

Tata Motors Limited Q2 Earnings Conference Call

November 01, 2021

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Sneha Gavankar:

Good day. Welcome to Tata Motors Q2 FY '22 Earnings Conference Call. I'm joined today by Mr. Thierry Bolloré, 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 my colleagues from the Investor Relations team. Today we plan to walk you through the earnings presentation, followed by Q&A. As a reminder, all the participant lines will be in listen only mode and we will be taking questions via teams platform which is already open for you to submit your questions. You are requested to mention your name and name of organization while submitting questions. I now hand over to Balaji to begin the presentation.

PB Balaji:

Thank you. Thanks, Sneha. Firstly, welcome all of you for the Tata Motors Q2 results call. Let me take you to the safe harbor statement. Next slide, please. I want to pause here for a minute, draw attention to the top right-hand corner, where how we have accounted for passenger vehicles business in this particular quarter. Since we have received the honorable NCLT's approval for subsidiarizing the PV business, accounting will force us to actually treat this business as discontinued operation in our stand-alone accounts. This does not impact the consolidated books

of accounts. Therefore, what we are currently ensuring is that this particular analyst call as well as the results presentation, we are not recognizing this particular transaction as a discontinued operation. It is there only in the stand-alone results as numbers. Slide 42 of this deck has the reconciliation of the two set of numbers. This problem will be there for two quarters until the business gets fully subsidiarised. And from January 1 when business becomes a subsidiary, this issue will not be there. To ensure consistency of reporting, we are treating it as though it is part of running business of Tata Motors. That is just for abundant caution. In case any of you need any further clarifications on this feel free to reach out to the IR team, and we can explain to you once again and if you need a quick reconciliation, take a look at Slide 42. That's the only comment on the safe harbor statement. Next slide, please. A very, very intense quarter for both in JLR and Tata Motors. You already talked about the TPG rise climate fundraise that happened in the passenger electric vehicle business. That was in mid-October. It's our intention to work on this in the next two, three months to ensure that the first tranche gets drawn down. Then of course was a very exciting launch of Tata Punch, the first sub-compact SUV with the 5 Star adult safety rating that landed. I'm sure Shailesh is going to talk about it in his segment with the way the first month has gone in terms of orders. And of course in commercial vehicles, you had a reveal of almost 21 vehicles last Thursday. Of course huge slew of variants, both in petrol, CNG variants coming through as well as the X-press version of EV going into the market. As far as JLR is concerned, I will not spend time on the J.D. Power numbers. Adrian is going to talk about it in the subsequent slide. A huge confirmation of the move towards quality that we have been making. Of course the new Range Rover was revealed and has received great reviews on that, which again I'm sure, Adrian, is going to talk about. Next slide, please.

Numbers, we ended the quarter at a revenue of Rs. 61,400 crore, an EBITDA of 8.4% and a PBT before exceptional item of Rs. 3,500 crores negative. Basically, we had a significant improvement in India and some of our other operations I will talk about. And the semiconductor shortages, which we had called out as far as JLR is concerned, affected its performance, but performance better than what we had originally indicated. The business ended up with a PBT before exceptional item, I talked about Rs. 3,500 crores negative; EBITDA down 210 bps; EBIT down 160 bps; and free cash flows, negative Rs. 3,200 crores. Next slide, please. Peeling this growth a little bit. Bulk of it driven by volume and price. Volume going the other way at 5.7% volume and mix, price coming at 11.4%, translation of 4.5%. And element of profitability, I spend a little bit of time there. EBIT moved from 0.1% to minus 1.5% or 160 bps delta of which JLR contributed 330 bps negative. Tata Motors stand-alone went up by 70 bps and others, which is basically three entities: Tata Motors Finance, Tata Technologies and Tata Daewoo coming strong. Therefore, that improved the profitability by 100 bps at an overall level. Net automotive debt at Rs. 64,400 crore. The deterioration in working capital of almost Rs. 18,500 crore and the business underlying external

debt remaining at about Rs. 39,000 crores. That's a broad story there. Next slide, please. Let me hand it over to Adrian to take you through the JLR performance. Adrian, over to you.

Adrian Mardell:

Many thanks, Balaji. Good evening, everybody, on the call. If you go to the next slide, if you would, please. So these are our KPIs for the quarter. A lot of this, you will know, we signaled actually in early July, both on specific calls around the second week, and then we reconfirmed a lot of this at the Q1 announcement. Specifically, where did we end in Q2? Our retails were down to 92,000 units. We did say and we'll take you through later the pipeline both of our units and of dealer units have fallen dramatically over the period as supply has been the constraint. We did indicate revenue just around GBP 3.7 billion. We came in a little higher at GBP 3.87 billion in the quarter, and that's because the wholesales were up 4,000 units versus our lower range. If you remember, I gave you a range of 60,000 to 65,000 wholesales for the quarter, we ended up at 64,000. The losses around that were GBP302 million. I'll take you through later how our breakeven point continues to fall. Therefore, we believe, in the quarter, our underlying breakeven position was between 80,000 and 85,000 units, down from 100,000 at the end of last year, and then you see the EBITDA numbers, the EBIT numbers, both reflecting reduced supply and wholesales. Our cash losses were lower, GBP 664 million. We indicated up to GBP 1 billion free cash outflows, off 60,000 units. We came in at 64,000 units, and that went straight the cash position. You'll also see later; our investments were lower in this quarter than they had been in previous quarters. Next slide, please. So I've mentioned a lot of those; two things to draw out that I didn't mention from this page. I'll take you through the profitability slide. There's lots of things happening there. The pluses and minuses do actually balance out in the quarter. That liquidity was very strong at the end of the quarter, GBP 3.8 billion cash; GBP 5.9 billion liquidity. I'm sure you're aware, S&P did upgrade us a notch within the quarter also. Next slide, please. Okay. So these are the wholesale and retail numbers within the quarter by region, the 92,000 units top right. I've said already all regions with the exception of Overseas were lower because of supply, Overseas were higher on both retails and wholesales. We had a slower pickup last year in FY '21 in the Overseas regions, and therefore, we're doing better this quarter than the equivalent quarter last year. Next slide, if you would, please. This is it by family. Again all families are down with the exception of Defender. You'll remember we launched Defender in Q1 last fiscal year, and you can see the impact; last year was partially growing. So we are above, and you also know that the Defender is adding incredibly well in the marketplace, we gave you a baseline of 5,000 units and even in a supply-constrained position, which we've had over the last few months, we are above that level at the moment. Electrification continues to increase up to 66% in this quarter versus 55% in the full year first half. But I think it's important to note, that electrification would be higher, particularly PHEVs if we could have built the vehicles that our customers are looking for. We do have a demand compliant portfolio in U.K. and Europe. We were just unable to build those cars in our quarter 2 because of supply constraints. Next slide, please. Okay. So this is a key slide. This is inventory

levels. The bottom line, our owned inventory, they're units we haven't yet passed over to dealers and to importers. You can see that inventory level, it's 20,000 units, it's very close to the lows of last year. If I remind you, last year, we didn't build units for eight weeks. So that's how starved the pipeline currently is. Our dealers, even more so, the lowest level of dealer inventory we've had going back a long time in history books, just 27,000 units. We will need to build this pipeline once we've actually started to deliver the order banks through to customers, 128,000 orders we had last week [in total], customer orders. And on top of that, of course we need to build these order banks as well these inventory lines as well. So it's reasonable for you to assume there are about 160,000 vehicles waiting to be handed over to customers / to our dealers once we can build more cars. That's the highest level of handover and for a long, long time, probably in the history of our company. Next slide, please. Okay. So this is quite a complicated slide this time. Our normal waterfall from the same quarter last year. Last year, we're profitable GBP 65 million. I've told you, we lost GBP 302 million in the quarter. We put a lot of detail on this, this time. So we're very transparent as normal about what's happening here. Volumes down a lot, but mix was down a lot in the quarter as well. The early supply issues we had, particularly from the Renesys fire in Japan, if you recall that. A lot of those impacted our most valuable units, the units within our FA1 facility, Range Rovers, Range Rover Sport. So you can see the mix is actually weak. The thing to call out here is emissions. Even though we have a compliant demand, we're not able to build those cars. So we have taken the opportunity over the last month to pool with other OEMs in U.K. and Europe, and I will take you through that later in the presentation. VME continues to be lower. So our underlying VME now is a shade above 2%. Our optical VME in the quarter was down 1.7% and so you should assume during this supply constraint, VME will continue around the 2% level; let me remind you in the second half last year, it was about 5%. And our contribution costs, as you can see there, warranty continues to be lower, even though we did actually have to book some early model year campaigns within the data. I'll show you that later also. There are some increases in costs in commodities, which you see there within material costs. But as I've explained before, over the foreseeable future, we've got hedges in place which offset most of those costs. I think the dramatic piece this time is the structural cost. We are destocking, which means we wholesaled more units than we built in the quarter. Plants are less efficient, and therefore, the cost per unit is higher. That destocking will reverse itself once we start to resupply. Capitalization of engineering costs – I'll show that investment in a moment. We've talked about this one as well. 37% of our R&D was capitalized in the quarter. Now we've gone through '21 model year vehicles, engineers are working on earlier programs for later architectures. And if you remember from 2018 model year onwards, we've delayed the capitalization point on those. You should expect those numbers to be lower for the next few quarters until those new architectures get towards their strategic confirmation gateways. Furlough last year was significant, it was much lower this year. But we did spend a lot of time actually working on the Refocus material costs to convince ourselves and the auditors that the end of life reserves we were booking on our batteries were no longer required

and we reduced and eliminated those reserves at the end of September. Lots happening on exchange, but broadly speaking, sterling strength means operational exchange negative. The hedges did their job and offset that and then a revaluation of the debt on the balance sheet as sterling has strengthened has actually given itself an optical non-EBIT negative there. That's the losses in the quarter.

Next slide, please. Okay. Cash flow, we indicated it could be up to GBP 1 billion outflow, if we only did 60,000 wholesales. So I said to you, we did 64,000. But this data is really quite dramatic, almost 80% of our cash losses in the quarter was working capital. We've given you a full breakout of that, which you'll be able to see from the balance sheet anyway. Simply put, we're building a lot fewer cars at the end of Q2 than we were at the same point in the previous quarter. So we get a big negative again. Look at the bottom line there, we've done the first half year for you, the GBP 1.66 billion cash loss, GBP 1.4 billion of that is working capital. The underlying losses in the first six months actually on just 148,000 wholesales, is GBP 240 million. That means our cash breakeven point in the first half of the year was lower than 85,000 units a quarter. It dropped to about 80,000 in quarter 2, and it will continue to be low. And what you should be hearing here is once we resupply and we build more cars that working capital will come back very, very quickly and underlying cash positive will trigger once we get above 80,000 units. So we are very confident once supply is returned that we are going to quickly and significantly reverse these cash losses going forward.

Next slide, please. Okay. Investment was lower, GBP 484 million. That's the lowest quarterly investment for eight to nine years. You can see the breakdown here. The R&D was very, very close to the number we had in the same quarter last year. But importantly, look at the capitalized R&D versus last year, just over half the amount we are capitalizing and therefore, we are expensing a lot more R&D for the reason I said. People have moved off 21 model years on to new architectures, and we won't start capitalizing those architectures until later in their maturity. This was a point I mentioned about the change we made a few years ago. Capital investment, obviously we have a rigorous process to actually spend outside in R&D, and you can see the capex was lower than 12 months earlier. That will grow in the second half of the year as we bring our new vehicles closer to completion. But we are giving new guidance on our investment this year. You'll see in a few moments. Next slide, please. Okay next slide. This is a beautiful reason why that investment will grow in the second half of the year. We did reveal the new vehicle on the 26th of October. It was quite dramatic. You can see there some highlights that we've actually listed for you. In terms of the seating arrangements, we do have seven seats in this vehicle for the first time in the Range Rover, particularly for our North American customer base. That functionality has gone down very, very well with the early customers there. The EV range is really, really important to understand the existing [Range Rover] has a range of about 40 kilometers. This one will have 100 kilometers.

The data we draw down from the car says 75% journeys are less than 100 kilometers. So 75% of people driving this car will be able to drive full electric. And if you extend that thought for distances beyond that range, the first 100 kilometers will be electrified - fully electrified - miles as well, which basically means, if you wish to, 85% of the miles you do in this vehicle will be all full electric. That's why the emissions below 30 grams per kilometer, you see that there. There will be an opportunity just about two years later than the issue of this vehicle next year to actually buy that 100% BEV option, the BEV vehicle, but this beautiful modern luxury gorgeous design will actually be in its purified offering in just over two years' time. Steering on this is the steering circle of a Mini. So it really, really is a dramatic offering. The engineers have done a stunning job, so have the designers. Hopefully, you joined the 354,000 people who watched the live launch last week. And if not, maybe you're 1 of the 3 million people that went onto the website afterwards just because this gorgeous, gorgeous vehicle has been revealed.

Next slide, please. Okay. So Refocus. This program was only launched in the Fourth Quarter last year. It's already having a dramatic impact in our data set. It is probably one of the most complete transformation programs in recent automotive history. Let me remind you that Charge was almost certainly the most complete turnaround in cash generation program in recent automotive history. We already can see GBP 500 million worth of benefit in the first half of this fiscal year. We have teams who will independently corroborate this data, and you'll see it in our year-over-year data, we only measure by things you can see on a year-over-year basis. So we're very confident of the GBP 1 billion we've actually committed this year. We're already halfway there after six months. I won't read that, but there's a lot of detail for you to read there, which shows the holistic nature of the program. It really does meet all of the criteria of a change program. We're very, very proud of the work we've done in the first few quarters of this program, and it will grow and become more valuable going forward, of course. Next slide, please.

Okay. So pillar one is the quality pillar. Balaji referenced this. You know we've been focused heavily on two things since I came into this job 10 quarters ago, improving VME and improving quality. They were two big themes from my first communication to you, and I'm super proud of the work that the teams have actually done beyond the optical data that I normally talk to in so many areas corroborated, of course by the best in the business, J.D. Power. Our IQS survey in the U.S. Combined, we're most improved, up from 15 to 13th place. JLR was first place in APEAL as a corporation, as an OEM, up from second place previous years. Land Rover was second place and Jaguar 11 overall. I won't read the rest of it, although don't miss the Defender the first place in the midsize, please. In China, Land Rover was second place in the CSI, and we just received the reliability J.D. Power survey in China where Land Rover again is in second place behind Porsche. So all of that is significantly corroboratory evidence about the dramatic improvement in quality, which we committed to do. Don't be fooled to think that we're anywhere close to where we wish

to be, but we definitely now have external corroboration around a lot of the things we talked to you about over the last 10 quarters. Next slide, please. This is the financial data around it. We did say to you this year, we are targeting less than 3.5%, on average for the last four quarters has been down to 3.2% underlying. We did have to book more money on some old model year data, 2011 to '16 data on a couple of campaigns, which optically moved up to 4%, although that was lower than the same quarter last year once we add the campaigns into last year's data. So our next job is to get the underlying below 3%, and we're very focused on that over the next four quarters. Next slide, please.

Okay. So emissions. A few points to register here. Firstly, based on demand, we have a compliant portfolio in both the U.K. and Europe. However, because of semiconductors, we're unable to build those units today. And given the assessment is over a calendar year, we were nine months through. We moved to Plan B. Plan B was to actually join other OEMs in terms of a pooling arrangement, which we've now done in U.K. and in Europe and the amount of reserves we have on our books, ultimately will be decided by the amount of credits we need to buy. But the worst position we're stating here for the calendar year now is GBP 37 million worth of credit purchases in U.K. and Europe in calendar year '21. We continue to work with other OEMs to buy credits in U.S. and in China. Obviously in those markets, we wouldn't have a compliant portfolio because they are less PHEV markets. Next slide, please. All right, semiconductors, I'm sure there's lots of questions around this. Look, we're making progress, a lot of progress, although we significantly reduced the performance in quarter two because of the challenges we have. We talked in a lot of detail in July around the challenges we saw, the Renesys fire, the Texas storms. The lockdown in Malaysia did actually hit us later in the quarter and into October greater than we were seeing in July. So ultimately, that was the reason why we didn't build more cars and wholesale more cars into quarter 2. Of course, our ability to overcome these challenges is significantly increased with the chips available, we target them to the right car. So you will see the data in terms of average gross vehicle revenue much higher this quarter than other quarters for that reason. Where we could, we did that. We did limit the order banks by taking away some of those lower derivative orders as well from customers' sight. We've done a lot of work with the Refocus program, particularly the data analysis and scaled up InDigital team. We have more than 200 people in that team now, up from 100 earlier in the year, but we're targeting not only which cars we should build, but the full end-to-end pipeline right back to the several sources of chip manufacture. And there's been a great leadership from our CEO, who's had direct dialogue with the CEOs of both the major first-tier suppliers to us who weren't able to supply the parts we'd asked for and right back to the source to the actual semiconductor providers. So we have complete transparency now from start to end of the pipeline. So everybody is super clear what we need, and we've given you a sense earlier what we need. We need a lot more to generate a lot more vehicles to make sure we meet the demand, the increasing demand that we have across all of our nameplates. So we're in a much better place to handle this

challenge going forward, although it will continue to impact us in the second half of the year, particularly in our Q3 data, our production will be significantly higher from the 50,000 units we built in quarter 2. Next slide, please. Okay. So breakeven, we put a lot of focus on this through Charge. We told you in May we were down to 100,000 units. We told you in July that dropped to 90,000 units a quarter. It's dropped again actually around the quarter 2 data, around 85,000 units. I'm giving you a sustainable number here. Optically, the data will be lower than 85,000 units in the half 2 given the portfolio we will build, but I'm giving you the underlying data actually going forward. So one thing we will benefit from this crisis, we've taken the opportunity for the foreseeable future to reduce our breakeven point from 400,000 units a year to below 350,000 units. So once we can build more cars, we will be profitable sooner and our profitability will be higher and so will our cash balance. So we haven't wasted the difficulties we've had. We've used this to again push even more on the value-generative business we wish to be. Next slide, please Okay. So guidance, second half year versus full year. I won't read all this out, but I will refer to the key priorities. Nothing has changed on the right-hand side, by the way - we're increasingly confident if you link that last slide in terms of our breakeven point lower, and we're increasingly confident about EBIT returns going forward and cash generative. We kept the same numbers, FY '24 and FY '26. And we'll give new guidance on FY '23 as we get into the quarter 4. But our key priority is obviously to continue to manage the supply crisis. So we overcome the challenges there. You won't see the full power of the data that we believe we can now bring through the sales maturation we now have. Reimagine strategy, obviously nine months in increases. You've seen modern luxury in the physical presence of the beautiful new Range Rover. That will continue in the new cars we put into the field. After the Range Rover, Refocus program, I've talked a lot about really scaling up to be a significant value-generative holistic transformation program. I am repeating the guidance in the second half of the year, I gave in July. We will be cash and EBIT margin positive in H2, cash positive before the restructuring costs, and we're pushing to be cash positive, including the restructuring costs, but the data isn't there with confidence yet. Next side, please. I think this is my transfer back slide, Balaji, yes. Thank you.

PB Balaji:

Thanks, Adrian. Let me try to get down to the Tata Motors slides. We ended the Q2 with a revenue of Rs. 18,000 crores, EBITDA of 3.9%, PBT of Rs. 800 crores negative and a positive free cash flow. Good part is all the lines started trending in the right direction in terms of growth as well as profitability improvement. And the reversal, what Adrian alluded to in terms of working capital coming back. You're already seeing that with growth coming in Tata Motors, the story is identical, just as the growth came in earlier here. Hence, you're seeing the free cash flow turn positive here. I'll touch upon our data. Again a word of question. This is without considering this discontinued operation accounting treatment, so but this is a like-for-like comparison. Next slide, please. Key call-outs if I had to put out other than what you saw in the earlier slide, commercial vehicles grew 97%, passenger vehicle 83%, a very strong order book and EV, in particular, growing very strong.

If I add to October numbers that just got published today EV penetration is now touching almost 5% of the entire portfolio. Profitability at 3.9%, up 130 bps. This is despite the commodity pressures, and I'll talk about it in a little while. Commercial vehicles at 3.1% is basically the entire thing is this commodity inflation that's causing the pain. PV has been a standard performer this quarter with EBITDA improving once again to 5.2%, and we are now starting to see almost near EBIT breakeven in this business, which I've covered in a while. Free cash flows of Rs. 3,800 crores, operational cash flow is positive for the first half of the year. Working capital improved by Rs. 3,800 crores, almost 50% of it has sorted, and we'll expect to see this going forward improve as well. Next slide, please. Just a flavor of where the numbers move from, I'll call out in the brackets that you see below. There's an unrecovered price of almost 480 bps because of the commodity inflation that we are not able to price. That's despite putting through almost 25% kind of price increase in the business. So it tells you the level of commodity inflation, we are dealing with, particularly arising from steel and precious metals. Fixed cost, the investments, not too stressed about it because these are all growth-led investments, higher FMEs because we had built in the second half of the year compared to last quarter and depreciation, amortization and product development, basically the new cars coming in is giving you that.

Next slide, please. Free cash flow, the operating cash is cash profit after tax less investment is positive for this quarter as well as positive on a half year basis, which means despite COVID this business is now standing on its own feet. And what is basically cost relief is working capital, which is reversed almost 50% this quarter. The one that we really need to bell is the finance expenses, which as the deleverage plan kicks, then we should be able to sort it out. Next slide, please. CapEx, I won't touch upon it - in line with what our plan for the year. Next slide. So going into commercial vehicles, the next slide on market shares. If you see, the good part of this quarter has been we've grown, we have gained share in all four segments. On a half year basis, we are now at 44.6%, this quarter was almost 47% plus when Q2 ended. So was it in October month as well. Good part is SCV salience is now starting to normalize, and that gives us tailwinds. M&HCV, at 61.6%; ILCV 49.4%; and small commercial vehicles also starting to grow share means that overall, this portfolio is starting to look good, and October has only strengthened it further, which Girish talk about in a while. Next slide, please. Financials on commercial vehicles, wholesale and retail growth - retail 100% kind of a growth. Revenue, up 97% and EBITDA and the connection between wholesale and revenues, you see that shows in the magnitude of pricing that has gone into the market. And EBITDA broadly flat at 3.1% despite this volume growth, tells you the headwind on inflation that we are seeing, the 480 bps I referred to earlier, and EBIT, of course starting to get almost close to breakeven. This is something we're working on. Next slide, please. Girish, you want to quickly pick this up.

Girish Wagh:

Yes. So thanks, Balaji. Key highlights for the quarter. So the volumes were up 84% over quarter 1 and 51% over Q2 of last year. So I think the demand has recovered pretty well after the second wave of Covid. And as Balaji mentioned, we've gained market share across all four segments in Q2 with the total increase over the last year's exit being 220 bps. Look at October, I think by end of October, in fact, we have gained across all the segments, the four segments that we track. So I think on the market share going well. And as you would have seen, I think there is a further potential upside with the mix changing as we get into the second half. I think right now, both medium and heavies and intermediate and light are still at a lower salience as compared to SCV's. So we have a further upside going into the second half. Steel increases and of course precious metals is something which has been impacting the margins. We've taken a price increase on 1st April 1, 1st July and 1st October, but the passthrough has not been full. With the transporters' profitability is still being under pressure as compared to Q4 of last year, I think there is a limit to which the price increase is getting through, and I'll speak about that more. At the same time, we are focusing a lot of activities on cost reduction. I'm also pleased to tell you that our fixed cost, other expenses do remain under control, and therefore, helping the breakeven to that extent. The diesel prices at historically high levels, even last six days continuously going up. And as a result, we are seeing a good preference shifting to CNG due to the total cost of economics advantage. And already in small commercial vehicles as well as intermediate and light commercial vehicles, we see a good swing happening. In fact, the salience of CNG in intermediate and light commercial vehicles is almost 40% to 50% depending upon the month. So that's the kind of swing which has happened. So the good things, as I said, there has been a sequential improvement in fleet utilization and is led by cargo by agriculture, FMCG, ecommerce essentially. But also, we see a good uptick happening in construction activities generally as well as infrastructure projects. So we see a good future for even the tipper industry going ahead. The small commercial vehicle demand kind of continues to be resilient, but I think the impact has been seen due to the semiconductor shortage here. So it's this segment where the semiconductor shortage has been hitting us. But overall, I think a very good demand in ILCV's and early signs of recovery in MHCV's, I would say I think still not there because bulk of the buyers are still institutional customers, fleet owners. The retail customers or single vehicle customers are still not in the market. Our internal metric, which is Tucker sentiment index, has seen a very good recovery on both medium and heavies and intermediate and light. In Q2, and this is despite it was done in towards the middle of the second wave. So there is a good expectation about the future and for that matter, for second half. Even last year, we had seen that the second half had good volume increase compared to the first half. Some of the challenges, I spoke about steel increases, steel and precious metals. Fortunately, the precious metals seem to be slowing down a bit. Steel is something that we are continuously looking at. Focus is on both improving the realizations in the market as well as cost reduction efforts. Buses and vans still remain very muted. In vans, more or less, the demand was more on ambulances. In terms of buses now, we've started seeing some inquiries happening from STU's as well as stage

carriage that is employee transportation as employees start coming back to office. Semiconductor availability is hitting us in especially in small commercial vehicles and intermediate and light commercial vehicles. But we are monitoring on almost a daily basis to see what actions can be put in place, including reducing the usage or using an alternate semiconductor, wherever possible to see to it that we are reducing the impact on volumes. In terms of vehicle financing, as I said, I think most deals are being closed for large fleet owners, especially in medium and heavy commercial vehicles and retail funding still remains a challenge. But gradually, I think the financiers, as their NPAs are reducing are also coming back into the market for the retail customers. Finally, I think transport profitability is something that we are closely watching because with increasing utilization with increasing freight availability, I think the transporters are able to increase the freight rates consistently since the month of July. But I think with the increase in steel prices sorry, the fuel prices, diesel prices, the profitability is still below March. So this is something that we need to keep watching, but I'm sure with the increasing freight availability, the freight rates can go up and the profitability will come back. So that in summary is what you've seen in quarter 2 for commercial vehicles.

PB Balaji:

Thank you, Girish. Moving on to passenger vehicles, a standout quarter, where market shares went up to 11% and increased further in October. Just look at the growth rates, the industry grew 2%, Tata Motors PV grew 53% and EVs grew 193% this quarter. Powertrain mix is now almost 3%; PV's diesel at 23%. The full new forever range of products, were really received well, and Tata Punch is now adding to the momentum of this business. Nexon crossed the 10,000 monthly sales mark. Of course October has only made it even stronger, which I'm sure Shailesh is going to talk about subsequently in the Q&A. Next slide, please. This obviously translate sorry, specifically on EV's market share of 71% when we ended in September. The real piece that we're seeing is an expanding of the booking versus retail. Currently, our lead time to supply the vehicle has now gone up to almost six months plus. That's something which we don't like, but we are trying to ensure that we service the customer demand. But what is really reassuring is the demand continues unabated and picking up momentum there. Financials, a lovely slide to speak to where everything trending in the right direction, be it wholesales, be it retail, be it revenues. This Rs. 7,400 crores of revenue, the highest we've seen in the quarter for Tata Motors. And EBITDA of 5.2% is also one of the highest you've seen in a long period of time and we are now within site of an EBIT breakeven, which is what our next site would be as we go forward. And do keep in mind, this is despite the kind of commodity inflation that we have seen. We are actually now sequentially improving our profitability as we go forward. Therefore, we do intend to continue this momentum. Next slide please. Shailesh, can I hand over to you?

Shailesh Chandra:

Yes. Thank you, Balaji. So to continue the growth momentum and further strengthen our market position, we are working on these three areas - demand generation; demand fulfillment; and

profitability and cash management. In terms of demand generation, we are continuing to work on standard sales lever as well as micro market-specific actions, in about 20 to 25 micro markets that we have identified and also expanding ourselves in the rural areas. We are also strengthening our inquiry conversion rate by leveraging upon our comprehensive portfolio of products and especially post the launch of Punch, which is actually providing multiple options to our customers and the products are very well complementing each other, which helps us also in improving in conversion rates. Also to accelerate the EV adoption, we are focusing on the 16 states and union territories, which have notified very progressive EV policies. And five states are already in the draft stage. So these will be our key priority states where we focus for driving adoption. As also on the network sufficiency, we have been expanding in a very accelerated manner in both rural areas as well as in the urban centers. And also, there has been work which has been done in enhancing the working capital of our dealers to support the steep growth that we have been witnessing in the last 18 months. And also, there has been nearly 25% increase in the manpower also at the dealers, which is now sufficient to support the growth that we have planned for in this financial year. And also the productivity has also doubled in the last 18 months as far as the manpower productivity is concerned. On the demand fulfillment side, semiconductor supply situation continues to remain precarious in Q3 also, even though I think it will be better than Q2, and we are taking various actions to minimize any adverse impact. Also, over the last 18 months, we have been taking various actions to debottleneck capacities, especially for the high demand models and various aggregates like engine. This is more or less in place now to support the plan that we have in this financial year in terms of the monthly volumes. Also, we have identified some critical components where we are trying to build to the best possible extent strategic inventory. Also, in the last quarter, we have launched one new EV, which was Tigor EV and then Tata Punch in October. So we are now trying to stabilize the production. I'm very happy to inform that Tigor EV has also qualified for FAME and therefore, it is eligible for various state incentives, which we are seeing the last one week post we got the FAME certificate. There's a very steep increase in demand in the states where incentives are being extended. Tata Punch has received a very, very strong response. In October month, we sold nearly 8,000-plus vehicles. So we are seeing very strong response to these two products, and therefore, we are now trying to stabilize the production. On profitability and cash management, we have been working on a very, very religious way. There are some eight or nine levers that we have identified, and this includes the smart mix management in terms of models and their trims. And while trying to, of course best align with the demand generation. We have also put cross-functional teams, which are working on the cost reduction ideas and holding multiple idea generation workshops. And in the last five, six months, they have really generated strong pipeline of ideas, which is good to support improvement in the contribution margin. There's also very strict control on the fixed cost in a phase where we are scaling up our business. We are focused on ensuring that this is kept at a structurally right level. Also, we are having a very tight management

and emphasis around the working capital. So I think with all these actions, it's going to help us further strengthen our sales and financial performance. So back to you, Balaji.

PB Balaji:

Thank you, Shailesh. So moving on to the Tata Motors Finance. This is one area where we had concerns last quarter with a PBT loss of almost Rs. 460 crores that we had. Happy to report this has now picked up quite substantially. This is a quarter where we had collection efficiency trending at 100% plus for all the months. So the PBT came back pretty strong at Rs. 486 crores. On a half year basis, we are now PBT breakeven. The GNPA are still high at 8.1%, and we intend to bring this down to 5% by end of this financial year. So things are working well for this business. Collection infrastructure has come back pretty strong with everybody getting vaccinated. Their own internal metrics on cost-to-income ratio, collection efficiencies as well as going asset-light all trending in the right direction. So the business is on an even keel here. Next slide please So moving on to the final outlook for this for the coming quarters and beyond. We do expect to see demand situation continuing to improve as the pandemic subsides and vaccination rates pick up. Supply situation will remain challenging in the near term, be it on semiconductor shortages or on commodity inflation and we expect performance to improve gradually starting this quarter onwards and will progressively keep improving as well. For JLR, Adrian already talked about the proactive actions that we have the actions that we are putting in place. And for Tata Motors, you see on the right-hand side. Our CV, the agenda remains continued market share improvement and protecting margins in an inflation environment. For PV, to step up the profitability, the sales momentum while continuing to reach the EBIT breakeven. And EV is completing the various CPs for the TPG deal closure and draw down the first tranche of monies there. That will then help us invest and turbocharge the EV growth even further. And of course in the meanwhile, unlock any supply chain bottlenecks that we have so we can reduce the lead times for servicing the vehicles. And both in JLR and Tata Motors achieve a positive EBIT breakeven and a positive free cash flow in the second half. So that's what our plan for the quarter is. With this, let me now take the questions that are coming in. Once again request you feel free to type your questions in the question staff that you have, and we'll pick it up from here.

PB Balaji:

Okay. So let me then read out the question that's coming in, the first one coming in from Pramod Amthe, InCred. What is the China premium car industry current inventory situation? What is the future outlook on China industry market volume and profitability considering sharp economic slowdown. Adrian?

Adrian Mardell:

Yes. Thank you, Balaji. So our metrics we take you before through in China significantly improved in the import business, particularly as a result of quality of sale over the last two years. We've continued to apply that now with reduced supply to the CJLR business as well. So you will start to see that data actually improving from a quality of sale, i.e. reduced discounting perspective.

Both of those numbers in Q2 were significantly impacted by supply shortages. So any other data you see in Q2 relative to other OEMs, etc., is less meaningful for us. I think the dealer inventory levels, the dealer profitability levels, which did improve dramatically in Q2 particularly on the import business, are by far, the most important metrics for us here. The marketplace is in a very good position. The Charge program is being used on the local business now as well. So I do see quite a fast pickup and value-driven pickup in China once we're able to increase supply in the second half of the year.

PB Balaji:

Thanks, Adrian. Second question coming in from Jay Kale. Globally, BEV penetration trend is much faster than in India. However for Tata Motors, the JLR EV penetration trajectory is expected to be much slower than that for Tata Motors. How do you see the role of partnerships and fundraising in JLR to bridge this gap to play catch up with global competition.

Let me take this question and then pass it on to Thierry as well. I think we must keep in mind that JLR has announced a Reimagine strategy, which is basically looking at converting the entire Jaguar portfolio into an electric-only portfolio starting FY '24. Of course six Land Rover BEV's coming in as well. So the action plans for electrification are as ambitious as what Tata Motors is setting out to achieve as well. Therefore, that we believe is the first part of the puzzle. Second, as far as funding itself is concerned, Adrian has already referred to the breakeven of the business coming down. Today the issue is not so much about the business profitability, the issue is about supply availability of semiconductors. When that gets corrected, the funding is not an issue. Thirdly, the GBP 2.5 billion that we put out as far as CapEx plan is concerned, it's sufficient for us to manage the reimagine transformation. Therefore, we do not see any role of partnerships or fundraising in JLR to deliver this particular agenda. Presently, there are no other plans as far as any fundraise in JLR is concerned. Let me hand it over to Thierry in case he's like to add further to what I just said.

Thierry Bolloré:

Thank you, Balaji. I think that it's worth mentioning, of course the fact that JLR was the first to have a full electric, real top premium car put on the market, which is the I-Pace, which is an excellent car and successful car. At the same time that the electrification was massively increased in the past years, and you could see the figure of Q2, which is 66% electrified output with PHEV, MHEV and BEV together. And third, I think what is key is to be on time against including the evolution of the ecosystem to make it such that when you are really looking for big BEV figures, you get it because the ecosystem is also in place. And that's the reason that we intend to drive with our next generation of BEV cars, whether it be, of course the Jaguars we announced in Reimagine, with the portfolio of BEV only new Jaguars and also with Land Rover because all models will be proposed with a BEV version. But we will do that in an ecosystem where we expect that our consumers, our customers will just wonder why to have an ICE instead of a BEV, which is not yet the case.

PB Balaji:

Thank you, Thierry. Next question, Adrian, this is coming your way. This is from Satyam Thakur from Credit Suisse. Do you expect JLR mix to moderate as chip supply normalizes over the next four quarters or so? And how is the mix in your order book compared to the mix of your sales? That's the first question. The second question, gains from realization and commodity hedges offset a large part of the commodity cost increases in the Second Quarter. How do you see this trending going in the coming quarters? Two questions, Adrian.

Adrian Mardell:

Okay. Thanks, Balaji. Let me take the answers on that in that order. Look, you haven't seen the full benefit of the mix improvement yet within our data; we've got order banks, and we have to be responsible in terms of the orders we already have. We're just starting to see it in the data at the end of Q2, which is why you saw the average gross revenue increase above 60,000. I would expect that to be even richer in our quarter 3 data set. Then don't forget, we're then going through a series of change for our most profitable and valuable units, Range Rovers and then Range Rover Sports. So quarter 4 and quarter 1 next year, as we start to change those programs on, you'll see a moderation of that mix. Once we have those new vehicles and the supply issues are overcome, I think you'll see a new norm for us in quarter 2 next year, and that will walk towards that 7% plus EBIT I've mentioned to you previously. So you will see a richening before it normalizes out in terms of our mix over the next one to two quarters, I would expect. On the second question, Balaji, remind me, go back to the question, if you would, please. Thank you. Okay. Yes. Okay on commodities. Thank you. On commodity costs, pretty much negated as you saw within the quarter. We do have hedges in place, as we've explained to you before, particularly over the next four to six quarters, and the offset would reduce over that period of time. We're dramatically scaling up of our cost reduction efforts. We didn't talk too much today about it, and Ignite and material costs, I'd expect all commodities to be offset and even more by material cost reductions on our vehicles up to GBP 1,000 has already been identified and a lot of that will be coming through as we go through the '22 and the '23 model year vehicles. So I'll repeat again there are pressures not only on commodities, on wages, on transport and inflationary pressures. But the Refocus program is there not only to offset those to increase our efficiency, and that's what I expected to do going forward as well. Balaji?

PB Balaji:

Thanks, Adrian. One more question coming your way Adrian. This is from Gunjan from Bank of America. you help us understand the normalized levels of VME and warranty costs as well as mix?

Adrian Mardell:

Okay. So VME, let me take you back to what I would have told you two to three quarters ago. In a normal environment, when we're producing 10,000-plus cars a week, we thought VME levels were 4.5% to 5%. Whether the new norm is exactly at that level, or a little bit less, I'm not certain yet. But until we start building more than 10,000 cars a week the norm as the 2% level. So it will grow back, but don't forget, we've got a starved pipeline. So it won't come back as quickly as you

may model. right? So I expect this environment to continue way beyond our resupply period. We're also, of course choosing to only to allow some higher derivatives for a period of time. Our order banks remain strong. So the new norm for that may actually continue even lower for even longer. So I'll say 4% to 5%, but it won't happen as quickly as resupply. In terms of warranty, I reference back to the presentation. We wanted it consistently below 3.5%. We did have some campaigns in the quarter. But excluding campaigns, we believe we're at 3.2%. Our target is now below 3%, and we're working towards 3% and lower over the next several quarters. Balaji?

PB Balaji:

Thanks, Adrian. Shailesh, this one is coming your way on Tata Punch coming from Jinesh Gabi. Can you talk about the response to with respect to inquiries and bookings. Post the launch of Punch, how does the product launch pipeline for PV business look like? And do we have any model launches or focus will be on variants and electrifying the Ice models? The last one, Jinesh, I can tell you right away that's something we'll obviously see as we go along. But the other two questions, Shailesh? Thank you.

Shailesh Chandra:

So we don't reveal the numbers as far as bookings and inquiries are concerned, but I can just give you an indication that if before the launch of Punch, we were receiving bookings per month at x. It would have grown by more than 50%. So that has been the response of Punch and between the pre-price announcement and post price announcement, we have seen nearly 1.5x jump in the bookings. So in certain models now, the waiting period of Punch would have increased to seven to eight weeks. In certain models where the demand is very high. It has also gone up to four to five months. So the response has been very good.

We have not received this kind of bookings among the portfolio of products that we have today. So it remains very strong, and it has increased our bookings by more than 1.5x as compared to what we were receiving in the month of September. So that would have answered or given you an indication what is the extent of increase that we have seen. As far as our product pipeline is concerned beyond Punch, we are exploring one or two options beyond the range of six, seven products that we have. The selection of our products in our portfolio has been always those segments where we see future growth and where the size is going to be meaningful. And we have identified certain white spaces where we would like to be present. We'll be able to reveal at the right point in time. You will see more action in the next few years as we have already mentioned, 10 products in the EV, which would mean that one or two products we would launch every year. So you'll see action both on the - more on the EV and then a few new products as far as the passenger vehicle ICE business is concerned. So we'll be able to reveal at the right time. But you can expect that in the next three to four years, you will have more additional new products coming in those segments where the growth is going to be high in the future, which is going to be relevant in future and where the size is going to grow.

PB Balaji: Thanks. Shailesh. Our next question from Priyaranjan HDFC AMC. Girish – this is coming your way. On the domestic business, what are the reasons for the EBIT losses in the CV business despite improved quarter-on-quarter volume? Is it because the industry discounting has increased significantly or our breakeven point has gone up?

Girish Wagh: Okay. So it's a mix of two things. One is the stress on contribution margins, due to the inability to pass through all the commodity increases. So that's the first reason, which is hitting the contribution margin. And within that, we will see that as compared to a regular year, our product mix is still has a headroom to improve in the sense the percentage of M&HCV in the overall volume, then there is a scope for improvement in customer mix. As I said in my presentation that bulk of the customers are still the fleet owners, retail customers are yet to come back. And even within the country, I think the geography mix is slightly inferior as compared to any other year. Secondly, with the increase in volume, the fixed expenses to support that have gone up by that amount. But with the stress and contribution, I think it has led to this EBITDA and EBIT margin at this juncture. But I think as we go ahead and as the demand improves, we see the realizations going up as also, I think the fixed costs coming under better control leading to the for improvement in the EBIT.

PB Balaji: And just to add to that, if you notice the slide on the EBIT movement, we have called out almost 480 bps of profitability getting impacted because of our inability to price the kind of commodity inflation that we are having with the savings program picking up as well as some of these things trending down and more and more price being landed in the market, this should start improving from here on.

Next question, I think I probably address to Thierry and them to Shailesh to amplify thereafter. This is from again from Priyaranjan – what is our R&D approach to change the electrical and electronic architectures or changing to a new generator semiconductor node like some of the new age EV OEMs are doing or some of the Germans in order to mitigate the chip impact.

Thierry Bolloré: Thank you. It's a great question. But for me, it's a strategic question more than a tactical one. It is very true that JLR is equipped with a fantastic team in terms of software, onboard and offboard and I can tell you by experience and comparison that it's really a great asset for the company.

The consequence of that is that the team has already improved its electronic architecture significantly. And by the way you can see that with the customer satisfaction data from our model year '21. But what we are preparing is not a follow-up. It's a real leapfrog in order to be better compared to the OEM that you are mentioning implicitly in that question.

And it is very true that it's going to have an impact on our strategy concerning semiconductor, hope gets together. It is also part, by the way of an anticipation from the team, but it's a part also of the crisis that we are experiencing at the moment, which is completely changing the pairing of our connection to the supply chain to the semiconductor manufacturers.

And it is very clear that we are already equipped and starting to talk about design of chips about the way we connect this design to the future customer satisfaction and experiences, which are going to be absolutely nothing to compare with what we can offer today.

So it's a great question. Yes. We go in that direction with a lot of enthusiasm, I can say because it's a key part of transforming our business from a classical OEM to a tech industry.

P B Balaji:

Thanks, Thierry. Shailesh, Would you want to amplify anything on that?

Shailesh Chandra:

No, Thierry has answered, and there's a lot of collaborative work that we are doing along with JLR. Also to cross leverage each other's expertise. So there's a work which is being done on the future generation of electrical and electronics architecture together. As far as semiconductor strategy, especially in the light of the crisis that we can potentially see going forward, especially when it comes to electric vehicles. There are multiple initiatives, and we have successfully done in certain cases where in critical items, we are bringing down the use of chip by going with all in one strategy many a times, the components have been different, and we have been able to optimize the number of semiconductors that we use and exposure to a number of semiconductor suppliers.

And in one component, we were able to successfully do in half the number of semiconductors that we were using. So I think going forward also, we are going to go for a lot of optimization and the expertise to handle this is a focus area where we are working on.

Thierry Bolloré:

I think we can extend the answer to that great question to also what's happening in the way to enhance the synergies between the Tata companies. Of course Tata Motors and JLR, I think Shailesh answered perfectly well. We are together on the same boat to build what's next. That's extremely promising for all, including in terms of competitiveness. But I think it's also a great example where already with TCS and other Tata companies we have had fantastic cooperation, especially on the software side, but not only. We can see in front of us incredible synergies to be exercised further for the good sake of our technology on one hand and our competitiveness on the other hand. So it's a great question. Thank you.

P B Balaji:

Thank you, Thierry, and Shailesh. Next question, I'll take the question. In the India business, we talked about a 480 bps under recovery linked to commodities. Could you share the breakup between PV and CV. Also does this take in on account the early October price hike in CV's. I

think broadly similar 400 bps on PV and about 500 in CV, Binay. And as far as this does not take into account October price line, that starts from now onwards. And do keep in mind that the VME levels in order to land the price also, we have -whatever price hike we take start transferring into realization become increased VME to that extent. So we're hoping that all these will start tempering down going forward.

Next question in a minute. Ronak Sarda - how are the cancellation trends in the JLR order book other than the Defender? How do you think it will change if competition is able to improve supply situation ahead of JLR. Adrian, do you want to pick this.

Adrian Mardell:

Yes. Of course Balaji, thank you. Look, we've been working hard to make sure that those order books are not growing even further in Defender. I know the question does say excluding Defender, but we're somewhere between five and seven months worth of orders, depending on how many units we're able to pass and about 34,000 of the 128,000 orders are Defenders.

But we have healthy orders on Range Rover Sport and Range Rover Evoque. Don't forget the existing Range Rovers in its last quarter before full runout. We only started to reveal that car last week. So we expect to have significant orders for new Range Rover which are not within this data at this point in time.

So we're not worried about order cancellations. We do track that. It's in the - it was in the tens of units one particular outlier did show hundreds of units but over the last six months. If others can build cars more than we can, it could have an impact, but it won't take away our desire to hold on to an order book, which is several months in duration.

In terms of the pipeline fill, we can see 30,000 to 40,000 cars needed to be added in terms of the monitoring of where they will go. We think about 1/3 of those units will be our inventory, not passed over and 2/3 will be in dealer inventory.

And therefore, those pieces will actually improve our revenues and our working capital cash flow reversals. So that gives you a sense of what's expected to happen. But obviously we won't build those pipelines until we've started to remove some of those orders. Units will pass very quickly over the next several months for sure.

PB Balaji:

Adrian, the next question coming your way as well. Can you please explain how inventory building will impact both profitability and working capital reversal?

Adrian Mardell: Yes. I'll go back to that build of 30,000 to 40,000 units across the total pipeline. 2/3 of them will go to dealers very quickly through the pipeline. Obviously that will be a build back, a favorable on working capital, because those units will be sold, 1/3 will be ours, and you'll see the 2.5 billion inventory on our books grow by a few hundred million once we've added that back. That's the answer to that, Balaji.

PB Balaji: Thank you. Maybe a question on India CV, I think that is it safe to assume Fourth Quarter we'll see a real demand test. Do we see growth on an already high base of last year. I think we'll have to see progressive improvement in growth.

Let's not forget that the CV business has gone through a fair amount of challenges over the last few years. So therefore, I would rather wait and see every quarter how sequentially things are improving. Girish, do you want to add anything to that?

Girish Wagh: Yes. So I think not just Q4, even Q3 will be a test because last year's H2 volumes, while they were high, they were high compared with H1 of last year. We were still low compared to H2 of a good year. So we expect that even this year, H2 should be much better than H1 of this year and should be marginally better than H2 of previous year. I mean all the data points suggest toward that.

PB Balaji: Yes. Thank you. Moving on to Chirag Shah. Next one, India percentage contribution from CNG in SCV and ILCV and type of usage that is driving it.

Girish Wagh: Yes. So I think in CNG and small commercial vehicles is now around 15%, but this is limited by supply side and not so much from the demand side. As far as intermediate and light commercial vehicles is concerned, it is already above 45%. In both the cases, I think this is being driven more by intracity usage and also in regions where there is a good spread of good availability of retail distribution of fuel stations.

So for example, Maharashtra, Gujarat, National Capital Region. So here, in these states, I think to a large extent, we've seen migration happening towards CNG. So it is more of intra-city distribution and intrastate wherever the proliferation of the pumps, fuel stations is very high.

PB Balaji: Question, Adrian, first one coming your way and second I think is Thierry question. New range over ramp-up plan and impact due to rundown of old Range Rover.

Adrian Mardell: So the crossover period is going to be quarter 4 because of the supply challenges, the rundown of the old Range Rover I mean look, the VME in North America on this at the moment is lowest in industry in its ninth year. So I think that speaks a lot about our concerns about running out the old

one. That's very orderly, probably the most orderly run out of a vehicle in the history of automotive, let alone in the history of Jaguar Land Rover. So we're very confident on the run out.

The run-in will be progressive from quarter 4. If you look at your Defender data, last year, you'll see the First Quarter is less than the Second Quarter, which is less than the Third Quarter. That will happen on this vehicle also for sure. So we think this is a very controlled orderly run out of old into new.

P B Balaji:

Thanks, Adrian. Thierry, I'm sure you're going to jump on to this question. This is a qualitative comment on the RR design. It has a lot of carryover of outgoing - this is very unlike 2011, '12, which was very radical on style as well as weight. Any observations, comments?

Thierry Bolloré:

Yes. I think it deserves a comment. The first one is that it's intentional that the two or three key lines of the silhouette of New Range Rover are reminding the family because it's on purpose. The second is that except those two or three lines, I think there is not a single carryover design-wise of the new compared to the old one. This is true outside. There is not a single part which is common. The platform is new and the interior as well.

When you listen to the feedback - the millions of feedback that we got already from the people who have seen the new Range Rover, it looks like they will not say what is in the question. They really discovered the new Range Rover an absolute new one even though against the silhouette family-wise is still there, fortunately, because it's part of the success, it's part of the proportion, which are the trade mark of Range Rover.

And last but not least, I would like to say that we have not yet mentioned the dynamics of the car. We have not yet mentioned the technologies, which are embedded in the new Range Rover. And here again it's a complete new story. So that would be my comments.

P B Balaji:

Thanks, Thierry. Next question is from Aryn Pirani, JPMorgan. Your India PV business seems to be largely immune to chip shortages. Given the volatility of the situation, how are you looking at the supply situation going forward, one? And second, on PV margins, as you start getting closer to a run rate of 500K per annum, is it possible to achieve double-digit EBITDA margin.

Shailesh Chandra:

Yes. Balaji, I'll take this. So we are definitely not immune to the crisis, which is global, but we have been taking some very innovative steps to really mitigate some of the adverse impact, otherwise, which could have been and we have been doing better than the industry. And these actions, while some of these actions, which also got presented in JLR, which was working closely with the semiconductor suppliers as well as the Tier 1 electronic component suppliers.

But also trying to see where we can convert very application-specific chips to more standard chips. We have also gone for optimization of chips, which was about reducing the usage of chips and validating them in a very short period of time, which unleashed potential of availability because allocation from the Tier 1 suppliers are very rule-based and therefore, we cannot get any allocation more than what comes as per the formula that they have.

So by optimizing the chip in certain components, we have been able to do better. We have taken certain calls in terms of trim mix and all. So all this has a combination of all these measures that we have taken has helped us perform better as compared to the industry.

Going forward, as I said, that it is going to remain slightly precarious. We will deal with the situation, and it's given. I mean we have to consider this as a given situation and we have to continuously work every month. to see how we can take all kind of mitigation steps to avoid that, and we'll continue to do that. And hopefully, we'll continue to perform better than the industry.

As far as EBITDA is concerned as we scale up our business, our target as well as aspiration is that we move towards double-digit EBITDA. That is the direction in which we are working towards.

Already talked about it in the presentation, there are eight, nine levers to improve our EBITDA. This will be - we'll be working consistently on each of these levers, and I'm very hopeful that we in the next few years, we should be touching the double digit EBITDA.

PB Balaji:

Thanks, Shailesh. Next one is from Kapil Singh, Nomura, for JLR does the H2 FY '22 guidance imply less than 200K of volumes and about GB 250 million of EBIT. Will the consumers or the customers wait for that long? Or is there a risk of the customers who have done multiple bookings to move on to other OEMs? And the second question coming in – Adrian – do you want to take this one, and then we'll cover the next question on the same point.

Adrian Mardell:

So no, it doesn't imply either of those things, actually. So I'm not going to give you a volume number at this point for sure. What was the second part of the question. Can you move to the question.

PB Balaji:

Yes. On EBIT. GBP 250 million EBIT. So – and will customers wait - 125K order book that you have?

Adrian Mardell:

There are several ways of answering this. I think don't be fooled to think that competitor dealerships are full of vehicles either. I think BMW probably are outlier at the moment, go to Daimler dealership, you won't find many vehicles either. So it's not just us. It's an industry and a

cross-industry phenomenon that you have today. I've mentioned the cancellation point, very, very few, I've mentioned the VME levels that we're closing existing deals on; the lowest in a generation. So all of the information sets that we have doesn't give us a concern about order cancellation, it gives concern about speed to actually support those orders in place.

And that will continue over the next several quarters. So I wouldn't try and overthink this, there's a chronic supply shortage to all industries, including automotive. And one of the consequences of that as order banks are growing, VME is lower and customers are just being more patient than they would otherwise need to be.

That's what's happening, and that's what will continue to happen over the next several quarters. In the meantime, we're reducing our breakeven point. So it will be profitable sooner and strongly profitable afterwards after supply has returned. That's what's happening here.

PB Balaji:

An additional question I was seeing from Kapil Singh again Adrian. Can you talk about why gross margins have fallen quarter-on-quarter despite strong mix and low VME. Is there further risk to gross margins as mix and VME normalizes next year?

Adrian Mardell:

Yes. Of course. Yes. So it's an aberration. Don't forget quarter two last year, we were just building back. If you remember, the first region to build back was China. So we did have a very rich China mix last year. We were profitable on just 73,000 wholesales. We said our breakeven point was 100,000. So it tells you a really rich mix. I think 19% of our vehicles in Q2 last year were headed to and wholesaled in China - it is 13% this year. So it's mostly the aberration of last year's data, and this year's data. And again if you're looking for corroboratory evidence, the average GVR this quarter was 61,000, above 61,000 is a rich mix. So hence, why we're saying our breakeven points are lower and lowering in quarter 3.

PB Balaji:

Thanks, Adrian. Question from Pratik Pottadar from Nippon AMC. Many congratulations on the launch of New RR. Can you qualitatively talk about the response to the new RR similar to what we did when Defender was launched? Thierry, maybe I'll wait for this question. I'll hand it to you.

Thierry Bolloré:

At the moment, we don't have all data. We have already, we have some data, of course of the first orders of this car. It's very clear that the level of success and the reception of the car, which is just extraordinary, I can tell you, even superior according to our team to Defender, is giving us a lot of confidence that this new Range Rover is going to be much better than the [current] one, which is already a bestseller till the end of its life.

So we are absolutely confident that we are going to perform much better than we had envisioned, thanks to the welcoming and the success we can already see of the new Range Rover.

P B Balaji: Thanks, Thierry. Adrian, just coming away you already had an answer on the volumes for the second half, which you said you're not going to comment on volumes. But on a qualitative basis, with the launch of new RR, will quality of sales further improve that is higher ASPs average selling price and margins.

Adrian Mardell: In a post-normalized world, they will be higher than they would have in pre-Covid's world, yes. If that helps. The next two quarters or so are going to be obviously impacted by which cars we can build and sell. So the data is not really a trend data over the next couple of quarters.

P B Balaji: Yes. Thanks. Shailesh coming your way. Lastly, on the PV division in India with the launch of new punch will market shares further improve from what was seen in Q2.

Shailesh Chandra: Undoubtedly, we are going to see an increase in market share. We expect that this month itself, we would have gained by delta 2%, which is 200 bps is what we are expecting as compared to where we were in Q2. It all depends on how well we are able to manage the semiconductor shortage.

So far, we have been able to do well but definitely nowhere close to the potential what we could have sold. We would be 75% of what potentially we should be selling. So I'm very, very confident that there will be a significant increase in market share to the extent of 200 bps.

P B Balaji: Thanks, Shailesh. Next question is from Nitij Mangal from Jefferies. On India CV's - Girish coming your way. How are you thinking on further price hikes and passing commodity cost pressures? And how do you see the next up-cycle margin versus the past cycle weaks?

Girish Wagh: Yes. We have been tracking the commodity increases pretty closely. And despite a significant price increase when we migrated from BSIV to BSVI, from 1st October of last year, we have been consistently taking a price increase every quarter.

And while the pass through has not been completed as of now, I think as we see the demand improving going ahead, maybe see the realizations also improving. And at the same time, I think if the commodity pressures continue, we'll continue to increase the prices, number one.

Number two, in terms of margins, See, I think we should see better EBITDA margins for given contributions as we go ahead with respect to the previous peaks because the realization per vehicle has gone up significantly in the BSVI era. So that's what we see going ahead. Thanks.

P B Balaji: Thanks, Girish. Adrian this is coming our way. On JLR, how do you see your emission costs across four key markets in calendar year '22.

Adrian Mardell: Let me remind everybody for the U.K., European regions, we have a compliant demand portfolio that will continue into next year. We just need to be able to build more of those PHEV units. So when we show you presentations going forward in terms of PHEV mixes, we expect those to grow, and we will be compliant in CY '22 if we can build them.

For China and U.S., obviously the mix of our vehicles in those regions are significantly skewed towards Range Rover, Range Rover Sport. Therefore, we will need to continue to buy credit offsets, which we'll be working with other OEMs in those markets to do so.

P B Balaji: Thank you. Thanks, Adrian. Next question is from Nishit Jalan. India business is the impact of under recovery of rising RM cost pressures much higher in CVs compared to PVs. The answer is yes. Steel intensity by design is higher in CVs compared to PVs.

Any change in high single-digit EBITDA margin guidance in PVs over the medium term given the strong performance. Let's first reach the high single-digit EBITDA margin. We are on a journey. Once we reach that, we'll reassess it. Would rather deliver first before we talk.

This one is from Nishant Vaas, ICICI Securities. The CJLR entity has witnessed improvement in operating margins. Can you elaborate more on the drivers of the same? And how we should think about these margins in the medium term? Adrian?

Adrian Mardell: CJLR, we're now operating in the way we were operating in broader JLR over the last two years. So it's a two-pronged strategy. One is improvement on sales quality, which is making sure that we reduce supply, of course semiconductors have helped us with that. We have seen a 7-point improvement in terms of the discount side, reduced discounts being offered in the marketplace.

They're still higher than import business, but they're down to 22.5%, 23% today. We expect that to continue going forward because we won't oversupply into the marketplace once semiconductors get taken away as a restriction.

That's what we call quality of sale. And beyond that, I think I've mentioned on earlier calls, we did formally introduce the Charge program to CJLR at the back end of our quarter 4 and therefore, structural costs are falling. Investment is a little bit lower. So the whole of the program is being applied. So I do expect breakeven points also to reduce going forward at CJLR. So they're 12 to

18 months behind the import business and the broader JLR business, but those tools and operations are now being used in the local business also.

P B Balaji: Question from probably the last question on the hour from Joseph, IIFL. You had guided for 60K to 65K for JLR ex-China JV in the Second Quarter. Would you give us a similar guidance in Third Quarter. Adrian, do you want to take that or do you want me to take that?

Adrian Mardell: You take that, Balaji, if you don't mind?

P B Balaji: Yes. Thank you. I think we have said we are gradually wanting to improve from here on. So we think the worst is behind us. The reason why we don't want to put a number on this because that was a very sharp correction we had to do, and therefore, we put a number out there.

But going into the Third Quarter, definitely, both production wholesales will definitely be better than what we see in the Second Quarter. That's something that we have reassured of. So let it work its way through. That's what we would say.

So with this, I would like to first thank all of you for your patient hearing and wish you and your families a very happy Diwali. Do stay safe. Of course thank the team, both in JLR and in Tata Motors here for the time that you spent. Thanks a lot. Stay safe. Speak to you soon. Take care.