

Tata Motors Group
Q2 FY24 earnings call transcript

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Presentation

Sneha Gavankar

Good day and welcome to Tata Motors Q2 FY24 results call. With me today are PB Balaji, Group CFO, Tata Motors; Mr. Girish Wagh, Executive Director, Tata Motors; Mr. Shailesh Chandra, MD, Tata Motors Passenger Vehicles Limited and Tata Passenger Electric Mobility Limited; Mr. Adrian Mardell, CEO, Jaguar Land Rover; Mr. Richard Molyneux, CFO, Jaguar Land Rover and my colleagues from the Investor relations team.

Today we plan to walk you through the results presentation followed by Q&A. 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. Can you go to the next slide, please? The standard safe harbor statement, Yep. Nothing additional to add here. No further changes to any accounting statements or anything. From a quarter perspective, a series of actions underway this quarter. Let me try and tease out the ones that are really big here. The portfolio of CNGs which Shailesh is going to talk about later, doing well for us and 1000 odd e-Buses, with the latest being Srinagar that was launched yesterday and of course getting ready for the future perspective, I think both in Tata Motors and in JLR, the whole testing sites for EVs as well as here the H2, ICE testing facility in India both big ones coming through. And in JLR, the confidence of the future of cash flows being manifested in the bonds that were bought back as well as the China loan that was repaid, which I'm sure will get covered later in the discussion. Next slide, please.

Overall revenues, we came in at ~Rs.1,05,000 crores for the quarter with an EBITDA of 13.7% and EBIT number of 7.5%. If you recollect, we did signal that we are going to have a temporary blip between Q1 and Q2 because of the summer shutdowns that we had in JLR, that's exactly how it has played out and PBT(bei) came in at ~Rs. 6,100 crores. I am sure, there is going to be a question later today in terms of why is it that between PBT and PAT, the tax costs have gone up significantly. Let me cover that right away. Given JLR's earlier performance, we are not in a position to recognize the deferred tax asset in excess of our deferred tax liabilities and therefore, because it's an asset recognition accounting, will force you to show a consistent track record for that and that is what is causing a bit of noise on that. Happy to dwell in further detail in case you want further detail but on an overall basis, the tax rate remains the same 25% that we had already signaled, no change to that. Free cash flows came in strong again this quarter at Rs. 3,900 crores. I also want to quickly cover the H1 numbers that you see. PBT (bei) stepping up by almost Rs.18,000 crores and on a year on year basis, the cash flows have also stepped up by Rs. 15,000 crores, taking the net debt down to Rs. 38,700 crores. So well on track to whatever commitments we had on the deleverage plan. Next slide, please?

Split of growth between volume and mostly led by volume, mix and price and translation, of course yielded a little bit. Profitability particularly pleasing because every vertical was firing on the profitability side and hence contributing to the overall increase that you see. And the net automotive debt at Rs.38,700 crores. Split it up by Tata Motors, India, I think we are very confident this business will go net cash by end of this year and the JLR by the next year and therefore we believe we are well on track for deleveraging targets. Next slide.

From a corporate action side, a lot of action, some of this you have already seen the news. First was Tata Technologies where we had a pre-IPO deal which we signed with TPG Climate Rise which is and Ratan Tata Endowment fund and it is actually a strategic sale and to that extent this business is going to benefit from someone like TPG Rise coming in, and it's a climate dedicated fund and their experience in investing in green technologies will be of benefit to us. This transaction has been closed and cash has been received in the last few days. And of course from an IPO perspective, their actions are underway and the timing of course will be decided by the TTL board, post final approvals. Next slide.

The second transaction that we did was acquisition of a 27% stake in Freight Tiger. I haven't yet talked about it, maybe I'll take a minute to spend on it. Indian freight market is massive and fragmented and here while in trucks, a lot of investments have gone in; not to be said the same about freight ordering or management or the whole freight process. Therefore this is an area where Freight Tiger tries to solve that problem, by providing an end to end digital software as a service solution. Fleet Edge is a trucking product that we have which sits on our connected vehicle platform and helps both fleet operators and drivers. By integrating these two, we can give a comprehensive freight management solution and therefore from the stakeholders and I'm very careful to use the word stakeholder, because there are so many stakeholders in this. For the shipper, it's going to result in lower freight costs because of matching; there is for the transporters, there's better transparency on freight availability, faster payments for the entire truck operators there; for everybody, enhanced visibility and reliability. And therefore, this is quite an interesting transaction coming through and fits in very well with Girish's digital plan that we have, for the CV business. The transaction, we will invest Rs. 150 crores, which we have already done. The money has already gone out of our bank for this one and we are now at 26.79% owner where CPs have been completed and in the next two to three years we will invest an additional Rs. 100 crores as required, and thereafter we will have the right to buy the other investors at the then fair market value. A very interesting transaction, something we are very excited by. Next slide.

This is a latest one that's just been announced where AVINYA will be underpinned by JLR's EMA platform. I'm sure Shailesh and Adrian both can talk about it later in the presentation, but it's a very important transaction for us because this is TPPEM's premium pure electric vehicle series AVINYA which we revealed last year. And this will be developed on EMA with JLR, which is well underway on timelines to launch the first car and this will be an MoU for access to the EMA platform, including the electrical/electronic architectures, the EDUs, the drive units that is, battery assembly and the manufacturing know-how for a royalty fee. For us, it accelerates our entry into the high end segment, it delivers a global product upfront, reduces development costs and cycle time because it would have been already validated by JLR and accelerates our adoption of advanced ACES technologies. So this helps Tata Motors leapfrog the market as far as the Indian market is concerned. But this is not being conceived only for India, it's actually being conceived as a global product, which makes it a very interesting proposition for us. So these are the three actions that we had from a corporate side. Let me now hand it over to Richard to take you through the JLR story.

Richard, over to you.

Richard Molyneux

Thank you very much Balaji. Yes, so let's go to the next chart, because it's important to show JLR is really delivering strongly both financially and operationally. We are setting records. So, if you look at the top line, our Q2 performance, revenue up 30% year on year to GBP 6.9 billion pounds, that is a record, we have never achieved that level before in Q2. EBIT is down a little bit at 7.3% for the quarter. We always mentioned when we showed the Q1 numbers that there was a small one off favorable in there that would

feed back out. So it's actually probably more relevant to look at the H1 EBIT of 8%. PBT in the quarter, GBP 442 million and GBP 300 million of free cash flow. What that means for the first half of the year is GBP 13.8 billion worth of revenue, which is a record. It's also a record in terms of per unit. In terms of per unit, we're now up at GBP 72,000 per car, delivering 8% EBIT, GBP 877 million worth of PBT, which is up GBP1.6 billion year over year and an H1 cash flow of GBP 751 million pounds. That is not only an H1 record cash flow for us, it is a record cash flow by GBP 250 million. So, we are setting records, we are delivering well. So if we move on to the next chart.

I won't go through this in detail. This will cover the comments that I have made and will make as we go through this presentation. It's there for your record, so you can go back to it afterwards.

So, we move on to the next chart, which shows our wholesale performance, which was up 4% in the quarter, from 93,000 to 97,000 units, up 29% for the half. In terms of the brands, Range Rover fairly flat. Look, this is something that's expected for us. We are still production constrained on Range Rover and as Balaji mentioned we have a two week plant shutdown in the quarter. So it's no surprise that that's flat. Defender continues to do extremely well for us, 30,000 units in the quarter and Jaguar was also up in the quarter. Although if you look at the table of the first half of the year below you can see Jaguar is pretty flat and the volume increase is coming primarily from Range Rover and Defender, which is up considerably on a year-by-year basis. So on a H1 to H1 basis, we are up 29%. Next chart.

So if we look at this on a regional basis, I think the only thing I'll point out in terms of both the quarter is, look China we know, is a very, very tough market at the moment, but we are showing strong resilience in that market. Actually, quarter on quarter we're up and we're fairly flat year on year and that does show the power of the modern luxury brands that we have and how they can cut through at the top end some of the noise and the pressures of the market. Most of the other regions performed really well. If you look at the second bar chart down there, the first half of the year, every single region is doing better than it was in the previous year. In terms of the bars on the right, our percentage of electrified vehicles that's both PHEV and BEV was relatively flat in the quarter. Actually, it went up from 12.7% to 13% but that's a number that we expect to stay fairly static until we launch our new BEV, starting with the Range Rover BEV at the end of next year. Next chart.

So the next chart shows the development of our profit before tax from last year to this year and shows an increase of GBP 615 million year over year in our PBT delivery. So just explaining that the largest chunk, quite obviously, is volume and mix. Volume was 21,500 units higher than the previous year and mix is also stronger, that is Defender up from 23% to 31% and Range Rover Sport up from 6% to 17%. So both positives in terms of volume and in terms of mix. Pricing for us is also something which has been positive over the last year. We are showing a very small increase in our variable marketing expense but do note that's going from 1.1% to 1.5%, those are levels which are still extremely strong and represents the sort of the need to not discount greatly in the modern luxury space of the market. So, we have done very well to keep VME at those types of levels whilst keeping order book of 168,000 units. Material cost is actually favorable for us in this quarter, that is largely because of this time last year was when we were really suffering in terms of material cost, particularly in terms of the amounts that we were having to spend to

brokers to source semiconductor chips. As that industry has stabilized now, we don't need to spend those money. So on a year to year basis, material cost is actually showing some improvements for us. We do know that we're going to have to continue to spend some money on demand generation. So you can see there GBP 96 million adverse year over year in FME and selling, of that GBP 62 million was in marketing expense. Some of you that have been following the Rugby World Cup that's been going on will have spotted where a chunk of that went in terms of our sponsorship through Defender of the Rugby World Cup. Foreign exchange, actually net favorable for us year-over-year. One year ago, this quarter was the quarter when we had the premiership of Liz Truss and Sterling did take a step down to \$1.10. It's come back up this quarter to circa \$1.22. That's given us an operational FX adverse, but quite a strong hedge position and the revaluation of our balance sheet and debt meant that the net foreign exchange impact for us is favorable so that's the explanation. But don't lose sight of the bottom line. We have improved our PBT by GBP 615 million versus the same quarter last year and that PBT is the best that we have had for several years. Next chart, please.

Here we go. This then takes PBT through to cash flow. The number I'd like to focus there is the cash profit after tax but before investments at GBP 1.151 billion. That is also a record for us, by the way. But as much as being a record, I'd like to focus on the consistency of that number. In the last three quarters, that number has been GBP 1.116 billion, then GBP 1.135 billion and now GBP 1.151 billion. So we are very consistently delivering GBP 1.1 billion of cash profit after tax. That's a really strong message. We did spend a little bit more on investment. I'll come and talk about that in a minute that's a natural part of our cycle plan and working capital was a little bit adverse for us in the quarter. That is largely the effect of the two week summer shutdown has in terms of our payables. However, we delivered GBP300 million worth of free cash flow. Next chart.

In terms of our investment, we've spent GBP 775 million of that GBP 577 million was engineering and 64% of that or GBP 368 million was capitalized. I think it is important to understand that for us, that capitalization ratio is something that does wax and wane according to where we are in the product lifecycle. So if I look at it, for the same quarter last year it was 40%, same quarter the year before it was 37%, same quarter the year before that it was 68%. So this is something that will evolve for us. It always gets higher as we approach major launches because then the engineers are working on programs that have passed their capitalization hurdles and it always goes down when we are working on programs which are further into the future. So, we would expect that level to probably increase a little bit over the next couple of quarters and then as we move through next year to start coming down. Next chart.

Great, business update. So, if we move forward, you can see here, this is our wholesale history. You can see the trend from that low point of just sub 65,000 units in Q2 FY 2022. We are continuing to improve out and in the next couple of quarters, we will improve those deliveries more. That's partly as a result of something I'll come and talk to you about on MLA in a second and partly the result of there are greater working days in the next two quarters than there were in the last two. We're not completely out of the woods on supply constraints yet. They still do appear, but they are pairing in slightly different guises. It's not really major semiconductor constraints that we're seeing. We're seeing the type of events and challenges that are slightly more normal, in an industry where unfortunately you get floods at suppliers

or fires at suppliers, but we're getting very good at responding to those very fast. So we do expect Q3 and Q4, both wholesale volumes and production volumes to improve even over the numbers that you can see there on that page. Next chart.

Now, you all know how important Range Rover and Range Rover Sport are for us and that Range Rover and Range Rover Sport and Defender makes 77% of our current order bank. So production of those vehicles is extremely important. We did manage to keep it constant quarter over quarter, in terms of average number of vehicles produced per week, but we did manage to trial through one week of 3,200 cars in fact to be precise, 3,263 was our peak volume. We expect that to continue to improve through the back end of the year. We do have an additional body shop for MLA coming on stream, towards the end of this month. That will start a ramp up process, but it will allow us to increase those numbers as we go into the back end of this quarter and through into next year. Then next chart.

So, where do we stand? We are performing well operationally, financially and we're setting records and we expect to be able to set more records in the quarters ahead. So, we expect our volumes to recover, we expect inflation to moderate and we are changing our guidance in terms of EBIT from prior guidance of 6% plus to around 8%. That shows the confidence in the delivery that we are currently producing that we can maintain those levels. Net debt, we ended the quarter at GBP 2.249 billion so GBP 2.25 billion, that is exactly half of it was a year ago so we have halved our net debt in 12-months and we commit to get that net debt down from GBP 2.249 billion to lower than GBP1 billion by the end of this financial year. We will focus on execution, executing our plans flawlessly and continuing to deliver both financially and operationally.

Thank you. I'll hand back to Balaji.

P.B. Balaji

Thanks Richard. Quickly moving on to commercial vehicles, Girish and I will take this section. Next slide please.

On the market share front, we had an improvement sequentially from 39.1% to 39.7%. Particularly, hearteningly, the heavies are starting to do well and as the supply chain issues, the portfolio gaps that we had, then even the ILMCV sections are doing well, but we do have a challenge on the small commercial vehicles and that's an area which we are well focused on to ensure that comes back again. It will take a little bit of time as we pivot this business to a B2C kind of a thinking, so that is something which we are working on. Next slide please.

But, the work on pivot to quality is yielding us handsome returns. Revenue is up by 22% at ~Rs. 20,000 crores and EBITDA up by 540 bps and now at 10.4%, we committed to deliver a double digit EBITDA, we have delivered this quarter as well as on a half year basis and of course from a profitability perspective

this business has generated about Rs. 1,500 crores this quarter and overall Rs .2,500 crores for the year so far. So on a very good track as far as profitability is concerned. Next slide.

Where did the monies come from? A combination of volume mix as well as draw your attention to realization increase, so substantial improvement coming through there. That was a strategy, that is what is yielding us the benefits and as you saw in the previous slide, it is also yielding market shares in the key heavies and the intermediate sections. But of course work to be done on the smalls. Next slide please.

Let me hand it over to Girish to give you a sense from a business flavor perspective. Girish, over to you.

Girish Wagh

So, thanks Balaji. So we had good growth in volumes, almost 21% quarter-on-quarter and 6% year-on-year with all the availability issues that we had in Q1 being addressed. Balaji has already spoken about the market share and I think if I may say, in M&HCV our Q2 market share is now already ahead of the FY 2023 market share. In ILMCV and passenger we are growing market share month over month as the availability issues have been addressed and in small commercial vehicle and pickups I think as Balaji mentioned, we are pivoting towards, on one hand improving the unit economics and on the other hand improving the business model from B2B to B2C, and we will claw back the market share as we go ahead. If you see the non-vehicle business revenue also grew by 20% over Q2 of last year, so this is one business that has been growing handsomely. It's very good improvement in penetration in the spare parts as well as service. We had around 17% of our volumes being generated through digital channels, leads from digital channels. So I think we are consistently maintaining it at this level. If you look at bright spots, first is for us, the trucks that is M&HCVs grew by 24% over the same quarter last year. Passenger carriers grew, that is buses and vans grew by almost 32%. I think the customer sentiment index, it remained firm or improved across segments. So generally second quarter, monsoon quarter does see a dip in medium and heavy commercial vehicles, which is what we saw, but otherwise the other segments did well. On the commodities, we had tailwind due to softening of commodities, especially steel and precious metal, so had good tailwind on the margins and of course I think we have been pushing our cost reduction efforts as also improving realizations month over month, which is all what has helped in margin improvement. I must also say, I think post the introduction of BS6 Phase II, we have been getting good traction on all products and there has been a lot of focus on influencer advocacy as well as a lot of in market back to back trials to prove the improvement in total cost of ownership. In addition to this, we have also introduced more than 200 variants within quarter two to expand the portfolio. So going ahead, I think we are quite clear we will continue to drive the realization improvement. We have already taken a price increase on October 1, because we see some commodity headwinds, especially from steel coming in Q3, likely to come in Q3, so that's the price increase that we have taken. And while we continue to drive realization improvement, we will keep upping the Vahaan share, which is what we are focusing on with the help of our BS6 Phase II product range. We, of course have a very differentiated focus on SCV portfolio, I already spoke about that. We are driving now profitable growth and building a very sustainable model. So pull-based model rather than having a push - VME based push. We have been scaling up our EV supplies, both the Ace EV as well as the electric buses and I'll speak about this in detail on the next slide. We will obviously continue the

growth in our spares and service penetration and therefore the revenue from the downstream business. In international markets we have been maintaining our market shares in all the key markets, have improved our margins and we are also maintaining channel health as the total industry volumes in most of these markets are below even the last year. Next slide.

If I speak about the electric mobility in detail, now we have almost, let me first speak about Ace. So we have more than 1600 Ace EVs plying on the roads and together they have clocked more than 4 million kilometers, so good experience under the belt now. I am also pleased to inform you that just two days back we have received the PLI certificate. So Ace EV becomes the first four-wheeled commercial electric vehicle to receive the PLI certificate. With this, we will now further strengthen our efforts in increasing the volumes. The retail numbers of Ace EV are growing month over month and we continue a strong engagement with the ecosystem stakeholders to ensure finance availability, charging infrastructure availability, as also enhancing our reach to keep on scaling up the volumes. Coming to the smart city mobility solution. So, we have now almost 500 electric buses deployed between Delhi Transport Corporation and just yesterday we had inauguration of our buses supplied to Jammu and Kashmir also. Cumulatively, we have now crossed more than 97 million kilometers and I think in all the contracts we are delivering more than 95% uptime and almost close to 100% uptime towards the end of quarter two. I think the buses have been delivering pretty well. I already spoke about Jammu and Kashmir and I think the focus that we have in this business right now is laying a foundation for a very strong business, a lot of focus on putting in place processes, IT and digital enablement. We also received ISO certificates for some of our depots which have been started a year back and we'll continue to do the same for other depots also. I am also very happy to let you know that we had taken a specific position on the new tenders in absence of the payment security mechanism and we have been having a lot of engagement with the government. A lot of positive response from the government and as we understand in the new tender, which is likely to come up from the Ministry of Housing and Urban Affairs, payment security mechanism may find a place in that, which will see us coming back aggressively in this space. On the digital side, I think Balaji has already spoken about the Freight Tiger piece. So the Freight Tiger operates in the logistics ecosystem, whereas Fleet Edge is a very strong platform in the truck ecosystem. We now have almost half a million vehicles on the platform and we continue to grow this, the engagement times are also improving month over month. We introduced the subscription modules from second quarter and we've seen a good traction from the customers for the same. As I said, the engagement time is being improved with enhanced information and contextual insights on operations, that is operations of the trucks, the vehicle health and the driving behavior, which is actually helping the customers to improve their real time total cost of ownership. I won't speak further on the Freight Tiger, as Balaji has spoken about it, but actually it provides a very comprehensive end to end solution for us, connecting both the truck ecosystem and the trip ecosystem and will actually be a win-win proposition for all the stakeholders whether it is the shippers, the logistics service providers and fleet owners which are going to be our customers. E-Dukaan, which is our online marketplace for the spare parts. I think we have grown very handsomely 4 times over Q2 of FY 2023 and I must say, actually, this is helping us to improve the penetration, so the customers who otherwise would have not bought from us or gone for secondhand I think are coming to us through this.

The last point I would say retails, as I said from the digital leads, also continue to be healthy. Almost 17% of our volumes are coming from that. So, that's the summary of CV business.

Balaji, back to you.

P.B. Balaji

Thanks Girish. Going on to the PV side. Next slide please.

Vahaan domestic market shares are at 13.4% for the quarter. If you recollect, we said the first half of the year is going to be challenging for us because we have our products are all coming rear ended, while most of competition has launched their products in the first half. So pretty happy to see the way it ended at 13.4%. At the same time, if we look at the October month, we did come back into the 14% plus zone, so it's exactly in line with what we had planned. The other reassuring piece is the EV as a portion of the total portfolio sitting at 13%. I am seeing a lot of questions coming on EV growth, which I am sure Girish or Shailesh will cover quite extensively in his Q&A. Next slide, please.

Overall EV volumes, remember that this is a transition quarter for us, because in the entire PV business we had our three big products: Nexon undergoing a change, both the ICE version as well as the EV version. Safari, Harrier launching in October. So to that extent it has been a quarter where we had to manage the ins and outs and that explains the EV volume sequential decline that you see, but year on year continues to do well. And the way the Nexon orders are currently picking up, which I again see a lot of questions on, we are quite comfortable with the way it is currently positioned. Next slide, please.

Overall numbers, the revenues went down 3% for the reasons I just explained, but despite that, EBITDA up 110 bps at 6.5%, EBIT at 1.8%, plus 140 bps and PBT (bei) of about Rs. 300 crores for the quarter and Rs. 500 crores for the year, so far. The business is starting to step up the profitability once again. Next slide, please.

This is probably the most eagerly awaited slide. How do we split the PV/EV numbers. Hold that point for a minute. See where the monies have come from because the volume decline and the mix, because don't forget that Nexon, Harrier and Safari are our most profitable products. Those were the ones where we did see a volume challenge and that's the reason the volume and mix are taking the EBIT numbers down. At the same time, variable cost, significant savings starting to come through, including in battery prices as we had indicated last time and hence the profitability coming up because of that. Fixed cost increases fundamentally coming out, a fair amount of amortization being pushed through as well as charge outs of Capex, this is happening and the step up in FMEs is also of course for the fixed cost number, which we are not unduly concerned about. On the EV line, the PV business right now from an EBITDA perspective is at 9.2%, which are very important number because this is a business earlier we wanted to be as close to double digit EBITDA as possible. We are there, so this business is now nearing the double digit EBITDA that we once had an aspiration for, that aspiration has turned into reality. At the same time the EV business size is stepping up and the EBITDA of minus 5% or Rs.100 crore loss that you see needs to be

contrasted with some of the numbers that have come out from some of the global OEMs. We are well in control of our numbers and very much in the affordability zone and this is particularly noteworthy because almost this entire Rs. 100 crores is product development expenses that are being charged off. And this EBITDA will continue to increase further as the battery prices come off further as new contracts are coming in place, you should see an improvement in Q3 and a significant improvement in Q4. Again, remember, no PLI benefits have been considered on this so that comes and adds on top of it. So we have the business very well positioned for both growth and profitability increase and market share in the second half of the year as the new products start coming through. Next slide? Shailesh?

Shailesh Chandra

Thank you Balaji. So, let me start with the industry highlights first. In quarter two, the high base effect of last year quarter two kicked in and the wholesale was just a single digit growth which was 5%. It is important to note that 8% of the sales is now accounted by the new nameplate launches in the industry. The segment shift, the structural shift that we have been seeing towards SUVs further pronounced in the quarter two, now it is at 50% plus share which is at the cost of the decline of hatches. As far as Tata Motors PV and EV business is concerned, as Balaji mentioned that the focus was to manage the model transitions well while keeping the wholesale volume maintained in line with the plan. And we delivered that. There has been a sequential margin growth as Balaji already covered that point. Very important that we have been trending now, number two in hatch segment. We sold about 48,000 numbers in quarter two and this is basically on the back of the multi-powertrain strategy that we have, which is CNG, electric as well as petrol, which is really delivering higher volumes in a very challenged segment, I would say. Talking about the bright spots in the industry, I believe that quarter three is going to see sustained momentum. You already saw the first month was a very high wholesale month. There's a strong retail momentum that one is seeing in the festive period and festive periods end after Diwali. So, we don't see a problem in terms of the demand as it was being anticipated. Supply concern clearly looks to be eased out, particularly when we talk about the semiconductor. As far as Tata Motors is concerned, we launched the iCNG version range, if you remember, in May, that is, in quarter one we had launched Altroz iCNG, which was the first product with twin cylinder technology, really was received well. And in quarter two, we launched three additional products with twin cylinder technology, which was Punch iCNG and Tiago and Tigor. Must say that all of them are really doing good. Balaji showed that in H1 we are at 13% share in CNG, but this has grown to nearly 20% now. Launch of new Nexon, Nexon EV is another point which Balaji had mentioned, but these two launches have really been good. You know while the waiting periods were very high in the first month, but in the last two months we have nearly supplied 32,000 numbers and that has moderated the waiting period to 3 to 4 months period. Now, Harrier and Safari was also the other facelift that we launched in the last month, which is October. This is the most safe car as per the GNCAP. We were able to get 5 star rating, but with the highest ever score that any car in India has got, very strong bookings coming in it's with all the segment leading features and we strongly believe that this is also going to do well. So all the launches that recently we have done, which is CNG, Nexon, Harrier and Safari really augers well for us in quarter three and going forward. In terms of challenges yes, high levels of channel inventory, as you know, in the industry, in anticipation of a strong festive season, hopefully the Diwali will also have strong

demand outlook, so therefore we expect that inventory should come within the normal levels. Regulatory support reduced for EVs in some key markets, but particularly I'm talking about Telangana, where there is uncertainty around the road tax waiver, hope that will get clarified and therefore the volumes are going to come back. As I said that SUVs have gained their salience but this has come at the cost of hatches and sedans. So therefore our plan would be to ramp up the supply for the new launches to drive volume growth. We have done well for Nexon so far in two months. Harrier, Safari went through a ramp-up phase last month. Hopefully, we should be able to deliver supplies, strong supplies in this month. We have taken some very targeted actions to sustain our volumes in hatches and sedans. As you know, these two segments are de- growing but with the advantage of the multi-powertrain strategy that we have and certain micro markets and customer segments, we are planning to see how we can sustain our volumes here.

Back to you Balaji.

P.B. Balaji

Thank you Shailesh. Overall, let me accelerate a bit here. Go to the next slide please.

Cash flows only draw your attention. Cash profits significantly higher than the enhanced Capex that we are running it, so business is living well within its means. Next slide please.

Again, investment spending, we are clocking well. We have guided to an Rs. 8000 crore spend this year and we are on track to deliver on that number and that just ensures that the overall product plans are all well funded. Next slide.

On TMF. A minute on this. This is a business that had its challenges earlier, but we are coming through on plan. The business is gradually getting its act together after the challenges that they faced last year around October and the concerted collection efforts are delivering results and the efficiency is now 97%, improving. GNPA though contained at 8.1% but on an absolute number basis what used to be almost Rs. 5,200 crores of GNPA overall is now down to about Rs. 3,300 crores which is a significant improving on the GNPA on the book that we are seeing. ROE is also starting to step up at 4.7% and the business diversification is well on track with both on pre-owned vehicle financing, fleet opex financing, all that is expanding well. Capital adequacy and DE ratios and liquidity all of them comfortable. Next slide please.

Just finalizing on the outlook, lot of questions I see on demand. We continue to remain optimistic on demand despite those external challenges. We acknowledge those challenges but right now we are not seeing that impacting our demand for our products. But we do expect to see some moderate inflation seep through. Our H2 performance is likely to improve further, on three reasons. One, seasonality will start working in our favor, supplies are likely to improve particularly in JLR as well as in passenger vehicles and in passenger vehicles a slew of new launches coming through and therefore quite confident on the deleveraging plans. I will draw your attention to the improved indication on what we are likely to land the year at in JLR likely to be more around 8% for this year and we do believe we can sustain it thereon. So

overall, that is a focus and on CV side, the focus particularly on SCV market shares and continuing to sustain the improvements that we are seeing in M&HCV market shares is important. We will not change the pivot to growth, pivot to quality strategy that we have put in place and double-digit EBITDA for the entire year, securing that and improving it is important. And PV of course get back to market beating growth and on EV the focus will squarely be on expanding the market and driving up the EV penetration of our portfolio. That is what we have to say and now we move to questions and we see 17 questions lined up. Heavy questions coming through.

Questions and Answers section

P.B. Balaji

So let me start from the question that came in first. So I request if our teams could move to the most recent tab there so that we can go right all the way down on that particular tab.

First question from Jinesh, Motilal Oswal. Richard, this is coming your way. The guidance for EBIT margins increased to 8%. However, the free cash flow guidance has remained at GBP 2 billion. Should we not expect a higher FCF given EBIT is going up?

Richard Molyneux

Okay, thank you. So as we said, we closed the quarter with GBP 2.249 billion worth of net debt. So we need to generate GBP 1.25 billion or more to get down to our net debt target of sub 1 GBP billion. That is GBP 500 million more than we generated in the first half of the year. We're on track to do so, one of the things that does put a little bit of difference between EBIT and cash flow is investment. Our investment in the first half of the year was GBP 1,472 million. We do expect that to go up in the second half of the year, as we start paying for the preparation works in both our plants in Halewood and in Solihull in the UK, to start producing the next generation of BEV vehicles and also in the facilities to produce the EVUs and the batteries. So, investment levels is a bit of the disconnect between the change in EBIT guidance and the change in cash guidance, but we still do have GBP 1.25 billion of debt to, uh, take down in the next six months. We are on track to do so.

P.B. Balaji

Okay, another question from Jinesh as well. One is the increasing salience of Range Rover, Range Rover Sport and Defender in your order book, but your ASPs have declined for third quarter in a row. Do you expect the ASP's to decline further as mix benefit starts receding? And let's answer that question then we'll come to deferred tax where there is a series of questions.

Richard Molyneux

Okay, so in terms of average selling price in Q1, it was GBP 74,000. In Q2, it was GBP 71,000. Within that, we've said in Q2, we were a little bit constrained in terms of our Range Rover and Range Rover sport production. Range Rover in particular, which is our highest transaction price vehicle, went from 18% to 15% of our sales mix. We do not expect that to be permanent as we bring the second body shop online for our MLA products in Solihull and as we reduce the specific constraints that we've got in terms of Range Rover, we would expect that trend not to continue.

P.B. Balaji

Yeah. A question on tax rates Richard, I am happy to step in as needed, but let me pass it on to you. Is there further deferred tax asset pending to be recognized, and how should we look at the whole tax rate for second half and beyond?

Richard Molyneux

Yes, as Balaji I think, mentioned, due to our historic position around losses, we do have an unrecognized deferred tax asset of about GBP 1 billion. We have gone through four quarters of profitability, so we are looking at that, we have no conclusion as to when that could be brought back onto the balance sheet. The fact that we've got such a high unrecognized DTA does add both level and volatility to our effective tax rate, so we would like to get that resolved at some stage.

P.B. Balaji

And, therefore on a long term basis Richard, how should we plan the tax rate when we model the value of the company?

Richard Molyneux

Typically, I think it would be reasonable to expect somewhere between 25% and 29%.

P.B. Balaji

Thank you. Coming to India, Girish this is on Indian M&HCV's. Pricing discipline has seen some dilution in the last couple of months. How do you see this evolving? And what's ailing the LCV industry? How do you see this segment evolve over the next twelve months? And then for ACE EV, what's your order book size? How are the trends in new order intake?

Girish Wagh

Okay, so I think from Tata Motors, we are not seeing any drop in the pricing discipline. In fact, we continue with the discipline that we introduced during last September in a very steadfast manner and we had seen some dip in the month of May, but which I spoke about in the Q1 earnings call. After that, we have been consistently growing the market operating prices. Coming to light commercial vehicles. What is ailing? I think yes, the industry has remained flat and in my view there are two things. First is, I think in terms of percentage increase over the base price, this segment has seen a significant increase when we move from BS3 to BS4, then BS4 to BS6 Phase I and then BS6 Phase 1 to Phase II and as a result I think the ticket size has gone up. Comparatively, I think the freight rates have not followed to that extent and the second thing I would say is I think the financing environment, I think post COVID all the financiers have been a bit wary, if I may say so and cautious and therefore all this put together is keeping this industry flat. But I must say, as the result of this, I think the quality of books of all the financiers has been consistently improving, at least on our counter. But we do believe in the growth potential of this segment and I think once the economics for the operators balance out, once again I think the industry will start growing. Coming to ACE EV, I think your question was on PLI. Yes. As I mentioned, we have received the PLI certificate just two days back for the ACE EV. Regarding the order book, so if you recollect during the launch, we had signed up with 5 customers for gradual deployment of vehicles. Out of those 5 customers, I think one customer is out of operation as of now. But, we continue to deploy vehicles in rest of the four customers month over month. But in addition to that, I'm very pleased to tell you that we are also seeing good traction for the ACE EV in some of the retail segments. You know and at some point of time later I can also speak about this in detail, but we see good traction happening there. Of course, range anxiety, charging infrastructure, financing environment are some of the issues which remain in the minds of the customers, which we are tackling by increasing the financing period, by increasing the warranty on these vehicles, and we continue to improve the charging infrastructure and I think gradually we see retails of ACE EV growing month over month. We also are coming up with quite a few variants on ACE EV to address multiple requirements. Balaji?

P.B. Balaji

Thanks Girish. A comment on PLI's. We have got the certificates, but obviously there's a lot of scrutiny from the authorities in terms of the capex spends, what contributes as Capex that needs to be considered. So right now we haven't got the PLI's monies yet. I think we expect - internal expectation Q4 is when it should probably come through. Let's wait and see. We are, of course, in intense conversations with the government on that.

Okay, let me go to next question, this is coming from Raghu, Nuvama Research. For JLR how do you expect the order book rundown -- the pace of 5000 per month that we indicated earlier? Does that continue? Any other comment on that? Adrian, would you want to take that?

Adrain Mardell

Yes, let me take that Balaji. Look, we've consistently run down the order book by about 5000 a month, not only in our quarter two, but actually for the last nine months. We are building more cars in the second half of the year; Richard covered that we have more production days. So I think it's reasonable to assume that the order book will fall a little bit more sharply over the next 6 months. Our intention is to get it back to pre-pandemic levels, which we've referenced before, around 110,000 units and our expectation is that will happen somewhere between the end of this fiscal year and the start of next. So I expect a marginal acceleration because we're building more cars and therefore fulfilling more of the existing orders.

P.B. Balaji

From an input cost side, given the higher wage hikes that we are seeing in suppliers like IAC, do you expect input procurement costs to go up?

Richard Molyneux

Okay, I'll take that one. We are seeing some areas where there is still inflation, be that wage inflation or other cost inflation. But as I referenced in the charts, actually, certainly on a year by year basis, there's considerable elements that are improving. We are spending vastly less on broker buys of chips than we were beforehand and there are many other elements in relation to commodity costs and even utility costs that are going down. So no, I don't think that is likely to be the case. In fact, I think the dynamic that you're going to see over the coming time is that we will have to spend marginally more in terms of VME and FMI in terms of order generation, but we will offset those costs by reductions versus last year's levels in our material cost and operational costs.

P.B. Balaji

Thanks Richard. I think Shailesh, Girish, let me put this to you. What would be the outlook for M&HCV and PV growth for FY 2025? I think it's coming to both of you - growth outlook for next year

Girish Wagh

So, let me take like this. M&HCV I think YoY we will see continued growth in Q3, would be almost double digit. I think Q4 could be flattish or little growth because Q4 of last year was pretty good. I think talking about FY 2025 in my view, it is too early to speak about it because we have key monitorable, which is the general elections happening in Q1 of next year. To talk about Q1 or Q2 demand for next year of M&HCV, we'll have to wait at least for one quarter to see how the order book of the fleet owners and the infrastructure builders is panning out and we will come to know something about that when we meet next quarter.

Shailesh Chandra

So for PV again, as Girish also mentioned, too early to really comment on that. We need to see where we end this year, which is looking strong, touching 4 million or so. The base is very high. We need to understand that the last financial year the growth was nearly 25% and that is very difficult to sustain. Typically the PV industry mid-to-long term grows by at a CAGR of 6% to 7%. So, I would still imagine that the demand would remain strong but would be still a single digit in FY 2025 but I must say that it is still very speculative. These are the numbers that we see with the projections that we get from various agencies. So, I think, let's see where the year ends is what I would say.

P.B. Balaji

Thanks Shailesh. A question on the royalty for this. I think I would just say that these are reasonable royalties and obviously at an arm's length basis. So, that's how we would respond to that.

PV-EV the chargers, 7800 chargers that we have put out there, how many of them would be fast chargers? What are the customer behavior of using them or charging at home?

Girish Wagh

I think most of these 7800 chargers, especially I'm saying are the fast chargers these are on highways. And this would be, I would say if my guess could be right, it is about 4000 to 4500 is CCS2 chargers which are either 25-kilowatt or 50-kilowatt chargers. As far as the charging behavior is concerned, we clearly see through our telematics data that more than 90% of the customers are charging their car at home. So, the use of public chargers is less. It is only being used if they are on the highway but primarily the mode of charging is the home chargers which is either a dedicated charger in the parking slot or residential welfare association common chargers which are provided.

P.B. Balaji

Next question coming from Hitesh Goel. I think Richard this is coming your way. How are you seeing the Jaguar portfolio? Will you run down Jaguar in calendar year 2024 second half before Jaguar Electric is launched? And does this mean major savings on JLR EBITDA? How do you see the Jaguar transition?

Richard Molyneux

So, look, Jaguar is still performing strongly. We sold nearly 25,000 Jaguars in the first half of the year. Yes, we will wind the production of the current cars down as we move to the new fully electric Jaguar, which, as you know, we're saying is a copy of nothing. It is nothing like the existing set of Jaguar cars. So we don't really want those to overlap. We haven't been specific as to exactly when we're going to end each vehicle because some of them are built in Castle Bromwich, some of them are built in Solihull, some of them are built in Austria. So it will vary by plant but it is reasonably safe to assume that we will run those down

before we launch the entirely new all electric copy of nothing Jaguar. In terms of the impact that, that will have on our EBITDA, yes, we're anticipating that new Jaguar will be a really profitable business. So it will be part of our growth plan of EBITDA and EBIT as we go forward, as we move from the old Jaguar to the new.

P.B. Balaji

Thanks, Richard. Next question. Probably one of the most eagerly awaited question is Shailesh coming your way. This is from Gunjan, Bank of America. Can you talk about the EV outlook in India? There's been some pause in momentum. So can you talk about the pace of adoption that we see now and what are the key drivers for stepping it up?

Shailesh Chandra

Yeah, Balaji, this is a question which in the last one month I would have been asked by multiple people. I completely understand where this is coming from, some of the negative articles which have come on this, but if you really see the facts, in H1, we have seen a growth of 107% in EVs. For us it has been about 76%. So it is very strong I would say. There has been a quarter on quarter decline and impact, primarily because one, if you remember, there were several launches which happened in the EV industry in the late quarter four of last financial year, quarter one of this financial year and you know that whenever there is a launch, there is a spike in the demand and there is a filling of the channel with supplies for those new models and then you see it stabilizing at lower levels. That is the phenomena that you are seeing in quarter two that's number one.

Number two, remember that Nexon EV has been one of the highest selling models in the EV industry and I covered in the presentation, Balaji also spoke about that we had to ramp down the volumes of Nexon EV because of the transition to the new model and therefore it impacted in the quarter two. The Third impact I also covered in the presentation is that Telangana, which is nearly 10% to 15% of the EV industry, the road tax waiver was taken away. It is not because it has been taken away, the demand came down but in anticipation that it will be reverted, it still remains down. I would say these were the three big factors why you have seen quarter on quarter, but these are not structural reasons, right. Now, coming to mid to long term, what will be the EV outlook where the drivers of growth are going to come from? See, the biggest opportunity I see is that 75% of the sales of EVs today is coming from only 25 cities. So all the manufacturers, including us being the market leader, are yet to expand into the larger part of the country where there is a huge demand which is lying there.

Second, I would say that we are already seeing announcement of multiple EVs by different players. And remember that whenever there is a new price point or a new body style that you offer in the market, there is all of a sudden jump. And let me elaborate what I'm saying. Just take Tiago EV. Before Tiago EV got launched every quarter, the industry used to sell about 14,000 to 15,000. After Tiago, EV got launched, it moved up to 25,000 because it was a new price point that you brought into the market. In the coming quarters and years, you are going to see EVs covering the entire spectrum of price range, which is going

to really increase the volumes significantly I would say that's the second big driver and the third one is the charging infra. We all know that the biggest impediment to the growth of EV has been the charging infra. And the very fact that 93% of the people are charging at home also signifies that people are right now comfortable driving in the cities but there's drastic increase in public charging, which we are anticipating especially on the highways in the next 2 years or so. This will unleash the mainstream customers because today it is early adopter or early majority which is buying. A mainstream buyer will only buy when they get the comfort on the highways and why I'm saying that it is going to drastically increase because see, number one would be the oil marketing companies. I'm not even talking about Tata Power which also has an aggressive plan and there are certain CPOs also who are going very aggressive. But oil marketing companies have Rs. 800 crore of subsidy provided by the government to put 22,000 chargers on the highways by 2024. And this is going to really significantly provide us tailwind to tap to the mainstream bias, so I think mid to long term and in the coming quarters you will see EV growing very strong.

P.B. Balaji

Thanks Shailesh. PLI we already answered about the status of PLI. Maybe another question coming your way and Adrian, feel free to chip in if anything Shailesh missed. The whole significance of this platform sharing with JLR on the EMA side for the AVINYA range of products.

Shailesh Chandra

I think this is a very significant development you are already aware that we had showcased AVINYA in Auto Expo also and prior to that one year back, we had unveiled it for the first time. This is the first time that we will be entering into the premium e-SUV segment and we evaluated multiple platforms, including doing a ground up skateboard ourselves. But when we got the opportunity to evaluate EMA, we thought that while our positioning is going to be different than JLR positioning, but this unleashes a big opportunity for us to access state of the art features. The new age features which we'll be requiring in the coming years, which comes from the electrical/ electronic architecture and a very mature platform which has been developed by JLR, which will really improve the reliability, predictability, future readiness of this platform. So this is a big game to us to position ourselves on a very strong pedigree of JLR EMA platform so that's number one.

Number two is that the two companies have an opportunity to really derive the synergies on the cost side. Certain parts we will be unique, we'll be localizing ourselves, so that will give us the cost advantage. But that also gives the opportunity to JLR to also tap some of those cost benefits. But at the same time, when it comes to the high tech components, I think JLR negotiating power with the supplier also benefits us. So it's a benefit on both the sides. So cost becomes a big game and most importantly, given the maturity of the platform, it also helps us reduce the time. So, we see multiple benefits of working together. And for us particularly, I think we will bring a very premium electric SUV which will be on a very strong pedigree of JLR platform.

P.B. Balaji

Adrian, anything to add from your side on this?

Adrain Mardell

Agree with all of those three things and I think the only thing I'd like to add is we've talked for at least four years about the increasing collaboration between JLR and the broader Tata group and I think with the announcements in July around Agratas, and now this announcement hopefully everybody listening is starting to understand the power of that relationship which will continue going forward and I'm sure grow beyond the levels we've announced already. So, I'm delighted with the progress in the last six months to twelve months that we've made as a group.

P.B. Balaji

Thank you. Another flavor of the question, maybe Richard, this coming your way. Can you refresh any view to the 10% EBIT margin that you've given for FY 2026 given that you have updated the guidance for the current year to 8%?

Richard Molyneux

No. There's no change in our guidance that we will get to double digit margins FY 2026.

P.B. Balaji

Thanks. Yeah. Okay, next question I think there are two or three flavors of the question, Girish, coming your way. The M&HCV market share gain that you're currently seeing, can you give more color to it? Where is this coming from? Why do you think you're winning? And this is likely to sustain?

Girish Wagh

Okay, so I think in M&HCV and for that matter, I would say the entire truck segment, which I'm including ICVs also, our focus has been to improve the value proposition consistently, right because finally, whatever we are selling has to make sense for the customer, right. I mean, while we are looking at it as more of discount reduction, VME reduction, I think it is more about improving the value being delivered to the customers. So in the value delivered to the customer, let me talk about the product, I think our position and our strategy on consistently improving the product at every emission compliance or regulatory gate has been vindicated. So we improved the TCO significantly in BS6 Phase I, we did that again in BS6 Phase II, and I think in Q1, as the products got established and with lot of back to back trials, I think the TCO improvement got established, which therefore led to good value improvement for the customer.

In addition to that, I think we've also given higher performance or higher power to weight ratio, which also I spoke about in the last quarter. I think that is also leading to very good traction, especially in the Tipper segment. In addition to that, I think over the years we have improved our service offerings significantly so, we have a very attractive annual maintenance contract and I think in the BS6 electronic era, the annual maintenance contract is also making significant difference along with the key account engagement that we have put in place. Finally, I think I must add that fleet edge now is also helping the customers to actually accrue value in real life usage of the vehicles and this is clearly becoming a differentiator in the marketplace, especially in the cargo segment and in a different manner in the tipper segment. So, I think all these put together, therefore it's a strong value proposition for the customers.

And you also asked about what we will do for the future. I think we will stay committed to this with every model year as we call in trucks and as also with every regulatory change, I think we will continue to improve the value proposition for the customer.

P.B. Balaji

Thanks Girish. Sorry, this question came, the M&HCV question came from Abhinav and I remember Kapil also asked this question earlier, another question from Abhinav on the PV festive sales. How do you see it performing, how's market demand?

Shailesh Chandra

Yeah, so when I talk about Navaratra, especially, even the last Navaratra was very strong for us. We already had a very high base but very happy to share that we saw nearly 30% growth in the last, what to say 15 days or so which has passed since the start of Navaratra in terms of registration and 16% growth in terms of delivery. So it has been a very strong festive period for us on the back of new launches, success of CNG.

P.B. Balaji

Yes, thanks. Next question from Chandramouli, Goldman Sachs, some of those questions have already been answered. I'll just pick up the ones that are not yet answered. Again Shailesh to your side what are the initial trends on the new Nexon versus the old Nexon? How are orders picking up?

Shailesh Chandra

Very strong, very strong response to Nexon. As I said, that three months to four months of waiting period depending on the variant. But as far as EVs is also concerned, these are like 2 times to 3 times increase in the booking rates as compared to the normal times. But we'll have to then see in the next one month or two months how this volume stabilizes but excellent response to both the products.

P.B. Balaji

Great. Again, staying with you, the EV margins, what are the key contributors for the quarter on quarter improvement in that margins?

Shailesh Chandra

Yes, I think there are at least four factors underlying that. Number one is the cell cost reduction which we have already seen about 15% to 20% and we are going to see further reduction of significant amount I would say in the quarter three also and going forward we are also optimistic. Then we have also the non cell cost reduction which is pack minus cell items and a lot of these items were imported. But as we been working on the PLI, there is a lot of localization action which has happened, which is another source of cost reduction that we have seen. The third is also the use of new generation and compact aggregates when we launch for example when Nexon EV was launched, we shifted to the new generation power electronics as well as some of the aggregates which really helped us in not only improving the performance efficiency but also cost. And the last one would be there's a massive cost reduction program which is also going into PV side so, the donor vehicle cost reduction actions on that side has also benefited so these would be the four factors.

P.B. Balaji

Thank you, I think question Girish, coming your way. Price hikes that you have announced in October, can you give us a sense of what magnitude it is and how do you see the raw material environment? Maybe you can combine the two?

Girish Wagh

Yeah yes, Balaji. So see, I think we should also look at this in a context, right. And as I mentioned sometime back, since last September we had not taken any price increase, right which is the list price increase. There was no price increase whatsoever for more than 12 months right and this is despite the inflationary environment that one saw on the commodities and especially steel and precious metals, right. The entire journey during these 12 months was about realization improvement. Now, in the month of October after one year we have taken a list price increase and we will pass-through this price increase gradually during this quarter and we are already on track for that. In terms of commodity environment, as I spoke, I think we are looking at some headwind on the steel, right, and we are keeping a close watch on that. There could be some impact on precious metals but that is more for petrol engine vehicles so the impact on CV will be lesser.

P.B. Balaji

Thanks Girish. Richard, Adrian, this is coming again a very thematic question coming in, in terms of slowdown in global markets. A couple of course asked them do you agree that it will slow down? But let me leave it to you to answer that. Are there any visible signs and due to this also the EV penetration

slowdown, many OEMs are pushing out their launches. What is your perspective? And in order to turbocharge demand in this slowing down environment, how much of VME/FME rise can happen? How will you plan to manage this?

Adrain Mardell

Yes. So, there is a slowdown which we see in some markets. I shouldn't say too much about other OEMs because obviously I'm not close to their particular circumstances, but with the levels of discounting that happening, it generally only happens when supplies significantly over levels of natural demand. So. I suspect that's one of the causes behind much of that discounting. Interest rates clearly are very high a lot of the incentive deals are underpinning those interest rates, 8% in the US which a lot of the OEMs are subventing and we're not right. So, I think the big point here is there's a huge differentiation between our positioning in the marketplace, their VME in the 1 percentage plus level compared to others. And the big reason for that still, of course, is back to the earlier discussion. We have a huge amount of pent up demand, which we're slowly, slowly working through, and a huge capability to increase incentives and be significantly lower than in the marketplace going forward in FY 2025, which we will look to do as we close out the balance of this year. So I think we're in a really healthy place, a really good place in a very, very difficult market, but we're very wary about the difficulties in the marketplace as well. So our intention is to stay in front of the problem here.

P.B. Balaji

Thank you Adrian. The next question comes from Nishit Jalan, on the PV business a lot of those questions have been answered, maybe one specific one, I would say, has there been any production constraint as dispatches appear to be lower in the last two months and when do we start the production in the Sanand plant and when should we expect Curvv and Sierra?

Shailesh Chandra

So, as far as last two months is concerned, I think last month we were the highest ever in terms of offtake. So that was the highest production month for us. But still, we lost opportunity because it was the first month of ramp up of Harrier and Safari, so we could not fully produce what we would have intended to. A month prior to that again, it was also a month of significant ramp down of Harrier and Safari and some of the models in, say, compact sedan and hatches so that's been the case, but I think exit number is more important, which has been the highest ever. The second question was Balaji, on Curvv right? So Curvv and Sierra. So Curvv and Sierra is planned to be launched in 2024 and 2025 respectively. And as far as Sanand is concerned, so that's also slated for in first half of 2024.

P.B. Balaji

Thanks Shailesh. Question on Freight Tiger, this is from Pramod Amthe InCred. What are the transaction valuation and the burn rate and the funding needed for the next two, three years? See the way the transaction has been structured, if you recollect, we had paid about Rs.150 crores for a 26 point some percent stake. That values business at roughly about Rs. 420 crores so that's a transaction valuation. And we also know over the next two years, three years, whatever the cash burn is there, we're estimating roughly about Rs. 100 crores will burn in that and therefore that is what we are ready with the funding for that as well. So that business is well funded and ready to meet its objectives and we obviously will want to work closely between Freight Tiger and Fleet Edge to ensure we drive maximum synergies and those synergistic business cases and how that can in turn manage this burn rate and step up growth rates is something that we'll be working with them in the coming days.

Next question from Kapil Singh, Indian PV some of your competition has seen sharp clearance of order books. How is it in your case for the various ICE, EVs and CNGs?

Shailesh Chandra

So you know, it was very much expected because the order book was being created prior to the festive season and festive season has released most of them for competition and in general for the industry, I would say. In our portfolio, I would say for certain models, the regular models, of course, we have also seen the depletion of the order book in the festive period because it was the phase of delivery and we are re-working on creating fresh orders. But it has been more than offset I would say, with the new launches that we had in the last two months. Harrier, Safari, Nexon so it's pretty balanced, I would say.

P.B. Balaji

And therefore how do you see the PV volume run rates in the second half?

Shailesh Chandra

So, second half as Balaji, you also mentioned in your presentation that it should be strong on the back of launches that we had and which we will have in the coming quarters.

P.B. Balaji

Yeah, Auto PLI, this coming from Nishit again, auto PLI as I said earlier, Q4 is when we are expecting to see the cash starting to come through but let's wait for that and then we should be there. But everybody around, all stakeholders committed to make it happen so let's wait for that.

Ashish Jain, Macquaire next one, Richard this is coming your way. When do we see the JLR working capital cycle reverse given the GBP 1.4 billion build that we saw in FY 2022-23?

Richard Molyneux

So we will see some of that reverse during the second half of this year. Our working capital cycle tends to improve as our volumes improve. So, some of that will reverse through the next six months and it's part of our delivery of our GBP 1.25 billion of operating cash.

P.B. Balaji

Thanks. Next one coming from Pramod, UBS, battery plant. Can you please share the status of the battery plants?

In July we announced the UK tie up for setting up a battery plant there and India is also on schedule at this point in time on the internal plans. Obviously you should expect to hear more on these plants in the coming days. So wait for the news for the same piece.

India same from Pramod, India EV arm, do you have any update on fundraising? Currently there are no plans for fundraise on EV arm and therefore -- and how we are placed on Capex funding for this business? Absolutely secured the Rs. 7500 Crore that came through from TPG secures 50% of the 2 billion funding then PLI is the other one. So between the two, we are well funded.

Let's give me a minute please. I think Safari and Harrier is already answered so let me leave that out. Can you detail out the PLI benefit is restricted to Capex spending.

Lot of questions on trying to understand PLI benefit, Shailesh if you want to give it a try first and I go next.

Shailesh Chandra

I think you have covered it Balaji.

P.B. Balaji

No, no, no it's mentioned what is this PLI benefit all about? Okay, let me start, you can chip in. There are three aspects to the PLI that is there. Number one, there is a threshold Capex is about Rs. 120 crores which we comfortably meet and then there is a target Capex that need to be spent which is about Rs. 2,000 crores. Anything is Rs. 2,000 crores spent over the Rs. 120 crores is treated as eligibility for a PLI benefit number one. Number two, there has to be a 50% localization that needs to happen other than batteries. So that, that is what the ARAI certification is all about going through the entire space there and this Capex has to be eligible Capex on specific areas. It's not like any and all Capex there.

Then once you're eligible for this, you get a benefit anywhere from 13% to 18% of the EV sales that you do which the legal entities are already precleared with the authorities. So this is the construct of the PV setup. Right now we have got the ARAI certification confirming 50% compliance, 50% localization for Tiago

and ACV EV and the reason we did not put the Nexon because the new Nexon has just been launched so therefore we would rather take because it's quite an elaborate process of getting it right. So we will now be putting up Nexon for approval then the respective new brands will also come on to it.

So, we are confident of getting the DVA requirement and once this is there then obviously they scrutinize you for understanding did you meet all the eligible Capex and that tick off is currently underway once that is done then you are eligible for PLI. Your EV sales has to be authorized by the statutory auditor of yours certification given to IFC. IFC is the one that approves these numbers and then the Ministry of Heavy Industry makes the payment on that. This is the process. Obviously I may have missed a few steps in this but by and large this is what it is.

Shailesh Chandra

If there are any supplier claims so then that is offset.

P.B. Balaji

Any supplier who claims on that will be offset against you. So this is the broad scheme Hitesh. What else? Pramod, JLR first half margin- is the full year guidance conservative, we've already talked about so let me skip that. I think we are now coming to an end of all the questions, right? Just give us a minute, please, in case there's anything we are missing. Sanand plant, Kapil Singh. Sanand plant, can this cause a dip in PV business margin? What are the optimum volume at which it will not be margin dilutive and by which when you can already reach it? I think Kapil, these costs are already in my P&L, because the factory has been bought over when? Early January and therefore this cost is already in our P&L therefore nothing to talk about there. And our volumes are anyway picking up. If you recollect, we sold 48,000 last month, our max capacities will stretch up to 55,000. So we are already at absolutely at a limit in terms of our capacities hence this is only going to add as volumes pick up.

I think, with this. No – here's Gautam from B&K securities. Do you feel the biggest impediment to EV growth is absence of secondhand EV market? Very interesting question. You want to pick that up?

Shailesh Chandra

I think you know, it is an important aspect, but I would not say that this is the biggest impediment. There are other barriers and roadblocks to adoption as far as mainstream buyers are concerned and talked about it, but this is an important aspect. Frankly, when we talk about the early adopters, they really don't worry too much about this. But also you know that we launched Nexon EV, which is the Nexon EV Prime with the low range in Jan 2020. So still a lot of this is not in supply. So once it comes in supply, then we'll be able to assess the market for this. There will be market, because if there is a market for new car, there are a lot of people who are considering EVs who would like to buy a car in a good

condition at a much lower price, availing the benefits of operating cost, lower maintenance cost and so on. We intend to help the customers when they think of selling off their car and pushing in the used car market by transferring the warranty benefit to the next buyer so that, that constraint is not there but I think still you know the car is not in the inventory given that it's hardly three years since we launched the car.

P.B. Balaji

I think, with that we are done with the questions. Thank you for the searching questions, really we enjoyed answering these questions and more than happy to take any further questions that you may have off-line. Do reach out to investor relations team and we are happy to reach out to you. Once again, thanks for taking the time to attend the session and look forward to speaking to you, Thanks to JLR team and everyone present here, thanks bye. Thanks.