



“Tata Motors Limited Q3FY12 Results Conference
Call”

February 14, 2012



MODERATORS **MR. C. RAMAKRISHNAN – CFO, TATA MOTORS LIMITED**
MR. KEN GREGOR – CFO, JAGUAR LAND ROVER
MR. ADITYA MAKHARIA – HEAD, INDIA AUTOS &
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Moderator: Ladies and gentlemen good day and welcome to the Tata Motors Q3FY12 Results Conference Call hosted by JP Morgan India Private Limited. As a reminder, for the duration of this conference, all participants' 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 now like to hand the conference over to Mr. Aditya Makharia -- India Autos and Logistics from JP Morgan India Private Limited. Thank you. And over to you, sir.

Aditya Makharia: Hi, this is Aditya from JP Morgan. We welcome investors to the Tata Motors 3Q Post Results Conference Call. We have with us today Mr. C. Ramakrishnan -- CFO of Tata Motors who will give us a brief overview for the quarter and then we will open up the line for Q&A. Please go ahead sir.

C. Ramakrishnan: Good evening and thank you, Aditya. Good evening, everybody. Thanks for joining us today. On the call today in Mumbai, I also have with me CFO of Jaguar Land Rover, Mr. Ken Gregor, So, any questions on Jaguar Land Rover, I am sure Ken can substantially add to the exciting results on the business.

Just to quickly walk through the presentation, I understand the presentation has already been put on the web site which you would have access to and I will give a quick walkover. For the quarter ended December 2011, Tata Motors net revenue came in at Rs. 45,000 crores, an increase of 44% over the same quarter last year. EBITDA margins stood at 16% compared to 15.3% in the same period last year and after certain exceptional items Profit after tax came in at Rs. 3,400 crores compared to Rs. 2,400 crores in the same period last year, an improvement in PAT of 40%. We have continued strong performance that we have seen in the recent past in the previous quarter from Jaguar Land Rover continued and it continues to drive the profitability momentum. Compared to the immediately preceding quarters July-September the EBITDA margin improved from 13.3% which we reported for September quarter to 16% in this quarter. For the nine months period net revenue was at about Rs. 114,000 crores compared to about Rs. 86,000 crores in the same period, an improvement of 32% for the nine months period and overall EBITDA margins for the nine months stood at 14.4% compared to 14.9% in the same period last year and the Profit after Tax of about Rs. 7,200 crores, an improvement of close to about 10% over the same period last year.

Tata Motors standalone that is India performance, net revenue for the quarter stood at Rs. 13,000 crores compared to Rs. 11,000 crores in the same period last year, a growth in revenue of about 18%. For the factors that we had discussed earlier and that we had shared with you viz. cost pressures, increase marketing spend and relatively lower utilization of capacity in Passenger Car business, continued their impact on our margins and the margins came in at 6.7%, a reduction of about 410 basis points in margin compared to the same period last year. We also had exceptional items, mark-to-market valuation driven by continued erosion of the

Rupee against Dollar in this quarter, and as a result, after this valuation loss, profit after tax stood at about Rs. 173 crores compared to Rs. 410 crores for the same period last year. For the nine months, Tata Motors standalone India, revenue was Rs. 37,900 crores, an increase of 15.7% over the same period last year. EBITDA margin was 7.5% for the nine months period compared to 10.8% for the same period last year. And profit after tax of Rs. 677 crores, a reduction of 45% over the previous year.

In our India business, Commercial Vehicles saw a relatively strong performance. Medium & Heavy Commercial Vehicles, market share improved to 63.5% in the segment. Consumption demand continues to drive the growth in the LCV and the HCV numbers; light and small commercial vehicles. In our Uttarakhand factory which produces Tata Ace, we went through some loss of production due to certain communal tensions in October and there was a plant shutdown in December to allow for capacity ramp-up, which somewhat impacted the delivery. We took a price increase on an average close to about 0.7% in this quarter.

Competitive and tough market conditions continue to impact our performance in the Passenger Vehicles. The overall Passenger Car industry degrew in this quarter, negative growth of about 3% on a Year-to-Year basis. Tata Motors, however, improved its sales across our product lines by about almost 33% to 85,900 units in this quarter which was mainly driven by improvement of sales of Nano, Compact segment cars, UVs and Vans.

We continue our focussed network actions, other marketing actions, fixed and variable marketing support for scaling up the business. We have also introduced several new features on our product lines. Sumo and Safari drive the volumes in the UV segment. And in this quarter we also took a price increase about 1.5 to 2% which was towards the end of Q3.

We have improved our market share for the nine months period. It stood at 12.6% and in Q3 the exit market share was about 14.6%. There has been successive improvement in the quarters in our market share performance in Passenger Vehicles. Exports, however was subdued in this quarter, a reduction of about 11% compared to the same period last year. About 15,900 vehicles coming down to about 14,100 vehicles in this quarter.

Jaguar Land Rover reported a 41% increase in its turnover, £3.7 billion compared to £2.6 billion in the same period last year. EBITDA came in at £751 million, a growth of about 62% over the same period last year. EBITDA margin came at 20.1% compared to 17.4% in the same quarter last year, an improvement of 270 basis points in the EBITDA margin. Profit after Tax stood at about £440 million compared to about £279 million in the same period last year, an improvement of about 57%. Strong revenue growth led by significant volume growth, better product mix and a richer market mix and of course continued favorable exchange rates drove Jaguar Land Rover top-line and bottom-line performance.

In terms of the highlights, Range Rover Evoque continues to receive a very positive response across all its markets and similarly, well received product lines growth in Jaguar XF 2.2 and other products.

In terms of financing action, we completed a revolving flexible line of credit facility for Jaguar Land Rover aggregating about £700 million in this quarter which will be available for the company for any requirement in the future. This is a three to five year medium-to-long-term facility.

In terms of Wholesale volumes, in this quarter, we saw an increase of about 37% in the Wholesale volume. The quarter volume was about 86,300 units compared to about 63,000 units in the same period last year. 86,000 units comprised of about 71,000 units of Land Rover and about 15,000 units of Jaguar.

In terms of geographical distribution, China improved its share of the global sales of Jaguar Land Rover. China accounted for about 17% of our global sales compared to 13% in the same period last year. North America represented about 20%; UK 16%; Europe excluding Russia and UK at about 23%; and rest of the world about 17%.

Tata Motors Finance which is our vehicle financing subsidiary in India also turned in a very profitable quarter. Profit after tax came in at about Rs. 70 crores compared to more than doubling of its profits as compared to about Rs. 32 crores in the same period last year. Tata Motors Finance represents about 26.7% in terms of market share for financing Tata Motors vehicles. The book size at the end of the quarter stood at about Rs. 14,200 crores.

Tata Technologies, our IT and Engineering subsidiary, also saw a very profitable quarter, improving its profit after tax to 58%, again slightly more than doubling its performance of about Rs. 28 crores in the same period last year. A well disbursed revenue share from different geographies. APAC representing about 40%; North America 30%; Europe about 30%.

Tata Daewoo, our commercial vehicle subsidiary in Korea, however, saw a very challenging quarter with the sales and realizations coming at a pressure, both in the domestic market in Korea as well as in many of their export markets. In Q3, with slight contraction in its top-line, the company reported a very marginal loss, almost breakeven, a marginal loss at negative PAT of about Rs. 1 crore; however, for the nine months period, they report a profit of about Rs. 18.8 crores.

TML Drivelines which is the new name for the combined merged entity of Heavy Vehicles Axles and Heavy Vehicles Transmissions Limited. The new name of the merged entity is TML Drivelines. Reflecting the performance of the commercial vehicle part of the business, TML Drivelines reported a strong quarter- about Rs. 60 crores combined profit after tax compared to about Rs. 41 crores between the two companies in the same period last year.

Tata Motors – we will continue to focus on introduction of newer products, variants across our different platforms, Prima, World LCV, variants of Tata Ace, etc. on the commercial vehicles side and focus on newer introductions and more exciting products to follow across other products, passenger car range. The medium and heavy commercial vehicles, in some applications we have seen some pressure building on the demand but overall we expect the current market will sustain. Even though there are some causes of concern and the pressure is building up. Light Commercial and Small Commercial Vehicles continues to see robust growth.

On the macro front, we see the liquidity relatively available for automobile purchases. The outlook on the interest rate seems to be more moderate enough with possible reductions as we go into this latter part of this year. The industrial output and the industrial infrastructure investment continue to be a matter of concern, as we believe any improvement in particularly on infrastructure spending would augur well for the Automotive segment. We will focus on company's actions in terms of product introductions that I talked about earlier; cost actions and expansion of our dealer network and service facilities.

Jaguar Land Rover -we are adventure about the product offerings ahead for Jaguar Land Rover. Macro situation in Europe and many of the other markets is something which we are very watchful about, we will continue to remain cautiously optimistic about the outlook, the company will do all its can to meet its exciting product line up and technology roadmap, we will continue to invest in technologies and new products and that focus on many of the exciting markets.

I will stop here and along with Ken I will be happy to take any questions that you may have.

Moderator: Thank you. We will now begin the question-and-answer session. We have the first question from the line of Mr. Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh: I actually have two questions; firstly, this time around if we notice the number as per Indian GAAP and as per IFRS for JLR there is a huge divergence between margins. Could you throw some light on that? Is there any one-off in JLR margins? That is my first question. Second one is mainly on in your Indian business. The Notes to Accounts mentioned that you have almost taken around Rs. 200 crores now of Forex losses has been credited to the P&L. So, could you throw some light on that where exactly is it coming in?

C. Ramakrishnan: As far as your first question is concerned, the main difference between IFRS and Indian GAAP results reported for Jaguar Land Rover is on account of the treatment of exchange fluctuation, where for Jaguar Land Rover in consolidating for Tata Motors, consolidated operations, they have applied the AS11 accounting standard change, so that is the main reason for the divergence between IFRS and Indian GAAP number. We will be happy to share with you at a later point in time any details that you may require further on this. I do not want to take the

time off this call. I am not very clear on your second question which also is more I think clarificatory, if you can take it offline I will be happy to respond to you separately.

- Binay Singh:** And just lastly on any one-off in the margins for JLR?
- C. Ramakrishnan:** As I said earlier, JLR has also seen a favorable exchange rate scenario in this quarter in its business and overall, in terms of its top-line and valuation of its trade receivables, etc. we have had a positive impact of over £60 million in our bottom-line.
- Moderator:** Thank you. The next question is from the line of Mr. Kapil Singh from Nomura. Please go ahead.
- Kapil Singh:** My question pertains to Evoque. When we look at overall ASPs, the ASPs have actually increased QoQ. So just wanted to understand for Evoque, are the ASPs very close to company averages and the same thing for margins also?
- C. Ramakrishnan:** It is difficult to generalize an answer here because the Jaguar Land Rover products, both Range Rover, Land Rover brands and Jaguar brands come in different versions and different styles and different engine options and come with a rich variety of product mix. So, it will be difficult to generalize or pick one product in say whether that comprises a weighted average or not.
- Kapil Singh:** The reason I ask is because this quarter Evoque contributes nearly 25% of volumes. So, our understanding was that the ASPs would be slightly lower compared to company average but looking at the realization number it does not seem like that. So, is that a fair assessment or is it because of certain other changes in product mix and --?
- C. Ramakrishnan:** As you know very well, we - it is an impact not only of a particular product, it is also a question of market mix, engine options, etc. China has been significantly up in this quarter. That would tend to have a positive effect on the overall performance, both top-line and bottom-line. So it is a combination of various things.
- Kapil Singh:** And on the Evoque order book, what is it that you are holding now or at the end of December, whichever number you have?
- Ken Gregor:** I think we are not commenting on order books, but our order books remain full for the Evoque we have built about 50,000 units to-date and we remain optimistic about the outlook for the car.
- Moderator:** Thank you. The next question is from the line of Mr.Pramod Amthe from RBS. Please go ahead.

- Pramod Amthe:** Just to clarify on the earlier point, because this is with regard to our parent, if we adjust for this mark-to-market on your ForEx, the parent slips into losses because you had Rs. 170 crores profit and your mark-to-market is Rs. 200-odd crores. Is that right to understand?
- C. Ramakrishnan:** I am not sure whether we are talking about the same chart. Are you looking at the --?
- Pramod Amthe:** I am saying the standalone.
- C. Ramakrishnan:** Standalone I am reading from the chart which is available on the web site for Q3, our profit after tax is Rs. 173 crores, which is after considering exceptional item of 83 crores.
- Pramod Amthe:** No, I am saying this mark-to-market benefit which you got on the currency fluctuation, which has benefited you in the quarter of almost more than Rs. 200 crores?
- C. Ramakrishnan:** I am not sure where you got that from.
- Pramod Amthe:** This is as per your notes to accounts for the reversal of because of the currency norms.
- C. Ramakrishnan:** Yeah, I think we will have to look at that note again.
- Pramod Amthe:** So it is not going through the P&L at all. it says you are capitalized --?
- C. Ramakrishnan:** Yeah, capitalize will not go into the P&L.
- Pramod Amthe:** With regards to your R&D, what is the block which is sitting in your balance sheet now end of December? And can you give the actual R&D spend in the quarter and expense in the quarter?
- C. Ramakrishnan:** In Tata Motors or Jaguar.
- Pramod Amthe:** JLR?
- C. Ramakrishnan:** In Jaguar Land Rover the total capital expenditure and product development spend in the quarter is in the order of about £400 million.
- Pramod Amthe:** And sir how much is the expense?
- C. Ramakrishnan:** Typically, out of the total CapEx and product development spend because of the heavy investment which is mostly relating to new products, new versions and new launches the capitalization has been in the order of about 70%.
- Pramod Amthe:** And that range remains?
- C. Ramakrishnan:** Slightly higher yeah.

- Pramod Amthe:** Would you be able to share in your balance sheet, what is the block of this R&D in your total fixed assets, might be as a proportion or if you can give us a absolute number so that, that can give a handle in terms of write offs?
- C. Ramakrishnan:** Yes, we will be able to share it, I may not have it readily with me, but if you look at the JLR numbers which are being put out on the website, you should be able to look at it.
- Pramod Amthe:** Last question, the tax rates seems to be slightly higher, any particular reason or is it going to be sustainable trend?
- C. Ramakrishnan:** Tax rate has come in slightly higher mainly because of the China and other regional profits in Jaguar Land Rover. As you know in UK, JLR on its profits does not pay any taxes. They have got tax carry forwards and tax losses carry forward. It is mostly the outlaying operations in other countries that has attracted tax.
- Moderator:** Thank you. The next question is from the line of Mr. Sahil Kedia from Enam. Please go ahead.
- Sahil Kedia:** I have two questions; firstly, can you tell us what is the amount of the tax shield that is available for JLR in UK?
- C. Ramakrishnan:** If you recall I go back in time, I think at the time we acquired the company we got it at about close to about \$2 billion plus in terms of tax shield even at that time. Since then the last three, four years JLR had incurred losses as well as invested a lot in capital expenditure and product development, so if any of the tax credit available to the company is quite substantial.
- Sahil Kedia:** But there is no number that you can share with us in terms of any indicative size as well?
- C. Ramakrishnan:** It will be upwards of a couple of billion pounds.
- Sahil Kedia:** And sir can you also help us with the automotive debt on the books at the end of this quarter?
- C. Ramakrishnan:** The net automotive debt equity at the end for the quarter was 0.76 at standalone level, at the consolidated level net automotive debt equity was 0.56. Are you asking about the absolute numbers or --?
- Sahil Kedia:** Yes sir, absolute numbers please?
- C. Ramakrishnan:** Consolidated the net automotive debt was about 15,000 crores, almost all of which was in standalone with very little net debt in JLR.
- Sahil Kedia:** And one last question in the notes to accounts I have seen there is an adjustment in terms of the actuarial valuation change in JLR. There is no P&L impact. I just need to clarify that. Is that right?

- C. Ramakrishnan:** Yes, that is right. This arose mainly on account of certain actuarial factors changes like discount rates, etc. which you will see the changes in the market from time to time. Accordingly, the net pension liability has been revalued and the difference has been taken to the reserve.
- Sahil Kedia:** And one more question if I may. As per the details that are given for JLR specifically the raw material cost on quarter-on-quarter basis and the percentage to sales have been changed. It seems that there is a jump in profitability has happened because of other costs. Is there anything that it can help us understand why there has been such a large improvement especially in the last two quarters, anything that you can maybe help us understand why there has been such a large jump in respect to either savings, in terms of cost, or anything that you can help us?
- Ken Gregor:** It is Ken Gregor here I think in the quarter that we just had I think CR gave an overall summary of some of the factors that have helped us the biggest improvement in profitability in this quarter compared to a year ago has been the wholesale volume and the introduction of the new Range Rover Evoque, where we had a substantial contribution to the volumes from that product. That's really the main driver.
- Moderator:** The next question is from the line of Mr. Jinesh Gandhi from Motilal Oswal. Please go ahead.
- Jinesh Gandhi:** My question is on your JLR business. For Freelander, we have seen significant volume growth on YoY basis in third quarter. Any reasons for this, are we facing any demand slowdown for Freelander, is it cannibalization or reduction-related issue?
- Ken Gregor:** It is a good question. To be honest we do not see any substantial demand issues for Freelander but it is fair to say that both the Freelander and the Evoque are produced in the same manufacturing facility and we have really been pushing to launch the Evoque and drive the volumes of that product into the marketplace. That has produced a little constraint on the Freelander side, which substantially accounts for the year-on-year reduction on volumes.
- Jinesh Gandhi:** So any visibility about these constraints getting resolved or we expect Freelander volumes to remain under pressure in short-term?
- Ken Gregor:** I think in the short-term, perhaps, yes, we may see some constraints, but we are working and we continue to work on plans to get factory running at full capacity and I think we will see overtime some recovery in the Freelander volumes as a result.
- Jinesh Gandhi:** Okay and effectively does it mean that our monthly run rate of production would be about 30,000, nothing meaningful beyond that because of production constraints?
- C. Ramakrishnan:** It depends on what period of time we are talking about.
- Jinesh Gandhi:** Over next six months or so?

- C. Ramakrishnan:** I want to forecast for three, six months, but over time we definitely hope to improve the volumes beyond that.
- Jinesh Gandhi:** Last question is on your consolidated account, notes to accounts which have reported. I am referring to Note 4, where you have mentioned about reversal of Forex loss for first half of amount Rs. 660 crores which is credited to P&L. This would be adjusted in other expenses or where it would have been accounted for?
- C. Ramakrishnan:** Exceptional items impact you see is the net impact.
- Jinesh Gandhi:** Exceptional item net loss of Rs. 164 crores for this?
- C. Ramakrishnan:** Yeah.
- Jinesh Gandhi:** And similarly, this would also have had reversal in JLR as well. Would that be another factor because of which margins and profits are so high?
- C. Ramakrishnan:** As I mentioned earlier, in JLR results, we have seen a positive impact on account of exchange valuation to the tune of about £60 million in the results that we have reported in this quarter.
- Moderator:** Thank you. The next question is from the line of Mr. Chirag Shah from Emkay Global please go ahead
- Chirag Shah:** I would like to carry on the question on this exchange gain. This £60 million is under Indian GAAP, right? It is not under IFRS? So the IFRS numbers that we see margins at 17% the impact is only 14 million that has been displayed over there, is that right?
- Ken Gregor:** As Mr. C.R. has already said, the main difference between the two relates to adoption of AS11 treatments for revaluation of various liabilities under the Indian GAAP and the same accounting treatment does not apply under IFRS. Hence difference in the numbers and the impact on the bottom-line.
- Chirag Shah:** I was trying to understand the currency benefits that we have seen under IFRS. Are all the benefits reflected or the key benefits of cross currency hedges would be visible in next quarter for a quarter or two?
- Ken Gregor:** To be honest, this is a complicated subject that would merit a follow-up but what I will say generally is that you need to separate a couple of effects; one is balance sheet revaluation impact that we are talking about relating to revaluation of foreign currency liability debt, payables and hedging instruments and the other which we just talked about i.e. the operating exchange rate that we have enjoyed through the quarter; broadly, the pound against the dollar through the quarter was in the region of \$1.58 to the pound which was not similar to what it was in the same quarter a year ago. So, that is hard to answer the question.

- C. Ramakrishnan:** Just to clarify, on the financial exposure on the loans and the valuation mark-to-market, etc. you are right in your question to one extent. The difference between the Indian GAAP and the IFRS if the exchange rate remains at the current level, under IFRS which would reverse out in the coming quarter.
- Chirag Shah:** I was more trying to understand the impact on your P&L on the revenue side not on the balance sheet items and your cost side, because on the cross currency benefit. Are the benefits yet to fully percolate in P&L?
- Ken Gregor:** To be honest, as I said already, the rates that impact our business, that presently exist in the marketplace today are similar to those that existed in the prior two quarters.
- Chirag Shah:** And last question would be on this engine sourcing arrangement. Can you give some updates on how it is about for next year, what kind of offtake and what is the kind of volume you can achieve even a 21% volume growth on a sale like unit is that an achievable target for next year, from production constraint side, not from demand side?
- C. Ramakrishnan:** I understand, but I would not like to specifically comment on the numbers that you picked in terms of 20% volume growth, etc. Otherwise, in subsequent calls I will be asked about my revised target, etc. I do not want to walk into that. But overall, as you know, the arrangement for engine supply from Ford is the long-term one and it is a continuing arrangement with Ford and something which is mutually beneficial. As far as the engine capacity is concerned, they have had some constraints on engine capacity last year, which was more keenly felt. This year while there is some pockets of constraints here and there but overall I think we seem to be generally okay even though I would say we can do with more engines. Having said that given sufficient indication of our requirements I think Ford should be committed to stepping up their output as well. I do not see a reason why engines should necessarily be a constraint for our growth. Maybe some one or two quarters where there may be a constraint. That happens in any component.
- Chirag Shah:** Last one question on Capex. You have been guiding Capex and product development expenditure in the range of £1.5 billion for JLR. Is this a number which we can look at for next say two years or three years or the number would have a step-up based on your volumes and your revenues?
- C. Ramakrishnan:** This is something which we will have to review from a time-to-time. We would have a periodic internal reviews and relook at our product programs cascading and the timing and the sequence and if there is any investment required for any infrastructure capacities, etc. But right now I would say about £1.5 billion or thereabouts plus/minus depending on the timing of the expenditure. One year it may go to £1.7, another year it may come down, but there will be some up or down but overall our guidance would remain at that level.



*Tata Motors Limited
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Moderator: Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Aditya Makharia for closing comments.

Aditya Makharia: Hi, we would like to thank the management for addressing investor queries post results. There will be a Concall which will start in the next about 10 minutes. So, anyway thanks a lot for dialing into this call.

C. Ramakrishnan: Thank you, Aditya, thank you very much.

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