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National Stock Exchange of India Ltd.  
Listing Compliance Department  
Exchange Plaza, Bandra Kurla Complex,  
Bandra(E), Mumbai 400 051

August 1, 2023  
Sc - 17642

Dear Sir/Madam,

**Ref: ISIN:     **INE155A01022 – Ordinary Shares**  
                  **IN9155A01020 – ‘A’ Ordinary Shares**  
                  **Debt Securities on NSE & BSE****

**Sub: Transcript of Q1 FY2024 Earnings Discussion/Conference call**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and with further reference to our letters bearing sc nos. 17594 and 17633 dated July 7, 2023 and July 25, 2023, respectively, enclosing herewith the transcript of the earnings/conference call for the quarter ended June 30, 2023 conducted after the meeting of Board of Directors held on Tuesday, July 25, 2023.

The transcript of the earnings/conference call is available on the website of the Company at [www.tatamotors.com](http://www.tatamotors.com)

This is for your information and records.

Yours faithfully,  
Tata Motors Limited

Maloy Kumar Gupta  
Company Secretary

Encl: a/a

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## **Tata Motors Group**

### **Q1 FY24 earnings call transcript**

**MANAGEMENT:**     **MR. PB BALAJI – GROUP CFO, TATA MOTORS LIMITED**

**MR. ADRIAN MARDELL – CEO, JAGUAR LAND ROVER**

**MR. GIRISH WAGH – EXECUTIVE DIRECTOR, TATA MOTORS LIMITED**

**MR. SHAILESH CHANDRA – MD TMPVL AND TPEML**

**MR. RICHARD MOLYNEUX –CFO, JAGUAR LAND ROVER**

**MR. DHIMAN GUPTA – HEAD, TREASURY, IR, M&A, TATA MOTORS LIMITED**

#### **Presentation**

##### **Sneha Gavankar**

Good day, and welcome to Tata Motors Q1 FY24 Results Call. I am joined today by Mr. P. B. Balaji, Group CFO Tata Motors; Mr. Girish Wagh, Executive Director Tata Motors; Mr. Shailesh Chandra, MD, Tata Motors Passenger Vehicles Ltd and Tata Passenger Electric Mobility Ltd; Mr. Dhiman Gupta, Head Treasury, IR and Mergers and Acquisitions; Mr. Adrian Mardell, CEO, Jaguar Land Rover; Mr. Richard Molyneux, CFO, Jaguar Land Rover; and my colleagues from the Investor Relations team.

As you would be aware, we have today also announced the corporate action involving cancellation of A ordinary shares and issue of ordinary shares in consideration through an NCLT scheme of arrangement. We plan to start our call with a brief presentation on the corporate action followed by Q&A on the topic. We will then commence the results presentation at 6:30 P.M.

As a reminder, all participant lines will be in listen-only mode, and we will be taking questions via the teams platform, which is already open for you to submit your questions. You are requested to mention your name and the name of your organization while submitting the questions.

I now hand over to Balaji to take this forward.

**P. B. Balaji**

Thank you. Firstly, thanks everybody for joining this session. I think this is one particular topic that has been raised with us in multiple forums and multiple times. And we have always had a challenge in terms of how to go about cracking this, given the various rules, regulations of the scheme, of how the original shares were put together, what our Articles of Association allowed us to do it, as well as what the SEBI rules were, tax implication. There's a lot of issues that were there. And I think today we bring in front of you a pretty comprehensive set of actions that have been agreed with the Board, and the Board has actually approved this NCLT scheme of arrangement. And the person who has been working on this tirelessly has been Dhiman. And I want him to take you through the facets of the scheme for about 10 odd minutes. And then we will open up a Q&A that you may have. Dhiman, over to you.

**Dhiman Gupta**

Thank you, Balaji. As Sneha mentioned at the beginning of the call, we have a couple of slides here to walk you through the intricacies of the transaction. And then, we have a 15 to 20 minute Q&A before we start our usual results call at 6:30. Just starting off on this entire proposal, as you know, Tata Motors, one of the few companies had three classes of shares outstanding. We had ADRs outstanding on NYSE. We had ordinary shares listed on BSE, NSE, and then we had the DVRs listed on the Indian Stock Exchanges. In November last year, you would recollect, we announced our intention of delisting the ADRs from NYSE. That process got completed in January 2023, about six months back. Today, our Board has announced or approved an NCLT scheme of arrangement, which will cancel all our "A" ordinary shares and in consideration for such a capital reduction, we will be issuing ordinary shares to all our "A" ordinary shareholders. The consideration for this transaction has been set as such: for every 10 "A" ordinary shares, "A" ordinary shareholders will be getting seven ordinary shares as consideration. What does it mean? It means that the "A" ordinary shares have been valued almost at a 23% premium to yesterday's closing price, which is a substantial premium that is being offered. And second is this ratio implies that the "A" ordinary shares are being valued at a 30% discount to ordinary shares, compared to the 43% discount that was prevailing in the market yesterday, and significantly better than almost a 50% discount, average discount that it has traded as over the last five years. What does it do for the shareholders as a whole? It will lead to a reduction in the overall capital base of the company, making it 4% EPS accretive for all shareholders. It will eliminate the discount in Tata Motor's overall market capitalization by almost Rs. 15,000 crore, which will lead to substantial value creation if TML shares are used as a currency for any further future capital raise or any other transaction. It's a complete cashless transaction. There is no cash outgo, and neither does it impact our net debt or alter our nil auto net debt targets that we have set for ourselves. It's being done through an NCLT scheme of arrangement subject to various regulatory approvals and shareholder approvals. I'll cover that in a bit. And it is likely to take almost 12 months to 15 months for completion. At the end of this transaction, along with the ADRs that we have already delisted, we will end up significantly simplifying, streamlining, and consolidating our share capital, and we will only have ordinary shares listed on NSE and BSE. Next Slide please.

A little bit in terms of the context of the DVR's and the reason and the rationale for this transaction. These DVR's were issued almost 15 years back in 2008. They were issued at a 10% discount to the then prevailing ordinary share prices. They carried 1/10 of voting right and entitled the DVR holders to receive 5% higher

dividends. This was done in 2008. Along with Tata Motors, there were a couple of handful other companies who came up with DVR issuances. Most of those companies have now become defunct and Tata Motors is the only large corporate which has this instrument outstanding. In 2009, SEBI amended its regulation which did not permit Companies to issue such instruments in future, which carried either differential voting rights or dividends and hence the kind of market for this instrument never evolved. The discount in the "A" ordinary shares, which were listed initially at a 10% discount, kept increasing. You can see the table below how it has trended, since it was issued. For over the entire 15 years, the average discount is about 43%, which is where it kind of closed yesterday, and in between, in the last five years, three years, last 12 months, the average discount itself has been around 50%. We have been approached by shareholders multiple times in the past, to take certain actions, which can help support the price. We've done a QIP issuance in 2010, a further rights issue in 2015, to improve the liquidity of the DVR's on the stock exchanges. And, we've also kind of got it included in the index and the F&O segment, but it's not really helped and the significant discount and undervaluation in Tata Motors market cap has continued. Next Slide please.

Yeah, so the proposed scheme as I mentioned is being done through a NCLT scheme of arrangement and the consideration that is being offered to the "A" shareholders is 7 ordinary shares for every 10 "A" ordinary shares, or you can say in a way it's 0.7 ordinary shares for every "A" ordinary share. What's the taxation impact of the shareholders? It's a capital reduction, which is different from a merger transaction. So, even though the consideration is being in a non-cash form, it is going to be taxable in the hands of the shareholders. So, capital gains tax will be applicable depending on the shareholder's tax status and resident status. Further, the distribution of the shares by Tata Motors to the shareholders will be treated as a deemed dividend, and there will be certain withholding taxes on those deemed dividends as is applicable in the case of a normal dividend. The scheme will also call for formation of a trust, which is to be managed by an independent trustee. The role of the trust would be to receive all the ordinary shares that are being issued to the "A" ordinary shareholders as consideration for this transaction. The trust will then will appoint a merchant banker to sell such number of shares in the market through a block deal to realize the cash to settle the withholding tax liabilities that Tata Motors has towards the deemed dividend and any other, and the capital gains withholding tax for non-resident shareholders. And, the rest of the shares on a net basis will be distributed or credited to the Demat account of all the "A" ordinary shareholders as per their holding in the company. As I mentioned, this requires various level of approvals. It requires the approval of SEBI and stock exchanges, and once we have the SEBI and stock exchange approval, it goes to NCLT. As part of the NCLT process, we will be taking 75% approval from "A" ordinary shareholders as well as 75% approval of ordinary shareholders. And since the promoter Tata Sons also has a small shareholding holding in "A" ordinary shares, and shares will be issued to them, we will also be taking a majority of minority of the shareholders for the scheme to go through. We also require approval of creditors, obviously, since it's a non-cash transaction, we don't see too much of an issue. And then finally, NCLT approvals and all the other approvals are available. In terms of, the proposal for the capital reduction consideration of 0.7 or 7 ordinary shares for every 10 "A" ordinary shares, we had PWC go through, who are the registered values for this transaction. And then, we had two merchant banks giving a fairness opinion from the perspective of both "A" ordinary shares and ordinary shares. So we had

Citibank giving the opinion for “A” ordinary shares, and we had Axis Capital doing it for ordinary shareholders. Next Slide, please.

Yeah, in terms of impact on TML share capital, this table kind of runs you through, what is the share capital base of Tata Motors, both for DVRs and ordinary shares, pre-transaction and post-transaction. I am not going to read out all the numbers here. Any clarifications, we're happy to take it offline. But given that there is 0.7 ordinary shares issued for every “A” ordinary share, the overall capital base goes down by about Rs. 15 crore, which means that there is a 4.2% value accretion or EPS accretion for all the shareholders. And, second is the voting rights of the public shareholders goes up by 3%, and that of the promoters goes down from 45.8% to 42.6%. Next slide, please.

Yeah, in a nutshell, kind of we believe this proposal is a balanced one and is beneficial to all the stakeholders of Tata Motors. On one hand, we have the “A” ordinary shareholders, where the DVR shares historically have traded at a deep discount because the market of that has not really evolved, the 30% discount that is proposed is, significantly better than what the historical trends have been. What it also does is, historically, the ordinary share capital has been higher and the liquidity of ordinary shares is much better. So the “A” ordinary shareholders moving to ordinary shareholder base will get much more liquidity for their shares. And it's a non-cash transaction. So the “A” ordinary shareholders continue to benefit from the upsides or the growth story of Tata Motors even in future. They don't have to relinquish their shareholding. For ordinary shares, their economic rights are not impacted at all, but they benefit from the 4% EPS accretion that this transaction delivers. It increases the free float of ordinary shares by 18%, so there's much more liquidity and, it enhances the public shareholder voting rights by 3%. From a Tata Motors perspective, it's a culmination of the journey that we've been taking in terms of simplifying our share capital base. So, with the ADRs delisted and the “A” ordinary shareholding being capital reduced in lieu of ordinary shares, we completely consolidate all our trading into ordinary shares, which is what most Indian companies do. We increase our market capitalization, remove the steep discount because of the “A” ordinary shares, cash neutral transaction and no impact on our net debt - NIL auto net debt targets. Next slide.

Yes. So, I see a couple of questions kind of coming through on the chat box. We will have another 15 minutes to take additional questions that you might have. Post that we'll kind of continue with our results call. Anything, questions pending we will take at the end of the session or our IR teams will revert to you. Yes, maybe what – we will just cover or summarize the taxation impact of this transaction, and also the trust structure. Anish, can you?

Yes. So, we've got a slide in the annexure on the taxation impact of the transaction. I'll encourage all of you to go through it separately. We can clarify something offline. But as I said, this will be a taxable transaction in the hands of “A” ordinary shareholders. And the company will be withholding the applicable withholding taxes for each “A” shareholders will be deducted by the company. And the shares will be credited to each holder's account on a net basis. So, what are the taxation impacts that will come, that the company will be deducting? One is, the distribution of ordinary shares, it will be treated as a deemed dividend. So, there will be a withholding tax on that deemed dividend, basis the applicable tax rate on the various residency of the shareholders. The tables for such withholding rates are indicated in the table below. For non-resident holders specifically, law requires the company to withhold the gains on the capital

gains, so we will be doing that for the non-resident shareholders, which is about 2% of our overall shareholding base. When the trust sells the shares on the stock exchange to recover the withholding taxes, if there is any gain on the shares from the time of issue to the time they are sold, they will be deducted. Short-term withholding tax will be deducted. And then, other standards, securities tax, brokerage tax, etc, will apply. The point to note is that the deemed dividend that applies onto the company, the shareholders will be getting a credit in the capital gains tax. And whatever withholding taxes we are deducting, the shareholders will be issued certificates against those withholding tax, so that they can offset it against the taxes that need to be paid at their end. Yeah, next slide.

We've got a schematic on how the trust is being put together to effect the withholding taxes that need to be deducted. So Tata Motors will be the settler of the trust. We will incorporate the trust and we will be funding the trust to take care of the initial setup cost. The independent trustees will be appointed by Tata Motors and they will be responsible to execute the purpose of the trust through a trust deed. It will involve the trust to receive all the shares, the ordinary shares, forming part of the transaction consideration. The trustees will appoint a merchant bank who will compute the number of shares to be sold to recover the withholding tax liabilities on a per shareholder basis, through a sale of shares on the stock market. Once these liabilities, withholding tax liabilities are either, transferred to Tata Motors to pay to the income tax or directly to the income tax government, the balance cash consideration, the balance shares on the net basis will be issued to the shareholders along with any surplus cash for fractional entitlement, etc., will also be distributed directly to the shareholders. The trust will be set up prior to the effective date once the approvals of the shareholders, etc. are received.

**P. B. Balaji**

So, if you want to take a question on this, Dhiman, I think there are a few questions on the line.

**Dhiman Gupta**

Yes.

**P. B. Balaji**

When will this cancellation of "A" ordinary shares, let me just publish this question. Just give us a minute, please. So, will the number of shares issued to "A" ordinary shareholders differ depending on the tax liability for each category of investors, like mutual fund, individual NRI, and how do you intend to manage it?

**Dhiman Gupta**

Yes, so the consideration that is going to be issued by Tata Motors will not change. So, the ratio will still be 0.7. So, at a Tata Motors level, what is issued to the trust doesn't change. The trust then decides the number of shares that it needs to sell to recover the withholding tax liabilities, bases the tax residencies of each and every shareholder. And as you see from the table, the withholding tax liabilities are different for different classes. So for domestic shareholders, it's 10%. Domestic shareholders form above 30% of our shareholding base in "A" ordinary shareholders. You have mutual funds and insurance companies, the withholding tax liability is 0%. You have FPIs at 17%, and then for NRIs, it's slightly higher, who are about 2% of our capital base. So yes, you are right from a Tata Motors perspective, the number of shares which

are issued doesn't change, but the net that is received by the shareholders post the trust selling shares to recover the withholding tax liabilities will differ.

**P. B. Balaji**

Yeah. Okay, thanks. Another one is, when will this be operational? When will the cancellation of "A" ordinary shares and issue of ordinary shares be done? Any timeline?

**Dhiman Gupta**

Yeah, so, there are a host of steps that we need to go through before we reach that. As I explained, we first need the SEBI NOC approval, post that we will be filing a petition with NCLT to admit the scheme. We then go to an EGM, where it needs to be approved by the requisite majority of shareholders. Post that, we need various other approvals from NCLT. We expect this to take anywhere between 12 to 15 months. Once the NCLT approval is received, and we file the scheme with the ROC, the scheme becomes effective. And the shareholders who are holders of "A" ordinary shares on the record date that is determined by the Board of the Company after the NCLT approvals are received, their shares will get extinguished and ordinary shares will get issued in lieu of that. So yes, it would be about 12 to 15 months.

**P. B. Balaji**

Okay. Fair enough. And second question is, so what happens in between if share prices changes? No impact at all because the consideration has been fixed today.

**Dhiman Gupta**

Yeah. So it's not a cash consideration. It's a relative ratio. So, irrespective of how the "A" ordinary shares trade from here on, the ratio of 7 ordinary shares for 10 "A" ordinary shares doesn't change.

**P. B. Balaji**

Okay. So, I think two questions coming on both from Pramod and Rakesh on the how did you arrive at a 30% discount versus the 40% to 50% that's currently as shown in the PPT and also what the market has been trending. Can you throw some light?

**Dhiman Gupta**

Yes. So, interesting question. I think, probably the most challenging part of this equation, I think the valuers, PWC, who were the valuers to this transaction and Citi and Axis who were the fairness opinion, they put various angles on this number. I think at one hand, the perspective was that the "A" ordinary and ordinary shareholders have the same economic rights, they have the same liquidation rights, other than the voting rights, which are different. And for the voting rights, they were issued at a 10% discount originally. And, on the other hand, for various market factors, the DVRs have traded at a deep, deep discount of 50% or 40% and various other numbers, which is the other reality. I think they have given weightage to both facets of the equation. And they've given different weightages, I guess, the market factor is a reality, the economic equality was a reality at the time of issue. And basis their perception on what the relative weightage for these factors were, they have arrived at a 30% discount.

**P. B. Balaji**

Fair enough. I think one more question in terms of what will be the issue price to the trust?

Actually, that may not be relevant because you're going to issue seven ordinary shares in lieu of the 10 "A" ordinary shares that are being canceled. So therefore, there's no price implication at this point in time. It's a differential, it's a proportion to what the ordinary to "A" ordinary number is. That's what is more relevant, which is already being fixed now. And I think the record date, a lot of questions related to the process. All I can say is that at this point in time, we are getting into submitting the schemes in the NCLT over the next 15 days, that's priority one. And there's enough time between now and by the time the NCLT final process comes for us to engage again and again. But, since it's a significant event, we thought we will come upfront about it and talk to all of you today about it. I think with this, let's probably wind up the questions related to DVRs and move on to the results presentation, please. Can you put it up, Anish?

Okay. Thanks to all of you for joining the session on the results piece. On the Safe Harbor statement, I will just draw your attention of one accounting policy change that is coming through from a JLR IFRS perspective. This does not impact consolidated results. It only impacts JLR IFRS numbers, where grant accounting, which they had earlier done on net basis is now moving into gross basis. And that accounting is having an impact on the EBITDA numbers which is being called out in the respective slides. Nothing material there, but something that's just a call out here. Next slide, please.

A set of series of actions that are coming in there. Big one in India was the BS6 Phase 2 transition, as well as within PV, the Altroz, iCNG, "Oh my God, CNG" was the campaign, which I'm sure a lot of you have seen, doing very well for us. Otherwise, from a JLR perspective, the order book of 185K as well as the launch of the Agratas, Tata Son's arm that is investing in battery cells, launching and announcing its manufacturing facility to supply, i.e. to manufacture in the UK. That was a big announcement last week. Next Slide, please.

At the outset, a very strong set of numbers coming through, and actually quite happy with the sequential momentum that is building in the business. And, therefore, again, one more quarter where all three automotive verticals were delivering profitable numbers. So, happy with the set of numbers coming through. Revenue at 42% growth, PBT bei at ~Rs. 5,300 crores, a swing of almost ~Rs. 10,000 crores over last year, same time. Seasonally, a weak quarter, despite that PBT (bei) being better than the Q4 last year. EBITDA of 14.4% up 700 bps, EBIT of 8.1% up 880 bps. And for the first time in my memory, which we can we went back into the results, I don't think we recollect a quarter where we delivered positive free cash flows in the first quarter. So all in all, very happy with the set of numbers that have come through. Next Slide, please.

Where did this growth come from? 30% of the 42% growth came from volume and mix and 8% from price. And, of course, profitability came through from both JLR and commercial vehicles in a strong manner. JLR actually, a standout performance in this quarter and CV continuing to pick up momentum. PV had a steady quarter and I'm sure Shailesh is going to talk about that as well. And again, net debt continuing to reduce further in this quarter as well and on track as far as whatever plans that we have laid out. So with this, let me hand it over to Richard. Richard, are you there? Hello? Richard, can you hear us?

**Richard Molyneux**

Hang on, can you hear me now?

**P. B. Balaji**

Yes, I can. Go ahead, Richard.

**Richard Molyneux**

Perfect, okay. Well, look, I'd actually like to hold on this chart. Where's it gone? Where's the chart gone?

**P. B. Balaji**

One minute, one minute.

**Richard Molyneux**

There it is. I'd actually like to hold on this chart for a couple of seconds, partly because it's a stunning picture, but also because it's a perfect reflection, an exemplar of our modern luxury strategy at JLR. It's the Range Rover Sport SV, Edition One. Over 2,000 of them, at a price of between GBP160,000 and GBP190,000, and they're all reserved before we've even started production. That's what JLR can do.

So, if we move on to the next chart, this is the number set that we've been able to present, so revenue GBP 6.9 billion, down slightly as our volume was 1% below, and we also had some impact of foreign exchange coming through. But PBT, all positive, EBIT, 8.6%, that is the highest EBIT that we have achieved in six years, and EBITDA, 16.3%, that is the highest EBITDA that we have achieved in eight years. I will say that there's one sort of one-off item within that 8.6% EBIT, so the underlying is more like 7.5%, but that underlying item to do with the manufacturing absorption is non-cash item. So our free cash flow in the quarter, GBP 451 million, an improvement of c. GBP1.2 billion over the same quarter last year. Okay. So, if we move forward.

So, this is a summary of what I've said. The only additional points to note on here is our order book remains strong, 185,000 units, 76% of which are still Range Rover, Range Rover Sport and Defender. And our net debt is now down to just below GBP 2.5 billion from GBP 3 billion at the end of last quarter. So, a very positive move, leaves us with GBP 4.0 billion of cash, and an undrawn RCF of GBP1.5 billion. The next chart, please.

Okay. In terms of volumes, this shows wholesales at the top and retails at the bottom. The story is fairly similar in both counts. So, wholesales is 1% lower than the previous quarter, retails virtually exactly the same, and that is the second consecutive quarter that we've had over 100,000 retails through our network. Within the brands, Range Rover is slightly down. The biggest impact in that is Velar, where we're moving to a facelifted mid-cycle refresh of that car in '24 model year. So, we're in the middle of the transition between the old Velar and the new Velar. That's the biggest impact there. But I will call out Defender. Defender is now consistently running at a rate of over 100,000 vehicles per year. And it is winning awards. It won the Autovista Award in the UK for the residual value, highest residual values among large SUVs. And residual values are an extremely good indicator of brand strength. So, we've grown this brand to a run rate of c.100,000 units with an extremely high RV over the past three or four years.

And that does give us some confidence that when we come to do the same thing with Jaguar and reimagine that brand, that we will be able to generate some success. Discovery and Jaguar at the moment in their current incarnations are relatively flat. Okay, next chart please.

This looks at the same number set but splits it by region rather than by brand. And if I start with China, China you can see is reasonably flat quarter-on-quarter. And the JV within China is making money. It had PBT of GBP19 million in the quarter. EBITDA of 15% and EBIT of 4%. So, whilst we understand there are lots of pressures in China, we're still showing a good performance. Overseas for us remains extremely strong and North America also. We do have some small challenges in within the UK and Europe. The UK has a specific issue in relation to moving from Q4 to Q1, because in Q4 there is the March registration plate in the UK, which always provides a boost in sales. So, there's always a seasonality between Q4 and Q1 within the UK. But there is an underlying issue that we're dealing with in both the UK and Europe, which is, we still have some supply shortages. They're not generic in the same way that they were beforehand, but we still have some constraints within our PHEV supply system, and the PHEV, particularly on the Range Rover where there is a pure electric range of over 100 kilometers, is in extremely high demand and we're still working with our supply base to bring supply up to the level of that demand. So, that's the reason why there's slightly more muted performance in the UK and Europe outside of even the seasonality effect within the UK. That is also the reason on the right-hand side where if you look at our powertrain mix, the percentage which is BEV and PHEV down in the bottom right is actually lower than it was last quarter. And that is all to do with the supply constraints that we have in terms of PHEV availability. So, we then move to the next chart.

So, this shows the walk of PBT from the same quarter last year where we made a loss of GBP524 million to this quarter where we're showing GBP435 million favourable. And profit after tax, by the way, is GBP323 million. So, that walk is largely volume and mix. But if you look at the split within that, there's actually more of it which is mix. And this is our continued drive to ensure that we're selling strong, profitable vehicles. So for example, on an annual basis, Range Rover itself moved from 8% of our mix to 18%, and Range Rover, Range Rover Sport and Defender moved from 45% to 63%. Even within the P&A business, we're showing considerable strength, partly that is due to the fact that the same quarter last year involved a shutdown in China, but also the recovery of our volume in recent quarters has created an increase in the size of the car park, the young car park in particular, and it's that young car park which we penetrate more in terms of P&A sales. So a strong performance from our P&A business generating in total GBP829 million worth of volume and mix. Pricing for us also remains positive. If you look in totality, it has a benefit of GBP197 million versus GBP78 million adverse on cost. So GBP120 million favorable. And even if you look at that over a two-year horizon until the back into the times before inflation took hold, the net of those two would be positive to the tune of around GBP80 million. But we need that, because one representation is that we also have inflation within our structural cost base, both in terms of labor and the utilities, and even the interest that we pay in our debt, which is slightly related to inflation. So we need to keep that contribution revenue minus contribution cost positive to make sure that at a total company level we're even, and we believe we are.

So, within structural costs, we are starting to invest more in terms of FMI, that is fixed marketing, and that is a long lead effect in terms of lead generation and demand generation at the back end of this year. This stuff is never instant in terms of its impact. So we're starting to invest now to ensure that we have the demand in the back end of this year and going into next year. Admin is largely our transformation, so the

biggest impact there is in terms of our digital cost, our digital transformation, and engineering I'll talk about in a minute. FX did exactly what you would expect in the quarter. This is a quarter of strengthening sterling, about three points on the dollar. That leads to an operational FX adverse for us, and we operationally prefer a weaker sterling being a UK exporter. But we were c. 60% to 70% hedged on that exposure, and therefore we have a hedge pickup that you can see there. Revaluation was positive, certainly on a quarter-by-quarter basis, but that's largely because the previous quarter Q1, FY23, saw a really big move in sterling and actually in that quarter there was a negative reval of GBP 112 million which is essentially reversing this time around. So, that is what generates our GBP435 million worth of profit before tax, as I mentioned before that turns into GBP323 million after tax. Next chart.

This shows the walk from PBT to cash. When you take the PBT net out D&A and other non-cash items and take off cash tax, you get to a cash profit after tax of GBP 1,135 million. That is the highest that we can see on record as well. And what that does, even with GBP 700 million worth of investment, is it generates a GBP450 million free cash flow. And that GBP 450 million of free cash flow is without any working capital impact. So, this is strong underlying cash flow not driven by working capital movements. Next page.

So, the next page does talk about investment. So in total, GBP 697 million, which GBP 174 million is capital. The rest is engineering. Our engineering capitalization rate is 61% in the quarter, up from 53% in the previous quarter. This is natural. This is part of our cycle plan. Between 2024 and 2026, we have EMA, we have new Jaguar, and we have MLA BEV coming, and the engineers are working hard on those programs. And those programs are the ones which are already past their capitalization gates. So, this is a natural part of our cycle that will probably stay at these levels for a few months. But overall, if you look at a very smooth position, we would expect 50% to 60% capitalization. One point I do want to make is that our fixed asset base this quarter is flat, within GBP 7 million quid on a basis of GBP11 billion. So D&A is virtually exactly the same as the amount capitalized. We are not driving earnings by building up the balance sheet. Next page.

So if we move into a business update, so on the left hand side here you can see our wholesale volume. It is marginally down but on an absolute trend increase. We still do have chip and other supply constraints. I've mentioned PHEV beforehand. We do expect them to slowly reduce over time but we're still in the phase where our production systems are flowing but they're not flowing as fluently or automatically as we'd like. It still requires very active management on our side to make sure that we're looking through our supply base to identify problems. And we're working, for example, in the world of AI and digital science with a company called Everstream to try and look through our supply base much more cleanly through to Tier 1, Tier 2, Tier 3 and Tier N to be able to get insight of any problems that are coming. So it is working, but it's not a perfectly functioning machine as of yet, still requires active management. For Q2, we expect our production to be lower than Q1, and that's a natural effect of we have two weeks of shutdown coming in the first half of August. So we will have production and cash flow lower than in Q1, but we would expect wholesales and profitability much more in-line with recent quarters. Next page.

This is absolutely crucial for us. This is the rate of production of Range Rover and Range Rover Sport in Solihull. Been progressively growing, 2,300 per week in Q3, 2,600 and 2,800. That will stay constant for a little bit of time, but we have a second body shop being installed as we speak in Solihull, which will increase our capacity by a further 30% in future quarters. So we will be able to take Range Rover, Range Rover Sport production over the 3,000 units per week barrier. That's really important for us, as we try and build

down our 185,000 order bank, which, as we've said on previous calls, is very strong. But in fact, it's too high, because customers are waiting too long for their cars at the moment. Next chart.

We're continuing to invest in our product. So there's two examples here of what we've been up to this quarter. There's '24 model year Range Rover Evoque on the left-hand side with a much tighter, neater exterior package, and new technology. So the PHEV on this car now goes 35 miles, sorry, 39 miles on a pure electric charge. But it's not just exteriors. Interior's on the right-hand side. This is Discovery Sport. A massive change on the interior of the car, very much in-line with our modern luxury vision, and the way that we want to take the Discovery brand in terms of its focus on family, on stowage, on seating, and on wellness. Next chart.

It goes without saying, that the announcement last week was an honor for us to have the Chairman and Rishi here in Gaydon, and it's an honor for us to have a parent that is prepared to put such money into a factory in the UK to support JLR, which is a UK business. It was a fantastic day for Tata and a fantastic day for JLR. It is also absolutely symptomatic of the scope synergies that we can obtain by being part of the Tata ecosystem. Yet we may not have the type of vertical automotive synergies that you get within a VW world, but the scope of the businesses within the Tata empire allow us to access synergies, that no vertically integrated OEM would be able to generate, and this is one absolutely perfect example of that. Next chart.

So, outlook for the rest of this year. We do remain optimistic, but we do have to actively manage our industrial operation and supply base to make sure we continue production at the rates that we've got at the moment. Inflation is starting to moderate, and that's good news for our business and good news for the economy worldwide. But we do expect Q2, from our own financial forecast perspective, to be a little bit worse in terms of production and cash flow, although wholesales and profitability will be more in-line with recent quarters, and we will revisit our guidance after Q2. So, if all goes as we expect, we might look at revising our P&L guidance upwards at that time. So our priorities, you can read there, continue to work on supply availability, focus on continuing to drive our brands, vehicles such that, that you saw at the start on that chart, the Range Rover Sport SV, drive activation, drive orders, and execute our reimagined plans flawlessly. So I'd like to thank you for your time and hand back to Balaji.

**P. B. Balaji**

Thanks Richard. Next Slide please. Moving on to commercial vehicles. Next Slide. Sorry, let's go back to the slide. There's a full range of BS6 Phase 2 vehicles that are in the market now and it's been an intense transition for us but I think it's finally ending well. Next Slide please.

On the market shares, I think the performance was impacted to some extent by the availability of BS6 Phase 2 vehicles in the quarter. This started improving from June onwards and of course we intend to build this up as we go forward. It is an unfinished agenda on the whole plan towards demand pull and we're very cognizant of the fact that we do grow both competitively and profitably as we go forward this year. Next Slide please.

Overall call out. 15% decline in the wholesales and 14% decline in retails and that's something part of it, we did signal in the last quarter when we said there is a fair amount of buildup that has happened because of the BS6 Phase 2 migration and we expect to see this now normalize as we go forward. Next Slide.

Overall numbers. Despite the decline in wholesales of 14%, revenue is up 4% and we delivered a positive PBT before exceptional item of ~Rs. 900 crores. And EBITDA was higher by 390 bps close to the double-digit that we have been signaling which in a seasonally low quarter is a good starting point for the year and of course EBIT up 370 bps but losing operating leverage because of the marginal growth in revenue that you saw. Next Slide, please.

Where did the monies come from? Fundamentally on volumes as well as on realization. This is what, it just tells you that we are on strategy, and that's more or less explains the entire lot. Next slide, please.

Let me hand it over to Girish to take you through the business highlights. Girish?

### **Girish Wagh**

Yeah. Thanks, Balaji. So, I think the wholesale volume was kind of flat or actually reduced by around 2%. But, if we see the registration volumes, I think they actually declined by around 6%, which is a true indication. For us, I think there was a good growth in both EBITDA and EBIT margins by 380 and 350 bps over Q1 FY23, and essentially this happened on the back of both realization improvement, as well as cost reduction, which was also used to negate some of the increases when we migrated from BS6 Phase 1 to Phase 2. As Balaji mentioned, I think our share impacted in Q1 more due to constrained availability. Because when we migrated to BS6 Phase 2, I think almost entire range we have changed completely. We have upgraded the entire range for power-to-weight ratios. We have upgraded the range for value enhancers, whether it is in connectivity, comfort and convenience, total cost of operation. So, I think as a result of this, we had a high amount of change content. That led to a challenge on availability in terms of productionization, as well as ramp-up. But as we ended the quarter, we are out of it and we are back to the required level of production now.

In terms of non-vehicle business, I think the revenue grew by around 25%, over the same quarter in previous year. So, we continue to grow at a very high rate. Now this is the third year when we are growing at a very brisk pace. We continue to improve both our spares and service penetration in our own network as well as the retail net. On the CNG price correction, with the implementation of Kirit Parikh Committee, we have seen some improvement in the retail salience in small commercial vehicles. But we believe that as the message goes into the market and customers understand that there's going to be more dependability on the rates and the differential between diesel and CNG, I think gradually, CNG should pick up. In terms of bright spots, I would say first of all, the sentiment index that we measure every quarter has inched up for the trucks and tippers both. So, M&HCV sentiment index has gone up. The small commercial vehicles has also gone up marginally after a few quarters of decline. But the intermediate and light commercial vehicles still remains lower. In the quarter gone by, I think, we had a good growth in M&HCV's by around 3%. And in the passenger carriers, good growth of 11.5% despite availability constraints. So, I think, the passenger market now is back to the pre-COVID levels.

In terms of digital, the contribution of digital lead generation and then conversion continue to increase over FY23. And we have now around 16% of our sales being generated from digitally driven channels. As I said, entire product range migrated into BS6 Phase 2 with a lot of improvements in total cost of ownership, performance, connectivity, comfort and convenience. And this, we believe, will be a major advantage for us going ahead. We also followed it up with, first of its kind, an influencer testimonials and advocacy event, wherein we had more than 250 influencers testing our vehicles and giving their positive testimonials. We have also started field trials of the BS6 Phase 2 vehicles, which is also indicating a very good performance improvement over this BS6 Phase 1, and therefore good customer acceptance. Going ahead, I think with improved availability in Q2, we will continue our focus on realization improvement and retail growth, which should drive our Vahan share recovery. And towards this, we will have to drive the BS6 Phase 2, both product and brand superiority in the micro segments and markets. We will scale up the EV supplies now, both on the ACE electric vehicle and the electric buses. I think, we have now the FAME certificates available for all the variants. We continue to grow in the downstream with consistent growth in the spares and service penetration. On international markets, I think, the volumes still remain subdued. Our focus is on maintaining market shares, improving margins. And in fact, we have improved margins in the international business compared with Q1 of last year and also the entire last year. And we are also improving the channel health, as the markets continue to operate at lower volumes. Anish, next slide.

On the new businesses, on electric mobility, as a part of the CESL first tender, we have now deployed more than 100 buses, so almost 180 buses that we have deployed in Q1 of FY24. And we have now more than 600 buses which are operational. The new buses that we have deployed, within three weeks, they have covered almost 5 lakh kilometers and total our electric buses have now covered more than 75 million kilometers. Even in the new buses deployed, we are able to get an availability of more than 95% in the new depots. Overall, we sold 600 electric vehicles in the quarter that's including ACE and the buses. And I think we have been focusing on developing the ecosystem, especially for ACE, we have now more than 31 EV support centers set up across the country. So we are increasing the number of cities where we will make ACE-EV available. We've ramped up the production capacity. And as I mentioned, we now have the FAME certificate for most of the applications with which we will start ramping up the retail. In addition to this, after we signed the agreement with Cummins for formation of a JV, actually the new wholly owned subsidiary was set up to develop and manufacture a range of low and zero emission powertrains as a continuation of agreement that we had signed with Cummins.

Coming to the smart city mobility, the DTC CESL operations, as I said, started from 29<sup>th</sup> June. More than 200 buses have been deployed. And as I said, we have more than 95% availability consistently over the past few weeks. And the e-bus fleet, the earlier one as well as the new one, has crossed more than 75 million kilometers and the operational revenue in the first quarter was around Rs. 133 crores.

Moving on to the digital businesses, Fleet Edge now has almost 450,000 vehicles on the platform. We also introduced the subscription models, which was very well received by the customers. We had two options, a basic as well as an advanced one. And equal interest being shown in both the subscription models. We have been consistently improving the engagement time with the increased insights that are being provided. And apart from the insights, there are also a lot of nudges for performance improvement, which the fleet owners are finding very useful. E-Dukaan, our online marketplace, it grew by 250% over Q1 of

FY23. So, as we increase the number of customers and retailers coming onto this platform, I think, this will continue to grow at a very high rate as we go ahead.

So that's the summary of the CV business. Back to you, Balaji.

**P. B. Balaji**

Thanks, Girish. Next Slide, please. Moving on to PV. Overall numbers, draw your attention to the domestic market share of 14.2%, very happy with us consolidating our position in the face of significant competitive onslaught on multiple fronts. So, happy to see this number starting to improve from here on. And of course, other number to call out is the EV penetration, which is now at 14% of the portfolio, and CNG at 8% of the portfolio, both auger well for the future. Next slide, please.

On the EV side, we ended the quarter at 19,000 units, on track now for 100,000 kind of volume for the full-year basis. The new launch is also lined up. And the Vahan market share is maintained at 76% despite significant competitive intervention that happened during the quarter. And of course, the infrastructure has continued to strengthen, and we'll continue to build on those. Next slide, please.

On the financials, volumes grew 7.7%, revenue at 11%, and PBT bei of about Rs. 200 crores is what we ended the quarter at, with an EBITDA declining by 80 bps, 6.1% to 5.3%. I'll talk about it in a minute. And EBIT - because of operating leverage increasing by 10 bps.

And draw your attention to the PV EV financial split, that is there. If you notice the PV business, we continuing to build EBITDA performance on a full-year basis where 8.5% and this quarter was 8.6%. On the EV side, the EBITDA margin did go down, but a lot of it is also coming from two aspects. One is we had IPL in the early part of the year where we had Tiago EV on full blast in IPL, which has given us substantial order intake, and that will not be there in the second half of the year. And the second is lithium prices were on the higher side for the last nine months, and we are seeing the reduction starting to come through from the current quarter onwards. And, then on top of it, if I add PLI, which we have now filed for Tiago EVs, the ARAI certificates have been received, and now we're going to the next phase of filing to the ministry. Quite confident that the second half of the year, you should see the EV business also coming to add to those numbers. So, overall, you should take - as far as EBITDA is for EV is concerned, the only losses you should be seeing, if at all, is related to product investments that we are making and nothing else that should be there. So, quite comfortable with the way this mix is. So, the other way the overall EBITDA is just a mix issue that is playing out, but the individual portions have their own plans and own strategies. Next Slide, please.

Let me, the same number playing out, if you look at the volume, mix realization, variable cost, all trending in the right direction. The investment that we are making in terms of additional employees coming on board, more FME being put into the EV business for IPL, those are the stuff that are playing out in the numbers that you see.

Next Slide. Let me give it to Shailesh to take you through the business.

**Shailesh Chandra**

Thank you, Balaji. So let me start with the industry. Quarter one, FY 24 was strong from a wholesales growth perspective, 9% growth versus the same quarter last financial year. EV wholesale has seen a very strong growth, 2.5x to what it was in the last financial year. And it has touched nearly 27,000 for the first time. And this is on the back of several new launches which have happened in the industry, including Tiago EV for Tata Motors. SUV segment has seen multiple launches by various players, and consequently the salience has further increased by 6%, now touching nearly 47%. Of course, this has come at the cost of hatches and sedan also, to some extent, going down. You can see now hatch segment has come down to 32%. So that's what's been happening in the industry.

Coming to Tata Motors, PV and EV, we continue to be a very strong number three player. And as Balaji mentioned, that we have further increased our market share to 14.2% despite several competitive launch activities that we have been seeing specifically in the SUV space. We have maintained our number one position in the compact SUV segment, which is combination of Nexon and Punch. And number two in the number two in the high SUV segment, which is Harrier and Safari. After more than a decade, I would say, we attained number two position in hatches. And this is coming out of the way the multi-power train strategy has unfolded for us, Tiago EV and Altroz CNG with the twin-cylinder technology that we launched has been really taken well in the market, and both these products are doing really good. And that has really led us to increase our volumes, market share in hatches, and of course the rank. As far as EVs are concerned, in-line with the industry, we also more than doubled our volumes as compared to where we were in the same quarter last financial year, touching 19,000 plus. So, that has been broadly the highlights of the industry and passenger vehicle and EV business.

Going forward the bright spots that we see that there is a strong booking pipeline in the industry. The demand is held at a very high level. EV adoption is now growing beyond the top 20 cities, I think, the bias is now moving to other parts of the country, and that's a good sign in terms of how the EV sales will grow from here. Demand in South and West should step-up with the beginning of the festive season in the second half of this quarter. So, these are the bright spots that we see in this quarter, quarter two. As far as Tata Motors is concerned, Altroz iCNG, which we launched in May, has been very well received and we have a very strong booking pipeline. Tiago EV, also supported by IPL and the awareness that it created for this product, has also been seeing very strong bookings. We have also launches planned in the coming months, adding additional trim because we have been really watching in every segment which are the price points where the velocity of demand is more, and therefore we have been coming with creative trims to really help us grow our volumes and a few of them are going to come in this quarter also.

As far as challenges are concerned, we know that already last financial year was a high base, and therefore that impact is going to come in terms of growth rates. We also know that last year the festive season was in September, October, which is now going to be October and November. So, therefore, there will be demand which will be more stronger in quarter three as compared to quarter two. Therefore, the channel inventory is likely to grow slightly ahead of the festive season. Our share of hatch and sedan may come under further pressure with the new launches that have happened recently in the industry. As far as we are concerned, we'll focus on retail momentum in quarter two. A lot of marketing actions that we have planned for, as far as our growth is concerned in hatches, Tiago and Altroz will be the key focus. And as that with EV and CNG, both these products are really doing good and I've seen significant growth. While

in contrary, we are seeing in the industry the hatches are under pressure, but we have been growing and enhancing our market share. We are committed to overcome the margin gap that we have versus the benchmark and we are driving a very institutionalized cost reduction program in the company for the last two- three years. And every year we have been getting significant cost reduction. This is something which we will drive. EVs, we have several tailwinds from a margin improvement perspective. Some of them Balaji mentioned, but there's also a lot of new generation aggregates at a lesser cost also that is going to kick-in for us and a lot of localization activities, which is also going to add to some of the other tailwinds that was mentioned earlier.

So that's the update from my side, back to you Balaji.

**P. B. Balaji**

Yeah. Thanks Shailesh. So overall CV plus PV, the quarter saw a cash outflow of almost Rs. 2,000 crores, almost entirely explained by working capital. And this is seasonal, particularly driven from CV. It's reversing going forward. Next Slide.

On the Capex side, we are guided for Rs. 8,000 crores, and we are on track for that. Next Slide.

Tata Motors Finance. Let me take a few minutes on this one. We are back to profitability at INR22 crores, not good enough, but it's a start. AUM of ~ Rs. 42,000 crores. And absolute GNPA is now reducing on a quarter-on-quarter basis, it went down further by Rs. 191 crores. And on a year-on-year basis, it's down by almost Rs. 539 crores. And therefore, the focus on portfolio quality and pricing discipline on new disbursements is definitely yielding results. And we will continue to be focused on this one. And the business is on track to deliver the double-digit ROE in the medium term that we had called out. And its focus will be on NIM's, which are already improving, lowering credit losses, which is on track, and tight controls on costs that continues.

In the meanwhile, the demerger of the NBFC business of Tata Motors Finance into Tata Motors Finance Solution has been completed. And therefore, all lending activities have now been consolidated into one entity. And one NBFC license will be surrendered in the coming days. Next Slide.

Credit ratings continue to improve. You've seen all the information on this, and we hope to continue this trend in the coming days and would be engaging with the agencies proactively. Next Slide.

Overall, looking ahead, I think we remain optimistic on the demand, despite near-term uncertainties. And inflation, we do expect to be moderate. And this momentum will build through the year as we factor in seasonality, improved supplies, RDE impact, and the new PV launches, no change from what we called out last time. And therefore, we do aim to sustain on this performance and deliver a strong performance on a full-year basis. So, the priorities for the respective businesses are clear, and we intend to execute them flawlessly. And this quarter is one of just executing what we said we will do. And it's our intention to keep repeating that in the coming quarters as well.

### **Questions and Answers session**

So, with this, let me open up questions, which is a fair number of them that have already come up. And let me start. I think there's lots of questions coming to your way Richard and Adrian. So, let me start.

First is the question related to depreciation expense on a quarter-on-quarter basis. Any reason why that's coming down? And second is, how are the demand trends that are there for the various segments? And, can you just talk about that?

#### **Richard Molyneux**

Okay. So, yes, depreciation down by GBP 30 million to GBP 40 million quarter-over-quarter. That's the natural effect of the wind-out of the impairment that we took a couple of years ago. It's entirely natural.

#### **Adrian Mardell**

And the demand, yeah look, demand's actually been steady proportionally overall, the overall the base is falling as we said it would. It's consistent in Q1 with the fall in Q4, so no change there. The order bank is still 76% of the big three, which is exactly the same as last quarter as well. So we're pretty much seeing the ongoing trend, we called out six months ago, and we'll continue over the next six months for sure.

#### **P. B. Balaji**

Thanks Adrain, I think question, Shailesh your way. Reason for sharp decline in EV segment profitability. I thought we had covered in my section, but you further want to add light on that?

#### **Shailesh Chandra**

Yeah, Balaji, I think you pretty much covered. I think the major increase came from the cell prices in the second half of last financial year, continuing till the last quarter. And this was nearly a 35% jump that we had seen, but it is now moderating. And the good news is that, in the H2, this is going to release significant margin benefit. It has already seen a sharp recovery to the numbers that we were seeing in the H1 of FY23. The second reason, Balaji, again mentioned, roughly a 200 bps impact that we got because of the front-loading of fixed marketing expenses due to IPL. And, yes, we also are seeing costs coming from Sanand 2, which is the Ford plant that we had acquired in TPPEM. All these are for the right reasons, right? And the tailwinds on the external factors which were impacting the profitability is going to now kind of help us in going forward. So, these have been the reasons, but not of concern, because tailwinds are in favor of EV segment, and there are a lot of cost reductions also on top of that, that we have been working on through localization and also going into the generation two aggregates, which are at lesser costs.

#### **P. B. Balaji**

Thanks, Shailesh. I think Girish next set of questions coming here, there are a series of questions on two themes. One is demand and how do you see demand coming through and number two is you are losing market shares as Tata Motors. What are we going to do with respect to restoring market shares? And are we having a rethink or how do you want to think about profitability versus market shares? We spend some time on these two?

**Girish Wagh**

Okay. So, I think first of all on the demand environment, if I were to limit myself to the second quarter. So, we do expect the second quarter demand to be more than that of the Q2 of last year. And depending upon the segment, I think it will vary between 5% to 10%. The ILMCV segment will grow the least. And the passenger segment will grow the maximum, is what it appears right now. We are also expecting the HCV segment, the heavy commercial vehicle segment to grow in double-digits. So, that is what we are looking at currently. I think there is also a subset question here, Balaji, about July. So, July is traditionally a low month because the rains have started every year. And specifically this year, I think some of the states have seen a higher amount of rain. That would be seen in the demand, but I think as the rains subside, we will see a good pickup in demand.

Now, as far as market share versus profitability, I think as we have communicated earlier also, we are going to grow profitably. That is the target that we have set for ourselves. And, how will we get our market share back is by delivering value through superior products. So, I think we are focusing squarely on delivering higher value to the customers.

As I mentioned in my talk earlier in the presentation, I think, we have upgraded the entire range bumper-to-bumper, from the smallest vehicle to biggest vehicle. So, a lot of improvements done in the total cost of ownership, we've improved a lot of value enhancers in the product, which will therefore deliver value to the customer. So, we will squarely focus on delivering better value to the customer, and followed by then communicating this value. For communicating this value, we are focusing on a lot of ATL, as well as brand building activities, followed by very unique, as I said, influencer advocacy, where we had a huge number of influencers who actually drove the vehicle and gave very positive reviews about the vehicles. This will be followed by a lot of BTL activation to communicate this to individual customers and a lot of back-to-back trials to prove the benefits. And, also we have started leveraging our Fleet Edge to actually improve the delivered benefit on ground, right? So Fleet Edge insights is helping customers to actually achieve better fluid economy or fuel efficiency. And this coupled with our Sampoorana Seva Service package, I mean, we will deliver a peace of mind to the customer. And with this, we will focus on profitable growth. So, I think, our fundamental approach is to deliver more value to the customer. And once that value is experienced by the customer, then go on increasing the realization. The way we have done right from the beginning of Q3 of the last year, Balaji.

**P. B. Balaji**

Thanks, Girish. Richard, this is coming your way. Let me summarize a few themes that are coming out. One is, Q2 in particular, this quarter, we delivered 93,000. How are volumes likely to be there, and is it then strong enough to deliver the 400,000 plus that you had guided in the year? That's one set of questions.

Second, I think linked to margins, which you have touched about briefly but there is a lot of curiosity around it, saying that first of all, it is 8.6% for the quarter, but you said there's some one-offs there. What are these one-offs? You're saying underlying 7.5%. How does that math work out? Number one, two, and number three. This is the kind of number. How do you then look at 6% EBIT margins? Are you going to up your margins thereafter? Can you talk about these three?

**Richard Molyneux**

Yes, absolutely. So, the first issue, are we comfortable on 400,000 for the full year? Yes, we are. So, we have said that Q2 will be similar to previous quarters, and that was 95,000 units in Q4 last year and 93,000 units this quarter. But we've already built up from our production actuals last quarter of 103,000 units. We're already putting some inventory in the system to allow us to sell higher volume in the back end of the year. And I also mentioned that we have a second body shop coming on stream for our MLA Range Rover and Range Rover Sport that will impact us in the back end of the year. So, yes, we are still in line with 400,000 units commitment for the full year.

In terms of the second question, in terms of the one-offs, the effect of building 10,000 units more than your wholesale, is that a proportion of our manufacturing costs gets absorbed onto the balance sheet. That during the quarter was GBP60 million. That's by far the biggest of the one-offs. And that's what drives the reported EBIT of 8.6% down to what I've specified as an underlying of around 7.5%.

And then in terms of the guidance, what we've said is we'll review it in three months time. And if we, if the world progresses as we expect it to, then we'll review it. And certainly on the P&L, the EBIT side of things, it wouldn't be impossible that we would revise it upwards at that time.

**P. B. Balaji**

Thanks Richard. Adrian, this is probably for you, both in terms of demand again. China growth expectations is improving as per industry experts. How's the order book in China? How's it looking? And elsewhere, I saw another question. Can you just talk about the demand situation in your various markets to give us a sense of how is it playing out?

**Adrian Mardell**

So, China, we'll sell more units in China this fiscal year than last fiscal year. Again, our big three products, Range Rover, Range Rover Sport and Defender are selling very well into China, and we expect they will continue to do so through the balance of the quarters, certainly through calendar year 2023. Order banks don't build in China quite like they would do in UK and Europe. By the way, the customers do like stock on the ground, so to some extent we actually see the ongoing order bank in China be fed by more product actually being put into the marketplace, and Richard mentioned, that we are putting more product onto the water to enable that in the second half of the year.

The actual order bank number for China, the team have just shown me, is just over 10,000 units, but order banks in China don't get built in other way, other regions will be 40,000 or 50,000, just the way they are. Can you repeat your second half of the question Balaji? I missed that, I'm sorry.

**P. B. Balaji**

The rest of your demand in various parts of the world, how are you seeing it develop?

**Adrian Mardell**

I see. Okay, thank you, yeah. So we do see demand increase in the second half of the year, effectively, as we supply more units. We will increase retails with more fulfillment. We're particularly strong at the moment around those three products. And the biggest regions that really are pulling demand for those three products are North America, Middle East, and reference back to the China comment as well.

So, particularly strong on our big three products in those three regions. And from what we can see, that will continue for the balance of this year. And by the way, we should also say our variable marketing stimulation on those products are very, very low, less than 1% in all of those three places. And their fixed marketing for those products in those regions also are very, very low. So, should we get to the point at the end of the year that it starts to turn off, we particularly on fixed marketing, which would always be our preference. We have the ability to stimulate more orders by marketing means.

**P. B. Balaji**

Got it. Let me flip it to Girish, on costs. On RM costs, what kind of reduction do you expect in Q2 considering the recent drop in precious metals and base metals? How do you see the inflation there? And second one, Shailesh, coming at your end, PLI, how do you intend to treat those benefits?

**Girish Wagh**

So on the first one, I think what has a bigger impact in commercial vehicles is the steel, both flat and long. And I think it appears that the prices more or less will go back to the level of Q4 of last year. So, from Q4 to Q1, we had an increase in the steel prices. And as we get from Q1 to Q2, the prices will go back to Q4 levels. So, you can imagine the kind of benefit that would be there. In addition to this, we are also seeing reduction in the prices of batteries for electric vehicles that's an additional advantage that we will be seeing.

Shailesh, over to you.

**Shailesh Chandra**

Yeah, regarding PLI, I think we are the first four-wheeler manufacturer to have filed the application with the certification agency, and in the coming months, we believe that as per the new SOP that has been released by MHI, we should be able to get the benefit. So, hoping that in the second half of the year, we should start realizing the benefit. Regarding how we are going to treat this in terms of pricing action, I think, you would have realized that a part of it is already factored in our strategic pricing in some of our models. And going forward, depending on how the overall competitive landscape pans out, we'll take calls.

**P. B. Balaji**

Yeah, thanks, Shailesh. On the same inflation point, Richard, coming your way, how are you seeing the decline in raw materials as we get into the second half of the year?

**Richard Molyneux**

Look, we are seeing likewise some favorable, particularly in Aluminum and some other metals. This takes a while to feed through, obviously, we're significantly hedged on many of those materials. But we do expect it to net of hedging to flow through into the second half of the year. We sort of expect the dynamic in the second half of the year to be slightly lower material costs, but very slightly increasing VME as well. So sort of offsetting within margins.

**P. B. Balaji**

Thank you. I think there's one question on the battery plant. Maybe I will take that. The Capex for next year in JLR, does it include the new battery plant investment made by Tata. Just to clarify, both JLR and Tata Motors are not investees in this company. It's a direct, wholly owned subsidiary of Tata's Sons. Agratas is 100% owned by Tata's Sons. So we are both anchor customers here as both Tata Motors and JLR are. For the India plant, Tata Motors will be the anchor customer. For the UK plant, JLR is an anchor customer. So there's no cash outflow / investment being made by these companies into Agratas.

So one thing on R&D capitalization, Richard, at your end went to 61%, a bit of flavor around it, and what do you see to be a stable number?

**Richard Molyneux**

Yeah, so look, our capitalization varies across our cycle. A few quarters ago, it was as low as 28% and 53% and now 61%. And it's because we have a fairly concentrated product cadence in 2024 to 2026, so a lot of our engineers are now working on programs at quite a late stage in their development cycle, and it's those programs at the late stage of cycle that tend to get capitalized. So it's something that varies through our cycle. We believe that sort of a long-term average, given where we are, it is more in the 50% to 60% range, and we would expect to stay sort of at the type of levels that we are now for the next few quarters.

**P. B. Balaji**

Yeah, thanks Richard. I think Adrian, this is an interesting question coming in. We have not seen much success of traditional global luxury car OEM's EVs so far. What's your assessment of what's not working for them, and how will JLR be different?

**Adrian Mardell**

Yeah, thanks Balaji. No, so I think the observation behind the question is correct. And you have to segment the question, I think, and feed it to its different regions. So I'm going to do that, and I'm actually going to focus the answer on the China region, which is probably the most important changes in NEV, which is BEV and PHEV over the course of the last 12 months or so. It's pretty clear at the moment that industry in China, for NEV, I say BEV and PHEV, is really focused and concentrated around RMB 400,000 and below. That's where the industry is taking off. So from the bottom of the product range, if that makes sense.

And it's pretty clear the data says above those levels, whether you be Daimler with their EQS or BMW with their IX, above those levels, they are selling much stronger in traditional ICE than they are in BEV at this point in time. It doesn't mean to say that those manufacturers are losing share overall. But it

does show that the transition above those transacting points, I'd say the RMB400,000 again, hasn't really taken off as yet. Now for us, our first launches of all BEV, will be MLA, which will go on sale, order later this year and on sale later next year and into China in 2025, early 2025. I think the most important things for us is that we launch a brilliant modern luxury product, which we will do. We will continue with our ICE offerings. PHEV actually hasn't taken off in China at these levels. And we will also electrify that product. Two years down the line, I think it's very difficult to predict exactly what the take up rate will be. But we're confident so long as we pass the criteria of it being a brilliantly refined, modern luxury, luxurious offering. Then in time, the transition from ICE to BEV will actually happen. So, we're confident with our product offering. We're good with the timeline. People told us for a long time we were too late. We never actually believed that. And I think it's starting to show itself a little bit now. But we think we have a complement of power train in our most important products. So, we feel good about our product plan and the introduction of those BEVs at this point in time.

**P. B. Balaji**

Thank you, Adrian. Shailesh, this is coming your way. In terms of order backlog for your EVs and ICE portfolio, and what should be the industry VME given the kind of moderation and demand that you're starting to see?

**Shailesh Chandra**

So, as far as order backlog for both EVs and ICE, in general it is, in general the waiting periods are in the range of 3 weeks to 12 weeks, depending on the model and variant. As far as VME is concerned, the industry has kind of a tale of two cities. There is the entry segment, which is facing demand pressure, and for certain manufacturers, the inventory levels are high. So, there is definitely VME pressure, which is building up, especially on the entry side. While on the other hand, the SUVs are going very strong with very less need for any VME. Fortunately for us, in hatches, as I said, that we are doing well because of our multi-powertrain strategy. So, as far as we are concerned, our VME has been kept under tight control still. And, as and when the competitive situation demands that we need to do certain things for creation of demand, we will do that.

**P. B. Balaji**

Thanks, Shailesh. I think, Adrian, this is another interesting question coming in. Are you concerned around JLR's cost competitiveness, given the combination of high inflation and stronger GBP in the UK?

**Adrian Mardell**

Yeah, thanks Balaji. Concerned, no, but I think there's opportunities for us here on cost. I mean, I think we're on record previously say over the next phase as supply starts to increase and balance out with demand, which will happen. I mean, that's going to happen may be three, four quarters down the road. Then a couple of things we expect to happen. One, we do expect marketing costs on our vehicles, which are historical lows at this point to actually increase. Our preference would be increasing fixed marketing, but it's certain on some of our nameplates, variable marketing will increase as well. Not back to previous levels, by the way, we won't be variable marketing 4%, 5%, and even 6%, which is where we were at a point in time before COVID, but it will increase. Maybe in total, those costs will increase two or three

percentage points. And I think we feel the opportunity, not for that two or three percentage points to hurt us actually, that they'll generate and stimulate higher demand.

But we do think there's an opportunity on variable costs in three places. One, biggest of which is material costs for the inflationary items, which you just mentioned and referenced earlier. But we also think as we build more cars, which we will do in the second half of the year that will help with our plans, manufacturing efficiencies, as well as the supply costs.

And we also think there's a little bit more to go in terms of improvements on product quality and warranty costs as well. So our intention will be to offset those two to three percentage points on marketing with cost reductions of two to three percentage points across those three areas, Balaji.

**P. B. Balaji**

Thanks, Adrian. Shailesh, I think there's still a lot of clarification that is sought a sort on the EV margins, and can you just go through it once again.

**Shailesh Chandra**

Yeah, I think, a lot is coming from the quarter one result, but I must clarify here that the outlook of margins of EV is very, going to be very strong. And let me, let me just call out some of the tailwinds, which are very clear. One, the cell prices are recovering to the levels where it was in H1 and the impacts should start, being felt from this quarter itself, number one. Number two, as I said, that PLI is going to be a big addition to the margin, and we are confident that we are adhering to all the requirements for the eligibility as has been laid down by the Ministry. So that is going to be a big one. There's a, localization that we have been working on for the last two years, and that is going to yield us significant benefits from a cost reduction perspective. As I said, there are new generation aggregates, which are also going to come in this financial year, which are at significantly lower costs. And therefore, I'm very confident that in the medium term, within this year, I would say with all the combination of all these factors, the outlook for margin of EV business is going to be very strong.

**P. B. Balaji**

Linked to that to a few questions on the ecosystem of EV, including service technicians, etc, dealerships, charging network. Can you spend some time on that?

**Shailesh Chandra**

Yeah, so Balaji, today we have a shop-in-shop concept in the existing dealers. And the chart that you had shown in the presentation earlier shows that with the launch of Tiago EV, there has been a shift in terms of micro markets now. More than 49% of the sales of Tiago EV kind of a product is coming from other than the top 20 cities. And therefore, we have taken that opportunity to really start expanding our network in those smaller cities through a shop-in-shop concept. And going forward, we also want to separate, ICE as well as the EV showrooms, as and when we see the volumes in certain cities, which go to a certain level where the separate channel becomes viable. As we are expanding in these cities, we are also therefore

building the service capability from an infra perspective as well as also training the service engineers for those service stations. So, that is also an ongoing process. I believe I have covered both the points.

**P. B. Balaji**

Yes, you did. Thank you. And Adrian, this is coming your way in terms of the order book. Yeah, the 185,000 that you called out, there's a drop from 200K to 185K, but the same time that the percentage of Range Rover Sports, Defender has remained constant at 76%. Can you throw some color on that? One and maybe I'll ask the second question as well. The Land Rover brand can you confirm how much of the sales are actually coming from existing customers and as this has been any material change or anything to read there?

**Adrian Mardell**

Yes, Okay. So on your first question, throwing any light on that look, we have for a particular period seen beyond the three vehicle lines, the order banks, for the other vehicles, bearing in mind we've been building not very many at all, the order banks, the other vehicles have started to fall over the last 12-18 months. I give you a data point. When we had pre-COVID, we would have had about 50,000 to 60,000 outside of the big three orders. It's now down to 40,000. So in total, order banks for those non-3 Range Rover, Range Rover Sport and Defender have consistently dropped over the last 9 to 12 months. One, because we haven't prioritized build. And two, because, and two by the way, because we now refreshed the vehicles - Discovery Sport and Evoque also. So that's what's been happening in terms of the existing order book.

In terms of the loyalty, I'll just give you a data reference, because I don't have all of that data, but Range Rover has the highest loyalty in any brand at the moment, 41% actually of existing vehicle owners are then going to buy the Range Rover product. The Range Rover itself has higher loyalty rates than our other brands.

**P. B. Balaji**

Got it. Richard, what would be the effective tax rate that we should assume for JLR?

**Richard Molyneux**

Tax rate this quarter is 26%. At the moment we have a deferred tax asset that's not on the balance sheet. UK long-term tax rates are 25%.

**P. B. Balaji**

I think there's another question. I will take it in terms of, are there any obstacles that are stopping us from actually stepping up our guidance or changing our guidance? What are we thinking about the guidance piece there?

I think when we reflected on it, it was simple, just three months have passed in the quarter. We would just want to get more clarity on the year before we are able to touch around guidance. You know that from a delivery perspective our plan is the strategy hasn't changed, execution hasn't changed. We want

to keep executing it. And the numbers, I think once we have a better handle on the year we can talk about it, otherwise it'll be a bit premature.

Yeah, and Girish, this is coming your way. Just on the BS6 Phase 2 transition, have we now fully transitioned, how should we view the performance of the segment from a volume and market share perspective?

**Girish Wagh**

So, I think I gave some color on this. So, yes, we have transitioned the entire portfolio to BS6 Phase 2. And while doing so, we did make a lot of changes in the vehicle, including the platform, the power-to-weight ratios, the new technologies being added, as also some of the new value enhancement that we have given in this product. The basic purpose behind doing this is to increase the value that we will continue to deliver. This was a major transition point which we have leveraged to add these value enhancers in the product.

Now, going ahead, as I said, we will leverage the higher value being delivered. We will communicate that value. We will establish that value on the ground, which will be used towards realization improvement. So, the customer is going to get higher value, and I think with this kind of product superiority, we will also be able to get our market shares back, so that's the plan going ahead. Balaji.

**P. B. Balaji**

Yes. Thank you. And Richard, this is coming your way. There are a few questions around this, particularly the 110 bps that we have called out as one-off and saying the underlying is more like 7.5%, implication of inventorization of costs onto the balance sheet. Can you just give some clarity on that?

**Richard Molyneux**

Yes, sure. So, I've mentioned beforehand, we produced 103,000 units in quarter. We wholesaled 93,000. So, we have stock going up by 10,000 units. That stock is valued on the balance sheet and its material costs plus some proportion of manufacturing costs. So, that manufacturing costs for those vehicles sits on the balance sheet, not in the P&L. And that's what gives us a positive in the quarter. When those vehicles are sold, that will reverse back out. So it's a timing impact of the stock buildup that we have. Hope that explains it.

**P. B. Balaji**

Yeah, I think we're now coming to the end of the questions. There are one or two. Let me pick up some of those. One is a question on cash, saying that we are having GBP4 billion of cash at JLR and Rs. 8,000 crores of cash at domestic. Don't you think as a company, you're holding high levels of cash?

I think our plan is to go to net debt free, and therefore we will look at all opportunities to see what are the best way to handle this cash. So we will keep working on that.

And again, a same point on net debt. Do you believe that given your future cash flow generation, do you think you'll be net debt free earlier?

Repeat the same answer. Let's wait for another quarter or two before we are able to confirm that. We've just started the year. We'd want to place a few more quarters before we do it.

I mean, I think with this we are now more or less done with the questions that are there. I'm not able to see anything that is new that is coming out. If there's one question on Tata Technologies IPO, saying that what's the timing that you have for that?

We just got the approval from the DRHP perspective from SEBI. We are working through the points that are there. And at an appropriate time, we'll let you know.

So, I think with this, we are done with any questions, anything on WhatsApp, anything that's come through, nothing, right?

So thanks a lot, all of you. Thanks a lot to my colleagues in JLR, colleagues here around the room, as well as people who have joined on the call. Really appreciate your probing questions, and thanks a lot for your support. And look forward to speaking to you again.

Thank you.