"Tata Motors Limited Q1 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Tata Motors Q1 Earnings Conference Call. As a remainder, all participant lines will be in listen-only mode. During the course of the presentation, if any participant intends to ask questions, they can use the chat-box option appearing at the bottom of the screen to submit their questions to the speakers. All questions will be taken up at the end of the session. Please note that this conference is being recorded.

I now hand over the conference to Ms. Sneha Gavankar from Tata Motors. Thank you and over to you, ma'am.

Sneha Gavankar: Thank you and good evening, everyone. On behalf of Tata Motors, I would like to welcome you all to our Q1 FY 2022 results conference call. Today, we have with us Mr. Thierry Bollore – CEO, Jaguar Land Rover; Mr. PB Balaji – Group CFO, Tata Motors; Mr. Adrian Mardell – CFO, Jaguar Land Rover; Mr. Girish Wagh, Executive Director, Tata Motors; Mr. Shailesh Chandra – President, Passenger and Electric Vehicle Business, Tata Motors; and our colleagues from the Investor Relations team.

We will start the session with a quick overview of the financial and business performance from management, followed by Q&A. Over to you, sir, Mr. Balaji.

PB Balaji: Yes. Thanks, Sneha. Thanks, everybody, for joining this call. Hope all of you are safe and sound. And as is customary, we will probably spend about 30 minutes going through the deck at speed, and pausing on the areas where we would want to amplify; and thereafter open up for Q&A.

Moving on to the Safe Harbor statement, nothing new here. Next slide, please.

Period of intense activity for all of us. And despite the pandemic, the key ones I would like to call out here in Tata Motors is in the passenger vehicle side, the launch of the #Dark editions across the Altroz, the Harrier, and the Nexon. And in JLR, of course, Reimagine program continues the pace, and we launched a long-wheel base of Range Rover Evoque. And of course, a record order banks that have got 110,000 units, close to about 29,000 of them is just Defender. Next slide, please.

It is fair to say that this has been a challenging quarter for us, having seen a solid recovery through the pandemic and coming out of the pandemic. But this quarter, we had to contend with semiconductor shortages, as well as the second wave lockdowns in India and for the issues of Wave 2 elsewhere in the world as well. On a year-on-year basis, the numbers are flattering because of a very low base. Therefore, we have given also the Q4 numbers for context. And therefore, you would notice that growth of about 132%, obviously, lower than what was in last quarter; the revenue of about Rs. 66,000 crores lower as compared to Rs. 88,000 crores last quarter and up about 107% on a year-on-year and a PBT before exceptional items of Rs. 2,600 crores loss.

EBITDA of 8.3% and EBIT of (-1.3%), basically showing the operating deleverage coming in because of the volumes coming off on a quarter-on-quarter basis. Free cash flow outflow of about

Rs. 18,000 crores, most of it coming out of working capital underlying because of the volumes coming off. Next slide, please.

We do see growth coming across for all factors, the volume and mix, price, translation, and others. And on a profitability basis, we did see significant improvement in JLR, TML, and others basically Tata Motors Finance, which I will talk about toward the end. And on net automotive debt basis, the underlying debt was about Rs. 34,000 crores when we ended last year. This quarter, it did deteriorate, almost Rs. 16,000 crores of it is coming from working capital change as it unbound. And the business, of course, delivering about Rs. 37,700 crores net debt excluding impact of working capital. So that is the situation on net debt. We do expect to see this return from second half onwards as volumes pick up. Adrian, over to you.

Adrian Mardell: Good evening, everybody. Next slide, if you would, please. So these are our KPIs across the same information set Balaji just took you through for the group. To the points he made, we have included Q4 FY2021. And I will remind you, in our view, that was a really good representative quarter for us. Retails actually in Q1 were higher than Q4, that is not a normal pattern for us. So it just reinforces the retail level we have in the marketplace today, pending supply issues, is very strong. Obviously, our revenue is determined by wholesales, not retails.

You can see already an impact on revenue in Q1, which of course will continue into Q2 and beyond. Our loss, actually, of GBP 110 million and 0.9% negative EBIT was slightly better than I was indicating two weeks ago on the call, and I will take you through the details of that, EBITDA 9% obviously suppressed by the volume levels as well. And the free cash flow was GBP 1 billion outflow, within GBP 4 million of the numbers which we announced on 6th July. Next slide, please.

So most of that I have already said. I think the thing that I didn't say was the order bank, just a reminder, that's 110,000 units at the end of June; 29,000 Defenders, so that product continues to be incredibly strongly received in the marketplace. And that number over the last two weeks has stayed about the same level. Next slide, please.

So these are the quarter one retails, 124,000 units by major region. You can see a dramatic increase year-on-year, of course, this time, quarter one last year was significantly impacted by the dealer closures and the isolation of our buying public along with the rest of us. The regional split pretty much, as you would predict, apart from China; China, of course, returned to normal much sooner than other regions last year. But even in China, on a year-over-year basis, we were 14% higher. Overall, 68% higher at 124,000 units. Wholesales were more impacted, of course, these will be impacted sooner as we only have a pipeline before we hand over to our dealers. And the important point that wholesale increase of 73,000 units but dramatically lower than retails. Normally, the only difference should be CJLR, the joint venture, of course, where you would expect retails of about 15,000 units in this quarter. So we see a big fall off in wholesales. And I think the key point to take away from this slide, our pipelines and our dealer stocks are falling, you will begin to see falls in retail sales from quarter two.

Next slide, please. So this is the slide on stocking levels. If I take you back 12 months, the blue line at the top there, that's the inventory that our retailers own, which of course then pass into customer hands. It was high at the end of April, May last year, of course, as those retailers were closed. And we did deliberately take it down to ideal levels. We talked to you about that on a number of occasions at quarter two and quarter three last year. You can see that with the dealer stocks around 60,000 units. They've fallen a lot since March, they have fallen from about 68,000 units down to about 42,000 units. And that enabled us to keep the retails high in Q1. From that level, we would not be able to keep those retails as high in quarter two.

The on wholesale stock brown line to start that we own, obviously, they are on their way through to the dealers. That's down already to about 30,000 units. You can see it was lower when the plants were closed in April and May last year. And again, that number can drop a little bit, but the pipeline is very, very thin. And therefore, going forward for the foreseeable future, production will be a better measure of both wholesale and retail levels with the exception of CJLR.

Next slide, please. So retails by family in the quarter. Range Rover, of course, doing incredibly well, even though those vehicles are seven and eight years old, the bigger ones are. Obviously, the Velar is doing well, also up 56% quarter on quarter. The Defender entrance 12 months ago, obviously, that's why that number for Defender was very low in the previous year. But we had a good 17,000 units. Remember, I talked to you for a while, it needed to be 5,000 retails a month. We went through that in quarter four, and that's continued in quarter one. So the appeal for those products is very strong. Both Discovery and Jaguar are up year-over-year also for the reasons mentioned. Our electrification numbers were 66% in quarter one. Let me remind you that was 62% in Q4 and 53% last year. So more and more of our units actually have an electrified offering just as we said they would do.

Next slide, please. So this is the bridge, which takes us back to prior-quarter profitability. We lost GB 413 million in Q1 last year, obviously, heavily impacted by COVID. I think a lot of this would be expected. Our volumes were restricted by about 30% in the quarter just gone, but still significantly higher than the same quarter last year, up about 36,000 units. You can see a big number there for volume and mix, mix is richer than the previous year. Good improvement in parts and accessories as well within the quarter versus 12 months ago.

But we did have restrictions on volumes in CJLR. Don't forget China wasn't impacted as much last year as the rest of our regions. And the emissions number needs calling out as well. We have got a compliant portfolio, we have explained that to you. When we had free demand in terms of those PHEV units and free supply. At the end of last year, we reduced the fines and the reserves. However, the semiconductor reductions and supply reductions are impacting our ability to build compliant units in the quarter. And you see that within the order bank data, which I have shown you previously, the 110,000 units in the order bank, the biggest order banks in Europe and the U.K. and underpinning those orders are customer requirements for handover delivery of PHEVs. So, when we can build those units and pass them over, we will have a compliant portfolio that was not the case in quarter one and will not be the case in our quarter two either.

Other things highlighted here, VME. I have talked consistently about VME over the last two years. This time last year, we are at 7.5%. Some of that was one-off incremental reserves because of the marketplace being negatively impacted by COVID. We knew it would fall, it fell to 4.7%, let me remind you, in Q4, it's fallen again. The underlying data is just over 4%, but the actual reserve recorded date was 3.1% in the quarter. So that drop was more than we were anticipating, particularly towards the end of the quarter coming through, which improved our actual quarter one and reduced quarter one losses.

The warranty a bit better, as we said, we are suffering actually some added import duties as a result of the changes with our relationship with Europe, you see them there and some commodity cost increases within our material costs you see there. But the big year-over-year increase is actually in the category we talk as structural costs. A lot of that is furlough monies, which we took from governments around the world 12 months ago. That, of course, was a job retention policy, and it served us incredibly well over that period. Unfortunately, we weren't able to retain all of our workforce through the Reimagine changes, but that definitely helped us to protect jobs over the critical period last year.

And as we sent, let me remind you, almost 20,000 people home last year. Of course, the amount of cost spend, overhead spend, fixed marketing spend was much, much lower and suppressed. And you are seeing it increasing, not back to normal levels actually, but much higher than previous years. The other thing to note here is our engineering capitalization continues to be lower, at just over 40% in the quarter. And again, we have explained that to you before, the policy was changed in FY 2018, and its announced changes will ebb and flow depending on where we are on each of the product cycles. What's happened here is we have completed Defender, we completed 2021 model year, and those engineers are moving over to the new architectures, which have not reached their capitalization point yet because of the maturity of the product.

All of that is exactly as we have explained to you in previous years. Operating exchange, bad news because sterling appreciation offset by the hedges we have in place. That's GBP 110 million loss, 0.9%. Underlying the breakeven point here is about 90,000 units. So our EBIT underlying is lower than we were indicating a couple of months or so ago. And that's the start of us just to optimize and maximize this position of supply shortages.

Next slide, please. In the circumstances, this was a really good result on cash. So this is our traditional walk. The two numbers in the middle are the cash profit after tax and the investment which we look to balance out and obviously overachieve on. We were within GBP 74 million of doing that on just 84,000 units, which tells me our underlying cash breakeven was just under 90,000 units. And we have said our intention was 100,000 units in the investor presentations in February and also in the May year-end presentation.

So again, we are starting to optimize our position in difficult circumstances. Overwhelmingly, the cash loss in the quarter was working capital. You can see it there, we are not building cars and therefore our payables at the end of June were much lower. And you also know that will reverse at the point we start building more cars. It's exactly the pattern you saw last year, GBP 1.5 billion

outflow last year. You see it on the bottom line. And look, the working capital number was GBP 1.1 billion. And let me remind you, last year, that GBP 1.1 billion reversed itself within GBP 25 million on a full-year basis. So once we are able to build more cars, that working capital number will begin to reverse, that is a certainty.

Next slide, please. Investment, our investment numbers, GBP 2.5 billion full year, I have said to you, ebb and flow around GBP 600 million a quarter. This was slightly under the GBP 600 million, and I expect that to be the case in Q2 as well. And then investments to grow in Q3 and Q4 as we start to bring our new MLA high products, Range Rovers first of all, to the marketplace, and finalization in the second half of the year.

Next slide, please. So the business update. So obviously, a big focus for this organization is Reimagine and the transformation program of Refocus. This program is much, much more complete and holistic than the fantastic Charge program we had. You see the pillars there, it really is engaging a lot more people than we engaged during the turnaround programs across the six pillars with the three enablers. And the really exciting news here is that we are starting to see value generation and value creation, particularly in Pillars 5 and 6, GBP 150 million we recorded in the quarter.

I won't take you back to the previous slide, but if you would go back to the previous slide, you will note that what we are recording here is less than the value we saw in quarter one. So we have attempted to subdivide the quarter between what happens because of shortage and what happens because of the power of the program. If I were to add it up everything, you can go back and record in the bridge, there's almost GBP350 million, actually, worth of reductions quarter-on-quarter over the previous year. We are recognizing GBP 150 million of those in the Refocus program. This is a really great, super strong start for this program. This is just the first full quarter, of course, of Refocus.

We also saw improvements on quality down to 3.3%, that drove an GBP 18 million improvement. And we are starting to see improvements on Pillar 3. Although in a volume-constrained environment, the absolute savings on material costs, of course, are going to be lower than in a free supply environment. So, the size of that number will partly be determined by the speed of recovery of volume and supply in half two. But a great first full quarter to the program. And let me assure you, momentum is building. Momentum on this program is absolutely building.

Next slide, please. So, the big news this quarter for us was semiconductors. We covered a lot of that in our announcement on 6th July and also in the special meeting we had with a number of you on the 7th of July. This is the page we used. The headlines are, there's strong demand in quarter one for retail to take you through that. Wholesales were up versus previous year, but importantly, down 27% from the level we would have expected to have passed over to the dealers. And those orders would have expected and underpinned, so it's about 30,000 units. Quarter two will be a worse performing supply quarter than quarter one. A lot of the quarter one happened towards the end of the quarter, including new news at the end of June, as we have talked about. And we can

see July production has been impacted quite significantly. August is better than July, September is better than August. So we are starting to see the end of the quarter better than the start.

Our volume wholesale prediction in the quarter is slightly higher than I told you two weeks ago, I said it was 60,000 units. We think we are slightly higher around 65,000. But broadly in that 60,000 to 65,000 range, I also indicated at that point in time. The problem won't be fixed in quarter two, we are taking a number of actions, I talked you through all of those two weeks ago. We have a mission control center which is a permanent center of activity and energy, which we meet at the board level twice a week. There really has been a rigorous engagement right led from the front by Thierry, who actually today is on the road, he is listening into the call. But when we get into the Q&A, just be aware that he's in a different location to myself. So there might be a requirement for a delayed pass over for him to make appropriate comments. But that supply engagement is obviously at the first-tier level where our contractual points are. But going much beyond, end-to-end pipeline right back to semiconductor manufacturers, we are fully engaged with, so we have true visibility. And more importantly, they have true visibility of our requirements, and there's no filtering that down through the end-to-end pipeline.

We will begin to prioritize the vehicles that we produce. At the moment, we have 110,000 orders. Therefore, obviously, we want to make sure we do the right thing to provide those cars to customers as soon as we can. But the new orders we take will start to reprioritize to higher derivatives within nameplate if we have to choose between nameplate, more valuable name plates, of course. Our big driver here is to increase the allocation of supply to Jaguar and Land Rover, all plants. And we believe we are starting to make traction and progress on that, although only a small amount is coming through as incremental in Q2, those 5,000 units so far.

Next slide, please. So the outlook page, I know this is a difficult one because you want us to say more, but we are not in the habit of misleading you. We have added more information than two weeks ago. So the revenue of those 65,000 wholesales will be about GBP 3.7 billion. I have told you already, our breakeven point in Q1 was about 90,000. It might be slightly lower than that in Q2. But obviously, 65,000 volumes will mean negative EBIT margin. Our investment is GBP 2.5 billion. We do not plan to delay investments, but absolutely full speed ahead on introducing those new products to the marketplace. And free cash flow will be up to GBP 1 billion outflow in Q2. The actual status is slightly lower than that. But for the moment, if you hold that number, obviously, if things were to significantly change, we bring that information for you.

Half two revenue is difficult because we are not clear yet on supply, but it will be determined by supply because those customers are waiting for cars. We do, however, expect quarter three to be better than quarter two and quarter four to be better than quarter three. So it's reasonable to assume as we start to reduce the breakeven point again, which we will do in half two towards the 80,000-unit level, will be positive EBIT in the second half, and we will also be free cash flow positive. At the point we build more units because, obviously, that working capital piece will reverse very, very quickly and our underlying breakeven point has now being brought down to a level where we are not that far away from September's activity to actually be in cash positive territory.

No change in guidance for FY 2024 or FY 2026. Why are we super confident about FY 2024 for the reason on the right-hand side, this was our underlying data in half two FY 2021, 6% EBIT. Optical was just over 7%, as you would know. So we feel very confident if you draw a line between H2 2021 and FY 2024 as soon as we get through this

PB Balaji: Let me probably step in here because, obviously, he is having a problem there. Balaji here. The numbers of underlying number of H2 gives us the confidence that from an EBIT margin perspective, we are talking at the right level. So as and when the current semiconductor issue gets resolved, things start improving, we expect to see an improvement in EBIT margin. And that's something that should play through in our numbers. And of course, from a cash flow perspective as well, there is a big one there because the second half year did almost GBP 1.2 billion of cash and therefore that will also feed through as the year's progress from second half of this quarter onwards.

So, let's then move on to Tata Motors. Next slide, please. Overall, the revenue is about INR 11,900 crores. We obviously got impacted the recovery for the last few quarters is coming through quite nicely, did face a stumble because of the Wave 2 lockdowns we had. And therefore, that resulted in wholesales coming off from 195,000 units to about 114,000 units. So a sharp drop there. And that translated into revenues also coming off from Rs. 20,000 crores to about Rs. 11,000 crores. Year-on-year flattening, I wouldn't cover that. And overall EBITDA margin of 1.8%, compared to the 7.8% we did earlier and free cash flows of Rs. 8,000 crores negative, almost entirely explained by working capital unwind.

Next slide, please. The key call-outs as far as the volume and revenue, we will talk about a little bit of market share in a while and passenger vehicles as well. The highlights stand out for us is PV order book, retails of about 53,000 units going strong. EV, of course, really rocketing now, penetration at 3% of the portfolio, used to be 0.2% only two years back; and the highest-ever quarterly sales of 1,700 units and moving on stronger. Profitability, the CV EBITDA was breakeven with the volumes being impacted. Hence, operating leverage, as well as inflation playing out there. And on PV, the 4.1% is the continuing progress that we see. Cash flows almost entirely explained by working capital with a very strong liquidity of Rs. 5,800 crores.

Next slide, please. Just a waterfall here compared to last year volumes recovering sharply, and there you can see deterioration of the variable cost, because commodity inflation, particularly steel being greater, as well as some of the precious metal causing grief. And on fixed costs, this was a lockdown unlike last time, so we have kept all the guns blazing. We had IPL, therefore, FME investments continued, and the investments in D&A did play out there. So we have not stopped any actions here, and it also resulted in inventories picking up, but that was needed to ensure that we service demand subsequently. So this was a conscious choice. So this time was a business agility plan, and hence these things were kept going, unlike last time.

Next slide, please. Cash flow is very similar to the JLR story. Profit after tax and investment we just had the two broadly there. And therefore, even at these low levels of volume, this business was now able to hit cash breakeven, which is a good news. And everything explained as working

capital and a combination of payables, trade receivables, and inventories, all of them going the other way. And inventories, in particular, we have consciously built up. First of all, to ensure that the semiconductor, whatever is coming our way we are manufacturing cars where we know demand is going to come, and payables just absolute volumes being lower.

Next slide, please. Investment spending on track around Rs. 3,000 crores to Rs. 3,500 crores, there we think will land, somewhere in that range, more towards the lower end, we will see where we land, but on track.

Next slide. Moving on to the commercial vehicle business, the market share is the key measure there. M&HCV has been doing very well for us, for now third year in a row market shares have been increasing. And this quarter, we picked it up further to about 62.7%. And we are quite happy with the way this category has been progressing for us. And ILCVs as well, we have now started to increase market shares, and we are consistently picking that up. That's another good one that's coming through. Our challenge has been small commercial vehicles. I draw your attention to the graph on the right-hand side top corner, where you look at the SCV salience, it used to be only about 50% of the business, now almost at 65% of the business given the current economic conditions. And there, when we are losing shares and also at a lower level, it has impacted the overall market share with 40.5%.

We don't like the shift and assured that we are ensuring action is well in place for that. We started bad last year, we did end almost similar to the previous year. And at the same time this year, we want to really go ahead of that. So, the work is underway on that particular front. Buses remains the sector where the sailings has almost evaporated and we hope that come some second half of the year buses will come back again as school starts opening.

Next slide, please. Commercial vehicle, the key call out between retail and wholesale, broadly the same at the domestic level, so inventories are quite there. And revenue is obviously impacted by the fallen overall market that you see. Hence, EBITDA breakeven, which is disappointing because the business was very comfortably coasting toward a double-digit EBITDA margin. So combination of lower volumes and commodity inflation did cause grief. And hopefully, this will start recovering from this quarter onwards. EBIT, of course, just a factor of operating leverage.

Next slide, please. Let me hand over to Girish to comment on the business operation and plans we have. Girish, over to you.

Girish Wagh: Thank you, Balaji. Good evening, everyone. So, first quarter of this financial year was going up and down. So we started the month of April with the second wave of COVID, and the volumes actually dropped by 50% over the month of March. And then further in the month of May, there was another drop of 50%. So, from March to May, the volumes actually dropped by almost 75%. But the good thing is, in the month of June, the volume started picking up, especially in the second fortnight, and one saw almost 94% growth over May, which means that volumes in June came back to April level.

At an overall level, Q1 volumes were 56% lower than Q4, but at a very good level as compared to the previous Q1 of FY 2021 when we had almost a complete lockdown. So, localized lockdowns across the country have actually helped the economy to continue and we were able to sell volumes almost 4.5x of last Q1. As Balaji mentioned, I think M&HCV and ILCV market share momentum has continued, and which augurs well for us. I think the focus now is on SCV and pickups, as Balaji mentioned. At an overall level, I think the freight has started improving towards the second fortnight of June, with the e-Way Bills increasing, diesel consumption increasing, our internal metric of workshop job parts also recovering. As far as freight rates are concerned, I think they are also improving from the low that they made in the month of May.

In terms of commodity inflation, I think this is something which we keep on fighting. And as a result of this, we had to take two back-to-back price increases, 2.5% in April and almost up to 2.5% even on 1st July. This is in addition to the cost reduction efforts that we have started, accelerating further basis the steel inflation and also some inflation in the precious metals. With the increasing prices of diesel and gasoline, one has also seen an increase in penetration of CNG. So, CNG penetration is not limited to a few pockets in the country, with the CNG infrastructure also improving, many areas in the country, the penetration of CNG is increasing.

Because of this, profitability of the transporters under stress, one saw the sentiment index of transporters also going down in Q1. And this transporter sentiment index is made up of two parts, one is satisfaction with the current conditions; and the second one is, expectations from the future. So, satisfaction with the current conditions were actually negative, which means the transporters were completely dissatisfied with the current state in Q1. But the good part there was, they were optimistic about the future, going ahead in Q2 and H2. The government's infrastructure thrust continues, and this is driving the demand in tippers and also in segments like cement, steel and minerals. We also see the e-commerce continuing to do well, which is for both hub-to-hub as well as last mile distribution.

In terms of availability of credit, I think financier collection ratios have started to improve towards the end of Q2. And after a good fall in April and May, and this has also, therefore, led to increase in availability of credit and convergence in the month of June. Going ahead, I think with the diesel prices as well as where we are on the freight rates, the transporters' profitability is still a concern, it is still below the levels of March. But the freight rates are continuously increasing with the demand increasing and the demand/supply balance being restored. So, one therefore looks at the transporters' profitability improving as we go ahead.

Semiconductor availability continues to be a focus area, so we are managing it from a war room perspective. And we are looking at almost every component where semiconductor goes in and tracking it on a daily, weekly, fortnightly, monthly basis, depending upon how important that part is or what is the inventory with us. So, we have taken multiple steps here, like engaging directly with the semiconductor suppliers, spot buying of semiconductors from the open market. We are also developing alternate sources to ensure that at least towards the latter half of the year we are in a better position. We have also built inventory of critical semiconductor-based parts in Q1 when the demand had gone down. And also, parallelly, we are looking at design interventions to optimize

the semiconductor consumption or the footprint in the overall vehicle. So, these are all the steps which have been taken; and therefore, in Q1 where we were placed better, of course, the demand had also gone down. And with the current visibility of demand for Q2, we seem to be placed better, but as I said, this is something which is being tracked almost on a daily basis.

Coming to the next challenge, the inflationary pressure, especially on steel and precious metal continued, and more so on steel in commercial vehicles. And therefore, we are having a significant drive towards cost reduction by repurposing a lot of our teams to ensure that we are able to pull out whatever amount of steel consumption is possible and, therefore, reduce the cost. And finally, I think the CV passenger area, buses still continue to have a very, very muted demand. There has been good pull to some extent in ambulances, but otherwise all other buses continue to do very, very low. The only green shoot there is the manufacturing sector, so employee transportation for manufacturing sector seems to be doing well. But all other segments, whether it is employee transportation for IT sector, school buses, even intercity transport is something which remains muted. But I think gradually the things are improving, as we had also seen last year where the Q4 was comparatively better. Same thing we expect that going ahead. The bus demand should start coming back to some semblance.

So, that's, in a nutshell, summary for CV business. Balaji, back to you.

PB Balaji: Thanks, Girish. Moving on to passenger vehicles, market share of 10% the penetration of EVs is also starting to touch 3% for the quarter. And even within that, I think we are seeing all our segments starting to do well, particularly market shares for midsize SUV segment was up almost 800 bps, the strong response coming from Nexon, Harrier and the Safari. What we are noticing on the EV side is highest-ever quarterly sale of the portfolio of 1,700 units and market share sitting in 77% for this quarter. So, good momentum building up on the passenger vehicle business, and continues that way.

Next slide, please. On the financials, I draw your attention to the wholesale and retail number. Wholesale is higher than retail, it's a conscious choice, because dealer inventory levels have dropped precipitously to just about six days and we have now built it back to about 17 days compared to industry sitting at anything between 30 to 45 days, depending on the player. So, we intend to keep it around these levels at this point in time. There's still a lot of waiting list for our car, and we would like to, obviously, make sure that doesn't go too much out of control. And profitability, of course, continues to do well. EBITDA 4.1% despite the low volumes. So, this business is very much on a turnaround and should improve performance even further as we go ahead.

Next slide, please. Shailesh, over to you.

Shailesh Chandra: Thank you, Balaji. As Balaji has already spoken about the last quarter performance, I will share with you the actions that we are planning for in Q2 as we witness progressive recovery in July and expect the quarter to be reasonably better than the same quarter that we had seen last year, and also versus Q1 of this financial year.

So, on the demand generation side, we have identified certain micro markets where we are systematically working on focused levers to drive growth. And also working on certain supporting interventions to recover in product segments and geographies which were impacted in Q1. And as you know, we have the upcoming festive season. And to make the most out of it, we have planned for festive campaigns and also our presence will be felt in IPL which restarts in September to provide better visibility to our products ahead of the festive season in October and November also.

Living to the philosophy of New Forever, we have been and will continue to launch exciting product interventions. The hashtag #Dark is what we launched this month is one such example, I would say, and this is getting excellent response. So, there are going to be more such interventions in this quarter also.

Our network is key to our growth, and we are systematically strengthening it in terms of reach, in terms of dealer customer experience processes and also channel health. So, these are the actions that we are planning for on the demand generation side. On the demand fulfillment, we have progressively enhanced our capacity in the last two quarters, and we should be able to now realize the gains on the back of the strong demand that Balaji also mentioned about.

The semiconductor supply has been an ongoing crisis and we are best trying to mitigate this through creating alternatives and we have been working very closely with our supplier partners. We have new products lined up, and we are trying to accelerate the work on the same, especially those variants which are witnessing high demand; example, CNG and also EV is now really moving very fast. Given the supply side risks due to various uncertainties in the environment, we are also building strategic inventory for the identified components.

As far as profitability is concerned, we are keeping strict control on cost as per the business agility plan that we have developed. In a supply constrained environment and where certain product segments are facing pressure, we are also trying to best optimize the mix to drive better profitability. We have also been organizing more than 300 ideas integration workshops. In the last quarter we did involving more than 1,000 employees to drive cost erosion ideas. And we are going to further accelerate this in this quarter also.

Finally, given the continued pressure of the rise in commodity prices, we will be taking price increase to partially offset the same. And this will be done in a manner that we keep the competitiveness of our products intact.

So, this was a quick update on the actions that PV business has planned for in Q2. Back to you Balaji.

PB Balaji: Thanks, Shailesh. So, moving on to Tata Motors Finance, I want to take a minute on this one. This has been a segment of the business that got significantly impacted this quarter. And unlike last time, here, we had our collection infrastructure, our people getting impacted by the pandemic, and more than 1,400 people were impacted by COVID. And unfortunately, we lost about 15 of them. And so, we had consciously taken a call to slow down physical visits to various places to protect

our people. And that did cause grief in terms of collection efficiencies clearly dropping, as you see in the line chart below.

And the good news is, now we have more than 95% of our people vaccinated, our infrastructure is now well and truly on track. And in July, we are already seeing 101% collection efficiency coming back again. And this meant that the GNPAs shot through the roof, 5.3% to 12.3%. During the last time same time, there was a moratorium very much on and clock had stopped ticking on the NPAs. But this time, there was no such waiver from RBI. So, we have done our best in terms of protecting our people and we also ensured that our cost-to-income ratios remain tight even in this environment. And we now expect to see a significant reversal on GNPA provisions in the current quarter as collection efficiencies pick up. But from an overall perspective, this quarter was a very, very tough one for the Tata Motors Finance team.

Next slide. So, overall outlook, to summarize, the demand situation, we see continued improvement as vaccination rates pick up. Supply situation, of course, is going to be challenging between semiconductor issues, commodity inflation and intermittent stoppages due to lockdowns. And we do expect performance to improve progressively from H2 onwards. For JLR, Adrian has already covered it, but we do intend to manage all the supply chain risks, that's topmost priority for us. Execute the Reimagine strategies, this work is well underway. And Refocus has already covered it. As things pickup, achieving a positive EBIT margin and positive free cash flow for H2 is a key priority at an overall level.

For Tata Motors, I think commercial vehicles priority is continuing to grow market shares across segments, and SCV in particular is a key one. And for PV segment, we have accelerated the sales momentum that we are seeing and in EVs, we would want to drive up penetration even further and accelerate that setting up of the charging infrastructure on priority. And we are still confident of delivering a positive EBIT margin and positive free cash flow.

This is what we have to say. So, happy to take any questions that may be out there.

PB Balaji: Okay, moving on to the questions, I think the first one from Aditya Makharia from HDFC Securities. The aggregate China car sales has been declining since the last few months, what's the reason for the above? Also, how are luxury sales car faring in China? Adrian, would you want to pick this up? I hope you are back.

Adrian Mardell: So, I am not sure which data you are referencing here, but let me tell you what's happening to China in the data. The first point, of course, is there is a peak selling period in China, from the early part of November through to the early part of February was the period last year, it was basically Singles Day in China, so it's the Chinese New Year. And that is the period which ourselves and all other OEMs will be selling to most vehicles. So, you might be referencing a normal in-market fall off after China New Year, i.e. February and March are lower sales always than December and January so it's maybe that you are referencing. If I give you the data sets; in quarter one, even though China for us had pretty much returned to normal last year, we were up 14%. So, in a like-for-like period, taking out premium selling periods in a particular marketplace,

like-for-like, we were better in China. Last point to make, our China volumes will start to reduce in Q2 alongside other regions for the reasons said, i.e. supply is starting to be reduced as a result of the semiconductor challenges. That's where we are in China.

PB Balaji: Thanks, Adrian. Next question from Jinesh Gandhi, Motilal Oswal. Following questions for JLR, we have seen a quarter-on-quarter decline in gross margin despite a favorable mix and pricing. Is this due to commodity price impact this year? What is the gross impact in the first quarter and the expectations for second quarter? And second related question, we have seen the material benefits of staff cost reduction due to restructuring as well as depreciation due to impairments, are we expecting savings from these levels? And then, I have a question for PV, which I will take it subsequently. Adrian?

Adrian Mardell: Let me take them in the order you have asked them. So, commodity prices keep coming up, it isn't the biggest influence on our margin performance by far. And even though commodities are increasing, if I give you a value in the quarter, it will give you a sense of that. It impacted us by about GBP 30 million adverse on a year-over-year basis. If I compare that to the GBP 243 million improvement year-over-year in VME, you can see relative to variable marketing and health of sale, it's a small impact. And we expect it to be an increasing impact, but relatively a small impact going forward also. So please, it's not commodity prices that are going to influence and impact what we do in performing going forward. The VME pieces are much more impactful, along with warranty, which is why I have consistently called those out over the last two years.

Other points of reference in there, material benefit and staff reduction costs. Well, we have got a slide in the deck, you'll see it's page 38, we don't need to go through it. You will see our absolute costs in quarter one last year, which we had the furlough monies in there, we called out that number, GBP 115 million improvement year-over-year last year compared to this year. There is a small cost increase versus quarter four. I keep saying to you, quarter four is your reference quarter here, so when you look at the impact of staff costs, they have gone down versus quarter four. Some people did leave in the quarter and more people under the Reimagine redundancy programs will leave in later quarters also.

You are asking about D&A, again, when you look at that slide, when you have chance to look at Page 38, you will see that our D&A did drop actually versus prior quarter a little bit. I think you are probably referencing MLA mid here. And the point of MLA mid, of course, is those assets are on the balance sheet, not yet being depreciated. So, the saving for MLA mid, which you may be referencing here, was actually a cost that hadn't then at that point come through to our income statement but would have if we had brought those vehicles to the marketplace. So, there's a small reduction on D&A. What MLA mid has done is stopped that number increasing by about 0.5% of EBIT. Going forward, you won't see a reduction you will seen an avoidance of it increasing. Balaji?

PB Balaji: A question, Shailesh, on PV. What's your current capacity and utilization? What is the scope of capacity expansion at our existing locations? And other one, price increases: what are the price increases taken in CVs and PVs in 1QFY22 and in Jul-22?

Shailesh Chandra: So, I will not get into the numbers in terms of capacity because it's slightly complicated from a shop to shop when we go. But broadly if I have to give you the capacity utilization of the three locations in which we operate, I will say Pune and Sanand would be operating somewhere around 65% to 70% now. And Pune is going to go upwards from here because of the new launches which is slated, Hornbill which, as you know, is going to get launched in the coming months. As far as Ranjangaon is concerned, which is the FIAT joint venture factory that we have, the capacity utilization would be greater than 90%. And our engine and transmission, which is powertrain capacity utilization, would also be upwards of 90% is what I would say. I would take the first part of the question on the price increase and then I will ask Girish to talk about CV. On the price increase so far in May, we have taken about 1.8% price increase in PV. And we are yet to take a price increase in the quarter two. Over to you, Girish, for CV.

Girish Wagh: Thanks, Shailesh. So, yes, we took a price increase on 1st April, which was about around 2.5% across the range. And looking at the steel price increases; we have taken another price increase of around 1% to 2.5% starting 1st July. So, those are the kind of price increases we have taken. I also saw a question on whether it's easier in PV or CV to pass on the cost increases, I think in both business units, it's not that easy to pass on. And our focus also, therefore, has been to look at what we can do on cost reductions first. And rest, of course, we would try and pass it on to the market. Balaji, back to you.

PB Balaji: Next question is from Stephanie Winston, J.P Morgan. Because inventory is very tight, all OEMs are seeing pricing and mix improvements during the period. However, I am curious as to the ability to upsell customers with more marketing/ordering being done online. How does JLR management find customer behavior, ordering initial options, etc, for example? Adrian?

Adrian Mardell: A few things to consider here on this one. You are correct. inventory is tight and has become a lot tighter over the course of quarter one, that's absolutely correct. You are starting to see the first impact in that, then our variable marketing, obviously, that's the money we use to close deals. And the variable marketing support is starting to fall quite dramatically, actually. So, you will see already in quarter one, as a result of the pressure on supply, that the deals we actually did with customers were more valuable to us. Now, that was quarter one. And don't forget this challenge unfolded in quarter one. So, going forward, in supplement to that, i.e. in addition to that, and also to control our order banks, of course, we don't want order banks of four, five, six, seven months on average sales. We are starting to actually take away the ability for customers to order either in dealer or online the lowest value derivatives.

Temporarily, some of those derivatives will not be available, so they cannot be ordered. They would need to up-spec their request by nameplate if they wish to order one of our vehicles until we get back to normalization. So, those are two things, one already happening, existing deals in the marketplace with less marketing support. And now, we are going on to the next stage of taking away the lowest value derivatives within a nameplate. So, customers, if they wish those cars, we will need to up-specify their vehicles for us to be able to deliver that to them in the marketplace. Most of the second piece will start to impact in the second half of the year, not the first half of the

year because, of course, our obligation is to fulfill the orders we have received already in the order banks, those 100,000-plus units. Balaji?

PB Balaji: Next question is from Pramod Amthe, InCred Capital. Chip shortage is helping JLR system inventory to reduce drastically. Do you see an opportunity to structurally reduce system inventory, or do you need to go back to March levels? One. And second, China JV's repeated slip into losses is a concern, any medium-term fix needed here?

Adrian Mardell: Balaji, let me take them in order of being asked. So, inventory at March, it was globally at GBP 3 billion level. Let we remind you, two years earlier it was GBP 4.4 billion, so we have not only been impacted by the supply shortage, we had already drastically reduced inventory by just over 30% across all nameplates, all markets, all regions. Do I see an opportunity to reduce from that? It's marginal. If anything, on a number of nameplates in a number of markets, we now have too low inventory, and that is starting to impact the number of customer orders we can close out. Hence, the retail levels will be suppressed in quarter two. So, what you will find is it will continue to drop, but it has now dropped to an unnaturally low level, and we do need to bring it back appropriately actually to levels we were seeing closer to February time, I would say, rather than March time, actually February last year time as we normalize this position. Just around GBP 3 billion is a good place for us to be, there are marginal gains beyond that.

China JV repeated slip into losses is a concern, any medium-term fix. Well, don't forget the China JV has been impacted by the semiconductor supply as well. I did say to you, I think at the year-end, we formally kicked off a Charge improvement, structural cost program in China. Our breakeven point going into the start of the year was above 70,000 units, we are challenging ourselves to get down to 65,000, a 10% structural cost improvement and then below that. And the other key metric in China is that you wouldn't see, obviously, our quality of sales, this is for local cars of course, and our health of sale. There were 30% discounts on a number of our products. Two reasons for that, there had been oversupply, inventory at the dealers were 2.5 months. They have now dropped to 1.3 months at the end of June, that's another great sign. The discount on average is reduced from 30% to 26%, that's another great sign. And don't forget, finally, of course, we are replacing two of the products, Range Rover Evoque extended wheelbase is now new in the marketplace and the XF Long as well. So, both of those vehicles, effectively brand-new vehicles will start to improve.

So, a mixture of all of those actions we have taken and taken on structural cost, together with supply, we think, will improve the position in our China JV considerably.

PB Balaji: Next question from Kapil Singh, Nomura. Let me give you a bit of a breathing space to you. I will take the India question first and then I will come to JLR subsequently. India business, with reference to some media quotes today, can you please let us know how much investment does the company plan in charging infrastructure and scrapping units in India? And what is the scale we plan to build, what's the current EV order book in India?

So, Kapil, yes, you are right, we did allude to that today. And we haven't quantified the amount of investments that we aim to put in play because this is obviously sensitive information, we would like to keep it there. And very clearly, we see excitement in the EV portfolio. And we know that as and when charging infrastructure comes in, you are able to break one of the barriers to the adoption. And we are working closely with Tata Power on this one and we definitely want to play a role in capitalizing charging infrastructure, as I called out even in the outlook slide as well.

On scrapping units, we do see the that the scrapping policy now formally announced, we would want to work with our vendor partners. And our job is to definitely come in, in terms of being technology providers for that, working with the world-class leaders in scrapping, whom we are already getting into conversations with. And thereafter, the job is to ensure consistency of technology being adopted across the entire ecosystem. And the ecosystem partners will be the ones who are doing the investment, operate it and also make the profits out of it. And we are able to ensure standards in terms of how scrapping is done, how recycling is done, how reuse is done, and ensure that this is sustainable, and it is world-class in terms of what we bring as traffic.

Pricing-wise, we have said we already have intense conversations with our ecosystem partners, two or three should definitely come through during the course of this year. And over a period of time, we want to get up to at least 10, if not more. But that's over a period of time as we start getting the unit economics right on that. So, that's the work on this. Our current EV order book in India, Shailesh, would you want to pick that up?

Shailesh Chandra: Yes, Balaji, I will pick that up. So, the current supply rate, whatever we have been supplying in the last two to three months, if I have to take that as the basis, then our order book would be anywhere between 14 to 16 weeks, I will say. But this is going to get improved in terms of reducing this by increasing supplies. But in the last one or two months, this has really shot up. It has doubled to what bookings we used to receive. So, this is really going fast. Back to you, Balaji.

PB Balaji: Thanks, Shailesh. Adrian, continuing on the JLR question, chip shortages. What are the specific factors affecting Tier-2 suppliers as referred to in your PowerPoint presentation? Do we expect a sharp revival in production in Q3 FY 2022 to more than breakeven level of 90,000 units?

Adrian Mardell: I will start this question. And then if I may, I will ask Thierry, actually he's leading this from the front. I will ask him to comment. But bear in mind, Thierry is actually on the road, so we will see how this works. In terms of the Tier-2, what we would specifically have had in mind as we wrote that with a couple of significant issues we brought to your attention previously, i.e., the Renesas plant fire in Japan, which happened in the middle of March; and yes, production is now back and being built back towards the 100% level. So, we do expect that to increasingly improve as we go through Q2 into Quarter 3.

And another one would have been the Texas snowstorms, which again were around that same period in late February, early March or so. And similarly, we would expect those facilities to be coming back onstream progressively as we go through Q2 into Q3. But we are not in a position to confirm the production levels in quarter three at this point. We have said to you our breakeven is

lowering, we expect it to be better than the 90,000 units by the time we get there marginally, but we just don't have those confirmations from suppliers yet. And I really don't want to mislead you by saying probably. So, once we get to a point where we get those confirmations, if it's significantly different to what we have communicated, then we will communicate that to you. However, I would like to hand over to Thierry if he's able to hear me, as I said he is on the road, he has a first-hand flavor of this, and I am certain there are things that I would have missed from that response. Thierry, if you are there.

Thierry Bollore: Yes, absolutely. Thank you, Adrian. Well, I think what is very key in this very severe crisis that all OEMs have at the moment, with the chip supplier, is that let's say we are learning and we are learning very fast about the way our chip suppliers are working, what is their modus operandi and what the needs they have in order to make it such that capacities and allocation of capacities is stable and efficient. And we have also learned that our Tier-1 are not necessarily applying the same music as the one that the chip supplier would like and that we would like to play with them. That means, for example, having long-term contracts with them with take-or-pay approach so far the capacity is there, whatsoever. And the good news is that we are getting direct, and we are doing that with our key offender at the moment, we speak. So far, in the future, we have a clear structural fix to the problem that we have at the moment. And JLR is well-positioned to a certain extent because our size is considered to be quite small compared to some of the big customers, especially outside the OEM world. And as such, it's also a very interesting approach that we are following at the moment with the chip suppliers and with our Tier-1. Back to you, Balaji.

PB Balaji: Thanks, Thierry. The next is from Gunjan, Bank of America. Two questions, one is, the guidance for the full year for FY 2022 for JLR. Are we now looking at a FCF breakeven 4% plus EBIT as guided earlier? Can you please clarify on this one?

I think as Thierry and Adrian just referred; things are too fluid at this point in time. It doesn't make sense to call a number at this point. So what we are calling out is what it is that we are seeing at this point in time. And obviously, as clarity emerges, we will put it back again. And we definitely ensure there is no miscommunication happening from us on that front. That's number one.

Then any change to the launch time lines in JLR due to lack of visibility on semiconductor availability? Adrian?

Adrian Mardell: No expected change in the timeline of the launch of our new products. Let me remind you, each time I communicate this, the timeline gets shorter. We expect some of that new product now to be in the marketplace within nine months, which is really good, the Range Rover, and then the Range Rover Sport six months later than that. We don't plan to, in any way, slow down the launch of these vehicles. Whether we find, as we launch, that some of those semiconductors are a problem on the new vehicle or not, we haven't got to that point yet, of course, because we are not yet clear enough on Q3 supply. So, our intention is to absolutely push ahead in delivering those wonderful new vehicles to the marketplace when they are ready, and that's likely to be in around nine months' time.

Thierry Bollore: I think maybe if I may, Balaji, add something and complement the answer from Adrian. I think the company at the moment is experimenting a huge intensive path of progress through Reimagine and Refocus. And the fact that we are under tension because of supply doesn't change, on the contrary, but intensifies all efforts in order to grow faster in our plan of progress. So, which means, that the company is getting more muscular, is getting faster, is getting better synchronized. And that's the reason why we are just making such that the supply is coming back and then we will show the progress that we have made during this period of time as well.

PB Balaji: Thanks, Thierry. The other is on the Indian business, saying the market demand post reopening in the domestic market, is there any volume outlook for CV and PV business for FY 2022 that we can share?

Wouldn't want to conjecture on volume outlook other than the fact that both Shailesh and Girish did allude to significant pickup that we are seeing in the market as we speak. PV has been on a roll. And as far as CV is concerned, they are saying annual demand is coming back.

Question to Adrian. VME levels in JLR are very low given supply shortages and this is an industry wide phenomenon, how sustainable is the number for VME and warranty for the midterm? And the second on emissions, how do we think about powertrain mix needs to move to comply with this?

Adrian Mardell: Thank you, Balaji. VME, I am going to interpret midterm post supply shortages rather than during supply shortages. Let me take you back to the announcements I have made previously. We were expecting variable marketing at that point in time to be at or around 6% and warranty at or around 3.5%. So, once we get to a normalized marketplace, assuming there isn't a permanent correction here, then I would anticipate that that guidance is still good guidance. Although VME in the foreseeable future over this constrained period will be closer to the 4% or below level until supply has been adjusted to be commensurate with demand. I think it's reasonable for you to take that message away from today as well.

From an emissions-related penalty perspective, I have mentioned to you today the quarter one data. Our total BEV and PHEV numbers in quarter one shown in the presentation on Page 9 was 8.5%. So, at that level, it's actually non-compliant. So, we would need that number to grow through to double digits. Let me say, in total, about 12% goes to get to a compliance portfolio. We know when we look at the order banks from our customers, we are at that level, with a strong requested demand for our PHEV units. So, again, it's about 12%, not the 8.5%. And we can see that, within our customer order banks, it's just our ability to build those cars today, which is holding us back and penalizing us from a potential fines perspective.

PB Balaji: Thanks, Adrian. Similar question on mix where this is from Satyam Thakur from Credit Suisse. JLR ASPs was up quarter-on-quarter, is the peak mix or can this improve further in the near term? How do you see it shaping up once the supply starts normalizing from third quarter?

Adrian Mardell: Balaji, thank you, let me take that one. Again, I think you are asking me beyond the chips piece. I think there's two levels here actually, I am going to stay within the supply shortages for the first half and talk half two because there will be shortages in the half two, it's just the extent. I do believe the actions we have taken, trying to moderate the increase of the order banks, trying to reduce the lower derivatives within nameplates. Of course, that's going to have a natural impact to reaching those average selling prices and improve even more the net transacting prices because of the lower VME. So, I see those two items actually increasing over the second half of the year once we have supported the orders that have been put in place.

Again, as we normalize post-crisis, it's more difficult. But don't forget, and listen to Thierry's words, this will inspire us to actually even further accelerate our Refocus transformation program. And we are very focused within that program for all regions improving health and quality of sale, and you will see that coming back as increased transacting prices, net transacting prices. So, there will be a legacy as we roll out the program. Those transacting prices, like-for-like on exchange rates, of course, will continue to be strong, if not improving going forward.

PB Balaji: Thanks, Adrian. A question from Nishant Vaas from ICICI Securities. Can you shed some more light on the strategy of 10 new launches on EVs in India until 2025? Are new launches going to be spread equally across years or is it going to be more back-ended? Any breakdown of target segments, how the battery supply chain is being planned in India?

Nishant, I think the way I would like to look at it is, this is the plan and aspiration we are after. We are pretty excited by the speed at which the country is moving into electric. And particularly, with rising fuel prices and charging infrastructure starting to come together, the barriers are also falling. And therefore, we believe the customer needs to be given choice. And given the choice, we will be an all-in player. We have already called that out many times over, and we are just quantifying it so that we are able to put some meat to the bone that we have. So, the 10 new launches definitely will be part of the plan by 2025, reasonably well spread out. And we wouldn't want to put out any specific target segments other than saying wherever the customer is going that is where we want to be, otherwise, we wouldn't be an OEM to begin with. And obviously, the back end isn't yet fully integrated to ensure that continuous supply security of supplies are being maintained. At this point in time, this is what we will be able to share. And rest assured that as and when we get closer to it, more and more color would be provided as we normally do. I hope that helps, Nishant.

Next question is from Jay Kale from Elara Capital. Even if things improve in second half for JLR, is it fair to assume that FY 2022 net debt for consolidated will be higher than Rs. 40,000 crores seen at the end of FY 2021? Great question, Jay. I think the point to be made is that, at this point in time, out of the Rs. 18,000 crores outflow that we saw, about Rs. 16,500 crores is just working capital. And we showed both in JLR and in Tata Motors that the operating cash less CAPEX is actually near breakeven that is there. And therefore, at this point in time, wouldn't want to comment where the year-end debt would be. We have made it very clear that as far as Tata Motors is concerned, we will be cash positive in the year, free cash flow positive. And JLR on a full-year basis, work is still underway to actually figure out where exactly we would land. And we have clarified, Adrian has said it many times today, saying that we see improvement in second half.

How big, how far, how much revenue, how much profitability, all that depends on how fast the recovery on the semiconductor side comes through. We are in a good place, now we need to serve the demand that is where we are. So, wouldn't want to hazard a guess on where we would land up on a full-year basis. But do keep in mind that the deterioration of this quarter, most of it is working capital and we will obviously see a significant improvement of the working capital when volumes start picking up. Adrian, anything you want to add to this?

Adrian Mardell: Nothing to add to that, Balaji. No, thank you.

PB Balaji: Question from Binay Singh on very similar lines saying that, if revenues in the second half of this year is going to be very similar to the revenues that we had last year same time, why would EBIT margins be lower on a year-on-year basis? We haven't specifically called out EBIT margin for the second half of the year, therefore, I must admit that I didn't understand your question too much. Adrian, unless you can figure out what he is trying to say.

Adrian Mardell: If I may, Balaji, I think the question has misunderstood the outlook slide because the 6%, I think this is where I did drop off. So, I did explain it, but it sounded like I was talking to myself. The 6% is actually the underlying for last year and the headline is 7.1%. So, the two numbers both relate to last year, we have not provided any guidance for H2 FY 2022 for the reasons said.

PB Balaji: Yes. Now, I got it. Got it. Now I understood. Binay, I hope that's clear for you. Then we have Avi Hoddes from Sandbar Asset Management. Three JLR questions, if I may. Do you think you can get to Q1 levels of absolute wholesales or better as early as Q3? Should we continue to expect emission charges in H2? Should we expect volumes at CJLR to follow a similar pattern to the rest of JLR? Can anything be done to reduce CJLR overhead cost? Or should we be prepared for more losses going forward? Adrian?

Adrian Mardell: Do I think we can get to, in Q3, Q1 levels? Yes, we can. But I haven't got the supply guarantees as yet to demonstrate we will. But we certainly can, that is certainly possible. That is not guidance, that's just what's in the range of reasonable outcomes. Let me put it like that. Should we continue to expect emission charges in H2? If I take you to the first piece of your question, if we have a profile in Q3 similar to Q1, I think it is reasonable to assume it won't be a compliant profile, that's reasonable to assume. So, we would need to increase volumes above that quarter 1 level, in my view, for us to actually see the full power for that compliant portfolio. That would be my expectation here. So, we would need to get closer to a normal level of supply, if not to the demand we have for us to be compliant in any given quarter. I do not expect this to be compliant in Q2 with that 65,000 unit volume number we have indicated.

CJLR, I think it's reasonable to assume the pattern is the same, i.e., they will be impacted by semiconductor shortages similar to ourselves for the foreseeable future. And I did mention on one of the previous questions, we are absolutely working on reducing our breakeven point at CJLR. And of course, that will be twofold, health of sale, quality of sale, reduction to incentives given, i.e. VME, but also structural cost reductions as well. They obviously have a much lower cost base than here, and therefore, the absolute numbers will be nowhere near as big as the reductions we

have made in the core business. But I do expect breakeven to reduce below 70,000 units for those two reasons, yes.

PB Balaji: Question for Girish from Satyam Thakur, Credit Suisse. What has been the quarter-on-quarter trends in discounts in M&HCV, how do you see that?

Girish Wagh: Thanks, Balaji. As I mentioned, we have taken a price increase beginning of January and then again in April. So, generally, when we take these price increases, these price increases get accepted as we go ahead in the quarter. So by middle of the quarter or second month, I think, generally, these price increases get accepted. So, I would say in terms of realizations, towards the end of the quarter we are back to the levels that we were in the previous quarter.

PB Balaji: Thanks, Girish, maybe stay on the line for a minute. Pre-built inventory for retrofit, are you doing anything in CV? And similarly, Shailesh, for you in PV; and Adrian, for you in JLR.

Girish Wagh: On CV, there is no need to keep inventory of finished vehicles. As I mentioned in my presentation, we are keeping strategic inventory of either semiconductor or semiconductor parts at part level. In very few cases, at aggregate level, but not at the vehicle level. That's not required because we are aligning our production to retail. Balaji, back to you.

PB Balaji: Sorry, before I hand it over to Shailesh, this question came from Chirag Shah, Edelweiss. Shailesh, on the PV side?

Shailesh Chandra: So, Balaji, given that we are always operating at the peak capacity of certain items, in the low industry volume months, we are keeping some finished goods inventory also because of the uncertainties that we see on the supply side, given different kind of disruptions that we have been facing. But this is limited to just 10% or so of monthly volume is what I would say. Rest is absolutely similar to CV; we are keeping strategic inventory of common parts. As I said, this is more towards preparation for new launches. Back to you, Balaji.

PB Balaji: Adrian, on the JLR side, any kind of inventory

Adrian Mardell: Yes, so we did build inventory for retrofit at the end of June. We actually had just over 7,000 cars in what we would call work in progress or, in your words, retrofit. Normally, at this time of year, we would expect less than 3,000 units. So, we almost trebled the inventory at the end of June, exactly to do what you are suggesting here. And the expectation is, a lot of that retrofit will happen in quarter two. What I don't know is, where we will end the quarter, because obviously we will make our decisions around September, what we retrofit build versus what we don't build as we go through the next three to four weeks post our shutdown period. Would you like me to continue with the question two, Balaji?

PB Balaji: Yes. But you already have covered that, this is on the JLR plan for H2, so that's something you have already covered, Adrian. We have got another three minutes, so I will take the next question. Thank you.

The next question is from Nitij Mangal from Jefferies. Two questions, particularly with respect to something we haven't covered, so I will take that first. Could you explain the tax situation at JLR? Why a large tax expense despite negative PBT and how will this look in the second quarter and second half?

Nitij, I think we have always maintained to look at ETR on a full-year basis. It is noisy way to look at it within the quarter. We think that contributed to the deferred tax asset that's not being recognized, one being the continued losses, the loss for the quarter could not be recognized. Within that, the UK system in particular, had a higher tax loss. Therefore, there again, we couldn't recognize the tax loss there and DTA there. Thirdly, both on pension asset as well as on hedging reserves, which go through OCI, as well as OCI has to be restated because the tax rates have gone up from 19% to 25%, we should rightly be recognizing a DTA for that, which given the current tax loss position, we have not. And these obviously mean that as and when the business becomes profitable, you are getting back into recognizing this. So, do look at ETRs on an overall basis. There is no structural change in ETR as far as JLR is concerned. Adrian, anything you want to add to that?

Adrian Mardell: Just the one point, I think, Balaji. Excuse me if I missed it, the line isn't too great. Look, this is IAS 12, I think it is accounting, so it's accounting regulations rather than cash payments. The point where we become sustainably profitable, this deferred-tax asset will be created. But it's accounting rather than cash is the point I just wanted to make.

PB Balaji: Yes, spot on. Those are a good spot, we should have added that. So, maybe time for one last question that is out there. This is from Nikunj. This is again on the JLR semiconductor issue, which we have already covered. The other is on the EV launches, what is the CAPEX plan for India PV business and are these 10 new launches subject to the JV partnership with a strategic partner?

As we have said, EV for us as is a strategic call out. And obviously, there is a strategic partner for that or a financial partner for that ?, we are more than happy to take it. But obviously, this imperative will be implemented as part of our plan. And as the business is starting to do well and we will be able to turn around, that also gives us more degrees of freedom. Having said that, we will be open to any partnership as far as this is concerned. So, Nikunj, I hope that clarifies that for you.

So, I think with this, we have come to the end of the session, 8 'o clock right now at my time. So thanks all of you for joining in. Thanks to the teams of JLR and TML for taking the questions. I hope we were able to answer all your questions to your satisfaction. Feel free to reach out to us in case there is anything else that you would like us to clarify. And look forward to engaging with you in the coming days. All the very best. Stay safe. Take care. Bye-bye.

Adrian Mardell: Thank you, Balaji.

Moderator: Thank you. Ladies and gentlemen, on behalf of Tata Motors Limited, that concludes this conference. Thank you all for joining us. And you may now disconnect your lines.