“Tata Motors Limited Q4 Earnings Conference Call”

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MANAGEMENT: **MR. GUENTER BUTSCHEK – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER, TATA MOTORS LTD**
MR. THIERRY BOLLORE – CHIEF EXECUTIVE OFFICER, JAGUAR LAND ROVER
MR. PB BALAJI – GROUP CHIEF FINANCIAL OFFICER, TATA MOTORS LTD
MR. ADRIAN MARDELL – CHIEF FINANCIAL OFFICER, JAGUAR LAND ROVER
MR. GIRISH WAGH – PRESIDENT (COMMERCIAL VEHICLE BUSINESS), TATA MOTORS LTD
MR. SHAILESH CHANDRA – PRESIDENT (PASSENGER VEHICLE AND ELECTRIC VEHICLE BUSINESS), TATA MOTORS LTD

Moderator: Ladies and gentlemen, good day, and welcome to the Tata Motors Q4 Earnings Conference Call. As a remainder, all participant lines will be in listen-only mode. During the course of the presentation, if any participants intend to ask questions, they can use the chat-box option appearing at the bottom of the screen to submit their questions to the speakers. All questions will be taken up at the end of the session. Please note that this conference is being recorded.

I now hand over the conference to Mr. Prakash Pandey from Tata Motors. Thank you and over to you, sir.

Prakash Pandey: Thank you. Good evening, everyone. Hope all of you and your family members are healthy and safe during these uncertain and unprecedented times. On behalf of Tata Motors, I warmly welcome you all for our Q4 FY 2021 results conference call.

Today, we have with us Mr. Guenter Butschek – MD and CEO, Tata Motors; Mr. Thierry Bollore – CEO, Jaguar Land Rover; Mr. PB Balaji – Group CFO, Tata Motors; Mr. Adrian Mardell – CFO, Jaguar Land Rover; Mr. Girish Wagh – President (Commercial Vehicle Business); Mr. Shailesh Chandra – President (Passenger Vehicle and Electric Vehicle Business); and all our other colleagues from the Investor Relations team.

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

PB Balaji: Thank you. Thanks, Prakash. Firstly, a warm welcome to all of you. Thanks for taking the time. As Prakash said earlier, I hope all of you are safe and sound.

The presentation has already been uploaded into the investor portal, and therefore I'm presuming all of you had a chance to take a look at it and also have it in front of you. We will refer to the page numbers and move forward with speed. Can we have the next slide, please, this is the Safe Harbor statement, move to the next one.

An intense period of product actions, as well as company actions that you saw in Jaguar Land Rover. Defender, of course, we are going to talk a lot about Defender here today, winning the World Car Design of the Year. And now almost 12 out of 13 nameplates are now electrified and you were there when the Reimagine strategy and Refocus transformation was announced, and we will talk about that later as well. We will be concluding charge in this , this generated GBP 6 billion of lifetime savings, one of the most successful projects in the automotive world, and very happy with that.

In Tata Motors, of course, we did see significant product interventions post BS VI. And at this point in time, what is really happening is customers starting to experience the product and really giving us excellent feedback, which is also reflected in our market share, particularly in M&HCV and LCV. Tata Safari, the Legend was Reborn. Of course, it's a strong response into the market and PV has been a standout performer with Shailesh is going to talk about even more. And the cost savings target we had indicated Rs. 6,000 crores for the year, we ended up at Rs.

9,300 crores, a strong performance there as well. And the promoters have completed their funding, the remaining outstanding warrants have been exercised.

Next slide. From a performance perspective, for the quarter, a strong all-around performance despite the pandemic, if you look at the full year. Full year EBITDA of almost Rs. 30,000 crores. But if I look at the closer going into Q4, the EBIT number that you see of 7.3% the highest rate that we would have seen in the last many quarters. We ended the year with a strong cash flow for the quarter as well as for the year being a positive free cash flow. And overall, EBITDA margins have picked up. And if you look at the full-year number, EBITDA has improved despite a decline in revenue, or volume, increase which tells you that the business is getting intensively more stronger. And the implication of a strong business, what does it do when revenues come through is seen in Q4. That's how we would like to see the business today.

Next slide. The numbers are there obviously, but call out the net automotive debt. We have called out the deleverage plan when we announced it in the AGM. Happy to report that for the current year we are lower than what we had closing debt last year. And every quarter, we have been reducing our net debt level, and that is something which we are quite happy about.

What are the three things which are a bit different to the rest of the floor, which is the traditional P&L analysis? First is JLR where we called out the Reimagine-led changes that we are doing to our strategy, resulting in a one-time non-cash write-down of GBP 0.95 billion. And a restructuring cost of about GBP 0.6 billion. And this will impact us in FY 2022, but even then we will deliver a breakeven cash flow. But this is an important pivot that we have done to the business, and therefore these write-downs that we have taken will actually help us form a strategy perspective to go fully into the electrification model. And Thierry and Adrian may want to talk more about it.

This will also give us a credit going forward in terms of a lower D&A charge of GBP 150 million per annum. And also, the headcount savings here, we are looking at about 2,000 headcounts, that will result in savings of close to GBP 100 million per annum. Despite these write-downs, the net worth continues to be strong at GBP 5.3 billion. So, that is the first one of the exceptional items. In the case of TML PV, there is a sweet news, where the strong performance of the business, it's a significant improvement, even well ahead of our own internal expectations. And outlook remaining strong thanks to the pandemic and our performance both together. We have reversed the impairment that we have taken same period last year of ~ Rs. 1,200 crores.

We also had an onerous contract provision for volume from one of the vendors, that is also being reversed. And therefore, this business is now well and truly performing to the extent that we want. And of course, more to be achieved as well. PV subsidiarization, we had the shareholders meeting as well as the secured creditors meeting and got approval for that. We are awaiting the final NCLT approval, which is now scheduled on June 14th, and we are hoping to get their approval from there, and promoters have already talked about this.

With this, let me hand it over to Adrian to quickly run us through the key highlights of JLR performance. Adrian, over to you.

Adrian Mardell: Many thanks, Balaji. Good afternoon, evening to you all on the call. So, same format for us. Exactly as Balaji said, first half was the weak half and we had a strong second half performance, particularly in Q4.

The 7.5% you see there, EBIT in Q4 was mostly and overwhelmingly underlying performance. So, really pleased with that. You see the PBT GBP 500 million and the big free cash flow as well, GBP 729 million. Full year results on the right, where you can see dramatic improvement over the previous year, even though FY 2020 was impacted partially in quarter four if you recall.

Next slide, please. So, these are the headlines below that, we will get into revenue details later in the presentation. Balaji has talked about the exceptional item, and we will go through the walks on cash flow as we normally do.

Next slide, please. An important point I want to make on the exceptional, because I don't want to repeat what Balaji said was, look, our assessment at the end of the year was very close to the preliminary assessment we made on February the 26, GBP 1.5 billion. And just to remind you, those products – MLA-mid – did not fit in to the Reimagine strategy. They would not leapfrog competition and we are all about being the best of the best, not just competing. So, that's why we took the really difficult and emotional decision to cancel those programs. We are still working through the restructuring costs beyond the headcount of 2,000 people, and that's mostly about getting the right positions and the right people into the organization with the right skill sets. That's management grades, now more people with specialist skills, which is fundamental to success in this environment.

Next slide, please. A busy one, but we wanted to show you several flavors of the retail data. Q4 at the top, full year below, you can see the highlights and study it in your own time. But a dramatic quarter-over-quarter improvement on China, in part because Q4 FY 2020 of course COVID hit China first, and therefore was impacted negatively. But nice year-over-year performance in North America as well, particularly in Q4. And the other regions are starting to build back. There were limited impacts of course last year. They are starting now to build back with a huge order demand we have at this point in time, almost 100,000 customers waiting to drive our vehicles. So, very, very healthy order bank going into quarter one.

Next slide, please. This is it by family. Don't forget we talk a lot about health of sale, quality of sale. And we are playing this back by sales family. Range Rovers versus last year were a little bit higher, obviously China is a good piece of that. Take a look at the Defender data, Balaji said we would talk Defender today, 17,000 units in Q4, our highest quarter so far. We have talked to you several times about 5,000 units a month, we have surpassed that already. Other data sets for you to focus on this page, 62% of our vehicles were electrified in one form or the other, PHEV, BEV to MHEV. So, the pure ICE vehicle content is reducing quarter-by-quarter and that trend will continue, particularly now we brought out 21 model year PHEV vehicles, that will continue going forward. More of our vehicles will be electrified going forward.

Next slide, please. Defender, look, this is really dramatic. I talked about 100,000 orders overall for our families of cars. More than 22,000 orders now for the Defender family. You see the uptick here towards the right-hand side, as our Defender 90 came on stream at the end of last year. And the solid line there, that is the retail data, 7,000 cars in March. So, we talked about 5,000 a month, we have now started talking about 6,000 to 7,000 units a month, as that supply comes on. World Car Design of the Year, you would have seen that. Last one we got announced was Women's World Car of the Year. So, this is definitely a vehicle that actually gets appeal across all the spectrums and all the genders. It is a brilliant indication of what this organization can and does do. This is the best of the best and that's what we aspire for.

Next slide, please. So, you talked to us a lot about shares, so we have added this point. Few things to draw out. Our shares are growing quarter-over-quarter, but particularly growing stronger in those families which we are focusing most on, Range Rovers and Defender. That’s health of sale, quality of sale, we are not competing on total units, we are competing on overall profitability. And this is shown I think perfectly by this page. Overall, though, you can see, in total our share has grown from 4.4% at the start of the fiscal year to 6% at the end of the fiscal year. And again, that's mostly around that Defender family and the growth you there see in the Range Rover.

Next slide, please. Our traditional walks on profitability, I am just going to draw few things here. This one is quarter four, last year of course we recorded a big loss. Some of that was as a result of those COVID provisions, variable marketing provisions, we put in place as the second-hand vehicle market collapsed at the end of that year. And this year, the GBP 534 million. Things to draw out, we talk about health of sale, quality of sale, you can see a huge increase in mix actually there within the volume of mix almost of GBP 200 million within the quarter. And dramatic data on variable marketing. The other thing about health of sale is, of course, you cannot over supply to the marketplace. We haven't been oversupplying and our variable marketing is substantially improved because of that. Almost half of that last year number was as a result of the reserves we put in place. I have talked you several times about VME less than 7%, our underlying number dropped to 4.9% in Q4 with the headline number 4.4%, eliminating reserve adjustments.

The other one I wanted to talk about and call out is warranty. Again, we have talked to you about this almost every quarter, we have been very transparent and very clear about what our intention is, and what's likely to happen. And we have shown in the data here, ‘20 model year vehicles are substantially better than previous model years. We said they’d mature at the end of Q3 and into Q4, and we said our warranty as a proportion of gross vehicle revenue would drop below 4% towards 3.5%, slightly under that at 3.4%.

And I won't repeat all the other pieces, but there was a big favorable year-on-year on exchange, Sterling depreciated last year, which meant our Euro denominated liabilities and our Dollar and

Euro denominated debt was more expensive in Sterling, that gave us bad news last year. The other way sterling depreciated post-Brexit, again, as we said it would. And that's given us that optical improvement on revaluation. But great work by the Treasury team in terms of their hedging levels we have had both on commodities and on currencies, which of course have helped as well.

Next slide, please. Full year performance, I would write different things on this one. Volume significantly lower year-over-year, 120,000 units, down GBP 1.2 billion. Of course, that mix improvement has partially offset that. You can see the full year numbers for VME and for warranty. I wanted to draw out the engineering D&A here as we have talked about this one a lot as well and we did say to you, the capitalized engine would start to fall as our programs mature. And you can see here really for the first time, the amount of capitalization is lower than our amount of our amortization. That means we are de-supplementing the balance sheet on these programs. And you will see in the backup data substantially less capitalization allocation, particularly over these last few quarters versus previous years. And that trend will continue, we believe. And then the full year exchange, which are the full year evaluation of the items I mentioned early on revaluation on hedges and on commodities.

Next slide, please. Cash, look at the middle box. Again, I have been asking for you to look at the middle box for the last several quarters, and see how dramatic our underlying cash position is, almost a GBP 1 billion generated, investment now within that GBP 2.5 billion range, more than GBP 400 million in the quarter. And we did reverse our working capital losses of quarter one as we went through the year. So, that was behind the GBP 700 million cash flow in the quarter.

Next slide, please. Investment, GBP 2.5 billion was the guidance. We said GBP 600 million a quarter broadly, we came in a bit lower than that. Our guidance for next year is GBP 2.5 billion also. I think it's reasonable for you to assume the plus or minus GBP 100 million over the next years, depending on where those investments finally get deployed and crystallized. But we were lower than the target for this year; GBP 2.5 billion stays in place going forward.

Next slide. Charge, Balaji said we have now finished the program, we did exactly again what we committed to do. So, this is becoming a theme from us. We make commitments and we deliver on those commitments. We said in April we will generate GBP 2.5 billion this year and that would take the program up to GBP 6 billion. We did, and it has. In summary for the program over 2.5 years, we took GBP 1 billion out of inventory. We took almost GBP 3 billion out of our investment, laterally measured on a year-over-year basis, not the notional start points which we started off with. And we took GBP 2.1 billion out of several areas of strategic costs, the Sapphire program, all the things we talked to you about previously. So, again, we did what we said we were going to do. The program is closed, but the power of the program lives on through Refocus, which has substantially expanded the scope of the program as well. More in later slides.

Next slide, please. Okay. So, I introduced this slide to you at the Investor Day. I won't repeat it all like I did then. But this is quite dramatic what the program has done. We have effectively reset the investment and the structural cost base eight years now. Go to the first column, breakeven volumes 425,000 units in FY 2014, we wholesale 471, significantly cash generative. But we invested and we brought more structure in, and more people in, right through to the start of the Charge program in FY 2019, and breakeven cash position was 600,000 units at that point. And even though in that year we had a wholesale number the highest in our history, we lost substantial cash. Charge started to bring that down pre-COVID to 500,000. Obviously, we had a dramatic year in the year of COVID, as you would expect, artificially low, including some furlough money there. But the big point here is, we now know we have restructured, and we have rebalanced to 400,000 units. So, we have reset this organization eight years, and that's before the power of the Reimagine and the Refocus programs kick-in fully.

Next slide. Saying it a different way, first three quarters before the program, GBP 2.7 billion in cash loss. Last three quarters of the program, GBP 1.7 billion cash gain. Since Charge started, net cash gain is almost a billion pounds. So, that's quite a dramatic turnaround as Balaji has mentioned.

Next slide. So, those are the core finance slides. I'll quickly go on to the business update slides. This is the same as last time, our electrified portfolio is now in the marketplace.

Next slide. Okay, Reimagine strategy. Look, we took you through of almost two hours' worth of detail on February the 26th on Reimagine, so I am literally going to just hit a few highlights. Reimagine is there fundamentally to fix the problems that we have designed within this organization. So, the first thing clearly that comes out from Reimagine is we need to make Jaguar great again. The power of that brand deserves to be great and that's our intention to actually do that. Upgrade into modern luxury, so an intent repositioning of this brand, with luxury materials as well as obviously a luxury external design. All of that is in process, we have made a lot of progress over the last few months. We will bring those details to you going forward. All-BEV Jaguar will be from 2025, let me remind you, and Land Rover will have its first full all-electric vehicle from 2024 onwards. Our estimation is, about 20% of our sales will be all electric by 2026 with a commitment for tailpipe zero by 2036. That's the intention and the commitments we made on February 26. They will not change going forward.

Next slide, please. So, how are we going to do it? Obviously, the first thing we are going to do is consolidate our architecture, six architectures down to three. And most importantly, two a Land Rover, one Jaguar. That will enable us to design those brand personalities specific to those two brands, no compromise here, no compromise. So, the freedom of the design and the engineering authority discretely within those brands, that's something that other organizations and other OEMs don't do as well as we can do. This as a competitive advantage for us and we are not going to give up that competitive advantage.

Increased collaboration, particularly with our group, with Tata, announcements will be made on that forthcoming, not today but forthcoming. Very excited about the speed of consolidation and synergy within the broader empire. And also working with external people, collaborating to get the best, we want to be the best of the best therefore you have to work with the best to enable and to actually do that. And please don't underestimate how many of those companies want to work with us. We are a brilliant profile company for them to wish to work for as well. So, we are very excited about the collaborations we will be able to make in the foreseeable future. And again, when we are ready to announce those, you will hear about it at that point in time. But we will also take on the other challenges we have created for ourselves, excess capacity. This is our production facilities, obviously, we announced on 26th February. Our intention to consolidate our nameplates within facilities, and also to repurpose the Castle Bromwich site after we finish building the current range of Jaguar vehicles there. So, that's what we intend to do under that modern luxury by design banner, that's what you should judge us by.

Next slide please. Mechanism, how are we going to do it? That's the Refocus program. Exactly as we told you before, six pillars, three enablers across all of those pillars.

Next slide. Let me draw out some of it, because obviously each time we talk to you we need to build on it a little bit. I am going to talk about one of the pillars that wasn't a focus of Charge. This is pillar two, this is programme delivery, and this is where we are really tying in the item seven enabler, agile working. We have introduced some agile specialists; we are bringing on agile people to add to our workforce. We are rolling this out particularly within the engineering fraternity. We have already started with hundreds of teams and we will have thousands of people working in those scrums, those sprints, empowered to fix the problems that we have over the course of the next six to nine months.

What do we expect? We expect to significantly speed up our time to market. You can see there what we are actually committing to, a 40% improvement. And we also expect to improve customer satisfaction. Why? Because the inputs into the engineers and designers are coming from several different sources, the individual groups and, obviously, the engagement of those workforce. And the speeding up will actually improve the quality of the engineered solution. And as a result of which we will spend less, less time means less. Less rework means less. Less iteration means less spend. So, we expect a 30% reduction in spend, which of course, will also help deliver those investment targets.

The center one, customer market performance. We talked to you in some detail about this two years ago, particularly to the US market. We have significantly scaled this now. Under that, InDigital side of Refocus, where we brought our analytics team, and our robotics teams together with data solutions, the problems we have in the marketplace. We have also scaled our intention here. So, two years ago, I talked about national sales company work, this is working directly with the dealers. And you can see there, again, the commitments that we are making through that analytics solutions and making sure we are providing the right products to the right market, at the right time and with the right specifications. They sell quicker and with less marketing support. We have already proven this out, this is the scaling of those ideas. Very excited about pillar five.

And everything that isn't embedded elsewhere from Charge goes into pillar nine. So, the 2,000 people coming out of the organization was the first decision we made. But we will continue our work, obviously, in terms of real estate consolidation post-COVID. And a lot of the other side of InDigital, the robotics team are starting to help our teams become more efficient, taking administrative roles out, replacing with robots. So, very, very excited about the scaling up of the program in terms of Refocus. And a fast start here. We have got the momentum of all the whole Charge program into Refocus, which is why we are committing to GBP 1 billion value in FY 2022 of this program.

Next slide. Still problems out there, of course. None of us will rest until the planet is vaccinated against COVID, we know that. The speed to electrification is enhancing, therefore, we need to make sure that we speed up as well. Pillar two, agile, is part of that. And of course, there's supply concerns, particularly as a result of the semiconductors, post-COVID and also the fire in Japan, which other OEMs have talked you about. We are not immune to them also. But I didn't want to talk about the first half of FY 2022, we will cover that in terms of our Q&A. From a Q4 perspective, we managed these challenges quite excellently within our results, as you would have seen, and our intention is to manage them excellently going forward as well.

Next slide, please. Outlook, very similar to what we told you on 26th February. Also, revenue will be bigger this year than last year. So, in FY 2022, and we are already seeing that in the first quarter. Of course, despite the headwinds, the challenges, the supply constraints we are reconfirming 4% or better EBIT margin for this year. We are reconfirming investment GBP 2.5 billion. And we are also reconfirming cash positive or better than breakeven, as referenced here, despite the money we will need to pay on restructuring the GBP 500 and some million. All of that will improve through FY 2024, because our underlying business is stronger than FY 2022. It's those challenges which will hold us back. And the momentum of that transformation program will clearly build over the next several quarters. And we have got some super product offerings, MLA high, Range Rover, Range Rover Sport, Defender 130, coming at us between those two periods as well.

So, we are very, very confident of being able to build not only our EBIT but reduce and eliminate our debt. And I will remind you, in FY 2026 our guidance EBIT margin is 10% or better, not up to 10%. 10% or better, and that's what we intend to do. I think I will hand back to you, Balaji.

PB Balaji: Thanks Adrian. Next slide, please. Talking about Tata Motors' standalone numbers, you have already seen. A call out I would make here is the spread between EBITDA and EBIT starting to narrow as the revenue starts picking up. But on an overall year, despite the pandemic we grew 2% with revenues up 7%, and EBITDA margin improving by almost 380 bps over last year, so that's a good place to be. The profit before tax before exceptional items, of course we talked about the PV impairment reversal in the exceptional item, but the fact that this quarter was for breakeven PBT. Full year of course, impacted by the first quarter and the second quarter that we saw. Free cash flow, of course, strong for the year, the third quarter in a row. And full year also ended on a positive basis as we had guided earlier.

Next slide, please. Same highlights, maybe I will just pick up one or two items here. I think the question on CV, if I look at the recovery starting to move from M&HCV and ILCV, so those things are starting to fire well. With higher demand from infra, we are also seeing percentage of

M&HCV in our overall portfolio also starting to increase. PV of course, this is the highest sales that we saw in the last 34 quarters doing extremely well. EV growing at 215%, so that's a whopping growth that we are seeing on the EV side. EBITDA is the highest in the last eight quarters. And the CV EBITDA within touching distance is a double-digit that we talked about in the guidance. And PV EBITDA at 4.9% is well ahead of the breakeven that we indicated, and absolute EBITDA highest in the last 10-years. So, overall, domestic business comes through well across all the lines.

Next slide, please. To call out here, I think every line item with volume mix realization is starting to go well. The one that's really a flying ointment here is variable cost coming from inflation on commodities that we have seen. That is of course going to be an issue as we go into Q1 as well, that's coupled with lockdowns and we will talk a little bit towards the end on that front. Our fixed costs control continues to be tight, and that's the reason we see a benefit coming and volumes picking up. And overall PBT margin at 3% for the quarter is something that we are quite satisfied with, given the conditions.

Next slide. Similar to JLR, if you watch the central box where I think cash profit after tax well ahead of investments, and even on a full year basis. So, the decision to actually cut back on investment has proven right. And at the same time, we are not being pedantic about it, we did dial up the investments, particularly in PV as we started seeing growth come through. As far as the working capital changes are concerned, most of it from a day's perspective, we are reducing our inventory days, we are reducing our debtor days, and we are reducing our creditor days. So, a combination of that despite that we are starting to see working capital negative continue, and the growth is coming through, you are seeing this number really spew cash. And hygiene points here, as Q1 with the kind of lockdowns that we are seeing, this will unravel for a while until growth comes back again. So, that's just the nature of the game that we are currently on to.

Next slide. Investments, you have already seen, I don't want to spend more time on this other than to say that we are managing our investment quite prudently in current conditions focused on products and technologies.

Next one. This is a Rs. 6,000 crores target that we have given ourselves to deliver and against that we have delivered Rs. 9,300 crores. You will notice on the investment line, we did not meet the target because we diverted that money for unlocking growth which is what you are seeing on the PV side, and on the working capital side of course, good number there. Overall market share have been sequentially improving as the year progressed. We did end the quarter at almost 47% share, which on a YTD basis lands up at 42.4%.

I will draw your attention to the M&HCV market share improvement over the last four years. So, we have been consistently increasing that share, and almost 400 bps added over the last few years. ILCV also continues to increase its market share momentum as it will forward. Real call out will be on small commercial vehicles, where I think they have a task on hand. We did end the quarter strong in terms of pick up in numbers, sequentially it has been improving, but clearly that is a number that is not acceptable to us and we need to ensure that we work on that and deliver against it. But I wouldn't speak too much about whether salience was completely required, so very little to talk about. And this overall number actually has got impacted by the small commercial vehicles salience, disproportionately increasing the first half of the year. And therefore, that is what you are seeing as number. No excuses, it is just the nature of the game. And therefore, we need to do a better job of picking up the commercial vehicle share, which we are committed to.

Next slide. Financials, commercial vehicles, clearly the revenue numbers going at 90% for the quarter. Even on a sequential basis, the numbers are starting to increase, which is good news. EBITDA at 9.1%, we talked about and the gap between EBITDA and EBIT starting to narrow funds. Overall, on a full year basis, EBIT was breakeven, despite the mayhem that was there in the first half of the year, as we have seen those numbers there.

Let me hand it over to Girish in terms of how we see the current quarter and what has happened in the last quarter. Girish, over to you. Next slide, please.

Girish Wagh: Yes. Thanks, Balaji. So, I will quickly summarize the key points in last quarter. So, I think most of the end use sectors showed a strong recovery, of course, prior to the onset of the second wave of COVID. I think our BS VI product superiority and value-added services continue to be well received by the customers. And as a result, not only did we see sequential market share growth, but also our net promoter score increased for third year consecutively and has now moved from 65 to 68. So, at a high level and continues to grow.

We also did well in the non-vehicle business. We were able to improve our spare parts penetration by almost 500 basis points during the year, which also therefore increased its contribution to the revenue. We also increased the penetration of Fleet Edge, our connected truck platform. And I think we have now a penetration of upwards of 90% in medium and heavy trucks. So, those were the highlights. And of course, we were able to reduce the EBIT breakeven by 25% during the year gone by.

Coming to the current quarter, of course, I think we are now challenged with the second wave of COVID. And there, we are focusing on ensuring the dealer health. So, we have provided the support to the dealers through various initiatives, especially in the area of liquidity, so ensuring that the claims are settled. We are also giving, whenever required, support on interest on the stock to provide a P&L support. We are supplying vehicles to those geographies and segments where the demand is not yet impacted much and continue to monitor our pipeline on a daily basis. In terms of customer connect, that continues to be on a digital basis completely now. So, all virtual engagement with the customers across all the segments.

We have also formulated new set of standard operating procedures and communicated those to all the channel partners. In terms of demand fulfillment, so we are aligning our production to retail. So, whatever has been retail and one has seen a drop in the retail, and if you see some of the highlights, I think one has seen drop in diesel consumption, one has seen a drop in the FASTags, one has also seen a drop in the Vahan registration of the vehicles. So, overall, I think the market has dipped and we have immediately aligned our production to retail, starting from the month of April 2nd fortnight. And we are doing so even in this month. And even this month, I think the production is lower than that of April. So, we are ensuring that we are able to break the chain effectively in all the plants by having sufficient shutdowns. And even on the days we are working, we are having just 50% of the manpower.

We are, of course, looking at fulfilling the spare parts and international business orders, which continue to be good. But of course, in some of our international markets also there have been COVID-driven lockdowns. We started maintaining strategic inventory of critical parts and especially electronic items, which have been in shortfall throughout the last year and therefore looking at those. We also have formed a task force which is monitoring the vendors, vendor site operation and health and also their operational requirements.

In terms of cost reduction and cash conservation, we carried forward the learnings from the Business Continuity plan that we had last year. Direct material cost reductions are being expedited and pulled towards Q1. We have deferred Capex as regards our earlier budget or plan, we deferred by almost 30%. All the fixed expense reduction that we had done during the previous year has been put into action again, so that we are able to sustain all the benefits. And the capital allocation has been revised for products. A large part of it now going for BS VI Phase 2 programs. I think that's what we have done. And we align ourselves continuously with the changing market environment through the business agility plan. Back to you Balaji.

PB Balaji: Thanks a lot, Girish. Moving on the passenger vehicles, next slide, please. Two call outs here. I draw your attention to the growth numbers. Industry declined 2%, we grew by 69% in Tata Motors PV. And the EV business within that grew 218%. So, significant shift in numbers there. Market share of 8.2%, we talked about. Also, I draw your attention to the penetration of EVs in our portfolio, which was 0.2% is now up to 2%, and likely to increase further as we go forward. So, therefore, we do see significant change happening in the consumer segment. And we are very clear at Tata Motors we will lead the EV disruption as far as India is concerned.

Next slide, please. Financials, delighted to see the EBITDA numbers consistently improving in the PV business, as volume are starting to come through. Mix is improving and EBIT margins starting to come down as operating leverage improve, rather, as operating leverage kicks in. We believe this trend is now fundamental, coming from the fact that the consumer is clearly looking to break free. And this is a shift towards personal mobility that we are seeing. And within that, our New Forever portfolio is really firing all cylinders. So, the consistency and growth that you're seeing is likely to continue.

What's happening in Q1 this year is a different discussion, which we will come to in a short while. So, I will ask Shailesh to talk about it. Shailesh, over to you.

Shailesh Chandra: Thank you, Balaji. So, second wave of COVID has, of course, adversely impacted both demand and supply side. But the good thing for EV business is that we started the quarter with a very low inventory, and a very strong booking pipeline for ourselves. And therefore, while quarter one looks a bit on a decline, we have therefore articulated and operationalized the business agility plan to navigate effectively in this uncertain period. And actions have been developed in three areas which is on demand creation, fulfillment as well as profitability.

On demand creation, you have seen that because of progressive lockdown in the country since middle of April, it has really impacted the demand side. While in April, the retail and bookings dropped in the range of nearly 40% to 45%. But in May, it is trending at a much steeper drop with only, I would say less than 20% of showrooms which are operational. Therefore, demand is expected to be significantly subdued in the quarter one.

As far as actions are concern, on the demand creation side we are closely tracking the regional and segmental changes if any, on the demand side. And keeping our off-take and production completely aligned to that. We are using digital given the lockdown situation this is what had helped us last year also, leveraging it through platforms like Click to Drive and hyperlocal marketing initiative, to ensure that even in the lockdown period we are able to keep getting the flow of the bookings. Since we have less than 10 days of inventory at the start of the quarter, and this was due to demand being more than our supply rate. And therefore, we are using this month to increase the stock in the channel and bring down the waiting period for our customers, which were a pretty high, and therefore this is an opportunity for us.

On the demand fulfillment side, the supply side got impacted primarily due to the lockdown in all the major auto clusters, especially in Maharashtra, I would say. Latest one are Nasik and Kolhapur cluster which has badly got impacted. And most of the suppliers are operating at 50% manpower or less, and also semiconductor supply has further deteriorated is what we have seen in this quarter, while it was a concern in Q4 also, but this quarter it is further deteriorated and a matter of concern for the coming months. Therefore, we are trying to maximize production to fulfill the demand and build strategic inventory. So, we are continuing with the production in all our three plants. We had taken shutdown for the first four or five days, mainly in that enhancing our capacity further for supporting the growth that we have planned for this year and also, some of the preventive maintenance actions.

On the profitability front, it's going to be impacted by the lower operating leverage and the commodity inflation that we have seen. And therefore, we have initiated tight control on fixed costs and also accelerated the structural cost reduction effort, which is now pretty much an institutionalized and ongoing initiative for us. And we have also taken price increase, which is in line with the industry, but we are the only players who have also given the price protection for our customers and that basically has held by avoiding any cancellations to the strong booking pipeline that we have. So, that's from my side, Balaji. Back to you.

PB Balaji: Thanks, Shailesh. Next slide, please. Quick peep into "Tata Motors Finance." They ended the year pretty strong; market share 33%, PBT of Rs. 266 crores, significantly better than last year. And return on equity which is the metric that they're doing of 9.2%. GNPA are also below five and NNPA is below four. The key one is the cost-to-income ratio has been tightly controlled, at the same time, focus on collections where we get at almost 105% in March. But I really would love to draw your attention to the last two lines out there, where next few months we do expect to see a challenge. And this time, it is different, because it is not just about the transportation business getting affected. The collection infrastructure in terms of people who are going out there and collecting, we have almost 900 people who have been impacted by COVID who are people feet-on-street and unfortunately, we lost six of them in Tata Motors Finance. And therefore, we are wanting to be very careful with that set of people and that will definitely have impact on collection efficiencies. We're already seeing it come down quite significantly to almost 80% level last month and therefore, it's not an easy time out there in the field. And we are working closely with our teams, our customers, our people to ensure that we alleviate the stress. But it is fair to expect that Q1 is going to be a significant pain, and we are representing to all the powers that we do find ways to alleviate the stress. So, this is going to be a critical quarter for all of us from that perspective.

Last slide "Outlook." I think you can see it, but Q1 FY'22 will be adversely impacted by lockdowns. You heard Adrian talked, Girish, Shailesh and myself talk clearly impacted by lockdowns, semiconductor shortage. We have a cup of woes that's quite full. So, a strong end to the year is something that we were very happy with, but then of course Q1 we need to deal with the stress, but we will come through strong. The fundamentals of the business as you have seen are very strong and therefore, this makes us even more resilient in terms of performance and we will get there. And we are not changing any of our plans in JLR or TML because what we need now is agility and therefore that is what we are focused on.

So, with this let me stop here and hand it back to you guys for questions that you may have.

PB Balaji: First question is from Ruchit Mehta, SBI Mutual Funds. Adrian, this is for you. For JLR, the Q4 in slide ASP seems to be lower by £5,000 quarter-on-quarter. Could you walk us through the cause of the same?

Adrian Mardell: Let me go back to a couple of points I've made in previous presentations. Different markets have different peak periods, different times of the year. Q3 actually, that's the peak selling period for China. And therefore, there was a disproportionate value within China business in Q3. Don't forget that means SUV-4 and SUV-5 vehicles, so the highest transacting price vehicles that we sell. Q4 is different; Q4 has a peak selling period in the UK and not such a peak selling period in China. And of course, UK is about SUV 2 and SUV 3 vehicles, lower transacting prices, lower gross vehicle revenue, and lower margins as well. So, you really need to start to look and plot where our peak sales periods are for our peak regions which will give you a heads up that our average selling price in Q3, unless there's something extreme happening will always be higher in Q4.

PB Balaji: Thanks, Adrian. Second is from Prateek Poddar and I'll take this question. Tata Motors has been very clear that the equity fund raise would be the last resort despite such a good performance on both JLR and TML standalone. What are the rationale of thinking for fund raise?

Prateek, you're absolutely right. It remains the last option, there's no change in that particular front. And also, that just a reason to add there, the board has deferred its decision to a subsequent board meeting. And the reason we had it coming up and from a flexibility perspective we wanted to keep all the options open, and that is why we have not been clear in terms of what are the instruments that we will raise and how much will we raise. That is something that was part of the discussions for them. Therefore, the board has decided, we'll defer it later on in time given the performance that we have right here. And at the same time, we shouldn't forget that we are in the midst of COVID. There are a fair number of challenges that we have outlined. And the reason we wanted to keep our options open was this. Because there's an AGM coming up and therefore those enabling resolution, if you read the notice carefully, we would have specifically put it as an enabling resolution. And that then gives us a good one year off not having to go back to the shareholders. But that is of course now subsequently on the board, we have decided to defer it. So, therefore, that's the background thinking to it.

PB Balaji: Next question is from Yogesh Aggarwal, HSBC. JLR volume growth guidance of better than FY'21, seems very conservative considering the base effect in FY'21. Can you please provide more flavor? Would it be a 20%-plus kind of growth? Adrian?

Adrian Mardell: **Y**ou're absolutely right, it is very conservative. And the answer is yes, it will be better than 20% higher than last year.

PB Balaji: Kapil Singh, Nomura. On JLR guidance of FY'22 forecast, the company has been reporting JLR EBIT margin of around 7% for the last two quarters, plus you will get the benefit of nearly 100 bps from restructuring costs taken in FY'21. So, why is the guidance so low at 4% plus EBIT margin? What are the key factors that can take the margins down to 4%? Was there any reversal in residual values for JLR? Maybe that's a separate question. Maybe we'll answer this one first, Adrian and then the next piece.

Adrian Mardell: So, let me take you back to H2 FY 21 to answer the piece. Let me remind you what we've told you so far; we've told you Q4 underlying is about 7%. Q4 is always our best quarter, you know that. Our volumes were 123,000 units. So, it's closer to an indicator of a normal quarter, but Q4 is normally stronger. Q3, don't forget what I told you, we were 6.7%, but we had a lot of reversals of residual values in VME in Q3. And the result of that our underlying was a couple of points lower. So, I think it's reasonable if we choose to assume based of what we've already told you that our second half performance was close to about 6%. So, why 4% plus? Well, a number of factors come in going forward. We don't yet know the level and the scale of impact from the semiconductor challenges that the whole industry faces. Other OEMs have told you specific numbers. We're not going to do that. And the reason why we're not going to do that is because we haven't given up on it. We are working tirelessly to enhance our position every day, every week, and every month. So, don't actually know where we'll end up from a volume perspective in Q1. What I do know is we'll optimize everything we possibly can. Last year, in Q1, we lost 13.5% EBIT margin. We could be EBIT loss in this quarter as well, but it'd be very, very small if we are. So, it will impact the full year. Here's a key point here, right? Q1 will impact the full year. However, depending on the speed and the bounce of the industry response to the semiconductor build, I don't know how much of that we will then get back in Q2, Q3 and Q4. What I do know is if we can overcome those challenges, we will be stronger than 4%, that's why we said higher. So, it's speed of recovery for those challenges and whether we can catch back units are the two unknowns today and I really don't want to mislead you. So, I'm giving you a baseline of 4% or better. And depending on how the industry can respond to semiconductors, the better will get bigger.

PB Balaji: Was there any reversal in residual values for JLR in USA in Q4? Do you see more coming through in Q1?

Adrian Mardell: So, we did reverse some of the residual values in USA. We've now made all of those reversals actually within Q4, so no more to come. However, we did book some reserves in Germany. So, the net reversal in Q4 was very low, about 0.2%. That's all. So, most of it is done and we think also with the changes we made in Germany, we've contained and trapped those losses as well. So, overwhelmingly, we do not expect VME to be driven by residual value reductions going forward. What we do expect in this lean market of undersupply and significant demand is that underlying VME to be better than we've actually previously communicated, that was 6% or lower. So, we do expect that to continue particularly with supply shortages. It'd be closer to 5% in the first half is my estimate.

PB Balaji: This is from Satyam Thakur, Credit Suisse. Could you help understand the moving parts behind the gross margins of JLR sequentially fourth quarter versus third quarter? How much was the impact of higher raw material cost and what all went into offsetting that, if you could quantify please?

Adrian Mardell: So, I'd refer to the response to the first question actually. Overwhelming issue is the mix of the vehicles we sell. SUV 4, 5 in Q3, SUV 2, 3 in Q4. So, even though volume would have increased, we would naturally expect gross margin to fall Q4 over Q3 for those reasons, mix of vehicles and regional strength. We know that commodity prices are increasing. Is it not yet having a significant impact on our numbers, on our margins. In fact, Q4, from an overall material cost perspective, was lower as a proportion of gross vehicle revenue than Q3. So, limited today, we have a hedging strategy in place. It will increasingly hit as we go forward, and those hedges roll off over the course of the next 6-months to 12-months. If it becomes a particular impact on the data, we'll call it out at that point in time, not in the data today.

PB Balaji: Thank you. Next one is from Jinesh Gandhi, Motilal Oswal. Question on India. Can you discuss your fund-raising plans which has got deferred? Was it including equity? Considering the sustained sharp improvement in both JLR and India, why do we need any fund raising? That's first question.

I think, Jinesh, I've answered that, it was an enabling provision that we face in this environment, COVID based too, there's too many things coming at us, so we want to be sure that we have the options with us, it was an enabling provision. And at this point in time, the board has deferred it. Obviously, the strong performance has helped there, and we will revisit it if required. So, that's the way we're looking at it.

Of the 9,300 gross cash savings, how much of the actual cost savings? We have referred to it in Slide #37, Jinesh, costs and profits of Rs.2,200 crores all of that.

How much of this is sustainable? We are seeing it sustainable because I think Girish has mentioned on breakeven reduction, we're down by almost 25% for the commercial vehicles, passenger vehicles EBITDA improvement also includes savings that are coming through here. But do keep in mind going forward we need to take a look at this vis-à-vis the commodity inflation that's coming at us, these become the source of money to manage that inflation that is coming at us.

Can you throw light on the product pipeline post-Hornbill what new models can we expect post-Hornbill? Clearly, that's something that we wouldn't want to discuss. The right forum for that will be the auto expo once we have made up our mind as to what we're going to show out there. So, we will definitely share it with you.

Next question is from Stephanie Vincent from JP Morgan. How much of the semiconductor and raw material issues respectively hitting FY'22 guidance?

Adrian Mardell: Yes, I think I have actually already, Balaji, within my 4% or better question which I covered semiconductors, and within the margin question which I covered the raw material. So, nothing to add to previous questions.

PB Balaji: **T**he next one is from Basudeb Banerjee, Ambit Capital. Why are you saying led by one-off restructuring cost of some 500 million to 550 million in FY22, JLR will be FCF neutral. Aren't you confident of maintaining operating cash flows and CAPEX of 2.5 billion at last couple of quarter levels?

Adrian Mardell: **Yes, w**e are actually confident. I say this, and I have to give you a different set of numbers, right? So, the bottom line is our commitment is to reduce net debt and we won't go backwards. We will have a challenging Q1 for the reasons already discussed, but we'll get that back over the balance of the year. And net debt was GBP 1.9 billion at the end of March, but we expect at the end of March next year to be slightly lower. But for the moment, our guidance with the uncertainties we've already mentioned, that is maintained as cash flow positive or better than break even despite the 500-some million restructuring cost. You take that away, it'd be £500-plus million cash flow.

PB Balaji: The question is for India. India CAPEX outlook for FY'22. It seems higher than Rs.1,800 crores as guided earlier. Plan for the year is more like Rs.3,000 crores to Rs.3,500 crores. The Rs.1,800 crores for FY'21 in the midst of a pandemic where we are fighting a business continuity plan. Having seen three quarters of performance, we are very clearly seeing that once the pandemic or all the lockdowns are out, there is definitely a demand resurgence that happens. And therefore, this time, it's not a business continuity plan, it's a business agility plan, and therefore, we want to be as flexible as we can. Obviously, if situation dramatically alters, then we will not hesitate to go back to the drawing board on this. But, at this point in time, we see the current issues are temporary and therefore we intend to generate positive cash flows despite those CAPEX investment there, and they are going towards products and technologies which are going to aid growth. So, we will not be pedantic about putting a number out there, we are watching it and moving it dynamically in line with demand out there. That's how we see it.

Next question is from Rakesh Kumar, BNP Paribas. If profitability continues to improve in JLR, is there a possibility that we could increase our CAPEX plan to accelerate the reimagine strategy timelines? And what share of sales comes from lease sales in US and Europe, and what are the peak share of leases we have seen historically? Adrian?

Adrian Mardell: So, my answer to the first one is: unlikely. We got a real clear plan we're setting out. We're making sure that every element of that plan is fundamental to the success of this organization. We don't actually think we've missed anything. Throwing money at this doesn't necessarily speed you up, actually. So, the agile approach, the scrums, the sprints, the empowerment, making sure people are responsible to fixing things first time, so that will speed us up. And we've made a commitment actually that overall, in time we will be 40% faster than we are today. That's a huge improvement, huge commitment, and that's what we maintain. At the point in time as we go forward… just as the Investor Day, as we eliminate our debt and then decide what we wish to do with cash flow positions, our TML friends, Tata Sons friends, and our board will discuss what we wish to do. But the current plan stands, the investment guidance stands as well. On the lease sales question, again, we're overwhelmingly consistent with the rest of the marketplace. So, US is our highest lease market as you would know, followed by UK and markets in Europe, mostly Germany. I do have some data in front of me which suggests it's about 80% in North America, but that's consistent with the marketplace.

PB Balaji: Next one is from Ronak Sarda of Systematix. Let’s take the JLR pieces first and I do the PV question later. For JLR, will lower D&A and employee benefit start reflecting from Q1? We have in a way gone back to the pre-JagXE phase, should we expect JLR will focus mainly on profitable model? And the last one on JLR, can we have an EBIT waterfall instead of a PBT? I take that. You already have that in the slides, the bottom line have that. So, you can use that. In case you need more clarification, do reach out to us. Back to Adrian for first two questions.

Adrian Mardell: D&A over the next few quarters will be similar to the second half last year. Don't forget, the MLA Mid vehicles were not available to be introduced in the first half of this year. At the point we would have introduced them, 12, 18 months’ time, that's when the reduction in the D&A would have kicked in of course. D&A will next actually change when we introduce our new models; Range Rover and Range Rover Sport in 12 to 18 months’ time. Employee benefits, as we release those 2,000 people over the course of the next three to six months, then yes, the costs of people will actually start to fall as well. £100 million a year we believe. But in a particular quarter, that filters down to 20 million or 25 million. So, I don't anticipate that to dramatically impact the in-quarter data you will see.

PB Balaji: Then on, I think the profitable model piece as part of the reimagine as we called out that we are looking at profitable growth here and that's how it will be done. So, no change in strategy then.

Then on PV impairment, yes, these are non-cash cost. The question is, are these non-cash costs? Are these reversals non-cash? Absolutely, yes, they are.

Moving to the next topic. Amyn Pirani, CLSA. Given that the first Land Rover Bev will come in 2024, do you think it may pose a risk in model such as Evoque and Discovery Sport where competition is already in the process of launching that?

Adrian Mardell: We'll have a great Evoque and a great Disco Sport under our EMA platform shortly afterwards. So, if it were to the time to new vehicle delivery is quite short, so that wouldn't be a concern for us.

PB Balaji: Again, on JLR, this is from Jinesh, once again Motilal. JLR realization declined sharply quarter-on-quarter by 9%. What are the key reasons behind it? I think we've already explained it extensively in the previous question, therefore maybe we'll take it as a given.

Order book of 100k units for JLR. Can you give some flavor on which models, region, and make up of this order book? Is this due to supply side impact? Are we done in the write-offs to streamline the new normal of the business? Finally, on effective tax rate question as well for FY'22.

Adrian Mardell: So, the order book 100,000 units, of late it has been growing by 2,000 units a month. The phenomenon in our business that most of those ordering process up in the UK, and Europe and that's where 60% of the order book is less in China and less in North America. That's just a buying phenomenon and a logistics phenomenon, right. Vehicles have to be there in place because of the pipeline to get them there is so long. So, mostly UK and Europe. Particular emphasis on our PHEV vehicles. They have had a dramatic impact in the marketplace. Some of those vehicles in some markets in Europe have up to a 12-month waiting list for. So, clearly, those customers are going to have to be super patient for us. So, ultimately, yes, the answer is that is a result of the supply side and as we work through some of those supply issues…let me just reference for the moment, semiconductors, but there were also PHEV issues, then we would expect those order books to actually start to normalize in 6, 9, 12-month time. But we are done with write-offs to streamline the new normal of business? We believe so. We don't have anything left that we're aware of. We really think we've had a strong six-month review of what our strategy is, and we think we've communicated that to you, and we think we've actually made the adjustments we need to make. And as you would know, our external auditors have been working alongside us for three months and they agree with us. So, I don't expect any additional adjust for any of the elements that we've actually communicated as a part of reimagine. Effective tax rate expected in FY'22, obviously, the tax rate has been pretty damn weird over the last 12-months or so because of losses and non-allowance of deferred tax assets as we've become more profitable, obviously, that deferred tax position will change and we'll be left with a couple of phenomena, we will be left with the phenomenon called overseas, we expect obviously the tax rate will now become in profit overseas, so we will be paying tax as you were to see this time around and we would expect the deferred tax asset to start to normalize the effective tax rate also. I suspect that will happen later this year as our profitability grows in H2.

PB Balaji: So, next one from Aditya Makharia, HDFC Securities. Congrats on the market share gains at Land Rover. What are the impacts that Tesla is having on the luxury market as the volumes are now 500k, can you give some color on the same?

Thierry Bollore: I think that even if we don't talk very often about competitors in this type of session, the reality if you look at Tesla today is that they are not really in the luxury market. And more and more they are less to a certain extent. They started with the high-end premium and now, if you look carefully at the range of products and associated volumes, you will notice that it's more and more going to the mid-premium which is giving us a huge space.

PB Balaji: Question from Satyam again. Can you share an update on what's happening with the BMW partnership on EDUs? Thierry was quoted last week by Reuters saying that "JLR is exploring with BMW on going further with the partnership." Can you share anything that is on these areas?

Thierry Bollore: **W**e continue to work with BMW and as such we are currently exploring new opportunities concerning, of course, you know our core version of EDUs, I mean, we use, it's a pushing with, but it's clear that we have stopped also our HEV although we retain the IP on our joint ownership.

PB Balaji: Thank you. Question from Pramod Kumar, Goldman Sachs. Given the actual ratio of pure EV demand led by competition launches and regulatory push, are you comfortable with your EV business? And is there a risk for JLR losing on the demand and customer mind share on EVs?

Thierry Bollore: Well, I think what is key and Adrian answered in that spirit in one of the previous questions is to be on time against the real demand from our customers. And today, the real demand of our customers is very much on PHEV as you understood. So, we are glad about that. And at the same time, we are glad to see that the BEV starts really to take off worldwide. And that's why we are fine with our timeline. We enjoy the fact well with our refocused plan we can see an acceleration of our processes in the company to seamlessly and excellently deliver what we promised, and we are going to make the best use of that.

PB Balaji: Thanks, Thierry. Question is maybe for Girish and Shailesh. Can you please guide for India's PV and CV growth outlook, how do you see it given COVID's second-wave impact on semi urban and rural areas? Girish, you want to go first and then Shailesh, you want to take it up next?

Girish Wagh: Yes, yes, Balaji. So, see in the last analyst call, I think we had indicated that TIV of almost 750,000 to 800,000 for FY'22, in which we had predicted Q1 being at around 170,000. And I think at the end of March and also in the month of April, we have come across this COVID second wave which has indeed created a slowdown in the demand. And as we got into May, I think the slowdown has been even more as many states have gone into lockdown. And in April, we have seen that the total industry volume has been just 40,000. So, I think to give the clear projection for the entire year, we need to see how the states unlock, we just think that we're monitoring almost on a daily basis, so as the states unlock and the freight starts moving in the country and get back to the pre COVID levels, we believe I think we should be in a position to indicate what's likely to happen. So, at this juncture, it is very difficult to provide a firm outlook although there could be some scenario as to when economy gets back to the pre-COVID levels. But as we stand here now, it is difficult that we'll be able to get this 35%, 37% total industry volume growth that we had indicated. For the exact number, maybe we'll have to wait for the next analyst call. Balaji?

Shailesh Chandra: **T**ypically, in the PV business, rural to urban ratio has been 40% rural and 60% urban. Last year, it was slightly tilted towards rural where it gained the share by 1% or 2%. So far in the year, we have seen that April was the only month where we saw that rural was slightly higher and that was primarily on account of the lockdown enforcement being a bit weaker in rural areas as compared to urban. But the jury's out in terms of how this whole ratio is going to play out as far as rural is concerned. But clearly, we would expect that rural would stabilize around 40% only in this financial year also. As far as overall projection for PV industry is concerned, it was supposed to be in the range of 3.2 to 3.4 as per the earlier estimate before we are aware of the COVID second wave, this might decrease by 250,000 to 300,000 as one scenario that is being projected. But if the pent-up demand which is getting built in these two, three months as well as one has seen that the shift toward personal mobility might becoming a more stronger given that the customers are expecting multiple waves of COVID and therefore there is greater concern about the well-being and therefore there might be a bigger personal mobility shift phenomena that one might see. And therefore, one can still imagine that this can be recovered whatever losses that we're going to see in Q1. But as far as rural is concerned, we would still think that rural will remain around 40%, whatever demand we've seen in the PV industry. As far as Tata Motors is concerned, since last year, our mix is more favoring towards urban, given that the young and urban customers are getting more kind of excited with the expressive design and the safety aspect, this is being more appreciated in urban center so that has been as far as the Tata Motors PV business is.

PB Balaji: **Q**uestion is from Pramod. Any timeline you can share on your JV plans for the India car business? So, far, no decision has been taken on this, Pramod. As and when something comes up, we will definitely share it with you.

Next question. Can you give some more color on the chip shortage, how long will this last, how do you plan to mitigate the same? And also, does this affect our rollout plans in EVs in the future?

Thierry Bollore: I will not repeat the comments from Adrian which were clear enough I believe on the shortage in terms of impact. I think it's important to say that during the first part of this crisis, the team did an incredible job to mitigate that risk to the extent that the impact I think on the Q4 of last fiscal year was about 7,000 units which was quite limited without big consequences on our strong figures as you could see. But from a crisis you always learn, and you find opportunities. And for us, what I'm learning with the team is about our tier-2 and tier-3, our microprocessors suppliers, and the way they work, the way they operate, and at the end of the day what's happening is that we need a change in the way we're operating our supply chain with them. And it's exactly what we are preparing at the moment to have a structural fix to this problem.

PB Balaji: Guenter, would you want to give us a color on the implication of that…?

Guenter Butschek: As already mentioned earlier by Girish and Shailesh, in the fourth quarter because of the dedication and commitment of the teams in PV and CV, although we had certain shortages, we could actually prevent supply impacting our delivery position in order to give us the chance to actually meet the strong demand, it's already highlighted. As we expected that it couldn't get worse and felt pretty comfortable having the situation to a certain extent under control, we knew the situation has already as mentioned by Shailesh on the one slide has worsened to the extent that we see across the board significant constraints where we are now working with the team based on the database established in the fourth quarter. More or less so on a daily way, on the mitigation of the impact on production, what does it mean? We have actually looked deep into the easy use in order to understand which kind of chips, which kind of supplier would actually use by our second tier, first tier suppliers in order to see whenever there is a constraint which kind of components on what would be impacted. We started to establish direct contact with the chip suppliers although we are not contractually linked with them, but since we have established relationship from the past, it also helps to ensure that our demand got prioritized and parts were made available by the chip suppliers to our second and first tier suppliers in order to have transparency in the first instance and to a large extent to also fully control of the situation. Nevertheless, as already indicated by Thierry, the situation at Tata Motors is no different from one at JLR. It's a daily slugging and it requires lots of detail to be able to read your work effectively on a daily basis by the team in order to keep the supply chain going in to limit the impact. Nevertheless, we expect the situation as mentioned will get worse in the first quarter. We expect some kind of an improvement in the second quarter, but it's also because of the factors mentioned by Girish and Shailesh that we have started to actually build some stock because of some of the shutdown we have experienced in the last couple of days because of the COVID situation in India and so that we're hopeful that we can actually get back to full production in the moment we get out of the lockdown. And what is generally the expectation of the industry that as of the second half of the fiscal year, we are going to see a gradual improvement of the situation. To what extent? I think it would be too early and would be too much of a kind of crystal ball approach to say. As of October, we are going to be safe, but we expect at least a gradual relaxation of the situation underway forward.

PB Balaji: Question from Chirag Shah, Edelweiss. JLR commodity costs. How do commodity contracts work -- annual, semi-annual? Also, how does the commodity hedging is different from revenue hedging? And if you break raw material costs into commodities and value add, how much will the commodity be % of the total RMC?

Ben Birgbauer: Balaji, it's Ben Birgbauer, the Treasurer of Jaguar Land Rover, I'll pick that question up. So, I think on the first piece of it, "how does the commodity contract work", so I think it's different across different commodities and so it's really difficult to answer that question in the context of this event. I think on the second question around "how is commodity hedging different," I think one thing I'd say is generally the horizon is shorter, so on FX we go up four to five years, in practice with commodities, we're really only going out about two years in quite a bit reduced percentage in the second year. I think the other thing that's worth mentioning is the hedge accounting is different. So, we have hedge accounting for the FX. So, essentially both the P&L impact of the hedge and the cash flow both occur when hedge matures. In the case of commodities, actually, there's not hedge accounting so there's an immediate mark-to-market which comes through our P&L and that's why you see that number in our profit bridges. But then the cash only flows when the contract actually matures. So, there is a difference between the timing of the cash flow and the profit. And then I think on the last one, just "what is raw material cost as a percentage of RMC," I don't have that number at my fingertips, but what I generally say is it's a second order kind of number. I think that the commodities as a total value of components that we buy is smaller than you would think. Just for example in Q4, year-over-year, commodities were worth £19 million unfavorable, despite the significant move in commodities that you've seen.

PB Balaji: Thank you, Ben. And I think the second part of the question, can you assume from here on there won't be any extraordinary charges, which I think Adrian has already answered.

Let me take a question from Pramod, InCred Capital. JLR VME is reduced by 250 bps year-on-year. Can you sustain it considering RR changeover in the coming quarters, how demand pull will help you here? The second part for Tata Motors. I will take it up. Adrian?

Adrian Mardell: **O**f course, yes. So, with health of sale approach with us taking out, deliberately reducing dealer stocks, I think we took you a lot through that detail to the previous two presentations, that continues to be our intent. You know we were surprised by the scale of the impact in the marketplace and the speed of that impact and it's certain that when we have more supply concerns and demand concerns today, VME over that period of time will be at levels lower than I'd previously indicated. Hence why I've said earlier expect in the first half a number closer to 5% rather than the 6% underlying we had previous to that. As we grow back demand, then we'll see how the marketplace responds later in the year, but in the first half of this year, it will be certainly lower than the 6% guidance I've previously given.

PB Balaji: Second, I'll take it. This is on collections in Tata Motors Finance and there are two questions on that, two people have asked the same question, "How is it performing post-COVID?" As I said in the presentation, we ended the March quarter at 105% kind of collection efficiency. This has obviously come down to more like about 82%, 83% in month of April, and we're expecting to go down even further. So, it will be a painful quarter for Tata Motors Finance as they navigate this because the issue is not about just cash flows, it's also more feet on street and infrastructure. So, we are working through this and expect it comes back on track at the earliest, obviously, ensuring the safety of our people. The second question is on the growth of CV, which I think Girish has already answered.

Girish, the question is more to you and Shailesh. Price increases taken in CV and PV so far this year, how much of that RM impact is likely in Q1?

Girish Wagh: See, we've already taken price increase of around 1-1.5% on 1st January of this calendar year which is Q4 of FY '21. And then on post-April we took another increase of 2.5% across all the models which is this quarter. So, that's the kind of price increase we've already taken. In terms of raw material impact for the first quarter, I think it can be divided into two groups; one is the precious metals so that is more internationally linked. And therefore, that is kind of going up and we have six monthly contracts there. The second one of course is the steel, which is although, linked to international prices. It is also dependent on domestic consumption. And as of now, with quarter demand going down, we are ready to have any dialogue in terms of the steel price increase. So, that's the situation on the commodity cost in this quarter.

Shailesh Chandra: So, I think on the second part of the question, the response would be the same for PV. As far as the price increase is concerned, in Q4 of FY'21, we have taken about 1.6% weighted average price increase, and then in May, we have taken an additional 1.8% weighted average price increase.

PB Balaji: Thank you. Maybe it's time for one last question. This is from Nishant Vaas. Adrian, coming your way. Can you shed some light on the CJLR business improvement plan? What's the timeline for EBIT breakeven for that business?

Adrian Mardell: **I**f you look at the data and in fact the charts, I should have called it out actually. The year-over-year chart does show quite a dramatic improvement last year over the previous year, I think the number is £99 million improvement, you'll see that. So, my first response is it's already happening, the health of CJLR is starting to improve. It's nowhere near where we wish it to be. You know what, the semiconductor shortages and CJLR would teach us a lot of things because a lot of our turnaround model in the import business actually was a result of deliberately constraining the pipeline, huge improvement in transacting values, reduced VME and gross margin, some of that may be enforced over the next few months, we'll see how the market responds. We hope the market responds favorably there. And the other side of this is the part of the charge program, which we talked about as well last time to you. We've now introduced the Charge program formally to CJLR working alongside our Chery partners and colleagues and we will just be tougher on spend because there are still opportunities for structural cost reduction in CJLR. So, you think about how we've applied Charge within Jaguar Land Rover, a resetting of eight years of our cost base, we haven't done that yet within CJLR. So, there is lots of opportunity. It takes a bit more time because we have to bring our partners along with us of course. But I do expect this going forward to find ways to actually improve our viability, profitability in CJLR. But it was a dramatic turnaround in the previous 12-months, so please we shouldn't pass that point by.

PB Balaji: Thank you. So, with this, I think we would be on the dot, 8 o'clock here. So, thanks, everybody from TML and JLR side. And more importantly, thanks everybody who attended the session and understand our results. Much appreciated. Do stay safe and sound and wish you all the very best to you and your families in the coming days. Thank you and look forward to speaking with you in the next analyst results.

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