“Tata Motors Group Q3 FY18 Earnings Conference Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to Tata Motors Q3 FY2018 Earnings Conference Call, hosted by Edelweiss Securities 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 the conference call, please signal for an operator by pressing '*' followed-by '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Chirag Shah from Edelweiss Securities. Thank you and over to you, sir.

Chirag Shah: Thank you, Ali. Hi, everyone. Good afternoon and good evening. Thank you for joining Tata Motors' Q3 Earnings Call. We thank the management for giving us the opportunity to host the call.

From the management side we have today with us Mr. N. Chandrasekaran – Chairman; Mr. Guenter Butschek – MD & CEO, Tata Motors; Dr. Ralf Speth – CEO, Jaguar Land Rover; Mr. P.B. Balaji – Group CFO, Tata Motors; Mr. Kenneth Gregor – CFO, Jaguar Land Rover and other members of the Investor Relations team.

Now, I would request Mr. Balaji for his opening remarks and initial comments on the results and then we can move to Q&A.

P.B. Balaji: Thanks, Chirag. Firstly, Good Evening all of you. And thanks for joining this call. Let me also take this opportunity to firstly tell you how delighted I am to join this team, this is my first call, so I am very happy to be sharing this opportunity with you.

What I would like to draw your attention is to the Investor Deck that we have uploaded on the website and I will probably try and take you through some of the slides that are out there and flesh out a little bit more detail for you so that it will help you understand our results better.

So, without further ado let me cut to the chase:

I will be referring to the Slide number as I go along so that you can use it to navigate the deck as well. Starting with Safe Harbor Statement on Slide #2 standard there.

Moving on to Slide #3:

I think it has been an exciting quarter for us in terms of product developments across the board, be it the E-PACE sale in the EU and UK or the Nexon availability across Tata Motors in India. So we are quite happy with the way things have progressed. And would also like to draw your attention to the new Slovakia plant that is on track for starting production at the end of 2018. Delighted to see the first batch of Tigor electric vehicles delivered to EESL. So it has been a very, very exciting period for us at Tata Motors Group.

Moving on to the markets:

China and India were the bright spots for us with a very strong consumer demand in China. And as far as India is concerned, the strong support for the infrastructure program and the post-GST blues has really ensured the market is on a high. However, there were challenging conditions elsewhere, particularly the situation in UK with Brexit, with diesel uncertainty as well as the new diesel taxes is costing a fair amount of pain to the markets there. And as far as the US is concerned, the cyclicality of the markets is resulting in a significant amount of competitive spends to be done to maintain share there. But all in all, it has been a mixed bag as far as market conditions are concerned, and in that conditions, we are quite happy the way the Group has delivered a profitable growth despite these challenging conditions.

Moving on to Slide #5:

These are just the numbers out there, the call out that I have is it has reassured to see volume driven revenue growth of almost 16%, with EBIT at 3.6%, up 80 bps, and we will talk more about EBIT as we go forward.

Moving on to Slide #6:

A bit split up of the revenues. What is really reassuring on the revenue Slide is how volume and mix has come to the party and delivered a significant pickup as far as the growth is concerned. And even more satisfying is seeing Tata Motors standalone business coming to the party when it comes to the growth. And JLR continues to motor along at 5.7% growth.

As far as the retails are concerned for JLR, very strong growth in China and Ken will talk about it in slightly more detail. And as far as Tata Motor standalone is concerned, the broad-based volume growth of 30%, with CV up 35% and PV up 20% in volumes is a very strong story there.

Moving to the profitability:

JLR EBIT was down 130 bps while Tata Motors standalone EBIT was up 980 bps. And the causes for JLR EBIT going down are fundamentally linked to the Model Year runout where Range Rover and Range Rover Sport Model Years are moving into the next quarter, and because of that we are having a higher D&A expense, which, when it is getting amortized over a lower base is causing the margins to actually go down. And as far as Tata Motor standalone is concerned, this is basically the Turnaround Strategy delivering completely and being on track. On a full year basis PBT growth is almost 240%, which is a good comeback from where we were earlier.

On a nine months consolidated basis if I look at Slide #8:

The story is very similar and the PBT growth of 113% that you see here has one-off of JLR pension credits. And the cause for concern is the free cash outflow of almost Rs. 18,000 crores, primarily relating to lower operating profits, higher investments and launch-related working capital in JLR which is of temporary nature.

So, with this let me then pass it on to Ken to cover the Jaguar Land Rover results in slightly more detail. Ken, over to you.

Kenneth Gregor: Thank you, Balaji. Good afternoon and good evening to everyone who have taken the time to join us on the call. Just also continue to refer to the Slide numbers, from Slide #10 we have got some summary metrics for Jaguar Land Rover for Q3 and for the nine months, and the figures I am talking now are in Pound Sterling.

Basically, in Q3 we saw a revenue up 4% on the back of higher retail volume, also up a similar amount. In terms of PBT we saw a profit of £192 million, which is £63 million lower than the same quarter a year ago, although I should point out that the same quarter year ago did include a one-off recovery related to the Tianjin explosion of a couple of years ago. The EBITDA margin in the quarter was slightly higher than the same quarter a year ago at close to 11% versus roughly 10% you had in the same quarter a year ago. And the nine months figures, the results from that are shown underneath.

In terms of the volumes on Slide #11, a mix picture as Balaji already pointed out in terms of some of the challenges we have seen in the UK in particular, impacted by uncertainty related to Brexit and also diesel uncertainty that we are seeing in both UK and Europe and in both those regions we saw volumes slightly lower than in the same quarter a year ago. The US market has gone backwards also in the quarter, the overall industry being somewhat lower than the peak that we saw in 2017. But the brightest spots in our overall retail results has certainly been China where we saw the volumes about 14% higher year-on-year in the quarter.

By model, on Slide #12 you see the pictures, we have actually ringed a couple of factors that are going on to be able to just call those out. We have seen Range Rover and Range Rover Sport volumes lower year-over-year, that is connected with the 18 Model Year refresh that we have done to both of those products. Those were very positive, gives us a really strong freshening for the vehicle attached, the plug-in hybrid for both vehicles. And we are in the market place with those vehicles rolling out to customers this quarter, but it has been a factor that we saw a run-out of the 2017 Model Year resulting lower volume in Q3. On the plus side, we launched Velar during the last calendar year and therefore we obviously saw a full quarter of the Velar volumes in the quarter, 17,000 units. And Discovery continues in its growth phase as we have launched that model at the beginning of the last fiscal year.

Coming to the causal factors for the profitability changes:

I think the bridge on Slide #13 helps see from the £255 million PBT that we had in the same quarter a year ago, we do have higher wholesale volume round about 3,000 units. But one of the features that we have continued to see has been relatively higher incentive spending which has grown further as a proportion of revenue in the quarter and you can see how it has pushed us backwards to the tune of £73 million in the quarter. And those do reflect relatively more challenging market conditions that we are experiencing in UK, in Europe and in the US. And that is the cost of responding to more competitive incentive levels generally in those markets. We see a modest positive on product cost, that is variable cost, but on the fixed cost side we see higher continuation of the trend that we have seen in the past and should expect to continue to see, which is continually growing depreciation, amortization reflecting in the investment that we have made in those new models. And that is the largest part of the £178 million increase on the fixed cost side.

Exchange:

Foreign exchange has been a relative positive for us in the quarter, although most of that is the non-recurrence of prior period loss in the same quarter a year ago of £67 million, and then there are two one-time factors with non-recurrence of the £85 million recovery we have for Tianjin, but we have got a positive of £45 million relating to a China market incentive that we received in the quarter. And all of those things together with the EBIT movements that are called at underneath the bars, helps to explain why we see the quarter the way we have in some of the causal factors.

Slide #14, and Balaji mentioned this, we did see a cash outflow in the quarter in the region of £660 million, which is clearly a sizable figure. It is related to the two factors that you can see – the ongoing investment that we continue to make in new models, in technology, in the infrastructure of our business, so that continues and also a working capital effect which is broadly related to inventory connected with the changeover between 2017 Model Year and 2018 Model Year on the Range Rover and Range Rover Sports, and would be expected to be a timing item that ought to reverse in Q4.

On Slide #15, talks to the investment spending that I mentioned. And we will talk a little bit more about some of what we are investing in the strategy section in the second, but broadly we continue to be on the front foot in investing for future growth and investing in fantastic new products that our customers will love, because that is our reason for being in the business and this is our best antidote to the relatively more challenging market conditions that we find ourselves in.

Slide #16 talks to the liquidity – despite the cash outflow that we saw in the quarter and have seen year-to-date, the good thing is we do retain strong liquidity as a business because we expect to see some ebb and flow of the working capital cycle in our business, some parts of that is normal as the seasonality we see in our business. And therefore, we have restructured our debt maturity profile to spread that maturity over the next five or six years in a relatively smooth manner that gives us the confidence that we have no major refinancing risks at any one point in time.

Slide #17 talks of the year-on-year movement in foreign exchange. I just described the various causal factors, actually what we saw in the quarter was unfavorable operating exchange compared to the same quarter a year ago, but that is being offset by lower hedging losses in the quarter. So the (-134) on operating exchanges offset by a (+151) on realized hedges from a year-over-year point of view, and then you can also see the favorable year-over-year foreign exchange mark-to-market that we saw in the quarter.

Just turning to the strategy section:

I am now on Slide #19. Our strategy is consistent, and we continue to invest to drive sustainable, profitable growth and create experiences that our customers love for life throughout products and services that we also provide.

Clearly, in Slide #20 I have talked about the environment being challenging and of course it is, it is exciting environment for the automotive business right now, whether it is the geopolitical and economic environment including Brexit that I already mentioned, or the market forces which is causing us to see higher incentive levels. But also of course the electrification that is taking place in the car industry and will continue to take place and the uncertainty that is bringing around diesel engines for example and the emissions compliance. But we are also seeing trends of course for driver assistance, connectivity, and mobility trends. And all of that brings with it relatively high investment requirements for the business. And of course, we as a business we will not stand still, we are seeking to take action to address all of those challenges, for example we are investing in hybrid and battery electric vehicle technology as evidenced by the launch of the Range Rover, Range Rover Sport plug-in hybrids this quarter. We are investing in fantastic new infotainment technologies, for example, that are also in those vehicles and with the launch of the blade technology in the Range Rover Velar we launched earlier this year. And we have launched and continued to launch exciting new products like the Jaguar E-PACE that is now coming to showrooms around the world as we speak. And of course, we are very focused on cost efficiency management with our lead project that we kicked off over two years ago as a direct response to the challenges we saw around the cost of emissions and the challenges of the market.

In terms of industry volumes on Slide #21, I think I have really talked about this a bit already, so I would not labor it. But we have seen lower UK industry volumes, Europe has grown with significant diesel uncertainty and the US is down which is really I would say more of a cyclical factor after a peak year in 2016. Overseas recovering somewhat, and China overall industry volumes being relatively flat, and as I said within that we managed to grow our volumes.

Slide #22 talks to the longer term:

I think in the longer term we would continue to expect to see premium car volumes grow, and therefore underpinning our continued belief that we can invest in fantastic new models and increase our market share, but also within a growing premium marketplace in most regions around the world underpinned, as you can on the chart, by China.

And I think Slide #23 just showcases and evidences what I just talked about with those new products. Also included there, that I did not talk about already, our Jaguar I-PACE, our first battery electric vehicle that is coming this year to our line-up which we are incredibly excited about.

Slide #24 talks to what we are doing to address the challenges of ACES, invest in autonomous technology, investing in more connected technology. We will have our I-PACE electric vehicle on sale in 2018 on top of our plug-in hybrids on Range Rover and Range Rover Sport. As well as starting to invest in shared mobility related investments, in particular we did make a modest investment in the company Lyft and we have InMotion venturing business to invest in some of the future transport and mobility and that is something we can build on going forward.

Slide #25, perhaps just reinforces what I said about our investment in electrification and related technologies. And as we announced last year that from 2020 all Jaguar Land Rover vehicle would offer electric options, whether that is mild-hybrids, plug-in hybrids or the full battery electric vehicles.

With that I hand it back to Guenter and to Balaji to turn to Tata Motors.

P.B. Balaji: Thanks, Ken. So moving on to the Tata Motors standalone results, very happy to see turnaround on track and we are seeing strong in both CV and PV. I think we had talked about the Turnaround Strategy from July this year and we are seeing all-round improvement in our performance which I will just talk about a little bit here. The EBIT improvement is fundamentally due to lower VME and higher realizations and the benefit of the impact projects which we will spend a little bit of time on. And what we are clearly seeing is that ever since a bit of a stumble we had post the BS-IV migration, we could see consistent improvement in our performance. And EBITDA at 6.2% is now up 220 bps on a full year basis.

Moving on to Slide #28 is giving the shared performance, we have tried to capture this across time. And you would notice that the business is slowly but surely turning around in terms of building back it shares in the journey back to its hay days. And it is going to be an interesting journey from here onwards and an exciting journey at that.

Moving on to Slide #29:

What I am really reassured by is this broad-based growth across the portfolio, be it on M&HCV, I&LCVs, SUVs or CV Passenger Carriers, each one of them is showing significant growth as well as market share gain, albeit we need to still have some journey to cover as far as the M&HCV market shares are concerned. And we are on the case as far as that is concerned.

Spending a little bit of time on CV:

What has really changed here to deliver a volume growth of 35% and a revenue growth of 52% is basically driving all round execution in this business. We had called out portfolio of gaps as one of the areas in the Turnaround, happy to report that most of the portfolio gaps are being plugged and of course we will continue to now start tap into those white spaces and not just plug gaps. We will step up market presence which we have done in a very good way and we will continue to do this journey. And as we look forward, I think one area we will definitely leverage is our superior SCR technology to win customers. And also, given this kind of scotching growth rates we will need to ensure that our S&OP rigor is done well to ensure we meet these surges in demand. You would notice even in our January callout we are still finding some demand-supply gaps in our setup because of managing to cope with this growth rate coming through. And of course, profitability continues to be a key focus area and will drive aggressive cost reductions to improve that profitability.

Moving on to PV:

Where it is about getting basics right to win back customers, that is the thematic. We are very, very reassured with the strong response to our new products be it Tiago, Tigor, Hexa or Nexon. And the Impact design, now Impact 2.0 which you will see in the auto show is clearly creating a lot of buzz in the market and is also driving change in the brand image, and that is a very good place to be in. In this segment we will continue to activate creatively to step-up product experience, because the more our consumers are able to experience the products we are able to see conversion step up, and we will focus on network expansion on top of this. And here again the focus on cost reduction is absolutely rigorous in order to ensure that we deliver a early breakeven in this business.

Talking about PBT:

I am on Slide 32. PBT is higher by almost Rs. 1,200 crores with EBIT margins up 980 bps as I called out earlier. And if I ease out the improvements, combination of volumes which is volumes, net pricing as well as operating leverage, those are the three things that will come into the numbers. The volume and mix number is fundamentally a combination of both the tailwinds of market growth because there is very significant tailwind in this market at this point in time as well as share gains in that kind of a market, so that actually is a double joy. And the pricing now starting to pickup with commodities starting to rise as well as lower VMEs is what you are seeing as net pricing in these numbers. And between net pricing, product cost and fixed cost that is where all the ImpACT projects that Guenter had called out in his earlier presentations are falling, and this fixed cost actually coming down with this kind of growth rates is falling right down to the bottom-line and your fixed cost operating leverage almost showing 600 bps of improvement. And therefore, it is an all-round performance story that you see on the PBT side.

I am moving on to the free cash flow Slide:

Very happy to see free cash flow being positive after quite some time. And this is basically a combination of both high cash profit as well as favorable working capital, and that is something that we intend to continue to drive hard as we look ahead.

Moving on to investments:

Tata Motor standalone invests roughly about 6% odd of its revenues, the numbers are slightly lower than what you would see elsewhere because the commercial vehicle business is not that capital intensive and therefore that is the reason the numbers are slightly lower. But having said that, we can assure you that we are well invested as far as the business is concerned to ensure that we are tapping into the growth opportunities, and therefore we will invest for growth in this business.

On the liquidity side, again an adequate liquidity with an average maturity of three years, so we are quite comfortable on the debt maturity profile.

With this let me now hand it over to Guenter to just talk us through the strategy that we have in Tata Motor. Guenter?

Guenter Butschek: Balaji, thanks a lot. So, good morning, good afternoon, good evening, everybody. It is my pleasure to put some background information into the details as they have touched and presented by Balaji. Also, for Tata Motors standalone the fiscal year 2017-2018 was a very eventful and very challenging one, that would conclude as represented by the figures that we have very well countered these challenges.

On Page #37, BS-IV transition, we have countered by very quick ramp-up across the board our portfolio of our SCR solution in the displacement larger 180 horsepower in commercial vehicle. GST, we actually leveraged the opportunity to create value opportunities on the Powertrain xEVs, we had a very powerful entry into the EV space becoming L1 on the largest public tender submitted by EESL in August last year. And as we move to the right on the Slide we actually see pressure on margins counter attack by the ImpACT project that were launched in autumn 2016. And Balaji mentioned that we have effectively closed all of the board. we are now on the way to actually open white space opportunities for further opportunities of Tata Motors.

The Turnaround plan, Page #38, is very aggressively driven by the organization and with a strong focus on execution. Just to repeat, we in fact have regained the market share characterized by plugging the product portfolio, building strong network and relationship with key customers and shareholders and stakeholders and also to launch innovative, attractive customer offerings. The second angle of this is drive rigorous cost reduction, it is all focusing on improving the contribution margin across the entire product range, but also to drive productivity and efficiency across the organization as we have just seen the effects also as far fixed cost allocation is concerned. The third one, build the robust, agile, and efficient supply chain. There is rigorous approach on our new S&OP process, consolidating and building a strategy supplier base to provide capabilities also for the future. And the process to optimize our own manufacturing footprint in order to get into a higher utilization rate of our technically installed capacity.

As far as the long-term strategy is concerned, Page #39:

We have given it a headline called 'Win Decisively in CV'. So that means we would like to keep momentum, we would like to further build this momentum by being extremely focused on the actions taken. And there are principally speaking four actions which characterized through a large extent to way forward CV:

1. Strengthening the product planning with reference to white space as already mentioned.

2. Take the lead in technology in BS-VI but also xEV Powertrain solutions including also the fuel.
3. As far as our product lineup is concerned, build modularity and platforms approach in the product development which is going to create an effect across the entire value chain coming from our suppliers, which gives us the chance to reduce the number of suppliers going for larger content of the suppliers all the way to our own engineering department where it can actually start sharing more responsibility also with more capable suppliers and actually leveraging our technically installed capacity in return of a higher output.
4. And the fourth one is enhanced customer engagement, product and service offering.

If we switch to PV on Page #40, here the headline is 'Win sustainably in PV'. As we talk about sustainability and the context of our PV business is all about leveraging a platform-based approach. And as already mentioned earlier, we actually build the future product portfolio into platform, one is what we call Advance Modular Platform as of Today, it might get a different name in the coming days, just as a reference to the upcoming expo. It is small hatches to SUVs, here we are going to bring multiple top heads in order to cover different segments. It is all future ready as far as the safety requirement are concerned, high degree of commonality in order to build economies of scale, while at the same point of time it is very flexible and light platform. It is going to come in the first instance with diesel and petrol, but as it is future leading it is packaged protected for all kind of different xEV solutions.

So called the D8 platform where we are going to show this week at the expo the first vehicle as well as about to get into the market in a year's time. It is a proven architecture with its routes in Land Rover. It covers all the safety requirement. It is plug-and-play for the future technology and will actually give a platform for all future models from 4.3 meters to 4.8 meters. Also here it is diesel and petrol, it is package protected for xEVs and it becomes a first product of Tata Motors standalone with manual, with automatic transmission and even in the future with these solution.

On Page #41, as we have mentioned with reference to the financials, we have plugged all the product gaps, thus Page #41 gives you of all the relevant segments a good idea of how many products were effectively launched. Putting this in the context of across the product portfolio introduction of BS-IV plus 70% increase of output in the second quarter further more in the third quarter, you can possibly get a flavor of what kind of degree of exertion we have accepted for ourselves which we have also imposed on the entire supply chain and value chain. On top we have introduced an electric bus in the nine meter and 12 meter version, fully tested and now ready to participate in the upcoming tender. And the Tigor EV, I made a reference to it became L1 in the public tender of EESL.

On Page #42, as far as the future is concerned, the future discussion is all built around leveraging the extended ecosystem and we see four main directions, it is about leveraging new partnerships and new business models, it is about going for leadership in EVs and has a very focused investment in technology and Powertrain solutions. Also for India we see an increasing importance of advance private assistant systems and connectivity as well as by the higher demand of evolving customers comfort and convenience. And last but not least, drive mobility as a service to create disruption where we think that we are in a predominant position to actually play this game most effectively.

For the ones who would like to know more and for the ones who enjoy benefit to effectively be in India at the coming date, I would like to invite you to come and pay us a visit at the Auto Expo because that is our interpretation and our representation of smart mobility in the context of smart cities which we believe releases the overarching theme in India on the way forward for the automotive industry.

Balaji, back to you.

P.B. Balaji: Thanks Guenter. Moving on to the rest of the deck, I think just to summarize, Tata Motor's Finance subsidiary, we talked about it a little bit in our deck but I am very happy to see the strong broad based rebound that is happening in this business. The loan book has grown 17%, the market share is up 500 bps, PBT is up and most reassuringly the gross non-performing assets on a 90 day basis is down by almost 1,350 bps, which is a very good position to be in. And its corporate lending book is also now starting to grow, this is a very pivotal investment that Tata Motors has because it is a financing arm of Tata Motor and getting it back to the health is a key priority for us.

So, talking about the last Slide which is the Looking Ahead section, how do we see the business going forward. Clearly as Ken alluded to and we have been alluding to in the markets, there is very clearly a challenging global environment, there are softer markets in the UK and the US and the competitive situation is pretty intense. Geopolitical uncertainty, Brexit in particular is a cause for concern. And the challenges on diesel continue to rise. And in this environment there is all-round disruption happening from ACES and this is a context that JLR finds itself in.

And how do we intend to see this going forward? Very clearly, JLR will continue to invest in products and technology and for this year we expect to see £4 billion plus happening for products, technology and capacity for this year.

As far as Q4 is concerned, we expect a stronger performance driven by newer models, seasonality and improved profitability coming from JLR. It should be definitely better than Q3. And as far as medium-term is concerned, we target to achieve an 8% to 10% EBIT with newer models, better cost efficiencies as well as operating leverage. So, that is the JLR story.

Moving on to India, we clearly see an improving demand outlook in India with step-up infrastructure fund spending, rising consumer confidence as well as disposable income. However, the regulatory environment continues to remain challenging and in this environment we will continue to drive our Turnaround Strategy. As far as Q4 is concerned we expect a strong all-round performance to continue from Q3. And for the medium-term the aim to achieve a 6% to 8% EBIT through higher growth, better cost efficiencies and operating leverage.

In this context, we should also keep in mind that with this challenging environment we also need to look at getting fit for the future and therefore in this spirit we will continue to review, redesign and refresh our asset base, our investment priorities, our policies, our processes and capabilities. And if there are any changes to this we will update you in the next three to six months. So that is our outlook.

And a quick logistics note on investor relations. We had heard you over the last few days in terms of, I met a lot of you and you did comment upon things that we need to step up on our investor relations side, on communications. I am happy to confirm that with the support of the board we have ensured that this analyst call will always happen at 6:30 pm on results day and there will be one comprehensive deck for all stakeholders. Also happy to confirm that there will a annual analyst meet that will happen for both TML India as well as JLR. TML India is now scheduled for the 5th of June, do mark your diaries for that. And JLR is on the 22nd June in the UK, again we look forward to seeing you there.

And with this let me now turn you over to the Chairman for his comments.

N. Chandrasekaran: Thank you, Balaji. Thank all of you for this opportunity to share a few thoughts on Tata Motors. I just want to give a few comments on the domestic business as well as the JLR business.

With regards to the domestic business our key focus has been on three areas to gain the market share back on the commercial vehicles and also improve the market share in passenger vehicles, and deliver growth that is profitable and cash accretive. And that is a transformation journey that we have been on. And I am happy to see the progress steadily in the September quarter and again the December quarter. And as Balaji highlighted, the outlook for Q4 remains quite good. So, I think we are in a sustainable growth and sustainable profitability performance journey, but we have a long way to go. And we are also happy to see the traction that we have got on the passenger vehicles for our new models, and that business also is continuing to improve the margins at the contribution level and at the EBIT level. And the focus there is to turn neutral as early as possible.

Moving to the JLR, it has been a spectacular journey for JLR for the past many years. The business has been continuing to run on the treadmill with tremendous focus on innovation and new product launches and creating brands that are truly aspirational. We continue to see a strong volume lead growth in the face of a very tough market condition, when I say tough market condition it is the multiple factor that they are facing, one is the geopolitical scenario, particularly Brexit, and then the advancement in technology whether it is EV or whether it is some of the other things like connected cars and everything else that we are seeing. But we are committed to make investments in the right places in order to ensure we stay ahead of the curve.

In fact, both businesses Tata Motors and JLR are committed to the EV journey and making all the right investments in order to stay ahead of the curve. At the same time we are also focused on delivering strong financial performance. Though the JLR performance this quarter has been below their own standards that they have been delivering, the team is extremely committed to build a very sustainable profitable growth over medium-term as they have articulated to deliver that range of margin with volumes that are industry leading over a period of time and also we are focused on being cash accretive. And I expect Q4 to be a better quarter for both Tata Motors domestic as well as JLR, but here my main message is to tell you that we are focused equally on CV and PV in the domestic market and in the technology innovation at JLR so that we come up with aspirational products and deliver continued financial performance going forward. Thank you.

P.B. Balaji: Thank you, Chairman. With this we are now happy to take questions. So, Chirag, over to you.

Moderator: Thank you very much. Ladies and Gentlemen, we will now begin the question-and-answer session. We have the first question from the line of Kapil Singh from Nomura Securities. Please go ahead.

Kapil Singh: Mr. Balaji, thanks a lot for incorporating the feedback that we have sent and really appreciate this presentation that you have uploaded and the presentation format as well. So, first of all thanks for that. Secondly, I have two questions; firstly, related to forex for JLR. We have seen currently Pound appreciating to levels of around 1.41, so how does it impact your margins outlook, if at all, especially the medium-term outlook of 8% to 10%? And related to that, the outstanding forex loss that we have given at the end of third quarter, does it become neutral at current levels of currency? That would be my first question.

P.B. Balaji: Thanks, Kapil. With respect to forex hedging, I think one thing which we have tried to put out together and I hope you appreciate that is that we have tried to now look at FOREX impact at an EBIT level rather than looking at individual pieces. The reason you put a hedge is that there is underlying that goes the other way and between the underlying and the hedge together is what we have to look at the number, that is what is the purpose of hedge is and that is how volatility gets stemmed out. So therefore, if you look at this quarter, the net impact on EBIT/ EBITDA level is a marginal 20-odd million which is comfortable there. And even if you look at a full interest line level which is what you see the next number of 79-odd million, 67 million pounds out of it came from the prior period base year impact. So, in actually this time forex is almost a no news as far as our numbers are concerned. What we are drawing out in terms of the depreciation of the Pound, yes it is bringing down the hedge reserve and you are seeing about 897 million of the closing hedge reserves that we have, and we will improve going forward because of the changes in forex. But simultaneously keep in mind operational exchange will go the other way, that is the nature of the beast that we are trying to tame. And therefore, I would urge you to look at this together. And another broader way to look at it is, though we hedge out anywhere between three to five years, the duration of the hedges that we have put in place is about 18-odd months, and most therefore the impact of the Brexit numbers are all mostly behind us and therefore this amount of 18 months is something that will keep going up and down and that is we need to put that 18 month in place on a duration basis, I am not looking at the tenor basis but on a duration basis, that will move up and down in line with the forex number there. So, hope that gives you a sense of what forex is about.

Kapil Singh: Yes. So what I was trying to understand is that does that in any way change your medium-term outlook in the current scenario?

P.B. Balaji: No, it does not because you also have the operational exchange will go the other way, because if the Pound does appreciate, most of our cost are stting in Pound Sterling and therefore you are likely to see a difference there. So a 8% to 10% EBIT, please keep in mind it will have to done under all conditions, whether forex goes up or goes down.

Kapil Singh: Got it. The second question is related to China JV, we have seen a significant dip in contribution from there and I believe we had an incentive for this quarter as well. So, could you just help us understand how to expect the profitability and what lead to lower profits this quarter?

P.B. Balaji: I think the Model Year launches we are expected to see in CJLR going into Q4 is one of the reasons why we have called out there is likely to be an improved Q4, other than that intrinsically the business is in a very good shape and would like to continue that way.

Kapil Singh: So, no major changes in profitability for the business over one year?

P.B. Balaji: I mean, there is nothing fundamental.

Moderator: Thank you. We have the next question from the line of Pramod Amte from CIMB. Please go ahead.

Pramod Amte: My two questions are, one, with regards to the standalone entity. The improvement in margins is phenomenal, is there any one-off and you feel this type of 8% - 9% EBITDA margins are sustainable? Second is with regards to the JLR, you are entering a interesting phase where you are taking a third party which is Magna as an assembly for your E-PACE, what will be the accounting related impact in terms of margins because you are outsourcing the same and also to the bottom-line?

P.B. Balaji: Okay. Coming on to the Indian business, I think if you see the numbers there there are three big movements that you would notice in the EBIT margin improvement, because of volume and mix about 2% odd improvement in EBIT, net pricing improvement of about 1.6%, product cost marginally is other way around and significant numbers come because of fixed cost leverage. From a fixed cost leverage perspective that is linked to the size of the business and as long as we are ensuring that the cost growth is lower than the business growth this number should continue to improve, so it is a very straight forward piece there. And the things that we will be very, very keeping a close eye on is how are we ensuring net pricing continues to remain positive, there is a intense competitiveness in this market and therefore need to be careful about reading too much into that piece. But having said that, we are committed to improving this business and the profitability of this business. So there will be various levers that will play depending on what we are able to move at a point in time. And the same therefore holds true for any conversation on outsourcing, etc, in JLR as well, because there will be up elevators and down elevators and it is for us to manage the business overall. So would not want to get drawn into individual line level conversation on that.

Moderator: Thank you. We will take the next question from the line of Yogesh Agarwal from HSBC. Please go ahead.

Yogesh Agarwal: Just a couple of questions from my end. Firstly, on JLR, from a little longer-term perspective if you look at the last few years there has not been much of operating leverage in the business because things like employee cost per car have continuously gone up, almost like £1000 per car. So, now that new cars are being coming from Magna and most of your big launches are over, if volumes grow can we expect operating leverage to start kicking in in the next few quarters?

P.B. Balaji: Yogesh, you are right. If you look at the fixed cost leverage of JLR is something that we are acutely aware of, and that is one of the reasons we look at our 8% to 10% leverage Slide that towards the end looking ahead when we are calling out, we are exclusively calling out operating leverages one more area of leverage to look at. And therefore, we will be looking at this pretty closely and the team there is absolutely committed to the same.

Yogesh Agarwal: Okay. And just for this quarter the realizations are down like 3% sequentially and the clean margins ex-hedging is also down like 300 basis points, and it seems like it is probably the Range Rover runout. So as you ramp-up the new Range Rover now can we expect equal bounce back in realizations? And secondly, do you expect higher volumes also from the new Range Rover or it will be largely impact on realization?

P.B. Balaji: Okay, let me answer the question on margin and then I will hand it over to Ralf to comment on the volume impact of the new Range Rover. Number one, you are right, the fact that you had a Model Year runout on Range Rover, one of our most profitable products, does impact the numbers and that has been called out there. And as far as the margin improvement plan is concerned, we will look at all options, identical to Tata Motors all levers will be at play there. And with respect to your expected performance of the Range Rover Sport, we expect to see a bounce back.

Dr. Ralf Speth: My clear run out delivers challenges from the margin side as well as volume side and our expectation is quite clear that we can really come back with both margins and volume. What we see at the moment is already very strong demand out of the region around the world.

P.B. Balaji: Yogesh, hope that answers your question?

Yogesh Agarwal: Yes, thanks. Ralf, just now that you are on the call, just quick one for you, any update on I-PACE bookings because we are hearing that the Model 3 in Europe is lot more expensive than US, so does that put you in a much better position for I-PACE? And have you seen any acceleration in bookings for I-PACE?

Dr. Ralf Speth: By the way I will immediately talk with my marketing team to may be make the vehicle a little bit more expensive. The I-PACE is a very premium electric vehicle, consequently designed, engineered and auto packaged with a freedom of the new technology. And therefore, we expect high demand for the car and we are absolutely optimistic. The car is also produced in Magna and we are going to deliver it more or less as a very first premium brand, really a premium factory vehicle already this year. So, we are very well advanced and optimistic.

Moderator: Thank you. We have the next question from the line of Binay Singh from Morgan Stanley. Please go ahead.

Binay Singh: Couple of questions actually, first I will start with the raw material side. If you could comment on the raw material pressure, both on India side as well as on JLR side, particularly for JLR because we seen aluminum prices rising very sharply and Ford and all guiding down predominately because of high aluminum like JLR. The second question on JLR again, the past you have talked a lot about LEAP 4.5, the £4.5 billion cost cutting plan at JLR. So I think it was announced in 2016, the plan was by 2020, we see a sizable gain. So any update on that? and the last again on Jaguar Land Rover, two of your most profitable products are now coming up for ramp-up, the Range Rover and the Range Rover Sport, but when we look at the US retail sales are still weak, so when do we exactly see the volumes hitting the market for these two models? These three questions, thanks.

P.B. Balaji: Let me hand it over to Ken to cover this question, and then I will pick up the material cost for TML standalone at the end.

Kenneth Gregor: Yes, on material cost in the fullness of time if aluminum stays at its present level than that would, all other things being equal, be a cost pressure on the business which we have to take on just like all other sorts of pressures. But of course it is only one-off number improved costs into business that we have. But yes it is a bit higher than that it was this time last year. In the short-term on aluminum we do have some hedging that is providing an offset in this quarter, in particular from the mark-to-market of the hedge gains on aluminum and other commodities. In terms of the LEAP cost efficiency project, very much that still is one of the core planks of what we are pushing forward as a management team to address the twin challenges that we saw when we launched it a couple of years ago, being one the normalization of the new normal that is emerging in China has emerged in China in the marketplace and more competitive market conditions there; and two, the cost of investing in CO2 related technology and material cost associated with CO2 technologies. And very much we are pressing forward with those initiatives because we are clearly in the face of the present market conditions that we have talked about need to from the point of view of continuing to press forward on cost targets underpin by industry benchmarking, accelerating supply cost efficiency and value management, driving efficiency in our operating cost base, including making changes for example that we did at the beginning of the fiscal year to our pension scheme to reduce the ongoing cost of our defined pension arrangements. And finally I would say of course that the launch of our factory in Slovakia which launches later on this year is very much part of that thought process in order to access a lower cost location for manufacturing and sourcing all parts of the same process. So, yes, we push forward with that.

And on Range Rover and Range Rover Sport, we are very excited about the possibility that the refresh gives us as well as the plug-in hybrid, so I think I do look forward to seeing those products being successful in the market place this year.

Binay Singh: Would suggest a follow-on that also, how is aluminum rally like a sizable headwind or do you think it is something manageable and when exactly do we see the Range Rover, Range Rover Sport refreshes, like which month do they start getting launched globally?

Kenneth Gregor: I was not going to get into the specific line items, so the specific sensitivity on aluminum, but as I said its one-off of number of headwinds that we have to confront and which is why we also hedge it. And on the Range Rover and Range Rover Sport, yes those are in the market place now and so I would expect to see some retail sales of those 2018 Model Year this quarter and then developing through the next fiscal year. Thank you.

P.B. Balaji: And as far as your domestic material is concerned, clearly we do see inflation, and particularly steel is inflating as you are well aware of. And therefore, we are watching the developments closely and taking prudent pricing correction wherever we need to, wherever we are not able to manage through cost savings.

Dr. Ralf Speth: And maybe I can add, in the calendar year 9% growth in the fiscal year 5.2% growth, so overall we are on a record level volume wise in the US at the very moment and we think that we can grow further.

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

Robin Zhu: Firstly on the FX, this quarter you seem to realize just about 300 million of FX losses, there is several hundred million pounds of current FX reserves. I seem to remember a few quarters ago there was a company presentation that said that the FX losses have come down in Q4, if that goes down, should we expect the FX losses realized to be less in Q4 than Q3 or has that changed anyway first of all? And then second question, you mentioned obviously with the I-PACE coming you also mentioned there is a plug-in hybrid of Range Rover and Range Rover Sport on the latter I am quite keen to understand what do you think these plug-in hybrids, whether they will have higher margins than group average or if you think that the things will fall over because of the incremental technology costs?

P.B. Balaji: You would have noticed that the hedge reserve has indeed being coming off as we had originally said, the numbers are now at about 900 million pounds as you said. And it has got two factors going into it, one is the hedge itself elapsing because the time is now finishing, and we are consuming the hedge off, the other is the currency is moving. And therefore, we expect to see that trend to continue going forward as well.

Dr. Ralf Speth: In terms of electric vehicle and PHEV, we see PHEV as a kind of approaching technology which will not last for very long but has to be offered also. The technology is twice two drivetrains, so we expect that in the mid and long-term electric vehicles will overtake in cities.

Robin Zhu: But in terms of the plug-in hybrid, I mean obviously the Range Rover and Range Rover Sport are very profitable, would the extra technology cost that you have for plug-in hybrids will these still be accretive to the group's margin or does that stop being the case? Thank you.

Dr. Ralf Speth: I guess overall, we have to manage to complete business, plug-in hybrid at the very moment a very, very small percentage in addition to the completely new Model Year 2018. So with this complete mix we expect that we can continue a sustainable growth in a good way.

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

Sonal Gupta: Just one number question. I mean, could you tell us how much of FX loss or gain is built into JLR IFRS topline?

P. B. Balaji: Okay, could you give us minute. In the meanwhile, you go on with the remaining questions.

Sonal Gupta: Sure. So my other question was like JLR is spending 4 billion pounds plus in capex this year, which includes R&D plus, I mean the plant related capex in Slovakia and engine related capex. So I just wanted to understand over the next couple of years, given that we will require more investment on the technology side like you highlighted. Do we see capex going up further? Or do we see that as a plant-related capex falls off or volume related capex falls off then we have more room to spend on those areas without necessarily the absolute number going up very sharply. So I just wanted your thoughts on that.

P. B. Balaji: I think going forward, what kind of capex I think right appropriate time to discuss that is in the context of the strategy. So I think I would suggest we await the analyst day where we will be able to give a fuller picture of it and we also will be able to share with you how we are pulling it together. So don't want to just hazard number without backing to it. So rest assured that if you look at the Chairman's statement that we are equally keen on cash accretive growth as well and therefore, we will be looking at all angles from which to look at this number. But we will build the investments into this, investing for growth and investing for cash accretive growth. So it is a tight rope balancing that we will have to do. And the best time to explain that in fullness would be the annual analyst meet. On the realized FX in the P&L this time is close to about 304 odd million is the FX derivative that are hitting us on the revenue line.

Sonal Gupta: Which is a negative, right?

P. B. Balaji: Yes, that is right.

Moderator: Thank you. We will take the next question from the line of Jamshed Dadabhoy from Citigroup. Please go ahead.

Jamshed Dadabhoy: So one question on JLR and one on the domestic business. On the domestic business, very strong performance. So congratulations out there. On the net pricing that you all had on the year-on-year basis of 612 odd crores, could you give some more color or context and is this coming from CV, is it coming from passenger cars and how sustainable is this going forward? That was the first question.

P. B. Balaji: Thanks, Jamshed. The pricing is happening in both the places. Keep in mind that there is also commodities coming through. And therefore, to that extent there is an element of pricing that is to cover off for inflation. At the same time VMEs as a percentage of turnover are coming down. That is another one that is contributing to the pricing that you see. And thirdly, of course, both in CV and in PV there are strategic price corrections being done. And as mix starts coming in your way, better products coming in, you are getting pricing through that as well. So all the 3 factors are coming together to deliver the price.

Jamshed Dadabhoy: Okay. So broadly this is sustainable?

P. B. Balaji: Yes. The only thing the fly in the ointment is the intensity of competition because we are very clearly on the growth path and winning back shares rightly that Guenter rightly put it in terms of winning decisively in CV. And therefore, we will ensure that we do all that we need to compete effectively in this market.

Jamshed Dadabhoy: Okay. On JLR, you all have mentioned that the VME has now hit above 6.9% of revenues. And If I recall, in the time of the financial crisis, you all were close to about 7%-7.5%. So would you say that discounts from the JLR side have peaked? Or do you think they are going to continue from there? Like continuing the trend of higher percentage of sales?

P. B. Balaji: I think the story is identical here as well saying that we will do whatever is needed to ensure that we win in this market. And therefore, we have great products and we have to ensure those products are reaching our consumer and therefore, we will do what is needed. And at the same time, we are very clear on our objective of delivering the medium-term EBIT margin. And therefore, instead of looking at individual lines of the P&L, I suggest we just look at the full piece and we will move all lines of the P&L as it is supposed to be moved.

Jamshed Dadabhoy: Okay. And broad brush on this medium-term target in JLR 8% to 10% EBIT margin, what is the sort of underlying sort of volume growth assumption you all have penciled in for FY19, FY20, or medium-term, forget FY19, FY20?

P. B. Balaji: Why don't we take this question for analyst meet because I need to give you the full context of it rather than just give a number to you? We will then be able to give you a more coherent, well thought through and more importantly everything tying up together, which is what I have to give you. Just a number alone would not make much of a sense here because it has got immediate ramifications on model introductions, immediate ramifications on CAPEX and how does it all the tie up together. So I think you just need to give it a bit of time on this. Suffice it to say, we don't intend to give a guidance in any case. It is more about sharing with you how our thinking is and how we put our plans together.

Jamshed Dadabhoy: Correct. But right now, I mean from where we sit honestly it is appearing a little unachievable. So if you could give some sort of bridge on how you intend to get that, that would be useful because the context which earlier you mentioned the macro is definitely challenging.

P. B. Balaji: I think that part is a straightforward one because it is pivoted on 3 things. First is volume growth because keep in mind this is a high investment business and therefore volume growth is a very important part of the puzzle. And one of the reasons why we have stumbled this year is with the kind of external challenges that you see on diesel and others, which are creating the volume growth challenges and hence the trouble there. So volume growth is an integral part of our equation. And second is cost efficiency. And these cost efficiencies at a contribution margin level are crucial and they come from two directions. One is the kind of model introduction in the premium that we can create on the innovations that we do. And second, of course, is the tight cost controls we need to maintain on our models or modularity as well as the kind of complexity we have in our setup. And third, of course, is the operating leverage where we have to keep a tight leash on our fixed cost so that whatever volume growth that we get is able to flow through as far as operating leverage is concerned. So that is how we intend to look at it. And we should be able to share a more granular plan with you when we are there for the analyst meet.

Moderator: Thank you. We will take the next question from the line of Sahil Kedia from Merrill Lynch. Please go ahead.

Sahil Kedia: Most questions have been answered. I do have one question. Considering that there is so much uncertainty from the macro geopolitical and also regulatory where we are hearing of multiple cities also putting restrictions on diesel engine and stuff like that. Is there a rethink on the length of the hedging policy purely from the fact that it becomes that much more difficult to forecast? That would be question one. And second, a couple of years ago, there was a lot of talk of platform consolidation helping JLR margins. Now that we are largely through with that, Ken, is it possible for a little bit of color in terms of how it helped the cost structure of the company?

P. B. Balaji: Let me take the first one and then I will ask Ralf for the second one. As far as I think I must correct a misconception here. We are roughly about 26 billion, 25 billion kind of a business side, anywhere in that range, and the business of that size holding on roughly about 20 odd billion of cover is what we maintain. And though we do 5 years out is what we have said before, but the actual volume that we do in that is only some 5% or less than that. The duration of this hedge is only 18 months. Given the duration of 18 months, worst case, keep in mind we are a growing business. It is not that the business is not delivering volume growth. I would not be absolutely with you if you are suddenly here turning up and saying we are not able to deliver volume growth. We are delivering volume growth. But an error in estimation of the forecast will take you up by a plus or minus 1-2 months max, that's about it. It doesn't go beyond that. And we are seeing some strong growths in places like China, we are seeing places in other parts of the world which have gone into bit of a jam right now, but we are hoping that would clear out at some point in time. But we are still delivering volume growth there as well. So therefore, the hedging per se is not like we are hedging way out of line. We are hedging very much in line and 18 months hedged for this kind of a business and having come from another company, I can see the challenges needed for why we need to do this level and if I were more naturally hedged, I won't have to do this level of hedges. But I am not naturally hedged in JLR and therefore we will have to get this volatility out of our equations so that we can plan better. So therefore, I believe we are hedged appropriately. We have done the benchmarking with others as well. We are not out of line. If you correct for the fact that we are not naturally hedged. Does it help give a better context to it, Sahil?

Sahil Kedia: Yes sir. Thank you.

Dr. Ralf Speth: And from an overall architecture point of view, yes, we have consolidated the platform strategy and getting to a really very flexible advanced modular platform. We have reduced overall platforms and nevertheless achieved higher commonality overall lower cost. But please be aware, Jaguar Land Rover is also advanced, very advanced in this electrification hybridization and battery electric vehicles. That means that right at the moment we are already creating new architectures. New architectures for the battery electric vehicles because you have a totally different architecture, you have a totally different package. You need also then for remaining cars, totally new architectures because and by the way everybody not only Jaguar Land Rover, everybody need these new architectures, why? Because have also to combine the internal combustion engine with electrification, hybridization or then, as I mentioned, the battery electric vehicles. That is a shift, that is the transformation of the automotive industry and that is quite clear, it is challenging everybody and to this effect we are advanced, we are feeling this kind of elements a little bit earlier.

Moderator: Thank you. We will take the next question from the line of Jatin Chawla from Credit Suisse. Please go ahead.

Jatin Chawla: The first question is on, again, just a bit of clarification on the China JLR, CJLR, number that you have reported. You have reported a 25 million EBIT for the quarter and you said, there was a 45 million grant there. And so 50% of that would be 22.5. So does it mean that the profitability of that business without the grant was very low in the quarter? And when I compare that on a Y-o-Y basis, 35 million versus a number even adjusted for tax of let's say, 5 million-7 million, there is a significant drop, anything I'm missing here?

P. B. Balaji: Yes. Let me pass it to Ken to just give a context to it, so to give a better more detail. I think we must also keep in mind the Model Year changes that are there on the most profitable businesses from that perspective. So we are not unduly concerned about the numbers coming from there. But why don't I hand it over to Ken to give it a bit more color.

Kenneth Gregor: Sure. Thanks, Balaji. Just the point of clarification. The 45 million local market incentive that I referred to earlier came to Jaguar Land Rover, not CJLR. So that figure is not in CJLR numbers. And whilst, yes, the CJLR profit for the quarter is lower in the fullness of its calendar year, we are actually very pleased with its results and with the overall development of the business with the new models that we are launching we are looking forward to its continued development in 2018.

Dr. Ralf Speth: And if I may just add new models we have now also launched the XE long wheelbase after the XF long wheelbase so that we are better in the market. And in addition, we deliver outstanding high quality out of these plants. And by the way, we have just launched the new engine plant in China.

Jatin Chawla: Thanks. That is very useful. Just a quick clarification on this. This 45 million in JLR gets accounted for in the topline itself?

Kenneth Gregor: Yes.

Jatin Chawla: Second question is on the India business, where on the M&HCV side, we have seen that you made a lot of efforts on reaching out to your customers as well as plugging the white spaces, but still the market share numbers are flattish on a Y-o-Y basis. What is more that you need to do to improve share there?

Guenter Butschek: I am going to take this question. Thanks a lot. As this has already been mentioned and part of the presentation that we are still being constrained as far as our operation capacity is concerned, against a strong market demand or as it was told by Balaji in the presentation, the tailwind, which we have enjoyed after the long period of headwinds in the Indian markets, we're in the process to debottleneck it. And we have been significant ramp ups across the entire product range. But since the recovery, it was largely based on the range of the new product and also that we have seen at the same point of time a shift from the previous those assumptions to rated payload assumption that was very strong demand for a couple of our new products just to mention the model 5718 we are replacing 25 ton product solutions in the past or then the 4923. And this is one of the reasons why we have not been able to fully capture the market potential where we actually were behind our own aspirations as far as the volume was concerned. But as we are debottlenecking the system so from a building a strategic supplier base, we do see upside potential on the demand side, which we are going to capture on the back of the product and the high acceptance of our new engine technology in the market.

Jatin Chawla: Thanks. One last clarification, on the big chart that you give, how do you define product cost? Is it the variable cost and would things like commodity changes or vendor rationalization savings would all of that go in there?

P. B. Balaji: That's correct.

Kenneth Gregor: That's correct and just a quick clarification the 45 million of the China market incentive actually is not in the revenue, it is in the other income on the Jaguar Land Rover income statement.

Moderator: Thank you. We will take the next question from the line of Amyn Pirani from Deutsche Bank. Please go ahead.

Amyn Pirani: My question is on the overall variable marketing expenditure at JLR. Now, the way I look at it there are 2 aspects to it. One is the additional incentives for Range Rover, Range Rover Sport, which will most likely come down or reverse in the coming quarters. But at the same time, we are also seeing increased pricing pressures on the existing portfolio. So could you help us understand what is happening in the various markets with regard to the relatively newer models, which is Discovery and Velar, as well as those models which are facing some fatigue like the Evoque and the Discovery Sport so that we can understand how this metric could move in the coming quarters?

Dr. Ralf Speth: Ken, you take it.

Kenneth Gregor: Yes. Thanks, Ralf. I think overall I don't want to get specific on specific levels of variable marketing for specific models. The general pattern that you allude to is the general pattern we would normally see, which is older models, which tend to have higher variable marketing in newer models, which tend to have lower marketing spend. And in run out phase on the, you are right, on the '17 model year Range Rover that would attract somewhat higher variable marketing ahead of the launch of the new model. I think overall what I would say is, they are right, I don't particularly want to give an outlook here on incentive spending other than the general trend that I have described would be one that I would expect to see. But the other factor that have alluded to is we do continue to see relatively more challenging market conditions in the U.K. and U.S. and Europe and that is the underlying theme of what is driving the marketing expense. And I think, therefore we should look to see some of those trends continuing. But that again is something more for discussion at the Investor Day, perhaps, in terms of our outlook for the following year.

P. B. Balaji: And just to close that point, if you look at the call out that we are doing on Q4 being better than Q3 definitely one of those will also include wherever possible VME optimizations as well. So that will be very much part of the play that is there.

Moderator: Thank you. We will take the next question from the line of Jinesh Gandhi from Motilal Oswal Securities. Please go ahead.

Jinesh Gandhi: Couple of questions. First on the number side, we could see a decline of 3% in JLR realization Q-o-Q, is it just because of Range Rover, Range Rover Sport? Or is there anything else to that?

Kenneth Gregor: I think, perhaps, the biggest causal factor between Q2 and Q3 is the weaker product mix that we have seen in Q3. And that factor, model run out is the biggest single driver behind that.

Jinesh Gandhi: Okay. And how would this net pricing compare this quarter 6.9% of revenues impact, how it would be in Q2?

Kenneth Gregor: Yes. In Q2 somewhat lower more round about 6%.

Jinesh Gandhi: Okay. That largely explains that. Secondly, tax rate JLR has been almost 53%. Is there any one-off their or how should one read into that?

P. B. Balaji: I think we have called this out. If you look at the press release, we have called it out in our effective tax rate. You recollect that there is tax rate reduction both in the U.K. and in the U.S. and we have to therefore adjust our deferred tax asset, which we had originally assumed that it will get at a higher rate, that's not coming down to a lower rate, which means your effective tax rate for the in quarter goes up to that extent. That is the biggest one-off that we have seen.

Jinesh Gandhi: Okay. So the adjustment has been largely done or we will see this recurring in coming quarters?

P. B. Balaji: The deferred tax asset has been restated to this level, so it is the one time correction. Correct me if I am wrong Ken.

Kenneth Gregor: No, that's correct, Balaji.

Jinesh Gandhi: And lastly with respect to our FY18 JLR retail volumes, we were expecting about 10% growth. Are we still expecting that will be kind of a growth because that in turn will mean very strong growth for the fourth quarter?

P. B. Balaji: No, wouldn't want to. The reason why we have specifically called out, I don't want to hold out to a number at this point in time because we are dealing with a pretty tumultuous time as far as the market conditions are concerned. But we are very clearly signaling that Q4 will be better than Q3, but wouldn't want to hold myself to a particular number because we are dealing with a quite a moving piece here.

Moderator: Thank you. We will take the next question from the line of Kumar Rakesh from BNP Paribas. Please go ahead.

Kumar Rakesh: My first question was related to JLR. We see that you have taken the EBIT margin guidance range of your predecessor over the medium-term. Now at the time when this was introduced and then incrementally many new headwinds have come in, in terms of accelerated diesel reduction in the portfolio, accelerated adoption of EV, which itself is our margin headwind and much higher investments which we are seeing, which is now showing up in much higher depreciation as well. So with these incremental challenges, which have come up since the time this margin guidance was introduced, how do you plan to address these heavy headwinds coming your way to achieve this 8% to 10% guidance? And this as earlier participant also mentioned that it looks like unachievable right now. That's my first question.

P. B. Balaji: Thanks, Kumar. I think the point on 8% to 10% being a significant number that is out there and how are we going to achieve it is what we are trying to tease out with our comment with saying that there will be a combination of 3 factors. And I think new models play a very important role in this. And therefore, they are as long as they are margin accretive in the renovation typically you are able to pull that off. And that is the key first step in this. I think an area where we haven't delivered the best of the results that is operating leverage. And therefore, that's an area we will be looking at very closely. And if you look at, just to compare and contrast, if you look at the Tata Motors standalone results you are seeing one of the significant improvement journey that is coming out of operating leverage. And given the business size compared to what it was very small earlier on to now a 25 billion euro business. It does give you the ability to start looking at this lever as well. But what I would suggest is that, we will be able to tease this out in greater detail when we come for the annual analyst meet because you are right, there are multiple challenges we are currently dealing with. And therefore, we need to ensure that we're factoring those in and make our choices very clearly as we navigate this turbulence. But the fact is we have got 2 fabulous brands in Jaguar and Land Rover. And normally in tumultuous times a very strong brand helps. And the fact that you got really 2 strong brands gives you the ability to then start premiumizing this business and it's a premium car portfolio as well. So we are fully cognizant of this target, we're fully cognizant of the fact that we need to give the road map for this. And you should hear, start getting better plans on this being shared with you when you come for the Analyst Day.

Kumar Rakesh: Thanks. That's helpful. Certainly looking forward to it. Given that we also have Mr. Chandra on the call, I had one question for him. Are you considering rationalizing long list of subsidiaries which Tata Motors currently has? Especially given that some of them are loss-making and not exactly in synergy with the core auto business?

P. B. Balaji: Chandra has just stepped out. As far as the subsidiaries here, I can answer. I can take that question, very clearly in focus and something that we will have a very strategic roadmap for each of the subsidiaries and a plan of how they will deliver value creating growth or they are better with someone else. So therefore, that is a plan that we will be executing. And we are going through the plans one by one as we speak. And therefore, that is something that you should hear a more comprehensive plan on this in the coming days.

Kumar Rakesh: So you will have a blueprint on what you would like to keep?

P. B. Balaji: Exactly. We already have the blueprint, it is the question of us now getting that aligned internally and more importantly execute that once the board gives us requisite approval. So we are in advanced stages of putting the blueprint together and you should hear from us once we have that ready.

Moderator: Thank you. We will take the next question from the line of Pramod Kumar from Goldman Sachs. Please go ahead.

Pramod Kumar: My first question pertains to the diesel exposure. So if you can just help us understand how does diesel exposure stand at the end of the quarter or probably for the nine month period or even for the calendar year 2017 because historically we always had the highest diesel exposure in the luxury bag, so if you can provide color on that. And related to that, is there any rethink on the incremental capex what you are doing on the new engine lines, especially on the diesel side on the 3-liter side. Is there any rethink on the capex of that?

Kenneth Gregor: I think in terms of diesel, overall, of course, the nature of our products and the market feature that we have is that in the U.K. and in Mainland Europe, the majority of our volume is diesel. However, it's also the case that's in the U.S., in China and elsewhere in the world the majority of our engine sales are petrol. So globally, we do have a measure of balance there. But of course, U.K. and Europe is heavily diesel.

Pramod Kumar: Apologize, I should have been more specific. I was actually referring to Europe where is anti diesel move, what should be our percentage of volumes coming up from diesel?

Kenneth Gregor: It is a high majority of diesel in Europe. And therefore, with the industry volumes overall being somewhat lower in diesel, that is one reason why we see our sales also down in Europe in the quarter. As far as our investments go, it is the case that we see an important future for diesel as well as for petrol engines. And we see an important future for clean diesel which all of our diesel engines that we produce are EU6 diesel today and given the market balance that we have got with U.K. and Europe being majority diesel and the rest of the world being majority petrol, we see a continued need to invest in both clean diesel and clean petrol technology as well as, of course, in plug-in hybrid and battery technology that Ralph already talked about.

Dr. Ralf Speth: Maybe I can add something. From Europe as we mentioned, we have a very high percentage of diesel but the market has leveled out now. So, I guess, in Europe despite diesel gate coming out of Europe, I guess we can stabilize. More critical and by the way, the issue for is the U.K. why? First of all, similar issue concerning diesel and on top of that we will see from the very 1st of April an additional diesel tax and nobody knows of this at the end of the day will, let's say, involve or impact the customer choice. If you see the market, the market has fallen now for the fourth month in sequence and the market is down by 22% to 30% already and we see a further market decline. From our side, from a production system point of view, we are flexible for cylinder production so we can shift from one to the other propulsion system. Also I really would like to make it a highlight. Diesel is necessary in the future and all of our vehicle have decent EU6, EU6X or whatever it is APC whatever, and we run it with a SCR and so with the latest and highest technology. So that in principle, the NOx issue is not an issue. Service, for instance, also not a project of an issue anymore. And CO2 is by far more, let's say, favorable within the diesel than overall petrol. So overall, please don't bring diesel down. It is a very interesting engine to bridge and we will really see electrification and battery electric vehicles coming up.

Pramod Kumar: Thanks. Second question pertains to the capex with JRL. This quarter, we have done practically net debt at JLR though in the marginal number and fourth quarter it may reverse out. But how do you see the FCF situation at JLR for FY19? And also given in context that how much of optionality is really left in the capex especially given the pressure on diesel and the increasing competition on the stagnating growth when new launches become more relevant. At the same time, we need to continue to invest on hybrid and EV. So how should one look at FY19 at JLR levels in terms of both free cash flow and the capex? Thank you.

P. B. Balaji: I think, Pramod, let me take that. I think, I have already covered that saying that we're going to spend time giving you the more fuller story in its entirety, because that requires time. We need to spend a quality time to explain the whole piece and then the story needs to be told together. So I would suggest you, as far as 2019 is concerned, we need to wait for that period of time before we can give it here rather other do a proper job of that and then to give a number on the fly. But I think what I would really drive your attention is to the comment that we have made exclusively saying that we are keen for cash accretive growth everywhere in the business and therefore, within that we will need to see this piece as well. So we have stayed committed to the investment at the same time we have committed to the cash flows, both will have to be done. And what we are going to explain to you, how we intend to do that.

Moderator: Thank you. We'll take the next question from the line of Hitesh Goel from Kotak Securities. Please go ahead.

Hitesh Goel: My first question is related to this again the associate income in the China JV. You said that there has been a ramp up in the new launches because of which this has happened and in the Q-on-Q there is a huge drop in the income. So is it related to genuine increase in the depreciation expenses and also the one-time cost that could have come in because of starting of the engine plant? Can you give more clarity on this?

P. B. Balaji: Ken, would you want to take this call?

Kenneth Gregor: I actually felt that Balaji had answered the question relatively fully already. Overall, yes, the results of the JV has ebbed and flowed quarter-by-quarter related to launch costs and deliveries in the particular quarter. But for the full calendar year, we are actually very pleased with the performance of the joint venture and its level of operating profitability. And as Ralph mentioned, we have the XE long wheelbase launching now and therefore gives us another product in the China market place to move forward with in 2019.

Hitesh Goel: Can you give us the variable marketing expenses as a percentage of sales for the second quarter. And if you can provide it for the last 4 quarters for us to get some sense on how these variable incentives are moving, would be really helpful.

P. B. Balaji: I think, I have again answered that question earlier, saying that we wouldn't want to get drawn into individual lines. We have, I think to ensure that we give you reasonable sense of where the business is why we explicitly called out Q4 as expected to be stronger. And I think that is where we would have to leave it at this point in time.

Hitesh Goel: My final question is on standalone operations. You have written in your PPT that the passenger vehicle businesses you expected to breakeven. Is it at the EBITDA level or PBT level? Can you give us some sense? And what volume should we look at in our PV business so that it would breakeven so that what should we watch out for basically?

P. B. Balaji: And I think when we talk about breakeven, it is real breakeven, it is at PBT level, what is the time we need to take a breakeven. And these are capital intensive business so interest is also, we are a borrowing company and therefore we need to take interest also into the equation there. So it is at a PBT breakeven. It is our plan to get there. And of course, teams are working to see how early can get there. This is exactly what the Chairman called out as well. So rest assured that, that is agenda which is extremely crucial and Guenter just refer to how do you win in PV sustainably. And so you will notice that we are, all hands on the pump as far as that is concerned.

Moderator: Thank you. We will take the next question from the line of Saurabh Kumar from JP Morgan. Please go ahead.

Saurabh Kumar: Sir, both my questions are on the India business. So this guidance of 6% to 8%, which you have given for the India business EBIT, I'm guessing this assumes that the PV business breaks even, so that is first. And second is the debt of 18,000 crores, can you just lay a target as to where you want this to go over the next 2 years? Thank you.

P. B. Balaji: When we move to business from where we are today to get to a 6% to 8%, definitely PV also has to play a part. It can't be only on CV alone. And therefore, how soon they get to breakeven is the challenge that the teams are currently grappling with and again we will be able to share a better plan for it when you come for the analyst meet there. As far as the debt itself is concerned, our net automotive debt to equity is quite all right. It is just that we are not happy with the level of debt. Therefore, we would love to generate cash and then pay down the debt. And therefore, we will look at every area of investment, be it CAPEX or subsidiaries or whatever else that may be there to ensure that we generate the right levels of cash in the business and pay down the debt. And therefore, it is not about we are uncomfortable with the level of debt, it is more like we should be generating cash as a business and pay down the debt that's how we would love to do it.

Saurabh Kumar: Okay sir. Thank you. Just one final clarification. The 6% to 8% EBIT target, which you have given, I mean, does it factor in any contributions from PV business at EBIT level or no?

P. B. Balaji: Let's look at it differently. Today, there is an x amount of EBIT we make and there is an x amount of losses that PV business makes. So for us to improve from current 6% to 8%, PV will have to improve, CV will have to improve and that's how it will get to this place. And as far as individually the PV business is concerned, they have a very clear mandate that they have to get to breakeven as soon as possible. And that's the plan they're currently drawing up which we can share better at a slightly later time once we are ready with the plan. So they have an equally important contribution to make as anyone else into delivering the 6% to 8%. Hope that helps.

Moderator: Thank you. We will take the next question from the line of Chinmay Gandre from Future Generali Life Insurance. Please go ahead.

Chinmay Gandre: Sir, just one clarification. With respect to JLR P&L, depreciation which is roughly 546 million pounds, so it does not have any one-off or anything, I mean going ahead more or less this kind of depreciation would repeat?

P. B. Balaji: Depreciation is a very difficult to get a one-off. So it is underlying.

Moderator: Thank you. We will take the next question from the line of Priyaranjan H from Systematix Shares & Stocks. Please go ahead.

Priyaranjan H: My question related to mostly India business. So on the CV side we have been seeing that continuously, I mean despite all the market share talks and all we have been market talks and all we have been continuously losing even in tipper side, although the demand for tipper stands very high. And the second part we're talking about leading or winning in BS-VI. But what we have seen in BS-IV global player like Daimler or BharatBenz has actually gained in terms of shares at the expense of domestic players. So how do you look at this?

Guenter Butschek: Without giving any comment on the competition, but let's assume for a second since we have the same technology namely SCR for higher displacement of the commercial vehicle engines. Whatever the gain of the competition has been, it was simply not just because of this engine technology because there is no difference between Tata Motors as a global player and in global technology applied. As far as the tippers are concerned, I kind of commented on this earlier we have significantly been ramping up the volumes, in particular, on some of the models I have mentioned. The market demand would have been even stronger than our production capacity. That's the reason why we had to take certain choices as far as the overall demand structure in M&HCV was concerned and amongst other choices was the question not only which kind of model do we produce, but also what kind of customer do we serve, the cargo segment or the construck segment. This is the reason why possibly not seeing in all of the segments the same growth as we over performed in the third quarter.

Priyaranjan H: Even in multi axle side, we have seen, we have gained significant share in 3718, but we have lost in terms of 2518 or 3118. So is it more related to the production issue in both the models? And even in the tractor-trailer side, we have seen some kind of market share losses, slight gaining in 4923.

Guenter Butschek: I don't like to get lost in the discussion of line items as far as our overall deal statistic is concerned. But as I have just mentioned, if you have a constrained operations, constrained production, you have to make a call and you make the call accordingly to the way you actually see the current market priority effectively priorities of your customers and adjust the capacity also in line with the capacity availability at the same point of time. So therefore, all of this, you would most probably call it deviations from your expectations have been very conscious calls on the basis of constraints across the different products and for different reasons.

Priyaranjan H: And one thing on production of Nexon, I mean are we fully aligned with the market demand or we need to do more in terms of production for Nexon?

Guenter Butschek: We can do more. Let's take it from the positive side. Market demand is very strong. And we saw the ramp up of our capacity in order to keep up with increasing market demand as the visibility of the product in the market has improved. And we see an increase of showroom traffic and a much higher conversion rate in our showrooms.

Moderator: Thank you. We will take the next question from the line of Avi Hoddes from Sandbar Asset Management. Please go ahead.

Avi Hoddes: Couple of questions relating back to diesel, Sir, could you give us some color as to roughly what percentage of the 5 billion capitalized R&D on the balance sheet pertains to diesel technology. And then of the 2 billion R&D spending in JLR at the moment, how much of that relates to the diesel technology still? Thank you.

P. B. Balaji: Ken, would you want to take this question?

Kenneth Gregor: I will take it, but only to perhaps say, I think, that's getting into a level of detail that it is difficult to address on this call. Maybe this one I will push forward into broader discussion in June when we have our Investor Day.

Moderator: Thank you. We will take the last question from the line of Shalendra Mundra, Individual Investor. Please go ahead.

Shalendra Mundra: I just wanted to make a comment and perhaps get some response on the marketing side of the journey of the JLR. I believe that JLR, both Jaguar and Land Rover are iconic brands. And you have been producing great products. And while there is a requirement, there is a need for continuing the renewable of the portfolio. I think you already have great products and particularly congratulations to the team for winning the World Car of the Year Award for Velar last year and I hope you will win it again this year. So my comment is, let's have a very strong, a lot of discussion on the marketing side. The discussion has been dominated by the financial, the hedging cost, the production, the design, the investments, but we haven't spoken much about marketing. And I believe the marketing what Al Ries and Jack Trout have said, marketing is a battle of minds. We already have great products. What are we doing to win in the marketplace? And I suggest that in every conference call, and every analyst presentation, we should present the most important KPI for any consumer product brand, which is the market share. As long as we are winning and gaining market shares, we are doing fine. If the headwinds for everybody, diesel headwinds are for every diesel car maker, are we still winning? And I would humbly suggest that Tata Motors and JLR should have a very ambitious target of becoming a leading luxury car brand player in the world. We should gain market shares in front of Mercedes and BMW and Audi. And I would like to see slow and steady rise in our market share. We should have a very ambitious goal for this and we should not be apologetic about market conditions about exchange rates, about not having brands or not having products or having whitespaces and all. These are all excuses. I believe we should have very strong commitment to gain market share. And I hope as an investor, I'll see that in next 3 years. Thank you.

Dr. Ralf Speth: Thank you, if it was just a comment I agree with your statements by the way. Yes, Jaguar Land Rover really runs the two most iconic brands in the industry. And so we really go from a quantitative to qualitative sales and marketing operation and your idea to grow only market share is right, but it's for me not only market share, but it's a profitable sustainable growth that means also next, let's say, poor volume we have to see the profitability which goes with it. Now we are absolute on this trend to reduce this one-dimensional volume and price equation and really do far more for the brand health as you requested. And I can only agree in the premium business brand is everything and will become even more important the closer the vehicles are going to come from the competition.

Shalendra Mundra: Thank you very much. I agree that we should not blindly follow market share. It should be profitable growth. However, I'm requesting that we present market share numbers for most important, maybe not for every product but at least the most important product so that everybody within the Tata Motors and JLR team and outside they can see the progress. And also I suggest that don't forget to use digital marketing. We are a global company, we have limited resources, but digital marketing is becoming very important tool to become a big player in the consumer minds. Thank you very much.

P. B. Balaji: You are absolutely right and we absolutely agree with your statement.

Moderator: Thank you. Due to time constraints, that was the last question. I now hand the conference over to Mr. Balaji for closing comments.

P. B. Balaji: Yes. So thank you. I think, firstly, really appreciate the in-depth questions that came our way. We hope we have been able to answer that to your satisfaction. And any further questions, clarifications you require, both the teams at the Investor Relations in Tata Motors and JLR will be more than happy to assist you on this. And look forward to seeing you all in the coming days. And most importantly, look forward to seeing you on the Analyst Days in both here in India and in U.K. Location we will confirm shortly. Thank you and all of you have a good day. Take care.

Moderator: Ladies and gentlemen, on behalf of Edelweiss Securities, that concludes this conference call for today. Thank you for joining us. And you may now disconnect your lines.