

“Tata Motors Limited Q3 FY 2020 Earnings Conference Call”

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Moderator: Ladies and gentlemen, welcome to the Q3 FY2020 results of TATA Motors hosted by Emkay Global Financial Services. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the Conference Call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Raghunandhan N.L. from Emkay Global. Thank you and over to you Sir!

Raghunandhan N.L.: Thank you Stanford. Good evening everyone. I would like to welcome the management and thank them for giving us this opportunity. We have with us today Mr. P.B. Balaji- Group CFO- TATA Motors, Mr. Guenter Butschek MD and CEO. Tata Motors, Professor Sir Ralf Speth-CEO JLR, Mr. Adrian Mardell, CFO JLR. I would now hand over the call to the management for opening remarks. Over to you Sir!

P.B. Balaji: Thanks, Raghu. Thanks all of you for joining the call. Unfortunately, Ralf was not able to join this particular call. From our side, we also have Shailesh, who heads our EV business as well as Girish, who heads our CV business has joined the discussions as well. So, without further ado, let me cut to the chase. Like last time, I do not intend to cover every slide. You already have the deck in front of you. I will draw your attention to the page number on the right corner, right-hand top corner and we will then roll with that.

So, moving on to Slide 2, which is the standard disclosure and thereafter, let me move to Slide 3. The key developments and this have been an intense quarter for both JLR and Tata Motors. In the case of Tata Motors, I particularly draw your attention to the almost fully packed agenda that we have had on passenger vehicles as we move to the BS6 beyond New Forever as well as the BS6 and beyond and the launch of the Altroz with 5-Star GNCAP, the second car from Tata Motors and in India, which is 5-Star GNCAP, and of course, the launch of the entire Tata UniEVerse ecosystem, which has delivered the Nexon EV as well. Shailesh will talk about that later in the call, but these three were exciting. Of course, JLR, the much-awaited Defender production commences and a series of product launches starting with F-TYPE begins. Of course, the first was in infra technology, which was revealed at the CES. So, as we had committed earlier, product defensive continues, innovation continues.

Moving on to the numbers, it has been a quarter, where I think we had a fair number of challenges that we had to deal with and in that context, I think delivering an EBITDA of 9.9% for the quarter has been good. Revenue growth, of course, has been negative 7% and an EBITDA of 240 BPS and particularly reassuring the free cash flow line at positive Rs.4,000 Crores for the quarter.

In the case of JLR, if I were to just summarize the entire performance of the quarter, the continued recovery in JLR China, favourable mix, and of course India M&HCV declined despite market share gains, sequential gains and, of course, continued BS4 stopped productions in India.

This is a broad factor that actually contributed and of course, the details are there in the subsequent slides as well.

I will also draw your attention to the last year. At the same time, we had a £ 3.1 billion impairment that was there and therefore, that is where a comparable number on exceptional needs to be taken note of. Revenue, if I split the revenue up, you will notice volume and mix price and translation all went the other way and it is almost entirely the decline in Tata Motors standalone is probably what led the revenue to decline to this extent. In Tata Motors, the good part is what we committed the retails will be higher and wholesale is higher than production that continued, and therefore, retail growth higher than the wholesale growth, but suffice it is to say that this growth is not good enough, and overall, we do have a challenge with respect to the market condition, which we will talk about at a later point in time later in the deck.

On the EBIT numbers, moving to Slide 6, the increase in JLR contributed almost 4.5% in the improvement of the overall EBIT number. While Tata Motors standalone totalled about 1.9% out of that. So that the overall EBIT moved from minus 0.1 to plus 2.3 and here, again, we will spend a little bit of time later. So, with this let me hand this over to Adrian to talk about JLR in slightly more detail, and I will take it back when I talk Tata Motors. Adrian, over to you!

Adrian Mardell:

Yes, thanks, Balaji, and good afternoon, evening everybody on the line. Let me quickly go through the Jaguar Land Rover details. I think the first thing to note, volumes, retail volumes versus the same quarter last year, actually a little bit lower, 2.3%, profitability, £ 318 million, a substantial GBP 591 million stronger than the same quarter last year.

Our investment down a little bit, just under GBP 900 million. That is probably going to lift up over the course of the next six months or so, but well within our target guidance we have given already Free cash outflow, £ 144 million and cash balance at the end of the quarter £ 3.9 billion excluding the revolving credit facility.

As we go into the volume details, there is a tale of three or four stories. We break this down by region, of course; overall, the 2% lower, but that includes a substantial 24% increase in China. So that is two full quarters of substantial double-digit increases we have had as we signalled last time. So, the performance in China was very much what we were signaling when we spoke to you in October.

U.K. is down 11% year-over-year most of those are low margin products, a lot of that activity was deliberately taken from the marketplace for that reason and Europe is 10% lower versus same quarter last year, almost all of that is actually I-PACE sales in the Netherlands. There was a tax change on benefits in kind in January 2019, which drove increases artificially high in comparative quarter that we have for Europe here. So binary, almost all of that with the I-PACE.

Next page if you would. This breaks it down actually by vehicle line. You can see there the Evoque continues to be a strong performer versus the same quarter last year. So, the new model has landed well as we expected to do, up 30% in the quarter, and Discovery is up 9%, but as you

will see later, that increase really was driven in December and will continue we believe going forward. Range Rover was down versus the same quarter last year. Mostly, again, binary in the Middle East, where as you would estimate there are substantial geopolitical challenges at the minute. In terms of the PBT versus the same quarter last year, this is where you can see the huge improvement, 2.5% negative EBIT last year, 3.3% positive this year.

Volume and mix, broadly the same. We do continue to have higher marketing costs, so, this is a continuation of the story that I signaled in October although 0.4 of that increase is actually the residual value issue we have on 16 model year vehicles in USA. I continue to believe that is contained to the extended 16 model year period again, exactly the same as we talked about last time. This is where the cost reduction efforts under Project Charge continued to flow through aggressively manufacturing and material costs, plus our structural cost reductions here. We did have bad news on labor and overhead, which is a throwback to the comment I made last time over the cars in Q3.

We also had a very, very strong net exchange number, although overwhelmingly its revaluation of the balance sheet due to the 6% appreciation of sterling in quarter three. But if you look at the contribution cost improvements and the structural cost improvements that broadly adds up to the GBP 300 million profits in quarter. We thought one of the questions we will get today was how does it compare to the previous quarters. So, we thought it would be helpful to lay this out, the 4.8% versus the 3.3% since There is a number of things running around, but broadly speaking volume performance and our CJLR performance is better, VME in the marketplace is slightly worse, but anticipated to be broadly at this level over the next three to six months.

There are increases in manufacturing and material costs. Most of those are binary, one-off items. Of course, we are trying to launch the New Defender, which is a piece of that. There were commodity cost increases in the quarter also a piece of that and a payable in our Nitra facility. But they were increases that came through versus prior quarter, but you would have seen on the previous slide that was still substantially lower versus the same quarter last year. The labour and overhead I have mentioned already as a result of lower build levels, although versus last quarter, we were more efficient again on lower D&A because the spend is starting to come through as lower D&A here.

Then the exchange story, which broadly speaking is appreciation, bad news on operating hedging doing the job you would expected to do and the revaluation of the balance sheet, as I have mentioned already. The commodity hedges that are throwback to the hedges we have in place for those commodity cost increases, which I referred to within the contribution that walks quarter-over-quarter. You will notice there that the substantive reason for the EBIT deterioration is actually in exchange. If you go to the next page, it shows our cash outflow for the period £144 million £217 million better than the same quarter last year, we have talked before about balancing out cash profit and investment were a little bit short in the quarter, but there is a huge amount of activity, actually on working capital, significant inventory reductions and also increases in volumes which drive receivables.

But at the end of the quarter, we were paying for less supplier part if we did not build because as I have already referenced. Investment is £ 892 million in the quarter. You will see versus prior year reductions in all places, including significantly lower capitalized R&D, as you would expect and we previously signaled. In terms of our liquidity, obviously, much stronger at the end of the quarter, £ 3.9 billion worth of cash in our bank accounts, excluding the revolving credit facility and I will talk more about the debt position going forward. Thank you.

The strategy. Okay. I mentioned Defender. You will see there, December is the 20% increase versus the prior year. So as the vehicle becomes more available in more markets, the comparative year-over-year performance has improved. The Defender vehicle, of course, job one did happen on the 8th of January, as we indicated in October it was going to happen. Start of sales still continues to be strong as we indicated previously also the orders are still much stronger than a normal profile for the vehicle. I picked up my vehicle yesterday. It is sensational. Next one. CO2 Emissions, we are still signaling the compliant portfolio in 2021. Of course, I talked before about the measurement system changing, you will see there the detail of how we become increasingly compliant at lower levels, all of the 2021 signals have still got green ticks on them.

Overwhelmingly, of course, customers will need to accept and take these products. So, we are watching carefully the acceptance of our PHEV and our BEV sales over the course of the next 12 months to ensure that we can be compliant through sales of compliant vehicles. Those vehicles are in place. In terms of Project Charge, as I signaled last time, we were going to exceed the target within this quarter, and we did quite substantially, actually, to date, £ 2.9 billion worth of cash savings have been generated from the program. You see the split there, significant increase in Q3, investment and working capital particularly the levels were a lot lower at the end of December than they were at the start of the financial year and then another £200 million on cost and profits as shown mostly on that previous slide, which I broke down the year-over-year data on.

What we are doing going forward on Charge? Well, we are continuing. We are calling it Charge +. The plus is an extra fiscal year. We are going through to March 21. We are signaling here the value we expect to be able to get over the next 15 months broken down by an expectation of an improved 400 million position in Q4 and then 700 million more in 2021 fiscal year. This is the program. I also indicated last time that most of the program would shift to EBIT and a variable profit focus. So, six of the eight large work streams we are continuing with are those, although, of course, you would expect us to want to continue our inventory discipline, which has been excellent in the quarter and our reduced investment spend, which continues to apply the rigours and, therefore, the under spend levels, we expect to continue going forward also, although investment will peak in the next six months or so.

Just wanted to draw your attention to one last item in this section, a significant piece of the FY21 improvements on Charge + will be material cost. We have a huge amount of initiatives in place to lower the spend within our vehicles. We are doing really well. You will see some benefits of that in quarter four to our normal closeout of our deals with suppliers, but we expect to do even

more in 2021 fiscal year. We have laid out a bit more detail there, so, you can see the approach. We have effectively got the car breaks down into 34 component or commodity categories and each one is having a thorough review. We are in the phases of the first nine at the moment. We will obviously bring you more details on that program as we go forward.

Finally, this page is pretty much as we have said over the last six months. As indicated last time, FY20 is around 3%. I do have to warn that, obviously, the position in China is evolving and developing, and you have seen over the last six months, a significant improvement in our China operation. So, there is a big care point about, obviously, what happens from the China market. All of our thoughts go out to the people, the friends, the families and the communities we know in China, which, of course, is paramount consideration here. Next year, FY 21 we believe will be in the 3% to 4% range, as previously indicated. Investments, I am signaling the full year number is going to be lower still, up to £ 3.6 billion is the new number for this year. The guidance for next year is still £ 4 billion.

Then we do remain confident on achieving our plans. I do mention here, you see the corona virus, again, which will unfold over the next several weeks. But of course, we will focus, continuing to launch in the exciting products and the breakthrough technology. You saw there the eSIM technology with Defender, which enables software-over-the-air on the move, while live streaming, which is pretty neat, improved PBT and cash flow, of course, and then deliver the Charge program, which fundamentally has underpinned the turnaround of this organization over the last 18 months. I am very proud to say. Finally, the Annual Investor Day we are announcing here to be the 18th of June.

P B Balaji:

Well, thanks, Adrian. Let me quickly ramp up the Tata Motor's standalone domestic number here. Wholesale were down 25% combination of both market as well as system stock reduction. You recollect that we did not talk about Rs. 3,400 Crores of inventory system stock last quarter, so we have done another Rs. 3,800 this quarter and this is now both at our end and the dealer end. At the same time, revenue is down 33% fundamentally with an increasing competitiveness as well as VME increases that you are seeing in the market because of the disposal of BS4 stock.

EBITDA at 1.1% down 800 bps you could see that and fundamentally led all of the M&HCV decline of 48%, which obviously impacts the mix and the net one-off expenses also were about Rs. 155 Crores for the quarter. Free cash flow is an area that we were consciously called out last quarter, something that we would want to turn that number and make it positive. Happy to report that we landed at Rs. 2,400 Crores of positive free cash flow for the quarter and most of it driven out of our working capital improvement that we had committed to. The interesting piece as far as M&HCV decline is concerned that the market shares are being increasing sequentially as well and year-on-year basis as well.

So, we are now saying, okay, fine, we just need the market return beyond this. PBT bridge, if you were just call out, it is fundamentally led out of volume mix and net pricing, and we talked about the VME piece as well. Every other line item, we have managed to keep it under control and the overall performance fundamentally linked to lower volumes as well as mix in VMEs. On Slide

29, we show the amount on quarter-on-quarter has moved. You will notice that a slight pickup in volumes, offset by a higher VME, and of course, last quarter, had the one-off that was there in the PBT write-off and that if you offset it this time around the total number actually starts increasing. So overall, what we can control as costs, I think we kept a tight leash for we can control the share we have managed to secure. We just need the volumes to start coming through as well.

Free cash flow is positive, as I called out bulk of it coming out of working capital changes and this is something that we intend to keep a tight leash going forward as well. Investment spending is about Rs. 1,300 Crores. We expect to end the year at Rs. 4,500 Crores in line with what we have seen last time, all of it mainly into BS6 and new products, and you have seen the product offensive that happened earlier in January and in top quarter as well.

CV's overall numbers, as you see the market share increase coming through in M&HCV and ILCV because recently, what we are starting to observe is that we are starting to see enquiries, starting to increase, replacement demand and hopefully in government's trust funds and infrastructure investments are expected soon, should help demand. Realizations are starting to increase as well starting in December and early indications have been seen. So, it does give us a lot of hope as we look into Q4, but this trend should continue and we gradually work our way or the problem that we are at.

On the priorities for us, I think the entire focus of the team is on BS6 transition. The ecosystem viability, dealer performance, profitability that has come through quite well for us and we continue to keep it that way and being enjoyed to tap the demand recoveries are number one focus at this point in time, and retail is being more than wholesale something that we called out and we continue to report on that particular fund that we are in the right track. On the commercial vehicle piece on the EBITDA number, in particular, there is a one-time impact of the old sales tax issue of 2002 to 2005–2006, I mean, and the law did not change thereafter, so this issue is now, we have settled this over the indirect tax dispute and that is had a one-time impact of close to about 3% on the EBITDA number, and on top of the other issues of VME and mix is something that does play out here. On the BS6 update, it is a rich pipeline of intervention that is there. I think our products are ready and we will be starting to hit the market in the coming days, and the March is going to be the month where we will be shifting gears completely there, which requires the new fuel also to come in, and as a team, the obsolescence management is very much under control and we hope to land positively on that particular front.

Our entire focus is on getting field ready, which also is now more or less done and dusted and we then go to the next level into the dealers' mechanics as well. So, we are in a good place and the key thing that we want to follow-up on BS6 and we have already seen that in passenger vehicles and that is what we will play out in CV as well. This is not just about compliance; it is about adding value and going beyond, and therefore, this adding value to be in any form may to improve TCO, increase earnings, value enhancements, whatever it may be, but the consumer

needs to get excited about our BS6 product, and that is how we intend to play that, and I am sure you would want to have Girish talking about it later as well.

On the PV side, again, retail is 35% higher than wholesale. This is now completely refreshed product portfolio. We have also cleaned out the distribution network in its entirety as of end of Jan, and we are also very, very excited about the product offensive including of receiving a 5-star Global GNCAP, which we talked about earlier, and we have seamlessly transitioned into BS6 this month to build up again, and our systems stock with a multi-quarter low, very, very healthy on both CV and PV at stock level, and therefore, the ability to win get back on our momentum is pretty high.

On the revenue, on the overall P&L on the CV or the PV side growth down 19%, EBITDA margins at minus 3.6%, a significant improvement from last time, again coming on the back of the one-off write-offs that was there and now we are starting to trend back into where we ought to be, but not good enough needs to breakeven and go forward as well. But the good part on the PV side, the contribution margin continues to improve and in the Turnaround 2.0 momentum is starting to come back again and we are starting to pick up volumes.

The BS6 range you saw it in the press on Jan 22, every one of our products has been relaunched, and we are probably the only one in the world who has done it in this intensity as account right across and now the sales starts from here onwards, and in particular, what we would like to call out is There is a commonality in approach be it on the design benchmark, be it on the safety call out that we have done, we have 5-star GNCAP in Nexon and Altroz, 4-star Tiago Tigor, which is we want to be best-in-class safety in any category that we want to play, and of course, not just in compliance, we would want to go beyond BS6 on all things, connectivity, so we have now intelligent real-time assist coming onboard, and the whole thing is about the pleasure of driving. So clearly an all-encompassing full blast launch is how we plan to do, and this then brings in the new phase of PV as far as Tata Motors is concerned.

Therefore, those EVs which I am sure Shailesh should talk about it, and why do not I just hand it over to Shailesh because he has just come back from the Tata Engineering this month. Shailesh do you want to talk.

Shailesh Chandra:

Yes. So as far as quarter three is concerned, we were a market leader with 47% market share, and which takes us to a market share figure of 43% year-to-date for this financial year, and this has been on the back of the success of the newly launched Tigor EV, with extended range of 213 kilometers, which has been received very well by the fleet segment. It is now the highest selling EV in India year-to-date Tigor EV. Also, we unveiled first EV build state-of-the-art Ziptron technology, and the first product that we launched day before yesterday is the Nexon EV with a certified range of 312 kilometer.

We had also done a media drive for this Nexon EV, and the verdict that we got from most of the media people is that it is the most promising EV available in the market, and we have been receiving very strong bookings and response from the customer. We also had worked on the

whole ecosystem around the Nexon EV, and there are five other Tata companies who have participated in this ecosystem effort. Tata Power has already installed nearly 100 public charges across five cities, and by this financial year end, we are targeting to do about 300 in these five cities.

Taco has localized the battery pack, and going forward, we have plans to also localize motor for us. Croma, we have tried to do a very innovative concept, which is the store-in-store concept for giving an immersive experience, digital experience for Nexon EV, and these stores will also book and book test drive, as well as the car if the customer is interested in.

Tata Chemicals has also been working with us for cell manufacturing, and we are going to start the pilot plant in Dholera, in Gujarat, and we also Tata Motors Finance which has been working with us on different kind of financing solution for fleet, as well as personal segment buyers. The focus for the next six months is going to be, continues to develop the fleet segment, which has been the bread and butter of the electric vehicle segment in the last nine months. We are going to scale up our demand for Nexon EV and also work on the supply also because the response in the market has been very strong.

We will also work with Tata Power to accelerate the process of public charging networks in the five cities and the focus at least that we have identified, and we also announced that in the next two years, we would be introducing total of four vehicles, and the work will be on in the next six months itself, and we are also working on the localization of critical EV components in line with the phase manufacturing plan of saving program, and of course, we will continue to focus on improving the profitability through direct material cost reduction efforts.

P B Balaji:

Thank, Shailesh. So basically, the entire strategy of running proactively playing out as we had indicated, and happy to talk about it in the Q&A if we need. Tata Motors Finance is starting to improve in the market with respect to collections. We had a quarter, where AUM was at Rs.37,000 Crores. Our disposal has obviously slowed down as the M&HCV business, in particular, started to slow down. Funding has not been an issue. We have been raising funds, and we managed to securitize in the last nine months, almost Rs.8,000 Crore of book that we had and the record is very reassuring that the collections are now starting to increase from December 2019. We had a very good December and we hope to continue that even January seems to be trending, right.

So, I think we are starting to see this business coming back and all the stress is fundamentally related to the M&HCV portfolio. All other portfolios, be it ILCV, be it small commercial vehicles, passenger vehicle, the GMP and PVD trends are quite comfortable. It is fundamentally medium and heavy commercial, where you are not worried, because these are strategic accounts and we expect to see them coming back pretty soon.

On the net debt side, just a quick flash on the – how the bond issuances have performed both in JLR and TML, reassuring to see the YTM's on the bonds in both JLR and TML trending the right

way and the performance of the business starts improving and as well as some of the more macro impacts like Brexit started to come off.

We have also had an issuance in JLR of almost £1.6 billion and TML had an issuance of – had funds coming in of almost Rs.6,500 Crores this year, this including the preferential equity. So, funding situation is extremely solid, and overall, net automotive debt is now down about Rs.45,000 Crores to Rs.50,000 Crores earlier in September, and maturity is in a very good place as well. Overall, liquidity for JLR is £5.8 billion in last year, and Tata Motors stand-alone at Rs.10,200 Crores. So, we are well-funded and adequate in liquidity.

So, moving on to the outlook, I think there is other ones, which are normal, the only thing I can draw your attention to is China and India. Where I think in China, the corona virus risk is developing as we speak, you also need to look at it, they do not able to get visibility of what the situation on the ground is with respect to not just the demand, but also the extended supply chain, and that is something that we need to keep a close watch on.

Next week should be better in terms of information as people come back gradually from their Chinese New Year. India, of course, a sharp economic slowdown and the turnaround is something that we are seeing on that front. In that context, I think there broadly no change to the outlook that we have put out there, where for JLR, we are looking at an EBIT of around 3% for the year, and of course, the coronavirus is something that we could have some impact, we need to watch that.

Of course, the delivery of charge plus of 1.1 billion going forward is something is a free power for that business, apart from, of course, the traditional launching of exciting products and the cash flow. Tata Motors, I think, the medium to long-term plan, the fact that now sequentially, they are starting to see improvement. We are reassured but of course, the key one is the immediate term, what happens to the market demand, post BS6 migration. For the next six months, we do expect to be in a fluid situation, and let us see that after what happens.

So, with that, let me stop, and if I go to the next slide, these are the two critical dates where we expect to see you in person. Tata Motors India would have on 12th June in India and JLR 18th June in the UK and look forward to seeing you there. So, let me hand you over back to Q&A.

Moderator: Thank you very much, Sir. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Yogesh Aggarwal from HSBC. Please go ahead.

Yogesh Aggarwal: Yes, hi. Couple of questions for me. Just related to JLR, it seems the CO2 in Europe has further – I mean, it has changed, I thought it used to be 132 grams for 2021, and it has now changed to 156. So, has there been any change in the way the portfolio has so the requirement is different, and then related to that, this year, see, there is a feeling that some of the OEMs will defocus on the larger vehicles to achieve the CO2 requirement, and you guys need to be comfortable? Is there a scope to gain some market share in the larger SUV space in Europe? And then lastly, anything on I-PACE seems like numbers are not ticking up either in U.S. or in China, so anything around I-PACE? And how do you see I-PACE ramping?

P B Balaji: Adrian, you want to take that?

Adrian Mardell: Yes, certainly I will take that let me start off with the last one, if you would not mind. So, I-PACE volumes are very sensitive to incentives within government, you have seen that particularly within this quarter versus the prior year, Netherlands, particularly Netherlands is actually in the quarter are 2500 units lower in the same quarter last year as benefit in kind increased, from 4% to 13% in January 2019. So that is a really large illustration of the marketplace is currently thinking about our I-PACE.

There are of course benefits in current changes, which are going to actually kick-in in April this year in the UK, and we expect our UK volumes off the back of that to increase. In terms of the targets that we actually have set, we know we have talked to you before about the actual target setting regime having changed.

So, we are actually showing it here versus the 156W-LTP level in 2021 calendar year, we think we will be compliant against that. But the big point here is it really does depend on the acceptance of the customer with the product that we have made available. We have also shown on this page, all of the actions we are taking on whole portfolio to make electrification available to all of our customers and potential customers from MHEV.

If you remember, we showed last time MHEV itself drives the 12% reduced CO2 level to a PHEV, and if you remember from the last time, a PHEV will drive a 70% reduction in the CO2 level, and of course the BEV is a 100% reduction.

So, the vehicles are available for the customers to buy. The incentivization really does drive that tipping point of excess demand. We are expecting improvements in the UK market going forward from April, and you can see there on the pages, there is a huge amount of other activities happening with our engineering factories with smaller, smaller ICE engines off the MLA platform using lighter weight materials, and several other things that our thousands of engineers are working on.

I think the big unknown over the next 12 months really will be the acceptance of not only the I-PACE which you asked about, but the other PHEVs that we bring in place. Don't forget the Discovery Sport gets a PHEV in the first quarter of next fiscal year that is our biggest selling product. So, the response from the consumers and customers to Discovery Sport will be huge in terms of our position over the course of the next 12 months, but the cars are available.

Could you repeat your middle question if you would not mind, please?

Yogesh Aggarwal: So, I was wondering, there are two things happening. There are some launches like X7, Q8 in the larger SUV space, but there is a thought process that to achieve, that is easier to target. Some of the OEMs will be focused on the larger SUV. This kind of give you guys an opportunity to gain some share, at least for the top end Range Rover. So, is this something you are looking at?

Adrian Mardell: We are balancing out the optimized position for profitability and being compliant. So, where we can actually drive more vehicles at the higher end of our range, Charge+ actually has specific

work streams around that. So, we will certainly be looking to do that. When you look at our higher end, and of course, they have PHEV offerings within them as well of course. When you look at our high-end vehicles and the performance, Range Rover Sport, even though it is in year seven is actually higher versus the same quarter last year, and Range Rover's a bit lower, and overwhelmingly is a result of the issues that the world has in the Middle East. So, both of those cars are selling extremely well and we expect them to do so over the course of the next 12 months. A care point around how many PHEVs actually gets sold. That was as high as 20% over the last few months. So, we are hopeful we continue to drive high-valued margin vehicles, which have PHEVs in them as well.

Moderator: Thank you. The next question is from the line of Pramod Amthe from CGS-CIMB. Please go ahead.

Pramod Amthe: This is with regard to your Charge+ program, where you seem to have taken up there as your target, and of which nearly 35%, 40% is front loaded in this quarter. Is it because of the low-hanging fruit? Or you guys started working on it much earlier in the course? And why it gives you so much of confidence?

Adrian Mardell: Yes. There are two or three things specific to quarter four. Most of them are continuation of programs. So there may be a little bit more investment, not very much, but the material cost, most of our settlements actually happen in the final quarter of the year and we are now in the final quarter. So I would expect a bigger proportion of the sales actually being on the material cost program, and you have seen for the last two to three quarters, we have had really strong performance on structural cost reductions as well and we expect that to continue. So we will definitely have a fast start to the £ 1.1 billion in quarter four, and we were being helpful by breaking that out for you.

Pramod Amthe: And the second one is with regard to Defender. You did try to give some indications on the same, but can you give us some color in terms of what type of capacity headroom you will have, as you indicated you guys are surprised by the initial response? What potential it was in your portfolio in terms of proportion of mix it can bring in?

Adrian Mardell: Yes. I would not give you any detailed numbers. I will simply say, at this point, bearing in mind, we have not confirmed sales dates, we have more than a three-month order book, and that is pretty neat at this point in time. So let us see how the next three months go. We will be able to confirm when we next talk formally that the vehicle is now on sale, and I will be in a much better position to ask those specific questions. I mean, broadly speaking, the first sales of any vehicle are always very rich. Because most of the people like the new vehicle, specify them very highly. So I would not want to mislead you and give you the data that we have in front of us.

Pramod Amthe: Thanks.

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

Robin Zhu: Thanks, guys. Two questions please. One in terms of the variable material cost savings that you pointed to as part of Charge +. Just wanted to understand the drivers of this? Is this something that is dependent, are you guys giving the supplies more volume? Is it something associated with higher MLA volumes and the components of the new platform have lower cost? Is it simply that you have got better pricing like-for-like from the same suppliers. Some color on that would be helpful. Second question, could you quantify what warranty costs were during Q3, and then Balaji, when you and I spoke a few months ago, you had indicated that you were not confident to guide a range lower than 4% to 6%. So, just wanted to get your latest thoughts on where are we in that process? Are you still thinking to the 4% to 6%? Or are we close to potentially going lower? Thank you.

Adrian Mardell: Let me take the first couple of questions, as you asked, Robin. So variable material cost I would actually point to the difference that the Charge program has brought. Don't forget what we are doing with this program, we are wrapping all of our specialist teams around a host function. So all of our analytics teams, our ability to really analyze and truly have data in front of us, which enables us to what we would suggest to claim an appropriate level of savings from the supplier, and it is broadly over the course of this year versus last year, driven, I think, by the time we are done up to 100 million extra cost savings.

Most of those settlements actually will be closed over the next three months, a third of them have been closed in January. Yes, from time to time, there are MLA or any other future products used as leverage, of course, the next one is at from our MLA mid and high volumes, but it is not really the overwhelming substantive piece of the negotiating settlement, most of them is the forensic analysis that we have actually been able to do.

Warranty costs, warranty costs as a percentage of revenue was pretty much smack on what we were saying as underlying anyway, pretty much smack on what we are indicating last time. It was about 4%. However, one of the impacts we had here as a result of the appreciation of sterling is the warranty liabilities actually reduced like-for-like, and therefore, the optimal number you will see in warranty is a little bit lower, I think, 3.4% of revenue. But that the underlying has stood at that 4% level, which was the range I indicated to you about six months ago.

P B Balaji: Robin, can you just repeat your question that you had, I lost you.

Robin Zhu: Yes, so I think one of the times we spoke, you had said that you wanted to guide 4% to 6% for warranty costs, and you were not – you did not want to disappoint the market by guiding lower because there were still, I guess, the potential for surprises every now and then. Is that still the case? Are you still – is the potential for surprise still there. How close do you think the company is to saying, okay, 4% to 6% is far too higher a range and we can start to go lower.

Adrian Mardell: I think I mentioned that you may have followed with Balaji, but I think I mentioned that in pretty much the first call I did in July, 4% to 6% was mentioned at that point in time because the first quarter was at the 6% level, and I think I attempted to say there is a band here. Underlying performance, my expectation will be closer to 4%. However, we have also signaled, we will do

the right thing, and therefore, if recalls come along, we will call them as soon we need to, and if there are opportunities to do campaigns customer care campaigns as we did in quarter one, which we feel ultimately will be a payback for the organization. We will take those as well. Over the course of the last six months, neither of those two items have actually happened.

Underlying over that period has been at the 4% level. We obviously are working tremendously hard in several areas, including to improve the efficiency and the capability, the engineering factory. We track all the early data to see that. There are very small signs of improvement, but it is far too early for us to show them in the financial results. We have our rules in the road for warranty, which was set eight years ago, will continue because it enables individual vehicles to mature before we actually show the individual performance. We come off the back of disappointing launches on 2018 and 2019 model years, and we are determined to make sure we get Defender right, which is why we are continuing to work on that product.

We are continuing to hold it and give a release date for the spring because we want to make sure it is released to the marketplace when it is ready. So everything we are doing is attempting to improve the immediate quality to performance and accelerate it there to improve it with new vehicle quality. So I will continue to say 4% to 6%, only because it gives us the capability to do the right thing at the right time. But over the last two to three quarters underlying have been close to 4%.

Robin Zhu: Understood. If I may, it sounded like from what you said on variable material costs that most of the savings were achieved through your forensic analysis, but essentially getting better like-for-like pricing from same suppliers. Is that – would you say that is correct?

Adrian Mardell: Yes, there is so many things that go into that line item, as I am sure you know. But what we try and do here, we try and pull out the non-variables like commodities and such, and yes, like-to-like pricing has actually reduced from a number of our suppliers.

Robin Zhu: Understood that is helpful. Thank you.

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

Kapil Singh: Thanks for the opportunity. One question, firstly on the financials. We have seen a bit of volatility in the raw material to sales ratio. Last quarter, we saw a big improvement, and then this quarter, there is been a sharp increase. So, what is the key reason for this and also, if you can explain on the depreciation charge, which has seen a sharp drop.

P B Balaji: The question is referring to consolidated numbers.

Kapil Singh: For Jaguar and Land Rover.

- Adrian Mardell:** Raw materials to sales. It encompasses pieces that I have just mentioned, but there are several other elements in there. There were increases in commodity costs in the quarter. I think PGMs increased by about 9% clearly determined on the mix of vehicles we sell, the derivatives of vehicles we sell and where we actually sell them within, we did have a rich sales mix profile in the quarter, which generally means the material cost pieces increase also and as well. So there are numerous factors that are involved here. What we attempt to do within the analysis is work, and of course, exchange rates are a huge factor, particularly movements on the Euro as well because we buy a lot of our parts from Europe. What we attempt to do with the analysis for you is draw out all the things and then consolidate it down to what we would consider to be the performance driven items, which is really back to the distributor. So, what I tend to do is make sure we point to the actual underlying pieces, which I think are the ones that will determine performance going forward. Hence, the previous discussion about our efforts to reduce like-for-like material costs with suppliers, which we just had with Robin.
- Kapil Singh:** Okay, and the depreciation charge is also seeing a drop? Any color there? How it will shape up with the Defender launch?
- Adrian Mardell:** Yes. Well, the Defender launch, obviously, from job 1, which was on the 8th of January, we start to increase the depreciation charges. They will increase in this quarter you are in, and going forward, that product, we are convinced is going to be successful. So the overall product will return to the bottom line even after increases in investment costs.
- Kapil Singh:** Okay, and just one more. I wanted to check on the product launch side, how many new products are we looking at over the next two to three years on both the Jaguar and Land Rover brand. Whether it is a full model changeover or are a completely new brand?
- Adrian Mardell:** I would not give you numbers of models. But our cadence still continues to be that seven or eight year replacement cycle, and there are likely to be two all new products on top of that, one of each.
- Bennett Birgbauer:** With a mid-cycle refresh in-between.
- Adrian Mardell:** Yes. So there is a lot of activity, when you go into the presentation.
- Kapil Singh:** Is it Jaguar or Land Rover?
- Adrian Mardell:** Both, when you go into the presentation, you will see the immediate one there, even the F-TYPE, which I could have excluded from that discussion. We have done a super new launch on the Jaguar F-TYPE it goes on sale later this quarter, and of course, we have talked about the Defender already.
- Kapil Singh:** Thank you, and I wish you all the best.

Moderator: Thank you. The next question is from the line of Sonal Gupta from UBS Securities. Please go ahead.

Sonal Gupta: Good evening. Thanks for taking my question. Two questions from my side, starting off with the Jaguar Land Rover question. I mean, basically, as you have overachieved on these targets in charge, but you have sort of underachieved on the cost and profits, the operating costs, why I am stressing on that basically from the cost structure side, I mean, the improvement is probably still not that high. So I just want to understand, like, I know you are continuing with that and sort of going to improve further, but still are we seeing any room for, I mean the focus of charge + seems to be more variable. I mean, on the fixed cost side, do we see room to cut costs more. I mean, we have seen, again, the employee cost has sequentially increased. So I just want to understand how much of fixed cost reduction do we expect going forward?

Adrian Mardell: Well, let me correct it for the first point you made, if you do not mind. Let me correct the first point, if you do not mind. We have not yet missed any of the targets on the Charge or the Charge + program. We did say we would deliver £ 1 billion profit improvement through to March 2020, where it is £ 700 million after the first four quarters of that. You can see for the last two quarters, at least, we delivered £200 million a quarter. That gets you very close and I've referred to material cost already.

So we have not yet given up on the £ 1 billion target we set, although we have rolled the targets for another 12 months beyond that. As far as structural costs are concerned, they are £ 200 million a quarter lower than the same quarter last year. That is pretty neat, we think, and yes, we continue to ensure that we do not add cost where we do not need to, and we continue to take actions where we still have inefficiencies within our operations.

And you will start to hear some more of those going forward when we are at a point to declare. So I think we are doing a pretty neat job. There is always more you can do. We are trying to balance the cost structure and our ability to ensure that we can take revenue growth opportunities also, and that is what we package really uniquely within the Charge + program, and I think when we talk in May time, you will get a much better sense of follow-up to your first question, and how much we expect the proportions of that new program to start showing value in 2021 fiscal year.

P B Balaji: Sonal, just give me a minute, just to add to that, to put in perspective the way you have gone about doing Charge, we went after cash first and then we went after the fixed cost structures, and now we realize it is an area where there are always the opportunities to improve. I am not debating that. But I think there is a bigger price to be had with respect to variable cost, end of period we had to decide where to focus our people and efforts on. So we are now moving on those areas where variable costs can be – should be focused and taken out.

That will then give you an overall breakeven that will start coming down. You need to work on both the numerator and the denominator, if you were to get the breakevens down. So that is how the sequencing has been done in line with the kind of issues we had a year back on cash and

operating leverage. Now we are saying, that is not the main issue now. We only need to start looking at other side of it. It is just a calibration as such.

Sonal Gupta: Just a follow-up on that, I mean the recent news flow around 500 reduction in Halewood. That is part of the existing employee reduction, right? That is not a fresh thing.

Adrian Mardell: I mean, individual programs we announced when they are ready. So the 500 people who will be leaving our Halewood facilities in April. It is an efficiency program. We are going to speed up the line and therefore, we need fewer people. We are going to invest up to GBP 5 million to break bottlenecks on the line and it's a super payback. It is a similar, as I have just said, it is a great illustration available to continue to take the opportunities as they arise to become more efficient.

Sonal Gupta: My second question is on India. Basically, what I am confused about a little bit is that the realization per unit is dropped like 12% quarter on quarter, even though I do not really see a mix change being that sharp, right? So M&HCV, I understand is slightly lower, and exports is the main one, which has gone lower. So I just want to understand if there is something getting knocked out of the top line itself, which is sort of pushing the ASPs lower elaborate.

P B Balaji: I think the main one that we have called out is the increase in VME that you see in the quarter-on-quarter number that is there. You will notice that there is a pricing that has got impacted because of the higher VME as we clear out the BS4 inventory and its entirety. The earlier we do it the low the cost, and the later we do higher it is, and that is the reason your realization are down, and hence, you will see the challenge there.

Sonal Gupta: And sorry, the 340 Crores, the sales tax, where is that sort of getting?

P B Balaji: That is in that is in the other cost items. So, other expenses.

Sonal Gupta: Thanks a lot.

P B Balaji: Yes, thanks.

Moderator: Thank you. The next question is from the line of Ashwani Kumar from Nippon India Mutual Funds. Please go ahead.

Ashwani Kumar: Good evening, Mr. Adrian, my questions were what is the progress in China if you could spare few minutes describing how you are doing in China? And how is the strategy playing in China on cost improvement, quality improvements and the reach?

Adrian Mardell: Let me reference the JV, as I answer this initially, we can talk about the import business, if you wish afterwards as well. Just a reminder to everybody, four out of our five nameplates within the JV are being refreshed between August last year and June this year. You start to see within this quarter's results, the first full quarter of the new Evoque, and you know our marketing support on

Evoque dropped by a third in the quarter, so that is encouraging. By far, the biggest impact in the JV over that period of time will be the new Discovery Sport, Discovery Sport due to go on sale on the 20th of February. It is half volume for the CJLR business goes on sale on the 20th of February. Of course, with the sad events in China at the moment, that launch will be impacted. We are thinking about doing as a virtual online launch rather than a physical presentation which we normally do, but that decision has yet not been finally made. The virus will certainly impact Q4 results to what extent we will know over the coming weeks.

So the base business is getting stronger as fresh product comes in place, you would expect that. We are targeting the operation to improve again in the quarter we are in. Of course, the virus may impact but if not, in the following quarter, so I am expecting the CJLR performance to be stronger, particularly as that Discovery Sport product hits the marketplace later in the year. You know we talked last time about agreeing with the dealers that we would support the older product until that's flushed through. Discovery Sport has been selling really well actually in CJLR but it has expensive discounting around it. Our strategy is to clear the old product before we get the new one, and that strategy was working perfectly well through to the third week in January.

In fact, our sales in China for the first week in January, both CJLR and import were a little bit stronger than we were expecting, of course, as mentioned, two or three times already, that improvement will be put on hold.

My recommendation will be to judge the first quarter of our fiscal year next year, when we all hope the improvements that we are expecting through the Discovery Sport, how momentum is built on the Evoque and then also, we have the XF long coming along at the end of that quarter, that will be a smaller product launch for us.

So getting better, not where we wanted to be, we are very aligned with our partners about what success looks like, and we will be measuring that success on a quarter-by-quarter basis with an improving profile.

Import business was stronger, as you would have seen from the data, the big metal was stronger in quarter three. So the Range Rovers, SUV 5s, so we had a nice quarter for our China import business and the comments regarding this quarter would continue for China import as well.

Ashwani Kumar: Sir what is the single most factor, which is required for you to close the gap with the leaders in China. Finally, also in light of Tesla's, let us say, opening factory there and starting to produce electric vehicles.

Adrian Mardell: Well, you know with different models to Tesla in China. We do not have electric vehicle produced locally and their electric profile is very, very different to our electric profile, as you would know, also, of course. So our model is still overwhelmingly an import business, which has most of its product to be PHEVs, mild hybrid, and ICE engines at the minute, it is a lower volume, higher-margin business model, as you would also know, and we are not too worried about what Tesla does, actually, we are worried about being very, very focused on the

fundamentals of our business. We have talked to you about those fundamentals on several occasions.

Making sure that the dealers are meeting their sales profiles locally, they did even stronger than that in quarter three, but we did not tell you because we have already beaten those targets we set, making sure the dealers return to profitability. So they were profitable in quarter three. Again, we did not show you that because we told you that previous quarter. Making sure inventory was lighter and they have already achieved in a bit stronger on our inventory targets. So again, we did not show you that because this is just a continuation of what we did in Q2 continued going forward. Let us get through Q4 and see what happens in China, and then if you wish for more information, we can start to show you more.

Moderator: Thank you. The next question is from the line of Chirag Shah from Edelweiss. Please go ahead.

Chirag Shah: Thanks for the opportunity. So my first question is on India business. Two things, one what is the normalized margin for the business? And related point that I observe is to improve the cash flow, we are compromising on profitability. Is it the right analysis? So if you can just help us understand what is the normalized business because there was inventory clearance and there were certain one-offs. So going ahead, how do we look at the margins in the India business?

P B Balaji: We have talked about, we have put out a margin plan out there, and we also stated that we are quite confident in the medium to long-term situation there, and as far as the current situation is concerned, yes, there is an inventory correction, which you have called out and quantified it as well, and at the same time, we are also seeing a lot of operating leverage because of the volumes, particularly in the medium and heavy commercial vehicles. We see margins starting to normalize. The day eminent series starts lifting back to its normative level, and we would love to see that come sooner rather than later as far as I am not able to understand your question on working capital versus profitability. The question is you are asking me that have we extended creditors and accordingly paying cost for it. The answer is a categorical, no, and you would notice that every line item of the working capital is being worked, be it inventory, be it receivables, be it payables, all three, and that is how we would want to tighten the game plan there.

Chirag Shah: So what I was referring to is your balance sheet and cash flow improvement seems to be far superior than your profitability performance in this quarter across businesses. So how should we look at the fine balance between the two going ahead?

P B Balaji: Yes. If I draw your attention to Slide 13, which basically has the free cash flows for the quarter. You would recollect that this shows the working capital as one line that actually went out of back in the first quarter. As we said that we did err in saying that we could not anticipate the size of the market drop that happened. We just could not take it and therefore, we were slow, and we started correcting it from July onwards, and you see an improvement that happened in July last quarter and it is now got secured.

So I would not, on a full year basis, the working capital number should normalize to zero, I am not expecting dramatic shifts either increase or decrease do not hold me to the last one digit, but broadly, it needs to be stable, because you are quite all right on the working capital side. It is an error in judging the market in the first quarter is where the working capital went out of control.

So if you keep the working capital line of sight and because cash profit after tax and then compare that to the investment our challenge has been on the cash profit after tax because of loss of operating, everything that we talked about earlier. So as we go forward, I think I am expecting the inventory corrections to more or less play a bottom out in Q4, and thereafter, the buildup of inventory in the dealer end will have to start and that then means you will have situations when our wholesale will be higher than retail, which is perfectly fine, building back the stock levels there. But that cannot go way out of whack and it needs to be normatively done.

Then you will see the business starting to build that momentum. But all this depends on how strong the retail growth is, and that is where the expectation that with the investment in infrastructure with the government has talked about, and of course, the GDP is starting to pick up, we should start seeing it, and the day that starts moving, when you will start the whole thing coming back to what it was. We have around two years, this business has run in terms of getting back, it is probably taking the senior business, an EBITDA of 11.5%, it was stable EBITDA that was there for many, many quarters.

And therefore, that seems like a sensible number for this particular business, and PV, we are on our journey of building back the EBITDA to breakeven, which we have delivered for a year, and we are now starting to come back again and get closer to that, and I have said explicitly that we would want get ahead of that and get to an EBIT breakeven and PBT breakeven. That is the journey that we are on to and we should get back to that journey, we have already seen that sequentially improving this quarter, and we intend to keep it that way as we go forward.

Chirag Shah:

My second question is on the charge last part. So why only GPB 700 million of improvement targeted because of where you have indicated on various aspects that you are looking at, there seems to be a much bigger opportunity on the charge plus for 2021. So can you just highlight how and why only a particular number rather than a guidance of 700-plus million kind of a number?

Adrian Mardell:

Yes, sure. Well, we are working on the basis that in almost all of that number next year would actually come from EBIT improvement. So we do not expect to significantly outperform investment and/or inventory. We think we are at the levels where we need to be on those areas at this point in time. We will continue with them to ensure that the disciplines are enforced within the organization. Because all turnaround programs have to be sustainable, and they become sustainable by making sure that the people doing the day jobs do it for a living, and that is why they are mostly in the program, the rules that we have in place for those who will stay but the level and scale of opportunity on those areas is much, much lower in FY 2021.

So it is overwhelmingly been targeted towards EBIT value generation, material cost reduction, and again, within three months' time, we are now a little bit more, and then three months after that a little bit more than that. I can assure you if there is more value in those hills, we will go get it.

Chirag Shah: Yes, and one last housekeeping question, if I can just ask. Is it that JLR has reported a negative tax for this quarter, because the PAT number seems to be higher than PBT number? So if you can just explain on how should we look at going ahead?

Adrian Mardell: Okay. So we did actually get a catch-up in the quarter for the recognition of the deferred tax asset, which had not been in place for the previous two quarters. So I think it is probably better for you to look at the year-to-date data, in terms of the normalized level of tax we should expect going forward. There is a one-off catch up for the previous two months. Of course, that is a good sign. That really is a good sign in terms of the growing confidence of the underlying physicals and the performance of the organization. But it is binary one-off, it is catch-up for the first six months of the year as well as the quarter. Let me encourage you to look at the nine months rather than the quarter result in tax.

Chirag Shah: And normalized is around 25% as the tax rate is the right number to look at around that reach or it is a lower number.

Adrian Mardell: It is a little bit lower than I would suggest. When you go through the detail of it, there is more considerations and you would imagine, but broadly speaking, lower than 25%, probably closer to 20% is a normalized and if it is not at that level, something else has likely happened. It really depends where we make our profits within a given quarter, of course.

Chirag Shah: Yes. Thank you and all the best.

Guenter Butschek: Thank you.

Moderator: Thank you. The next question is from the line of Nilanjan Gupta from Tefurdo Capital. Please go ahead.

Nilanjan Gupta: I have just two questions. What is the view of the company in the Indian luxury car market, as it still largely dominated by the Mercedes and the Audi?

P B Balaji: Sir can you repeat, there is a lot of noise on the line.

Nilanjan Gupta: Yes. I just wanted to know, what is the view of the company on the Indian luxury car market, as it still largely dominated by Mercedes and Audi?

P B Balaji: Adrian, would you want to pick it up, or would you want me to pick it up? Happy to do that.

Adrian Mardell: Welcome.

P B Balaji: Yes. Right now we are number three in the market and we sell 5,000 odd cars in this market on JLR side, and it is a business that has been doing well. Just for your information, we just launched the evoque today in India, and therefore It is a business that we continue to invest and we have our own manufacturing setup here, we also have our own engine manufacturing setup here. So It is an exciting market that we have out here.

Having said that, this market has well struggled in the last one year in terms of growth rate similar to the rest of the passenger vehicle market, and overall market size is about 40 odd thousand vehicles and there it is, and has not been a dramatically growing unlike what you would like to see in China for instance. So that is a disappointment in terms of the potential of this market. But I think all OEMs, premium OEMs have a play here and consciously focusing on this particular market, and we believe that we have done a pretty decent job in terms of almost being shared with what we have, we operate under and intend to continue to work our way and keep improving that way.

Nilanjan Gupta: Okay. Thank you, and my second question is, as the shift is happening towards the electronic vehicles front and Tata just launched the Nexon EV. What is the number the company is targeting?

P B Balaji: We do not give numbers in terms of the target for the individual line items, that needed to be given it in the overall level, but it is more brokerage broader, the higher the market is what we want to do. But the potential of the market and how we are seeing it, let me probably hand it over to Shailesh.

Shailesh Chandra: Yes. If you really see Nexon EV, personal segment EV product, which is the first time brought, being priced at very close to what an IC counterpart is. So far, the references that we had in the past was product Tigor EV or Mahindra eVerito, which was absolutely directed to a different segment, which is a fleet segment. Then you have cars, which were launched by a few other players, which were mainly CKD operations and were priced very high at Rs. 25 lakhs, and we know the demand references here, but absolutely, we have no clue in terms of what can be the potential of demand as far as this racial is concerned, although we have taken some reference of course.

But this is first – next two month is going to be a demand discovery phase for us, and then it will be clear what should be the potential of this product. But if I have to take any reference, for example, we would take the reference in the CV segment, which is Compact SUV segment. All those automatic transmission cars, which are being sold will be a volume reference, and we would like to eye a certain share of that. That is how we are approaching this demand estimation, I would say.

But I think in the next two months, we will be clear in terms of what will be the response. But so far, the bookings have been pretty strong, much more than what we had expected and we will be rather focusing on how to ensure that we are able to meet the demand, both on the supply side.

Of course, we have one challenge definitely in front of us is the China situation. So that is the response to your question.

Moderator: Thank you. Ladies and gentlemen, we take the last question from the line of Prateek Poddar from Nippon India Mutual Fund. Please go ahead.

Prateek Poddar: Sir, just a couple of questions on the CV side. One is, could you just talk about these inquiries, which you are seeing, are they in the haulage segment or the tipper segment? That is question number one. Second is in terms of conversion. Are we also seeing similar conversion in the sense, increase in conversion rate or that is not happening? If not, why? And third would be any thoughts on the scrappage?

P B Balaji: Girish, do you want to take that?

Girish Wagh: So I think the inquiries that we are seeing are in both cargo as well as tipper and both are for different reasons. I think tippers are because there are a few projects which have started on the payments have also started happening to some of the existing projects, and the tipper demand has come back. But it is also an annual phenomenon that post monsoon, and last year monsoons actually got delayed, and I think once the monsoons were over, the tipper inquiry started and that is what we saw as an upside. In terms of cargo, essentially, the inquiries are coming from the fleet owners, the large fleet owners, medium fleet owners and essentially for replacement of their old of BS3 vehicles, which we will give them better economic, it makes a lot of economic sense for them because the BS4 vehicles have better TCO as compared to BS3. So that is where we are getting demand in the cargo segment. I think there is not much demand, which is coming from the retail segment, and in retail segment is not as buoyant as you see in the large fleet owner segment, which is essentially for replacement.

In terms of conversions, as I said, during our last call also that customer, they are trying to see, if they can get better deals, but with the demand/supply imbalance having changed now, essentially because of the reduction in the stock, I think the realizations are also firming up and they are realizing, and we are also seeing the conversions happening during the month and not essentially during the latter half of the, or last week of the month.

So this is what is the status, but I think overall volumes in the sense, I think what we have seen in the last quarter is, November was a growth over October, and December was further growth over November, so there was a sequential month-over-month growth in M&HCV. I think it will be key to see, if this particular month, but of course, this quarter is going to be a very unique one in the sense that towards the end of the quarter, we will see tapering or in fact reduction of retail, essentially, because we may even run out of the stock. So that is what we are in terms of the commercial vehicle.

Prateek Poddar: Sir, sorry, just if I may squeeze in one more question, and correct me, if I am wrong, when we launched Harrier, Harrier did not have an automatic option and we saw substantial bookings. I mean, cut in the bookings, I mean the bookings were withdrawn. This time also Altroz is

launched without the automatic version, any specific reason for that? I am sorry. It is a very specific question. But you choose to it answer.

Guenter Butschek: Let it be specific and the answer is also going to be specific. As long as, the Harrier is concerned, I do not like to make any pre-announcement to what is going to be the presented next week in the Auto Expo. But pleased to see, with us and we will actually see that, we will deliver on our commitment that enhancement of the product is going to be part of an active lifecycle management of the products. So therefore, there will be a Harrier and we will actually see, that is Harrier actually ticks all of the boxes in terms of the capital refresh raised at the point of the launch.

Second one, we needed, to Altroz, same commitment. There is an active lifecycle management, because of the concentration that we actually had to convert the entire range of product from previously BS4. Now, as of the first of April, so we have actively launched on the 22nd of Jan, to BS6. We had to actually strike a balance between our capacities for all of the required calibration activities to be performed, and what to launch in the first instance, as one of these balances to be taken. Altroz will actually see its manual transmission at the launch, it follows shortly after by an automatic transmission in order to complete the product family and meeting the customers' expectations.

Why is it that we have taken this call, for the reason, we mentioned? But also for the reason, that in the segment, the Altroz is completing the current equipment of the option of an automatic transmission maybe CVT or DCT, as that the tendency of 12% to 16%, where we said that is a reason that the percentage of option taken, which allows us to actually stretch the launch of the different variant over a couple of months.

Moderator: Ladies and gentlemen, that was the last question. I will now hand the conference over to the management for closing comments. Please go ahead.

P B Balaji: Yes. Thanks a lot all of you for your patience and listening to the call. Look forward to catching up in person or at the Auto Expo, which I would really love to see you there, and of course, the Investor Day that is coming up on June 12 and June 18, and of course, catch you in the next quarter call as well. Thank you.

Moderator: Thank you very much, Sir. Ladies and gentleman, on behalf of Emkay Global Financial Services, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.