“Tata Motors Limited Q1 2018 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day, and welcome to Tata Motors Q1 FY'18 Quarterly Results Conference Call hosted by JP Morgan. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Saurabh Kumar -- Equities Analyst at JP Morgan. Thank you and over to you, sir.

Saurabh Kumar: Hi, Good Evening. Welcome to the First Quarter Fiscal 2018 Post Earnings Analyst Call of Tata Motors. We have with us today, Mr. C. Ramakrishnan -- Group CFO of Tata Motors; Mr. Kenneth Gregor -- CFO of Jaguar Land Rover; Mr. Vijay Somaiya -- Head of Treasury & Investor Relations, along with the entire IR team of Tata Motors.

Without taking any further time, let me hand over the call to Mr. Somaiya to make an opening statement. Over to you, sir.

Vijay Somaiya: Thank you, Saurabh. Thank you everyone for taking out time to attend the Q1 FY18 Quarterly Results Analyst Conference Call. The 'Investor Presentation' has already been put up on the website, so I just plan to take the "Financial Highlights' and the way forward section in this presentation, and then we will use the balance time for the Question-and-Answers.

Moving to Page 4 of the Presentation: This is the Tata Motors Group Consolidated Financials; for Q1 FY18, we have net revenue of Rs.58,651 crores lower as compared to last financial year of Rs.65,115 crores. The EBITDA came in at Rs.5,777 crores as compared to ~Rs.9,900 crores last fiscal. The EBITDA margin is lower at 9.9% as compared to 15.2% in the previous year. The PBT before exceptional item is Rs.117 crores as compared to Rs.2,061 crores. PBT after exceptional item has come in at Rs.3,737 crores as compared to Rs.2,551 crores. This does include one-time credit of ~ Rs.3,600 crores in relation to changes made to JLR's defined benefit plan. The profit after tax for the quarter came in at Rs.3,200 crores as compared to Rs.2,260 crores last year

The consolidated performance in Q1 has been impacted by weaker volumes of M&HCV in the standalone business. As you would have seen in the numbers, the M&HCV volumes are down almost 35% Y-o-Y. And also on account of muted wholesale volumes in JLR. The JLR volumes after removing the CJLR volume is down 2.4%, and the results are also impacted because of the higher marketing cost and higher material and operating cost. As of 30th of 2018, the net automotive debt equity on a consolidated basis stood at 0.33.

Moving to Page 5 of the Presentation: This is the Tata Motors Group standalone financials including the joint operations. This includes the financials of the joint ventures, Fiat and Tata Cummins. The net revenue in Q1 FY2018 came at Rs.9,207 crores compared to Rs.10,393 crores last year. The EBITDA was breakeven Rs.3 crores as compared to Rs.670 crores last year. The EBITDA margin came in at 0.03% as compared to 6.4%. The profit after tax rate came in at Rs. (467) crores as compared to profit of Rs.26 crores last year. The Q1 performance as mentioned earlier was impacted due to weaker volumes of M&HCV which I said was almost 35% down Y-o-Y. In the Tata Motors standalone financials, the net debt-equity as of 30th of June, 2017 stood at 1.

Moving over to the Tata Motors Jaguar Land Rover Performance for Q1: This is as per the IFRS accounting standards. The net revenue for the quarter came in at £5.6 billion, higher than £5.3 billion last year. The underlying EBITDA came in at £442 million as compared to £672 million last year. The underlying EBITDA margin came in at 7.9% as compared to 12.6%. The profit before the one-time item was £157 million as compared to £348 million.

As indicated earlier, the financials for Q1 does have a one-time credit of £437 million in relation to changes made to the pension plan in Q1 FY'18 as compared to £50 million of credit which we had received in the first quarter last year on account of Tianjin recoveries. The underlying EBITDA for this quarter is lower than the previous quarter on YoY basis, partly because of 2.4% lower wholesale volumes, continued higher variable marketing expenses, higher by around £93 million as compared to the first quarter of last year. These expenses are higher mainly in the US region which is there. Higher material and operating cost by around £96 million which is partly because of the exchange fluctuation impact on the material on the GBP-Euro leg which is there.

The share of China JV profit for Q2 was £77 million, and this includes £31 million of local market incentive which is a one-off for this quarter from China JV perspective.

Moving ahead on the way forward slide, Page #19 of the Presentation, Tata Motors Group Standalone Business: As you would be aware that along with our Q4 results in the month of May, we had unveiled the "Transformation Strategy" pursuant to which the company has initiated several programs and actions for driving the top line growth, improving profitability through major cost reduction initiatives which are there. These initiatives have gained significant movement over the last few months which is there.

Some of the key trends confirming the progress of these initiatives is the continued month-on-month improvement in the market share across all segments in Commercial Vehicles starting from April 2017 onwards till date which is last month July 2017, the filling up of the gaps in the key growing segments like 37 ton and 49 ton which now accounts for almost 40% of the M&HCV volumes, the series of product actions, these were the product gaps which we had identified and which talks about the new product launches in M&HCV segment, four new products in the ILCV segment and also the XL family in the HCV wherein we have launched vehicles with a longer load body of around 8.2 feet as compared to 7 feet.

We have also come out with a wide range of People Transport Solutions, Ultra BS4 range on 3-liter engine -- Magna and Magic Express. From a Passenger Car Business Solution, there is a ramp up of volumes on Tiago, Hexa and Tigor. Very recently we had introduced the compact SUV-- Tata Nexon, for which we have been receiving a very favorable initial response and better than planned implementation for cost reduction ideas and time-bound action for the coming quarters, which is there.

The company will continue to explore capital optimization through better operating efficiencies in working capital and monetization of non-core assets in some of its investments. As you would be aware, we had announced that we are signing divestment of 30% of our stake in Tata Technologies to Warburg. This is still subject to the competition commission approvals which are there, and we expect to receive those approvals in Q2.

Looking ahead, we do believe that infrastructure and rural spending, favorable GST impact and normal monsoon is expected to support the CV growth in the current fiscal year. Volumes of LCV and Buses, as indicated earlier, we expect it to grow by 10% in this fiscal. M&HCV growth, because of the weak start in Q1 on account of the BS4 implementation and the introduction of GST, we will have a weak start in H1 and we hope to recover the volumes in H2 as we move along.

From a Passenger Car business perspective, Tiago, Hexa, Tigor and Nexon will continue to support the growth of Passenger Vehicles.

We continue to focus on the channel strategy to build customer-centricity and brand perception improvement.

Moving over to Page#21, this is for the way forward for Jaguar Land Rover: We continue to invest to drive profitable growth. JLR strategy is to achieve sustainable profitable growth by investing proportionately more in new products, technologies and manufacturing capacities. Consistent with this our spend on investments this year is expected to be in the range of £4 billion to £4.35 billion which includes the investment in new Slovakia plant. As indicated earlier, in first phase of the Slovakia plant, we are spending close to £1 billion to create a capacity of 150,000 vehicles.

Despite increased geopolitical uncertainty post Britain applying for the Art. 50 at the end of March, economic growth in most major economics is continuing. However, we do see higher competitive conditions and incentive levels in the automotive sector in key markets, especially in North America. As indicated earlier, we do expect to see margin pressures which we had seen last year to continue, including higher incentive levels and launch and growth cost to continue in this fiscal. We do also expect seasonality in volume and profit by quarters to continue. The Q1 numbers we believe are the lowest in this financial year.

The launch of the versatile new Discovery, US and China in May, the stunning Range Rover Velar, Jaguar E-PACE, XF Sportbrake and other exciting models in FY’18 are expected to strengthen our portfolio and attract new customers, driving sustainable profitable growth over the course of this financial year and beyond. Our planning target on profitability remains a range of 8% to 10% EBIT margin over a medium-term.

With this, I would stop here and would be happy to take the question-answers along with Mr. Ken Gregor and Ben Birgbauer from the JLR team.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. We take the first question from the line of Sonal Gupta from UBS Securities. Please go ahead.

Sonal Gupta: First off, I just want to understand how much is the FX impact in revenues for JLR under the JLR accounting, I mean, what has been adjusted against the revenue?

Ben Birgbauer: So net-net FX is actually good news to revenue probably a couple of hundred million pounds. The hedging losses that been against the revenue line were on the order of £400 million bit more.

Sonal Gupta: So the presentation says £465 million. Is that the number that is all in the revenues or that would include some FX-related to maybe some other cost line items like on raw material cost, etc., so I just wanted to know what is the exact number against the revenue?

Ben Birgbauer: Remember we hedge cost as well, so the absolute level of realized losses on hedges in the quarter was £454 million, although some of that was actually recognized for accounting purposes in prior quarters. So the actual accounted losses on hedging including hedges that did not mature this quarter was £365 million. So that is total of hedges.

Sonal Gupta: But would have the specific number of how much is against the revenue?

Ben Birgbauer: I think I just told you that of the £450-odd-million of realized hedges in the quarter over £400 million of that was related to revenue.

Sonal Gupta: You announced that E-PACE would be outsourced in terms of manufacturing to Magna Steyr. So I just wanted to understand the strategy behind this -- is this a short-term move to Slovakia comes up, because my understanding would be that in a way you are giving away the manufacturing margins and given that this would be within the portfolio, probably a relatively lower margin product, this would further compress margins for this product for JLR. So I just want to get your comments on that in terms of the strategy and impact on margins if potentially?

Kenneth Gregor: Yes, it is a good question. In terms of the contract manufacturing arrangement with Magna Steyr, on balance offers us a positive benefit for the business from a couple of different ways -- One thing, we were constraint on capacity in our UK manufacturing site. So this offered us the ability to introduce a new model, but at a lower investment approach than if we were to have invested in the capacity in the UK in order to facilitize for that model in production in the UK because Magna Steyr in Austria had some space in their factory that they could utilize for the production of the E-PACE. So it is a lower investment approach. Yes, there is an element of profit that Magna will earn from it, but I actually think we have a pretty good commercial arrangement with Magna that is quite competitive with what it would have cost us to build in the UK, and then the further thing is it also enables us to access supply base for vehicle with a slightly higher proportion of material sourced from Eastern Europe, so that enables us to manage cost as well. So overall I would actually say that the profitability of the vehicle is not negatively impacted by being built by Magna Steyr in Austria, taking some of those plusses and minuses into account.

Sonal Gupta: Is this a shorter-term arrangement in Slovakia sort of ramps up fully, do we see this shifting to Slovakia or this is like the arrangement for this model?

Kenneth Gregor: This is the arrangement for this model.

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

Robin Zhu: Two main questions please. One, the FX loss number seems to be a fair amount larger than the last quarter, I remember last quarter was lower quarter-over-quarter even though the volumes are higher, this quarter the reverse seems to have happened. Just wanted to understand the reasons for this, whether it is just a timing issue or did you guys expect a higher level of volumes in Q1 therefore hedge for more than what was actually produced? Where we should expect the FX losses to trend from here over the next four quarters and beyond? Second question in terms of CAPEX, the free cash flow numbers that you guys have shown in the PowerPoint is what it is. Have you guys done any study or contingency plan in terms of the US in particular if that market is weaker than we currently observe or then you guys plan, how much of the CAPEX is optional and how much of it can be scaled back?

Ben Birgbauer: I think Ken and I are going to split those questions, so I will start with the FX question. So we stuck a slide in our presentation for JLR that we will discuss later and actually it is in the back of TML presentation as well that shows the losses on FX derivatives that were realized in the quarter were £454 million and we did show what that was for a year ago, but you are actually asking quarter-on-quarter, so quarter-on-quarter, the comparable number is £400 million. But it comes back to the point I mentioned on the earlier question that the losses on hedges that are realized which means that mature; however, it does include losses on some hedges that were not designated for accounting purposes, so we actually realized the losses earlier, so for example if you look on the schedule, you will see a number called 89 for revaluation of unrealized currency derivatives and some of that number is hedges within £454 million where we actually previously realized losses on them. So the accounted losses on derivatives in the quarter was £365 million, the net of those two numbers, the accounted losses on derivatives in the fourth quarter, that number equating to 89 was £72 million in the fourth quarter so that was £472 million. So the accounted losses on derivatives were actually down about £100 million quarter-over-quarter. And then the other question you were asking is how do hedges play out going forward. I think we have talked about this before that we were relatively well hedged going in to or preceding Brexit, but we do expect hedging losses to come down going forward assuming that exchange rates stay where they are, and that is just an important point, obviously if exchange rates change, it could be something different, but assuming exchange rates stay at present levels, we would expect to see hedges progressively declining over the rest of the year particularly in the fourth quarter.

Robin Zhu: Just to clarify on that a little bit; I think it is important that you are now saying FX losses will reduce sequentially from here. Can I understand that as being starting from Q2, are we still going to see a relatively high number in Q2 and then later on in the year it is going to get smaller, any color there you can provide will be great?

Ben Birgbauer: I think we stuck a slide in our 'Results Presentation' in Q4 that went through this. I think we shied away from giving specific numbers of forecasting FX in future quarters because it all depends on what the exchange rate is going forward. But we would expect on hedges alone, the level of losses on maturing hedges should start declining more so in the fourth quarter than in earlier quarters, but it should start declining this year.

Kenneth Gregor: On the CAPEX, really good question, in terms of our CAPEX spending for this year, I think the straight answer is it is pretty well committed this year for all of the projects that we are pushing forward with in terms of the model launches, the Velar that we are busy launching right now, the Jaguar E-PACE, the Jaguar I-PACE, building out factory in Slovakia, as well as other models that we have not announced yet that will be launched this year, and as well as other models that we have not announced yet that will be launched next year and the year after. Going forward, of course there is always some level of flexibility in terms of the amount of our capital spending. But it is fair to say that one of the reasons we maintain strong liquidity within the businesses so that we have the ability to keep pushing forward with our investment plans, because if there is one thing I have learned in my history of the business that even when you have one or other shorter-term ebb-and-flow of one market or economic issue in another place, the key thing in this business is to have fresh relevant product for customers, and it is that that we are absolutely committed to continuing to push forward with and therefore hence we maintain the financial strength and capability to do so.

Robin Zhu: One factual follow-up; I just saw in the free cash flow calculations, there was other amount that went from £30 million in 2016 to £496 million in the quarter. Just wondering what that is? It goes a long way to explaining what your free cash flow was this quarter.

Kenneth Gregor:: On the cash flow, that is the reversal of the non-cash item that is in our PBT, which is the £437 million credit that we have in our profits in the quarter that relates to the changes that we made to put the defined benefit pension schemes that we have on a more sustainable basis going forward. So that £437 million is not cash in this quarter or year and hence it gets reversed out in that cash flow walk.

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

Kapil Singh: Firstly, I wanted to check what is your outlook for each of the markets for JLR and what is the kind of waiting periods which are there on Velar?

Kenneth Gregor: Good question. I should not go into a lengthy economics lecture because I think all of you would understand that pretty well. But if I did just walk around our five key regions, if I look at the UK, I think we see positive economic growth in the UK this year but we do see in general the UK car industry being somewhat lower this year than we saw it last year, and in fact that is what we have seen in the first part of this fiscal year following vehicle excise duty changes that happened in the beginning of April and we have seen the car industry down in the April to June quarter. So for the US, the car industry is also somewhat lower this year than the sort of seasonally adjusted rate that we were experiencing this time last year. But economic growth in the US continues to be fairly robust. In China, the economic growth continues and we see the car industry continuing to grow broadly in a similar pace. For Europe, we see economic growth on balance across Europe when we see the car industry being broadly growing in line with economic growth. In the rest of the world, to be honest, we see some plusses and minuses; we see Russia recovering a bit; we see the Middle East being down; we see South Africa being down; we see Brazil being down; we see Australia is bit of a mixed picture; and South Korea a bit of a mixed picture. So what I would say is when I step back overall from all of that, the way I think we see despite various geopolitical uncertainties, for example, including Brexit, on balance we see economic growth in the regions in which we do business. We do see the car market becoming a bit more competitive in a number of those regions as the volumes peaked and are somewhat lower, for example, in the UK and then in the US compared to this time last year. So that is how we see it. Looking forward, our business, as I said already, is about creating exciting new cars and SUVs that our customers would love and we have got a very strong product pipeline of new products that we are launching this year and beyond, and it is that that I think gives us the best opportunity to be able to continue to grow our volumes despite one or other economic challenge in one or other region around the world. That is absolutely our direction and our intent.

Kapil Singh: What about Velar… how much is the waiting period or order books that you have in hand?

Kenneth Gregor: I think it is very early days on Velar, so I am actually hesitating to give a figure. I think in the markets where we have released it, I think we have about three months' orders, but it is not being released yet launched in all markets around the world. What I would say is the first reaction to the car and the initial customer reaction to the car has been incredibly positive and I had the pressure of driving one last week and it is a superb new addition to the Range Rover line. I know I am biased, but it is a fantastic car. So I am convinced it is going to do well.

Kapil Singh: My second question is on FOREX. When do you see a large part of this FOREX running out? Just to understand the bulk of the losses by when do you think they will get over because for this quarter also, if my understanding is right, if there was no hedging, then you would have had £450 million higher EBITDA. Is that understanding correct?

Ben Birgbauer: For EBITDA, yes, that is true but for accounted profits it is £365 million as we talked about before. I think I hesitate to say that we are going to forecast any line of our income statement individually out by quarter this year much more beyond that. So I am kind of reluctant to kind of get into that with the FX part of the income statement. I think I just stand by the statement that we made before that from here, we do expect the level of hedging losses to start coming down perhaps gradually in Q2, in Q3, a little bit more pronounced in Q4 and then come down thereafter. Remember, our hedging program is to hedge out five years in descending percentages and it does come down every year.

Kapil Singh: But what are the outstanding loss that we would have on our book right now?

Ben Birgbauer: In terms of the hedge reserve, it is something on the order of £1.7 billion.

Kapil Singh: So it has come down significantly from what it used to be around say 2-point…?

Ben Birgbauer: Yes, it was over £2 billion at the end of March.

Kapil Singh: One question on India business. So would you have any update on how is the new SCR technology trucks that we have launched, how is the performance of that and how is the acceptance, just some thoughts on that?

Vijay Somaiya: I think the performance of the new SCR technology, it has been very well accepted. As we had pointed out, it is also more fuel-efficient than the EGR technology which is there. So the acceptance is very good with the fleet owners.

Kapil Singh: So when do you start to see the benefit of that in market share?

Vijay Somaiya: We have started seeing the benefit of it. So I think if you look at the SIAM numbers and look at the month-on-month sales volume, you would see that every month we have increased market share from April till July, so every month we have been gaining market share, obviously we had supply constraints, so that obviously has impacted our production volumes. But if you look at our sales volume, you would have seen the improvement in market share which is there.

Kapil Singh: Can we expect that trend to continue now going ahead through the rest of the year?

Vijay Somaiya: Yes, please.

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

Amyn Pirani: Sir first of all just a clarification; the FX losses are now not part of other expenses line as they used to be. So they are already adjusted mainly from revenue and a bit on raw materials. Is that correct, right?

Kenneth Gregor: That is correct.

Amyn Pirani: So in your presentation, you mentioned that there is impact of £93 on YoY basis because of higher variable marketing expenses. This would be already adjusted on the revenue line or is this part of other expenses?

Ben Birgbauer: Correct, our revenue is a net revenue, so it is in the revenue line, yes.

Amyn Pirani: My question is actually your other expenses have actually grown on YoY basis while volumes from the UK plant have been flattish to slightly negative. So given that FOREX is not causing the fluctuation in other expense line, just wanted to understand the reason for the increase in other expenses and how should we look at it going forward?

Kenneth Gregor: I think the way I look at this quarter and the way I would look going forward is linked to what I have already said about the business. We are investing very heavily to grow the volume and the product range, in particular, this year with the launch of a new Discovery, the Velar, the E-PACE, the I-PACE, some other products I have not talked about. What that brings is a certain amount of growth and launch cost, and growth in depreciation and amortization within the business in order to support the higher scale for which we are building the business, and therefore part of what you see in this quarter are those higher costs, that year-on-year there is marketing cost, there is depreciation, amortization, there is some other investment-related and operating cost, that supports that future growth plan which we are implementing, and that is really how I would think about it for this quarter.

Amyn Pirani: So going forward, given that the Discovery and Velar are ramping up and we have some exciting fresh coming on Range Rover, Range Rover Sport, these costs ideally should not expand proportionately, right, so we should see some operating leverage, is that the correct way of looking at it?

Kenneth Gregor: One way to look at it is when I look back actually at the prior quarter and look at the profits in the January-to-March period, the PBT was £676 million, and this quarter obviously the underlying profit is significantly lower. When you look at that running quarters, what you see is that the bulk of the reduction in profitability is driven by lower volume because of seasonal factors and model run-in and model run-out, and therefore assuming we are successful, which we intend to be with our product launch and growth plans in the balance of the year, then it illustrates that one ought to expect to see that positive operating leverage help the profitability of the business in the second half of the year as you said yes.

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

Jamshed Dadabhoy: The question from my side is that your variable marketing expenses at this point in time are about 6.5% points to 7% points of sale. If you think about your new model lineup over the next couple of years, how do you see this number trending down or another way to put it is that when you look at your 8% to 10% EBIT margin guidance which is there for the mid-term versus the 1% that you all have done this quarter, how much of that margin capture will come through lower variable marketing expenses?

Kenneth Gregor: It is a very good question which is quite difficult to answer. I think overall what I would say is the variable marketing level right now it is a little bit lower than you said closer to 6% rather than 7% today, but has increased over the last year largely due to more competitive market conditions that we have talked about in prior quarters in these investor calls and we have seen that in this quarter also. Looking forward, yes, you are right that new models typically have lower incentive levels than models that have been in the marketplace for longer. But I think that the level that we are at, somewhere in that 5% to 6% range is a fairly normal range for this business to be at, and therefore I would not necessarily say that I would expect to see significantly lower overall incentive levels in the future, although new models will tend to be lower and models that been in the marketplace for longer with tend to be higher. But I actually think what we have seen is a little bit of a reversion to a more normal level of incentive spending than perhaps we enjoyed in the past.

Jamshed Dadabhoy: So then if I just look at the gap which has to be bridged between margins today versus margins in the medium-term, are you saying it will purely be a function of scale of business and operating leverage will drive it, or is there any internal cost-cutting target embedded in that construct which has not been discussed?

Kenneth Gregor: Yes, all of that, you could expect that of course our business plan in terms of delivering our medium-term targets depends on all of that, it depends on delivering new models successfully and those new models with good margins is important, and as I said, the newer models do tend to have lower incentive levels. So new models driving more scale for the business as well and therefore a bit of operating leverage, yes, that is part of it. Yes, although we do not talk a lot about it in these discussions, we also have an internal cost efficiency program that you would of course expect us to have when we are driving, we think to drive cost efficiencies across in particular material cost in order to help offset the cost of new technology and in order to reduce cost to make it more efficient. If I get a couple of examples of that, in fact, I already did because as I mentioned, we are launching a vehicle in Austria, the E-PACE. As I said, that vehicle will access the supply base, that is a little bit more Eastern Europe than traditionally it has been the case for our UK manufacturing plant. We are building a manufacturing plant in Slovakia and that also enables us to access a lower cost base for the products that will be built there than was the case for the products that are built in the UK. If I give another example, we have included here the impact of changes that we have made to the defined benefits pension scheme, which broadly puts it on a more sustainable basis, which is good both for the members of that scheme and for the company, it does help mitigate the cost of that over the coming years for the company. Those things together with other things that I would not talk about now are all of the things we are working on in our medium-term business plan to both grow the top line through fantastic new products and also drive some operating leverage and also strive to keep the cost base as efficient as it can be in order to drive, not just volume growth, but profitable sustainable volume growth.

Jamshed Dadabhoy: I know you mentioned on the Velar depending on the markets it is about three months, but how is the new Discovery trending?

Kenneth Gregor: I think it is around about two months right now, but again it is not fully launched in all markets, just starting in the US and China, so it is early days in the US and China, it has been in the UK for a bit longer. So I think we will watch and see that build. I drive one myself and it is a fantastically versatile vehicle. So I am confident we will build the volumes of that through the year.

Moderator: Thank you. Ladies and gentlemen, we take the last question from the line of Jinesh Gandhi from Motilal Oswal. Please go ahead.

Jinesh Gandhi: My question pertains to JLR. Even if I adjust for the one-time impact of FOREX of £96 million, RM cost has been much higher in this quarter. Any particular reason for that?

Kenneth Gregor: Raw material cost is a little higher year-on-year in the quarter, yes, I think we have seen a general trend upwards in some of the commodity costs for aluminum, copper, steel compared to the levels of a year ago and in prior quarters.

Jinesh Gandhi: Secondly, this is for India operations. We have seen other expenses going up quite substantially. So again any one-offs there or one should expect similar run rate?

Vijay Somaiya: Jinesh, there are no one-offs in the other expenses for this quarter.

Jinesh Gandhi: So this is more sustainable run rate?

Vijay Somaiya: As you would have seen in the presentation, we are also working on the cost reduction initiatives which will help us reduce all the other fixed expenses which are there.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Vijay Somaiya: Thank you for taking out time to attend the conference. In case, we have not been able to take your questions, feel free to reach out to the Investor Relations team and we would help you or support any queries which still remain unanswered. Good night.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of JP Morgan, that concludes this conference. Thank you for joining us and you may now disconnect your lines.