"Tata Motors Limited Q2 FY 2014 Earnings Conference Call"

November 08, 2013

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Moderator Ladies and gentlemen good day and welcome to Tata Motors' Q2 FY14 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. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference please signal an operator by pressing '*' and 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. Thank you and over to you, Mr. Mishra.

Amit Mishra Good evening everyone. Welcome to the post results conference call of Tata Motors. To discuss results today we have with us Mr. C. Ramakrishnan, CFO of Tata Motors and the Investor Relations team. I would now request Mr. Ramakrishnan to begin with his initial remarks and then we can begin the question and answers. Over to you, sir.

C Ramakrishnan Thank you. Good evening to everybody on the call. Thanks for joining us for the 2nd Quarter Results announcement of Tata Motors.

At a consolidated level Tata Motors' consolidated net revenue was up at Rs. 56,882 crores from Rs. 43,403 crores in the same quarter last year. EBITDA margin consolidated came in at 16.3% up from 13.5% in the previous year quarter. Profit after tax was over Rs. 3,500 crores up from over Rs. 2,000 crores in the same quarter last year.

At a standalone, Tata Motors standalone India operations – the environment continues to be very challenging for the business from an external market point of view and macroeconomic scenario reflecting in the lower net revenue in this quarter at over Rs. 8,800 crores down from Rs. 12,000 crores last year. EBITDA margin was 2% compared to 5.9% in the same period last year. Loss after tax was Rs. 804 crores compared to Rs. 867 crores profit in the same quarter last year. But last year's profit also included dividend incomes that we received from Jaguar Land Rover.

Coming to Jaguar Land Rover – JLR had one more quarter of outstanding performance. Net revenue came in at £4.6 billion up from £3.2 billion same period last year. EBITDA margin stood at 17.8% up by 3% points from 14.8% in the same quarter last year and profit after tax was £507 million up from £300 million last year.

In the India business – as I mentioned earlier slowdown in the economic activity, low level of transport freight and infrastructure activity with tight financing environment and diesel price increases impacted the overall demand and resulted in deferment of new vehicle purchases. It particularly impact our commercial vehicle industry and therefore volumes for the industry as well as for Tata Motors were down significantly in this quarter compared to the same period last year. In this environment we continue to sustain a strong market share at 57%. Similarly in domestic passenger vehicle industry there was a decline quarter-on-quarter compared to the first quarter of this year. By far the decline is 2.6%. In both these segments competitive intensity in a depressed market has lead to higher market cost for all manufacturers.

From the company point of view – we have introduced several new service offerings for our commercial vehicle customers particularly in the light and intermediate customers with three year and 3 lakh kilometer warranty services and heavy trucks with 4 year warranty, 24/7 Tata alert service, attractive AMC rates and other service offerings to the customers.

In the passenger vehicle business as well we launched a focused service improvement for our car customers with several distinctive service offerings and the three broad brands promises responsiveness, reliability and best value service which has been implemented across all our nationwide service network. Exports in this quarter grew 19.1% quarter-on-quarter and we also launched our products in two new markets Australia and Malaysia in this period.

In the passenger vehicle as I mentioned earlier in CV we continue to sustain our strong position in the marketplace at 56.7% in the half year and in passenger vehicle for the half year our market share stood at 6.1%.

Jaguar Land Rover wholesale volumes were at 101,900 vehicles up 31.6% and retail volumes was 102,600 vehicles up 21.1%. EBITDA came in at £823 million with an EBITDA margin of 17.8% reflecting in higher wholesale volumes, richer product mix supported by launch of the new Range Rover Sport volumes of new Range Rover and Jaguar F-Type and richer geographic mix and we also had about £79 million of local incentive both in UK and overseas markets accounted as income in this quarter.

Free cash flow in Jaguar Land Rover for Q2 was £430 million and for the half year £89 million both of which are after capital expenditure and product development spends of £657 million in this quarter and £1.2 billion for the half year. Strong balance sheet in Jaguar Land Rover with cash and financial deposits at £2.7 billion and further strong liquidity supported by undrawn long term committed credit facilities aggregating £1.3 billion.

We have received rating upgrades from Moody's following a similar upgrade from Standard & Poor's in Q1. We showcased Jaguar C-X17 Sports Crossover concept at the Frankfurt Auto show which is a lightweight aluminium architecture for future Jaguar products; starting with a new smaller Sedan in 2015.

From a regional point of view in sales in this quarter North America represented 16% of our global sales; UK 18.2%; Asia Pacific 4.8%; Europe 17.2%; China Region up at 26%; and other overseas locations 17.8%.

Looking forward from an India business point of view in commercial vehicles we expect the economy will continue to remain subdued throughout this financial year which will keep our sales of the commercial vehicles under pressure. Competitive intensity will continue resulting in higher marketing cost. Couple of positives. We have above average monsoon should hopefully lead to better rural consumption demand and some of the Government approvals for projects that have been postponed or stalled have started coming in which hopefully should generate further demand for our products.

JNNURM Phase 2 announced should also drive some bus volumes. From a company point of view in commercial vehicles we will launch new products in Prima Range; Ultra trucks and offers product refreshers in both Small Commercial Vehicles and Pick ups. We will also continue to expand the export potential for our products.

In passenger vehicles we had mentioned earlier about the focus across four major pillars all of which are continuing to be pursued very aggressively. An intense product focus; world class manufacturing practices; enriching the customer purchase experience; and providing consistent excellent quality of service.

We will launch the CNG emax versions of Nano, Indica and Indigo, new products in the hatchback segment, new Compact Sedan and refreshes on all existing products. We will continue avail opportunities in passenger vehicles also for the export market.

In our Jaguar Land Rover business we hope to continue to build the sales momentum with the new Range Rover launched last year; Jaguar XF Sportbrake and Jaguar F-Type. We complete the successful launch of the new Range Rover Sport and other new derivatives. We will also be launching the world's first premium diesel SUV hybrids in Range Rover and Range Rover Sport. The business will continue to invest in more new products and new technologies for meeting consumer and market requirements and regulatory requirements and further build on manufacturing capabilities in UK and elsewhere.

As we mentioned earlier our product development and capital expenditure this year in Jaguar Land Rover is expected to be in the region of £2.75 billion and we expect to generate strong operating cash flows to be able to support this investment.

With these brief overall comments I will stop this presentation and ready to open for addressing any of the questions you may have. Thank you.

Moderator Thank you very much, sir. We will now begin the Question & Answer Session. The first question is from the line of Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh My questions were on the Jaguar Land Rover side of the business. Firstly, on the currency a bit. Could you share some light as to what is the GBP/USD rate that you would have used during the quarter? Because we have seen a sharp appreciation in the GBP and wherein that could you throw some light that what are the options that company has and is it possible to raise prices or may be able to see sort of an adverse impact on that on margins in the coming quarter?

Second question is again on gross margins like a minor one though. If you look at raw material to sales they have actually either the expenditure has gone up in this quarter which reflect some bit of an adverse mix. Could you throw where that impact came from?

C Ramakrishnan The questions are fairly detailed for addressing in this call may be we need to take it offline separately. But just an overall response to the extent I can. As far as FOREX is concerned quarter-to-quarter between first quarter and second quarter there are some marginal impact due to FOREX in the financials between April to June and July to September quarters which impacts negatively the margins by about 0.8%. Otherwise compared to the same period last year Q2 last year to Q2 this year not significant impact on the FOREX. I already mentioned in my opening presentation about an £79 million in this quarter which we received as incentives for some bit in the UK and elsewhere. As far as material consumption is concerned it is difficult to comment on a quarter-to-quarter basis which is the influence by several factors including the product mix and derivatives mix, etc., as you rightly mentioned. But overall we see the material cost being very much under control and hopefully the richer product mix will help the overall margins favorably.

Binay Singh What is exactly the rate that you have used the average GBP/USD rate that you would have used during the quarter?

C Ramakrishnan I would not be able to comment on this in this call.

Moderator Thank you. The next question is from the line of Nishit Jalan from Nomura Securities. Please go ahead.

Nishit Jalan Sir, you mentioned that on JLR there was a local incentive of £79 million. I just wanted to check what this number was in last quarter and how sustainable these local incentives will be going ahead? This is my first question. And my second question is you have mentioned in the PBT on JLR that our tax rate has come down to 24% due to change in UK rates so should we expect a similar level of tax rates going ahead? What will be your guidance for the full year our tax rates?

C Ramakrishnan On the first question there is no tax incentive that was there in Q1 of this year and in terms of sustainability I expect this will be an annual feature depending on the time when it is settled I mean in the respective quarter. However, last year the same quarter as I said in Q1 there is no tax incentive element but in a comparable period Q2 of last year if I recall right I think it was about £35 million to £40 million.

As far as the tax structure is concerned as you are aware we do not pay cash taxes in UK we will only accumulated carry forward that we have. Yes, including the deferred tax and the cash tax payments the taxes continue to be at the marginal rate overall including both deferred tax and cash tax.

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

Jinesh Gandhi I have couple of questions. First, pertains to your net automotive debt on console and standalone basis and second question pertains to your assessment of impact of this reduction quota in Shanghai?

C Ramakrishnan On the first question I think you talked about the net automotive debt both in at console level and standalone levels. The net automotive debt at consolidated level of about Rs. 14,000 crores and the Tata Motors standalone level was higher at Rs. 19,000 crores which actually means in

JLR the net automotive debt is negative. And in terms of net debt-equity ratio at consolidated level is 0.26:1 and a standalone level is 0.96:1.

Your second question was relating to the quota system in Shanghai. Yeah, it will have some impact on the localized demand but overall our volumes in China continue to be strong so it is a large market, it is a huge market with plenty of potential.

Moderator Thank you. The next question is from the line of Pramod Kumar from IDFC Securities. Please go ahead.

Pramod Kumar My first question is actually clarification on the local incentives. Is it right that it would have been adjusted against other expenditure in this quarter?

C Ramakrishnan No, it is I put it under other income under the revenue line.

Pramod Kumar Under the revenue line, that would mean that our realization for on a quarter-on-quarter basis would have seen a decline JLR despite having China at 26% of volumes which is the highest ever and also having the Range Rover Sport coming in. So if you can just I know there is a bit of currency impact but is it beyond it is entirely because of currency or is it like also got to do with varying to variant slippages?

C Ramakrishnan The tax incentive has been accounted as other income and netted of against other expenses not in that the revenue group. I have corrected my apologies for.

Pramod Kumar Yes, otherwise our realization drop would have been very, very and logically not possible.

C Ramakrishnan Thank you for asking that question. It gives me an opportunity to correct myself.

Pramod Kumar No, fair enough sir.

C Ramakrishnan In the process I forgot your second question?

Pramod Kumar Yeah, my second – no, actually did not start on the second one. But it pertains to the standalone business given the kind of slump in the industry between what in the last four days all the three commercial vehicle players are reported their numbers. And I think things are looking pretty much difficult given the fact that September quarter had a steeper decline of the industry level versus the June quartet. What is your reading actually in terms of by when do you see a possible recovery in the commercial vehicle cycle? And given that fact how would you look at you're the CAPEX funding at the standalone business and also I am bringing in the debt equity of 0.9% at this point of time. So is that chance that you are okay with it going beyond 1% also to fund the CAPEX?

C Ramakrishnan It is a good question. As far as the macro environment is concerned we see as I said in my opening remarks and opening presentation we expect that it will continue to remain quite challenging from a macro point of view at least for the next few quarters. I think it will be at least three, four quarters before we see some impact on our commercial vehicle industry. Even if the macroeconomic activity improve I think it will take some time for existing trucking capacity utilization by the operators before there is any significant or perceived impact on new vehicle demand. So I think we will continue to see a challenging period for some time now. What we can do and what we are doing internally as a company is to strengthen our product line ensure that the market is well supported in terms of anticipating the requirements and producing the right products for the market at the right times; strengthening our product portfolio; improving the reach and quality of support provided to the customers; purchase experience, or service experience in our dealerships and enrich the service offerings and deepen the connect that we have with the customers. In parallel the company has also significantly and aggressively focusing on internal cost reduction measures. These are occasions when the focus is brought out very sharply whether it is material cost or operating cost or other each line item of expenditure we have significantly focusing on cost reduction and making the operations much more efficient. But these are more from a company point of view but going back to your question in terms of macro environment we see it challenging at least for the next few quarters.

Marketing cost also will increase will continue to remain high and I do not mean increase further but I think it will continue to remain high with the type of intensity of competitive pressure and market incentives. In terms of capital expenditure in this industry we definitely need to continue to invest for our future. We have a very large product line up between commercial vehicles and passenger vehicles across small commercial vehicles, light intermediate range, medium and heavy commercial vehicles as well as in passenger cars and entry level, Hatchbacks and Sedans and SUVs and UVs. So in terms of product refreshments, new technologies, new product offering, new segment products the capital expenditure and product development focus will be quite intense in the coming years. I have given guidance from time-to-time but on an average for supporting and enriching continuously this lineup of products we would need to spent on an average of about Rs. 3,000 crores annually investment for the future. Most of it or nearly all of it will be in product development and new technology and new product offerings related. We will not have any significant increase investment in capacity in manufacturing except for capability enhancements as we introduce new products.

But your question I think also related to funding for the capital expenditure. We have the sufficient borrowing capacity and borrowing line arrangements for being able to fund the capital expenditure to the extent it needs to be funded. Yes, the balance sheet leverage is somewhat higher than what we would have indicated as a preferred range earlier. I have gone on record saying we would prefer a range between 0.5% to 0.75% in terms of net debt equity ratio. We are at 0.9% plus at this point of time. Hopefully the recovery and the improvement in cash generation from operations overtime should set this right. We will also undertake whatever measures are required to set them this as early as possible.

Pramod Kumar And sir, just to clarify. We still have not done a onetime restatement of our fixed assets as per IFRS. Is it before we shift to IFRS? Because once you do that the debt equity will automatically come down to as a ratio?

C Ramakrishnan No, we have not done that.

Pramod Kumar Okay. That also provide some cushion in that sense?

C Ramakrishnan Yeah, there is time for that we will see it at that time.

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

Sonal Gupta Just coming back to this CAPEX question on India I mean is there a scope to cut CAPEX Rs. 3,000 crores and does this include your product development expense that you show as expensed in the P&L?

C Ramakrishnan It does not include product development expenses expensed out in the P&L. But it does include product development expenses that is capitalized. As you know whatever we invest for future product development we capitalize and amortize over the commercial life of the products but there are some expenses in product development like some minor medications or support to ongoing products in terms of any design changes or value engineering efforts, etc., which gets charged up in the P&L. This Rs. 3,000 crores does not include that component but any major project investment or new product development is included in that Rs. 3,000 crores. That is as far as accounting is concerned. As far as your first part of the question which is about cut back in capital expenditure given that as I said earlier sort of this is going in to new product development, product refreshers and launches and the annual refresh of our products I think the near term if you look at the next two, three quarters for any automotive company to pull back on its product development related investment will be somewhat limited in nature or not at all because many of the products would be half way through or more than half way through. If you take a slightly longer term call over the next three to five years would it cut back it may also be a question of sequencing or postponing rather than cut back. Because in this business we have to continuously invest for our future. This is the backbone of our future. Limited scope I would say.

Sonal Gupta Because where I am coming from is that if you include the product development of CAPEX for Rs. 3,000 crores plus product development plus interest cost it is like Rs. 5,000 crores. And the only time you generate got close to that sort of an EBITDA number is in FY11 when obviously the CV market doing extremely well plus your passenger vehicles business was of a much bigger scale. So it sort of difficult to forecast you are getting back to a cash breakeven even in a two to three years' scenario unless you see the CV industry probably pulling back almost 100% or something. So I just want to understand so from a medium-term standpoint how do you see this. I understand that in the near term you can raise more capital in Singapore holding company, etc., but longer-term how do you see this getting to the Rs. 5,000 crores sort of a number?

C Ramakrishnan I think it has to be primarily trigger by operational improvement both in terms of top-line and bottom-line growth as well as running a tighter operations, working capital improvements and generating cash from operations. That would be a primary driver for this. Secondly, I think in reality I think the balance sheet will continue to remain somewhat more leveraged than I would like it to be for some more time. I think it will be a correction over a period of time. In parallel like in the Singapore restructuring that you talked about I think will bring some relief on the standalone balance sheet and then we need to look at some further restructuring offerings.

Sonal Gupta And just another question on the light commercial vehicle side we are seeing your number clearly going down very significantly in the last few months in the quarter while you are the second largest player has not really seen that sort of an erosion and they are still showing up growth in the light commercial vehicle space. So I just want to understand how is your market segment different or what is really happening as to why your LCV sales are going down so much?

C Ramakrishnan LCV I think is including a slightly larger definition including the light and the small commercial vehicles and the pickup. I think you are aggregating all of them together. Quarter-to-quarter we will see some movements in terms of market share performance and relative performance. But overall if you take within that sub-segments I think we are doing fairly strongly and at a steady state level in terms of market share in our small commercial vehicle range the standard family of vehicles. In pickup we have lost some market share in this quarter and light commercial vehicles which what we used to call traditional light commercial vehicles 4 tons to 7 tons I think again it remains fairly steady and strong. So each of these we will have to have a specific approach.

Moderator Thank you. The next question is from the line of Robin Zhu from Bernstein. Please go ahead.

Robin Zhu My question is regarding JLR, we see a currency positives in the most recent results of £73 million. I was just wondering if you could clarify the nature of that and also my next question is in the next quarter given the way the pound value and also the decline in emerging market currencies do you see a significant currency headwind in Q3 and Q4?

C Ramakrishnan Sorry, it is a slightly longish question. You are talking about the currency impact in this quarter?

Robin Zhu Yeah, there was a positive £73 million.

C Ramakrishnan Yeah, there is a mark-to-market for hedge book that we have.

Robin Zhu Okay, that is the hedging so okay because you mentioned there was a slight headwind in Q2. Can you let me know where that was booked? That is also a part of this?

C Ramakrishnan I think you are talking about two different things. If you take the revenue numbers in terms of our trade transactions in terms of export, etc., over a period of time the dollar-pound parity with the changes compared to last year we have had some hit on the top line. The £73 million that you are referring to is more in the hedging book mark-to-market valuation gains in this quarter. I loss site of your second question, was there a second question or?

Robin Zhu Yeah, it is the fact that the pound has been quite strong it is 1.6 to dollar and you have major markets in Brazil and Russia where the currency has been quite poor. I am just wondering if you see major headwinds going forward from these currencies?

C Ramakrishnan Yes, in some of the markets the strong pound would definitely affect it. And some of these markets but each of these or relatively small in terms of percentage of overall global terms of JLR. But yes, the currency impact on JLR business is always there. We have talked about it in the past. It is a business with may be up to 20% sales in UK and it is almost fall its production in UK therefore 80% has been sold outside UK. So currency impact would definitely be there. We need to be very watchful and careful about it.

Robin Zhu Do you hedge any other currency other than the dollar?

C Ramakrishnan **M**ost of hedges is in dollar.

Moderator Thank you. The next question is form the line of Amin Pirani from Deutsche Bank. Please go ahead.

Amin Pirani Sir, my question was on your capacity at JLR. What would be your total capacity and if you could also if you could break up the capacities in the different plants?

C Ramakrishnan I think in the current level we are fairly full upon capacity in terms of some head room to go a little beyond. I am not sure immediately on this call I will be able to share the plant wise capacities, etc., but this information should be made available separately.

Amin Pirani And sir, and just another clarification. You mentioned that the incentives in UK have been deducted from the other expenses in this JLR account?

C Ramakrishnan It is some part in UK, some part in other markets as well. It is not all of it in UK.

Amin Pirani But the accounting treatment is that it has been deducted from your other expenses?

C Ramakrishnan Yes and no. It is shown as other income but in terms of final summary P&L disclosure it is as other income it is netted-off against the group of other expenses in the presentation.

Amin Pirani But your revenue lines in JLR does not include that?

C Ramakrishnan No, it does not.

Amin Pirani But in your consolidated accounts is it part of other operating income because they are other operating income has really short up in this quarter.

C Ramakrishnan Yes.

Moderator Thank you. The next question is from the line of Ambrish Mishra from JM Financial. Please go ahead.

Ambrish Mishra Just wanted to get a sense on if you can share with us the regional demand outlook how do you think is panning out especially if you look at let us say China and UK particularly and in terms of our Chinese network expansion can you share some highlight as to where are we and how we plan to go forward in let us say by the time our new manufacturing unit starts functioning from next year?

C Ramakrishnan Well, I would not venture a guess on numbers, outlook, etc.

Ambrish Mishra Sir, it is not just number may be directionally if you can give some thoughts?

C Ramakrishnan Yeah, let me finish. But in terms of overall outlook in the sense I think we are also benefitted by successful launch of products. Evoque continues to remain strong in all its markets. The Range Rover that we launched last year has continued its momentum well in to this year and continues to remain strong in terms of demand and order book, etc. The Range Rover Sport is not fully launched. We are in the process. And similarly on Jaguar line up. So my comment is somewhat to be taken in the context of successive and successful launch of products in the last 12 to 18 months. We do see strong momentum. We hope the strong momentum will continue. I do not mean to necessarily comment on the overall demand situation for the Automobiles in those markets but I am talking more from Jaguar Land Rover point of view. We have to factor in the benefit of the product launches and the successful introduction of new models.

Your second question was very specifically related to Chinese networks. I think I have shared this before. We have about 130 strong dealer networks in China. We will definitely hope to increase it over a period of time. It may go up to 200 or so in the next year or so. Next two years.

Ambrish Mishra Next one to two years you are saying?

C Ramakrishnan Yeah.

Ambrish Mishra The second question was about the CAPEX at JLR which you mentioned at about £2.75 billion. This guidance remains intact for next two years or it is only for let us say FY14?

C Ramakrishnan The guidance we had given was specifically for financial year 2013-14. We said it will be in the region of £2.75 billion. We are also looking constantly at new opportunities in the market place and as and when these plans are finalized we will give a fresh indication of what it is likely to be for the future. The £2.75 billion I had mentioned earlier I think around January-February of this year we have given guidance in terms of the next financial year £2.75 billion was specific for 2013-14.

Moderator Thank you. Ladies and gentlemen due to time constraints only last two questions can be taken. The next question is form the line of Chirag Shah from Axis Capital. Please go ahead.

Chirag Shah First a housekeeping question. If I look at RM-to-sales at the consolidated level sequentially it has reduced but if I look at standalone results as well as JLR IFRS, RM-to-sales have sequentially gone up. So it is more to do with the Indian GAAP versus IFRS accounting of JLR?

C Ramakrishnan Sorry, I will pass the question at this point of time. I will definitely communicate with you separately.

Chirag Shah Second question is this £1.5 billion CAPEX for this new Jaguar platform how much of that would already be the capitalized by us? Is it possible to give some indications over there?

C Ramakrishnan No, I do not think we will be able to comment about product capitalization or product expenditure capitalization specifically. The £1.5 billion investment in the new platform has given us an indication for what we are doing on the Jaguar product lineup. I do not think I will be able to split it in terms of this year how much, next year how much and I do not think I will be able to get in to those level of details.

Chirag Shah Lastly, on the tax rates. In UK how one should look at the effective tax rates for the company going ahead because it does keep on varying?

C Ramakrishnan In terms of guidance we also took deferred tax credit I think I had explained in some of the earlier calls. The deferred tax accounting and cash exercising the overall effective tax rates both cash and non-cash deferred tax rates I think will more or less be may be slightly below the marginal tax rates.

Chirag Shah Last thing just a clarification on this £80 million local incentives that you have got can you just help us understand because this number if you look at versus last year has more than doubled. So how does this flow or what are the conditions you meet for this kind of number and how one should look at this number going ahead?

C Ramakrishnan This basically relates to some incentives you get which is metrics in to the overall volume numbers in a market partly to do in UK and outside markets. So depending on the volume and the taxes retained this is likely to see some changes year-to-year. Last year it was about Rs. 40 million and this year it is about £70 million to £80 million.

Chirag Shah Yeah, so jump is significant so it is linked to volumes.

C Ramakrishnan Volumes as well as the realization. Because the tax in UK and many places so it is a function of both volume as well as the average realization. If average realization improves that also will trigger slightly better benefits.

Moderator Thank you. The next question is from the line of Mahantesh Sabarad from Fortune Equity Brokers. Please go ahead.

Mahantesh Sabarad CR, I had a question related to the same incentive. I would presume it is in the nature of a duty drawback incentive that the UK Government is offering you; am I right in my assumption?

C Ramakrishnan No. As I said partly it is in UK a small part and partly in other markets.

Mahantesh Sabarad So if it is not in the nature of compensation for as we understand as a duty to OPEC which is meant to be a compensation for import duties. So going forward if your import contain within

UK is going to fall because we are going to have a localized engine or engines made in-house now; will this incentive start falling off as we go forward in to the years?

C Ramakrishnan No.

Mahantesh Sabarad My second question then pertains to the balance sheet note #7 which talks off actuarial valuations on pensions and which has grown to about Rs. 25,00 crores as far as the first half is concerned with a significant impact coming in this quarter Rs. 1,500 crores. I would assume it is pertaining to JLR and in equivalent pound terms appears to be £200 million for the first half. So can you explain why this significant jump quarter-on-quarter as well as year-over-year?

C Ramakrishnan Well, it is difficult to discuss in a brief way the actuarial valuation basis. It is influenced by a number of factors in terms of financial instruments pricing, discount rates, interest rates, yield on securities and the asset portfolios that you have and the other actuarial assumptions relating to life expectancy and so on. The net valuation difference that you see in this quarter it is likely to see some changes quarter-to-quarter or year-to-year based on any of these actuarial valuations. It is a large fund so even a small movement tends to have this impact. As I said earlier going forward may be over a period of time I think 2010 or 2011 we stopped the defined benefit scheme in Jaguar Land Rover for new recruitments so over a period of time the pension structure in JLR will change.

Mahantesh Sabarad Yeah because say £200 million out of £8700 million in terms of percentage erodes significantly. So this is a significant number and if that kind of provision….

C Ramakrishnan But you do actuarial valuations in net present value over a period of time you take in to account the future period depending on the life expectancy of the existing members and retired members to continue to be members of the fund.

Mahantesh Sabarad But the major impact is due to the discount rate, right?

C Ramakrishnan Discount rates and a whole host of others; inflation relate increases.

Mahantesh Sabarad And with the let us say the taper being off the table and interest rates starts moving up and inflation moving up; how does it affect your?

C Ramakrishnan And the security pricing.

Mahantesh Sabarad No, I am saying that the discount rates eventually going up. How does this affect the net liability directionally speaking?

C Ramakrishnan You have to take two things in to account. One is the discount rates increase the liability may come down but the yield on new investments also may come down a bit.

Mahantesh Sabarad But you are on net liability, right?

C Ramakrishnan Yeah, that is right. If it moves up it may have a slightly positive impact. But in this case the net gap may still not be influenced so much because the asset value also may comes down.

Moderator Thank you. Ladies and gentlemen that was the last question. I would now like to hand the floor back to Mr. Amit Mishra. Over to you.

Amit Mishra Thank you. On behalf of Macquarie I would like to thank the management team of Tata Motors for giving us an opportunity to host the call today. Thank you very much sir and thank you all participants for being there on the call. Thank you.

C Ramakrishnan Thank you very much.

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