is refurbishing or replacing our existing older plants and facilities or for capacities, combined I would say the investment in plant and machineries and facility will be not more than 25, 30%.

Moderator Thank you. The next question from the line of Jinesh Gandhi from Motilal Oswal. Please go ahead.

Jinesh Gandhi My question pertains to domestic business. Given the pricing environment which we are witnessing in both our M&HCV business as well as passenger vehicle business, have we taken any price increases recently?

C. Ramakrishnan Yes. We have taken price increase during the year. We took a price increase on 1st April in both the businesses. We also took a price increase in 1st November.

Jinesh Gandhi Sir, 1st November would be what kind of price increase?

C. Ramakrishnan 1st November we have actually taken price increase in M&HCV bus model around 1%.

Jinesh Gandhi But we have clearly seen heightened discounts on M&HCV side. Do we see that changing over the next 6 months considering the demand environment remains weak? At least for time being it remains weak. We expect discounts to come off?

C. Ramakrishnan We are speaking at a point when we have typically in any year, the first two quarters tend to be somewhat subdued both in terms of demand and overall volumes for the industry and we do see pick up in volume and activity in the second half of the year. But more noticeably in January, March. As we are in November and trying to talk about the next 6 months, one would hope the trend we have seen in the past also continues in this year with a stronger second half performance from an overall market point of view. But beyond that this year, since we have seen quite significant increase in marketing and discount costs, I would think it would continue to remain under pressure but I do not know whether it will deepen further. I think it will start gradually to come around.

Jinesh Gandhi Coming to our RM cost, we have seen as a percentage of sales it has been pretty volatile. But are we seeing similar volatility on basic commodity cost or it is just to do with the discounting and mix?

C. Ramakrishnan That is a good analysis. It is not so much the commodity pressure that is driving the percentage. It is more to do with the numerator, the net sales realization.

Jinesh Gandhi The tax rate for standalone entity, in the past you have indicated it to be in the range of 18 to 20%. Considering that first half was about 15% average, do we still maintain 18 to 20 or could we lower than that?

C. Ramakrishnan I think it will remain 18 to 20. I do not see a substantial change in that.

Jinesh Gandhi Sir lastly, what would be the net automotive debt, absolute number?

C. Ramakrishnan At a consolidated level, net automotive debt stood at about Rs.12,000crores.

Moderator Thank you. The next question from the line of Srinivas Rao from Deutsche Bank. Please go ahead.

Srinivas Rao Sir my question pertains to your car business. Just wanted to get clarify, there were some news reports, some write-offs having been taken in the joint venture you have with Fiat. If you can confirm on that? And secondly, the management changes which have happened in terms of Mr. Ravi Kant stepping down, any commentary on that? And finally the car business as you mentioned is something which obviously the Tata Motors want to make a success out of it. But what is the kind of 3, 4 year plan? We heard Mr. Kant make some statements around the business in news and media. So can you throw some light as to where the car business would you like to see it in 3, 4 years' time?

C. Ramakrishnan I note the questions are not so much about the quarter financial results, but let me try and respond as much as possible. Your first question was on the Fiat joint venture, there has been no write-off in that. We have gone through a period of discussions with Fiat in terms of looking at the business model in which we both operate. Fiat is taking direct control and responsibility for the marketing and distribution of Fiat cars in India which earlier till recently was done by Tata Motors as a distributor. So Fiat is in the process of forming a separate company, 100% Fiat company, which will buy the cars from the joint venture and distribute and sell it in the market. And the distribution and sales can happen through Tata Motors dealers as well. As far as the joint venture is concerned, we will continue to be partners in the joint venture which will be a manufacturing joint venture and we will share capacity. The joint venture will manufacture the cars and give it to Tata Motors, in terms of Tata branded cars and to the Fiat new distribution company in the case of Fiat cars. So the relationship and joint venture for manufacturing continues. There has been no write-off even though it has underperformed in terms of volumes and has incurred losses.

Your second question if I recall, was relating to you said management changes and you referred to Mr. Ravi Kant stepping down. Mr. Ravi Kant stepped down from an executive position in Tata Motors some time ago, about 4 years. So he was not in executive or in a managerial capacity in the company or in Jaguar Land Rover for the last 4 years. I am not sure whether you are referring that to management change. Mr. Ravi Kant continues to be Vice Chairman of Tata Motors, he continues on our Board. He was also a director on the board of Jaguar Land Rover, he has stepped down from that. It is not a management change because he was not holding an executive position in either of the companies any way. I am sure as director of the Tata Motors Board, we will continue to benefit from his counsel and oversight.

Your third question was about passenger car business over the next 3 years, I am not sure I can do adequate justice to this in this call. But as I said earlier, we know we have a long way to go. We do believe as we have established in the past, I think we do have capabilities and ability to do well in that business as we have shown in many of our products earlier starting with Sumo in mid-90's or in Indica in late 90's or segment creating path breaking product Nano more recently. Many of these products have also been financially successful and have been rewarding for the company. I think we need to get our act better as I said earlier in many aspects, in terms of product refreshers, product launches, look at more opportunistic segments that we can occupy, take the execution in terms of market place servicing, quality etc. to much higher levels than we have done in the past. We do recognise there is a long way to go. We have identified the actions, the team is in place. Hopefully we should be able to demonstrate through actual results as we go forward in the future. I am not sure in terms of specific steps and actions, I can elaborate on this call. We can have a separate chat one of these days.

Moderator Thank you. The next question from the line of Akshay Saxena from Credit Suisse. Please go ahead.

Akshay Saxena Just wanted to get a sense on the tax rate at JLR. I think the guidance was that it would be between 20 to 25% given that we have some benefits on R&D. But in the first half, it seems to be more in the range of 29% and that has kind of pulled up the consolidated tax rate as well. So just wanted to get a sense on that?

C. Ramakrishnan There are two elements of tax, let me talk about tax accounting in JLR. As far as JLR profits are concerned, part of the profits particularly, China etc., remain outside of U.K. in the various national sales companies, because they are independent legal entities and operating in different tax domains and jurisdiction, we are subject to tax according to the local tax rates in those respective jurisdictions. So this taxation will continue as it has in the past. No change in that. As far as U.K. tax is concerned we introduced a deferred tax accounting as of 31st March of last year. Once you do that between the two lines cash tax, current tax and deferred tax, you will invariably end up with almost a near equivalent to the marginal tax rate in terms of overall charge in the P&L account. One quarter it may move by few percentage points because of some specific tax credits or whatever adjustments in that quarter, but it will be in the range of 25 to 29%.

Akshay Saxena But we have some benefits related to R&D spend right?

C. Ramakrishnan Yes. We do have.

Akshay Saxena I do not know what the exact benefit in the U.K. is, but should it not mean that the tax rate would be lower than the marginal tax rate?

C. Ramakrishnan It should be. It is also a function of the mix between U.K. profits and profits elsewhere. So quarter-to-quarter it will be difficult to put a precise percentage. I would say it will range between 25 to 29% if you add up both the deferred tax charge and the current tax charge in Jaguar Land Rover.

Moderator Thank you. We will take the final question from the line of Hitesh Goel from Kotak. Please go ahead.

Hitesh Goel Sir, can you tell us the deferred tax charge in this quarter on JLR, so that we have a better sense on the tax rate?

C. Ramakrishnan I do not have the precise number split in my hand right now, but I will be able to send it to you later.

Moderator Thank you. I would now like to hand the conference over to Mr. Amit Mishra for closing comments.

Amit Mishra Thank you everyone for your participation.

C. Ramakrishnan Thank you very much Amit for hosting the call.

Moderator Thank you sir. On behalf of Macquarie Capital Securities that concludes this conference.