"Tata Motors LimitedQ2 FY-15Earnings Conference Call"

November14, 2014

ANALYST: **MR. ADITYA MAKHARIA – INDIA AUTOS AND TRANSPORTATION ANALYST, JP MORGAN INDIA PRIVATE LIMITED**

MANAGEMENT: **MR. C. RAMAKRISHNAN - GROUP CHIEF FINANCIAL OFFICER, TATA MOTORS LIMITED**
MR. KENNETH GREGOR – CHIEF FINANCIAL OFFICER - JAGUAR LAND ROVER
MR. VIJAY SOMAIYA – VICE PRESIDENT - INVESTOR RELATIONS, TATA MOTORS LIMITED

Moderator Ladies and gentlemen good day and welcome to the Tata Motors Limited Q2 FY15 Earnings Conference call hosted by JP Morgan India Private Limited. As a reminder 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. Aditya Makharia from JP Morgan. Thank you and over to you.

Aditya Makharia We have with us today the Group CFO of Tata Motors, Mr. Ramakrishnan and Mr. Ken Gregor – the CFO for Jaguar Land Rover. Initially Mr. Somaiya – the Head of Investor Relations will give the investor presentation and then we will open the floor to question and answers. Over to you, sir.

Vijay Somaiya Thank you Aditya. Thank you everyone for taking out time to attend the Q2 FY15 Investor call. The copy of the presentation is available on our website and you could refer to that. If we move over to the financial highlights for the Q2 results starting with the Tata Motors Group consolidated performance the net revenue in Q2 FY15 were Rs. 60,564 crores up from Rs. 56,800 crores same period last year. EBITDA at 17% for this quarter compared to 16.3% in previous year and profit after tax came in at Rs. 3,291 crores as compared to Rs. 3,542 crores which is there. The net automotive debt equity as of September 2014 was 0.10. I will skip the H1 results and only concentrate on the quarterly result.

Moving over to Tata Motors Group India business Q2 FY15 the net revenue was Rs. 8,750 crores as compared to Rs. 8,868 crores last year. EBITDA was negative Rs. 145 crores as compared to Rs. 178 crores positive last year. EBITDA margin came in at negative 1.7% as compared to positive 2% last year and profit after tax because of the tax provisions reversal came in at negative Rs. 1,800 crores as compared to Rs. 800 crores negative last year.

If you look at Jaguar Land Rover's Q2 FY15 presentation the net revenues came in at £4.8 billion up from £4.6 billion last year for same quarter. EBITDA margins came in at 19.4% higher than 17.5% last year and profit after tax came in as £450 million as compared £500 million in the previous year. The net debt-to-equity as of September 2014 was negative 0.28.

Moving over to the India business the positive business sentiment, firm freights rates and extended lower excise duty provided support to M&HCV industry in India however subdued infrastructure and manufacturing activities lower level of finance availability and high interest rates continue to impact the demand for commercial vehicle industry mainly in the LCV segment. For the company Tata Motors the M&HCV segment saw a growth rate of 14.1% which is the first reversal which we have seen in last 10 quarters. The new launches Prima LX and Ultra range continue to lead the improvements in the market and our market share on the commercial vehicle increased by 60 basis points to 54.5 in Q2 FY15.

In the passenger car business the industry showed a growth of 10% in Q2 FY15 on the back of improved GDP and IIP growth. From Tata Motors perspective we had launched Zest and it has received a very strong and encouraging response from the customers and today the demand is higher than what we can supply and we are ramping up the production to meet the customer demand. It has first 29 segment leading features Zest has and that have been very well received from the consumers. Our market share for Q2 in commercial vehicle business stood at 50.3% and in passenger car business stood at 5.1%.

Moving over to the performance of Jaguar Land Rover, from volume perspective the wholesale volumes compared to previous year was up to 2% at 104,000 units while the retail volumes at 110,000 units were 8% higher than last year. EBITDA came in at £933 million at a margin of 19.4% reflecting the volume increase, richer product mix on the back of Range Rover Sport, Range Rover and Jaguar F-Type. Robust market mix especially in the emerging markets and which was offset by the unfavorable foreign exchange realized hedges. Profit before tax came in at £609 million which offset by unfavorable revaluation in foreign currency debt of around £85 million in Q2 FY15 as compared to positive £87 million in the previous year and on the back of higher depreciation and amortizations.

In H1 of this financial year we have spent £1.45 billion of CAPEX and product development and even after spending this amount we are free cash flow positive to the extent of £500 million. Jaguar Land Rover has substantial cash and financial deposits of £3.75 billion and they have also undrawn long term committed lines of £1.32 billion. In this quarter we had showcased the Jaguar XE and the Discovery Sport in the Paris Motor Show which will go in to production in early 2015.

Moving ahead on way forward, in the India business with positive investment and business sentiment reversal of the diesel and petrol prices lower inflation which would lead to a lower interest rate. The automotive sales are expected show improvement from the later part of H2 FY15. M&HCV has already started showing improvement on a low base and we expect the improvements to pick up progressively from Q3 FY15. The orders which we have received for JnNURM Phase 2 would help us drive our bus volumes. On the passenger car side the new products which we have launched the Nano Twist, the Vista, the all newer Tata Aria and Tata Zest and the upcoming products Tata Bolt and Safari Storme Facelift will drive volumes on the passenger car business. As I have been mentioned earlier we have a product portfolio plan which is till 2020 with a very clear defined strategy and we would continue to add vigor to this program.

Way forward on the Jaguar Land Rover side, the strategy is to continue to build the sales momentum of the two brands successfully, launched the new Discovery Sport and the new Jaguar XE as well as the new Ingenium family of engines successfully launch and start production at the China JV manufacturing plant. Invest in few more products and technologies to meet consumer and regulatory requirements; build manufacturing capacity in UK and internationally for growth, flexibility and matching global demand. Generate robust cash flows to support investments in the region of £3.5 billion to £3.7 billion this year.

With this I will hand it over for Q&A.

Moderator Thank you very much, sir.We will now begin the question and answer session. At this time if you would like to ask a question please press * then 1 on your Touchtone phone.

We have the first question from the line of Jayesh Gandhi from Motilal Oswal. Please go ahead.

Jayesh Gandhi I have couple of questions on our standalone business. One is on standalone tax are you indicating there are some prior period reversal is that correct?

C Ramakrishnan Ramakrishnan here. Yes, that is right it is the credit that we have taken in the past years which reversal of credits on accounting entry and not a cash flow.

Jayesh Gandhi And secondly, what was the impact in JLR in EBITDA margins on account of Forex?

Vijay Somaiya It is an adverse moment of £85 million.

C Ramakrishnan In valuation.

Jayesh Gandhi Sir, I meant about EBITDA; below EBITDA it is £85 million if I am not mistaken?

Ken Gregor This is slightly complicated answer. Probably with the actually the impact of exchange did not significantly moved the EBITDA margin year-on-year although it is the case that the Pounds millions EBITDA did reduce by in the region of £70 million year-on-year due to foreign exchange and the reason the percentage EBITDA margin did not move because the revenue also reduced.

Jayesh Gandhi But on QoQ basis how big impact could be?

C Ramakrishnan Compared to Q1?

Jayesh Gandhi Yes, compared to Q1.

Ken Gregor Just spare with me for a second and I will answer that. Compared to Q1 it is less than one percent of EBITDA margin.

Moderator Thank you. We have the next question from the line of Amin Pirani from Deutsche Bank. Please go ahead.

Amin Pirani Sir, my question was on JLR profitability. Obviously you managed to maintain it in the 19% or 20% range through good geography and product mix but over the next 12 to 24 months if we are able to get good volumes of the Jaguar XE plus if you are going to have local production in China directionally do you think that profitability would be under pressure just as it directionally I know you do not give guidance but directionally could that mean that profitability could be lower?

C Ramakrishnan It is difficult to strategically comment here. We had this discussion in the past and I have given the opportunities that we have and also the challenges that we have. There are couple of things that you mentioned are quite very valid and right. As we get in to smaller products it is only logical to expect that the margins may be not as we have in the Range Rover or Range Rover Sport. Similarly once the China productions starts there will be some one or two quarters there will be some shift in production and that also will have an impact. On the other hand the new products and the continuing momentum for the current product should also improve the volume and the operating economics.

So I think there are pluses and minuses I am not touching on the foreign exchange. So it is difficult but it will be our endeavor to maintain a healthy profit margins we will continue to do that. So there are too many variables; the overall volumes, the volume growth regional mix, the successful launch of the new products and the operating scale economics comes in and the modularity and the sharing of components at the platform and the configurations across models. A lot of this is positive.

Amin Pirani And sir, just on your capacity post the production alignment that you have done recently what is your capacity in the UK plants right now and what is the number that you are expecting say by the beginning of FY16?

C Ramakrishnan At the beginning of FY16 right now you can correct me if I am wrong. Right now we are operating at about 450,000 plus capacity in UK. Over the next two to three years we would expect.

Ken Gregor I think by the end of this Fiscal year it will be more like 500,000 units and really we also add in the China joint venture which we talked about the turn 130,000 units of capacity so those are the immediate movements and looking forward when you add models you tend to need to add capacity at the same time. But that is something for subsequent years.

Amin Pirani Sir and just lastly, the Jaguar XE will start production by the beginning of next calendar year or will it start in this year itself?

Ken Gregor It will start production in the first quarter of the next calendar year which retail sales the following quarter. That is our present plan.

Moderator Thank you. We have the next question from the line of Rakesh Jhunjhunwala from Rare Enterprises. Please go ahead.

Rakesh Jhunjhunwala What I wanted to know is that this £85 million loss you had have you charged it to your interest cost or has it charged the revaluation of loans to the profit &loss account? How will you charge the loss?

Ken Gregor It is two things it is the 85 is the two major pieces about 50 million revaluation of foreign currency loans that does not go through the interest line it is just goes through revaluation line and the balance the largest single item is foreign currency hedge instruments and again that does not go through the interest line it just goes through separate line on the income statement.

Rakesh Jhunjhunwala So therefore it is debited to the profit and loss account?

C Ramakrishnan Yes, above PBT but after EBITDA.

Ken Gregor But after EBITDA.

Rakesh Jhunjhunwala After EBITDA but before PBT and it is debited to the profit & loss account?

Ken Gregor Yes.

Rakesh Jhunjhunwala It is not only a balance sheet it is for P&L and value added item?

Ken Gregor Yes, you are right.

Rakesh Jhunjhunwala Another thing I wanted to ask you is that there have been reports of some fallen volumes because of your product mix the fact that you are changing the models and you are going to aluminum bodies when it will go in to this disruption in production are going to end?

C Ramakrishnan It is normally Mr. Jhunjhunwala, in any year we do have a month along shutdown in August which is the vacation the off period.

Rakesh Jhunjhunwala So that is passed us now?

C Ramakrishnan That is passed us now along with that as you prepare yourself for the launch of completely new models like XE you tend to take advantage of the shutdown period and start enabling the plant to produce newer models.

Rakesh Jhunjhunwala Right sir, that is understood but when do this disruption will end in November, December when you come to a normal production levels?

C Ramakrishnan It is in that sense a disruption. If at all there is any production constraint I would say it is more within the plant it should be more in the month August for which we start preparing in advance and manage the inventory level.

Rakesh Jhunjhunwala And sir, another question how is the demand scenario? You are coming out with cars which have been priced we cannot get your cars you have to wait and in most countries there is a waiting list. So how is the demand for you?

C Ramakrishnan Sorry, that question is about Jaguar Land Rover?

Rakesh Jhunjhunwala Sir, Jaguar Land Rover?

Ken Gregor It is a hard question and I will answer with a simple statement but I think we see solid demand for the products across most of the markets in which we compete. There are some markets that are moved ahead more than others and some that moved backwards. So for example in the quarter we see and in the first half we see economic situation in Brazil caused volumes to be lower. We see the political situation in Russia caused our Russian volumes to be flat. We see South African volumes down year-on-year because of the economic situations. By and large we see solid demand in the UK, in Germany, in the US. Our China volumes have been up year-on-year so overall we see a decent picture in terms of the level of overall demand.

Rakesh Jhunjhunwala How do you see India I mean what is the level you are losing Rs. 1,100 crores in a quarter so when can we as a company at what level of volumes can we see that you have a breakeven in India? Actually we are losing a $800 million a year in India so as a company you will some plan that if my volume go by 30%, 20%, 10%, 40% our breakeven will start making money?

C Ramakrishnan That is wide range of percentages you have given me.

Rakesh Jhunjhunwala But I do not want in percentage I mean the range can be anything, at what range will you breakeven?

C Ramakrishnan Without getting in to the breakeven I think in India as I said earlier we are beginning to see the growth slowly coming back although slowly then we would have liked. At this stage I think we see some growth momentum beginning to happen in medium and heavy commercial vehicles that is the big trucks which is an important lead indicator and it also the most attractive from the company point of view in terms of margins topline and bottomline. We have seen some handsome growth in this quarter itself continuing momentum. But of course I must caution saying that when we talk about growth we are also comparing it with the small base earlier but having said that after many, many quarter we are seeing some growth and increase in numbers in this segment.

Rakesh Jhunjhunwala No sir, but my question is you have done a Rs. 9,000 crores turnover 8,750and an EBITDA loss of Rs. 145 crores and interest in depreciation is Rs. 900 crores. So at what level of turnover Rs. 12,000 crores, Rs. 14,000 crores, Rs. 13,000 crores any ballpark figure within a range will you breakeven at the PBT level?

C Ramakrishnan It is difficult giving one magic number because a lot depends on the mix and the range of products that we have. We have products from 40 tons trucks plus to Tata Ace and half a ton trucks and we have a range of products in our passenger vehicles as well. Naturally without specific talking in terms of the company generally in the industry I would say for a breakeven you should target at least 50% to 60% capacity utilization.

Rakesh Jhunjhunwala Sir, what is your capacity utilization today?

C Ramakrishnan In commercial vehicles we are almost at that level about 50% plus and in passenger vehicles it is much lower more like 25% to 30%.

Rakesh Jhunjhunwala Thank you and congratulations on the fine performance in Jaguar but the losses are big loss in domestic, sir.

C Ramakrishnan Yes, it is. We are indeed concerned several actions and undergoing. We have significantly expanded the commercial vehicle range covering more segments and much more compelling products. The newer products are receiving very good attention and very good demand. We have ensured that they are the best value proposition that we can offer to the customers. As growth comes in as our business in commercials with a range and the ability of the products I think we are fully prepared to take advantage of the growth as it happens. Passenger vehicles just is the beginning. I think you will see more models on the Zest lines more excitement, more attractive to the customers hopefully.

I think we have made a very good beginning in Zest after some of the launches which did not meet our expectations. I think it is beginning to happen. Hopefully the external environment will continue to be positive and we will see more growth momentum in the country as well. But as far as commercial vehicle is concerned I think we have ensured that we emerge stronger from this downturn than when we entered it. Passenger vehicles the journey has just begin with Zest there are more to follow.

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

Kapil Singh Couple of things from my side. Firstly, did we receive any local incentives in this quarter like we did last year same quarter?

C Ramakrishnan You are talking about Jaguar Land Rover?

Kapil Singh Yes, that is right.

Vijay Somaiya No, last year we did have an incentive in from one of the regions in which we operate. This year that is not there.

Kapil Singh So is it expected to come through in the future quarters?

C Ramakrishnan Yes, it will. It is an annual and we will take it in our accounts as it happens.

Kapil Singh And just to understand this number clearly above the EBITDA we have talked about MTM losses on parent assets and liabilities how much was that number for this quarter? MTM of current assets and liabilities?

Ken Gregor It is about £30 million.

Kapil Singh And how much is the realized gain on matured assets and commodity hedges?

Ken Gregor It is in the region of £80 million.

Kapil Singh And just wanted your views on the volume especially in the US market we have seen some declines in last few months in retails and also Jaguar volumes have been a bit weak this year. So some thoughts on that how we are being affected because the industry growth has being noticed in US even now?

Ken Gregor Yes, I think on the Jaguar side it is a little bit of the year of transition for Jaguar because we are clearly in a phase that we are about to commence of really substantial product renewal starting with among new products for Jaguar the XE as I mentioned we should start production in the first quarter of calendar year coming. And thereafter we have got plans to refresh and replace the Jaguar XF and we showed an SUV concept for Jaguar and it is also show sometime last year and we have got plans for that as well and so it is a little bit of a year transition for Jaguar it is the products aids a little bit so the US market is new XF middle of next year and the product age a bit in the market place we did also take some production adjustments on Jaguar at the beginning of the year to make sure we have the right level of stock in the market place that has caused the volume to be a bit flatter the share so I think for Jaguar it is that year of transition that are being we will seek to build upon with the fresh products next year.

And on the Land Rover side the volumes were flat year-over-year in the quarter and that was primarily done to balancing the available production to other markets but I think we will be able to address that with some of the capacity actions that we have taking those who come to production over the next months or so. So I think we will be able to address that.

Kapil Singh And sir, just one more question on India. We have seen a steep increase in the raw material cost as a percentage of sales. So if you could give some color over there as well what exactly has changed from last quarter to this quarter?

C Ramakrishnan That is impacted by certain amount of model mix as well. That you will see margins at the level at which we are reporting naturally we cost line as the percentage to the turnover and the turnover is reported the net of variable marketing expenses and certain other provisions therefore it will look somewhat adverse. There has been no significant movement of the costs side as far as the materials are concerned it have been fairly okay. There is more the topline effect that is causing this disruption and partly the model mix.

Kapil Singh So sir, model mix is the major reason or have you also seen a change in incentives or discounts as well?

C Ramakrishnan Year-over-year I would say perhaps partly both.

Kapil Singh I wanted more color on the truck side how has the discounting changed from previous quarter or if you have taken any price increases after the end of the quarter or before that?

C Ramakrishnan After the end of the quarter October we have taken a price increase which is in line with the past approximately about 1% across different models on a weighted average basis. In terms of discounts yes, we have seen some historic high discount levels in the industry and our discount in variable marketing expenses also going up in the past. My overall comment on that would be is that in the last couple of quarters I think we have since I think January-March would have been the highest in terms of general level. Since then we have seen it either stabilizing or marginally coming off but its too soon to talk very strongly about that. It continues to be high compared to two years ago or three years ago. But on a quarter-to-quarter basis somewhat slightly better.

Kapil Singh Sir, how high would be to say two, three year ago number in terms of percentage of sales or something if you would compared with that?

C Ramakrishnan I cannot give you since in terms of percentage to sales. If you take I am talking first of all in terms of the industry and some anecdotal transactions that we have seen not necessarily Tata Motors but generally in terms of the industry. What used to be may be somewhere between Rs. 25,000 to Rs. 50,000 has gone up to even Rs. 200,000 or Rs. 250,000.

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

Sonal Gupta Sir, just wanted to understand on the Jaguar Land Rover side if I adjust for the FX hedging gains which you have realized in this quarter. I mean year-on-year we are still seeing the other expenses actually being lower on a year-on-year basis and I were to understand that you had certain marketing expenses also in this quarter in terms of showcasing the new Discovery Sport as well as the XE. So just wondering as to how that cost line item is moving is there what are the factors which are keeping it depressed?

Ken Gregor Probably the effect that you are seeing is related to the positive product and market mix that we had in the quarter compared to the same quarter a year ago. So what you are seeing is that driving strong revenue and then as a percentage of revenue there the material and other costs are little bit lower so you get that effect of the numerators changing as well as the denominators changing as well as the numerator.

Sonal Gupta And just onthe roll out of the XE. I mean two parts to it. One is that I understand that it will be launched in US only much later during the year or probably early in CY16 because you want to introduce all wheel drive variant and the other thing. Secondly will you be launching the XE in China because you will have a locally produced XF which will obviously be cheaper. So will you launch the imported XE in China? How does that strategy work for XE roll out and really which countries will you roll it out?

Ken Gregor Yes, I mean you are on the right track with most of what we said. But we will launched in China but it is too early to comment on the price thing that we will have in China.

Sonal Gupta And just lastly from my side. Any comments that you can make in terms of your inventory levels on the JLR side and specifically for China what sort of inventory levels are we seeing because my understanding is that inventory levels for even premium manufacturers are going up?

Ken Gregor I think that is fair to say but by and large inventory levels have been fairly stable perhaps over the past year or so. We do have a flow month-by-month for various reasons as model's age and models run in and models run out but I do not necessarily have anything specific to say about it.

C Ramakrishnan I think that it could be right to say that the inventory continue be the low end of where we have been operating in the past including for the dealer?

Ken Gregor Yes, overall.

C Ramakrishnan Including for the dealers.

Sonal Gupta So we should understand it should be around four weeks or something will that be a good range to think about?

Ken Gregor Typically for the business as a whole its inventory at dealers is in between one and two months on a global basis and yes, we have been at the lower end of that range for much of the time.

Sonal Gupta And it would be similar in China, right?

Ken Gregor China is tended to be at the lower end of that range.

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

Robin Zhu My first question is on just wanted to clarify something that was said earlier about FX. Did you say that \$80 million was the negative realized FX in this quarter? So like if on the old EBITDA basis there would be the difference between the new and the old EBITDA will be minus \$80 million, is that correct?

Ken Gregor Yes, so recognize that for the statistics and all the numbers had the potential to confuse. If I go year-to-year from Q2 last year to Q2 this year there is a net negative effect in the EBITDA of in the region of I think I have said £70 million and that year-to-year effect is the net effect which is the operating exchange where it has been modestly less favorable offset by the gain on hedging instruments in the quarter. Those things netting out to a net negative effect of about £70 million in the EBITDA year-on-year. What I also said was that actually did not move the EBITDA percentage very much because the revenue came down as a result of the FX rates being less favorable for most of the quarter. And then the final thing I said that there was a revaluation of foreign currency debts and other hedging instruments in the quarter £ (-85) million that is between the EBITDA and PBT.

Robin Zhu So on your old EBITDA basis EBITDA of this quarter have been what exactly it would have been 933 plus 70 is that correct?

Ken Gregor I am struggling to understand your question about the old EBITDA basis?

Robin Zhu On the EBITDA definition last year where you recorded realized FX under the below EBITDA?

C Ramakrishnan Yes, if nothing else happened on the exchange rate compared to the same period last year this year EBITDA would have been higher by about £87 million to £90 million.

Robin Zhu Okay £87 million to £90 million versus last quarter when you got it £ (+78) million?

C Ramakrishnan Last quarter or last year?

Robin Zhu In Q1?

Vijay Somaiya Well, we have been talking about in comparison with the last year same quarter.

Ken Gregor What I should say is that if the figures for the prior quarter in the presentation have been all adjusted to reflect the present treatments of hedging gains above the line and EBITDA they are previously they were below the line in a prior periods but we have adjusted all the comparables for that effect. Now as I said the hedge gain in the quarter was in the region of £80 million so therefore if we did not have that up in EBITDA then the EBITDA would have been £80 million lower.

Robin Zhu Okay, it will be lower than…

Ken Gregor Yes, same and I think we said the same thing in the prior quarter. But what I would say is one of the reasons going back a few quarters now when we made this change but one of the reasons we decided this was appropriate was because in comparison to other companies other of our premium of lots of competitors we believe they adopt this treatment and of course the hedging instruments are there to as a hedge against movements in the operating exchange which obviously also happened in the EBITDA so we think it is actually more correct to have the hedge gains in the EBITDA if we go with the operating effect.

Robin Zhu Okay, so its works more on a year-on-year basis then given that the quarter-on-quarter the Pound fell so year-on-year net?

Ken Gregor So if you take what happened in the quarter the Pound started the quarter round about on $1.70 to the Pound and it finished the quarter around about $1.63 for the Pound. So you are right the Pound fell during the quarter but for the majority of the quarter it will be upper end of that range. And that upper end of that range compared to the same quarter a year ago about the same quarter year ago the Pound rolls from 1.53 to 1.61 and in the middle of that range for most of the quarter. So year-to-year the effected exchange rates in the quarter was less favorable. Although by the end of the quarter the pound was at 1.63, yes.

Robin Zhu And the second question very quickly. In China the investigations in China and then there was this issue of China legalizing parallel import where you can ship a car and anyone could buy a car in the US and ship it to China and sell it themselves. Do you think that is had an impact on your China pricing here? The Chinese Government is making all kinds of noises saying they encourage this now?

Ken Gregor Yes, it is difficult to say I think is the honest answer and I think as and when that we understand that situation better then one could say more about it. I mean we did adjust the pricing of three of our models in sort of working in collaboration with the NDRC but have made no further adjustments. But it is difficult to give a precise answer to your question.

Robin Zhu And you must track your retail pricing has that seen any decline sequentially?

Ken Gregor They do retail prices do vary over time Yes, they do have them flow and we do watch those but I do not really have anything to add.

Moderator Thank you. We have the next question from the line of Yashesh Mukhi from Morgan Stanley. Please go ahead.

Binay Singh This is Binay Singh from MS. I have two questions. Firstly, could you talk a little bit about the demand for Range Rover and Range Rover Sport both in terms of is there any order backlog still? And secondly, what kind of derivatives are you selling like have you moved too lower derivatives already on these models? The second question is on currency. We have seen currency move favorably but as we understand you guys hedged. So when do we start seeing benefit of currency or if you could give us a blended average the rate of Pound to Dollar for this quarter? So if you could give an idea about your hedges?

Ken Gregor I did not get all of the question but I think you asked about demand for Range Rover and Range Rover Sports?

Binay Singh Which type of variants?

Ken Gregor That is quite a hard answer to be honest that we introduced longwheel based derivatives of Range Rover at the beginning of the year and we have seen good demand for that. I think that helped to move our sales forward and on Range Rover Sports we have got a full range of engine lineups and we see similar demand.It is quite difficult to give a precise answer to that. So the demand levels remained **strong** for Range Rover and Range Rover Sport.

Binay Singh Basically the demand now broadly in line with the supply?

Ken Gregor We have been taking actions desired alluded to earlier to address some capacity bottlenecks at Solihull, all in order address the available demand. So we will find out going forward as to what the exact plan of stream supply and demand is. But I think it will be in better balanced going forward with the capacity actions we have taken. And on the FX again it is hard to answer your question but in general we have got a hedging policy which hedges different proportions of our expected revenue one year out, two years out, three years out and as a result the rates at which we hedge are determined by the rates that existed in the market at the time that we hedged. And therefore it varies.

Binay Singh So just trying to get a sense when do you we start seeing some benefit from the Pound weakness?

Ken Gregor Well, it depends clearly at what rates that we iterate that through the quarter so it sustains at its present lower levels and we would all other things being equal we expect to see a favorable effect in Q3 compared to Q2 from foreign exchange rates but the important thing I just said was all of the things be equal because it depends we trade on a whole basket of currencies Pound against the Dollar; Pound against Chinese Renminbi. Also against the Euro and also against the Brazilian Real and Ruble which has been very weak. So that is the negative effect. South African Rand is weak. So there is a basket of effects but all other things be equal and then it is a question of we are in the here. It depends on what rate it is through remainder of the quarter the remainder of this Fiscal year so what the exact rate will be. But I am happier with it at 1.60

Binay Singh And just a last question. In the coming quarter we are going through a bit of disruption the way you are starting your Indian facility we are starting production in China there is a lot of re-scheduling happening at our existing facilities. Do you expect any kind of one-off ramping up costs in the coming quarter because of that?

Ken Gregor Yes, I think that is a fact of life in the car business is when you launch a new facility or a new model you get launch costs as those facilities ramp up and as you got the people there learning how to build the engines or the new cars and so you do have proportionally higher costs for the period during ramp up when you get in to the period of full run at rate production. So I think that is probably something to look forward to at some level over the next couple of quarters.

Moderator Thank you. Ladies and gentlemen,due to time constraints that was our last question. I now hand the conference back to Mr. Aditya Makharia. Over to you.Please go ahead.

Aditya Makharia Once again we would like to thank Mr. Ramakrishnan and the team for taking the call and thank you to the investors for dialing in this late in the hour. Thanks and have a good day.

C Ramakrishnan And thank you very much everybody. Okay, thank you very much.

Moderator Thank you.On behalf of JP Morgan India Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.