“Tata Motors Q1 FY21 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Tata Motors Q1 FY'21 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode. During the course of presentation, if any participant intends to ask questions, they can use the ChatBox option appearing at the bottom of the screen to submit their questions to the speaker. Your questions will be taken up at the end of the session. Please note that this conference is being recorded. I now hand over the conference to Mr. Prakash Pandey from Tata Motors. Thank you. And over to you, sir.

Prakash Pandey: Thank you, Diksha. Good evening, everyone. On behalf of Tata Motors, I welcome you all for our Q1 FY'21 Results Conference Call.

We have with us Mr. Guenter Butschek – M.D. & CEO, Tata Motors; Prof. Sir Ralf Speth -- CEO, Jaguar Land Rover; Mr. P B Balaji -- Group CFO, Tata Motors; Mr. Adrian Mardell -- CFO, Jaguar Land Rover; Mr. Girish Wagh -- President, Commercial Vehicles Business Unit, Tata Motors; Mr. Shailesh Chandra – President, Passenger Vehicles and Electric Vehicles Business, Tata Motors and all our other colleagues from the Investor Relations Team.

We will start the session with an overview of the financial and business performance from the management, followed by Q&A. Over to you, Balaji.

P B Balaji: Thanks, Prakash, and thanks all of you for joining this session. Without further ado, let me quickly go into the "Highlights of the Performance of this Particular Quarter."

Standard Safe Harbor statement, nothing new in this time around.

Product highlight, we have seen, despite COVID, despite a challenging situation that we faced, it has been an intense period of activity for us in the quarter. We launched in commercial vehicles. I am sure Girish will want to talk about it, the next-generation connected vehicle solutions called "Fleet Edge."

On the PV side, we launched the Click to Drive sales platform; and of course the holistic support being provided to the truck operators, which Girish has been talking quite extensively about. And as far as JLR piece is concerned, the Defender wins the Production Car Design of the Year. And Range Rover has been launched with special editions, full upgraded range. We are going to talk about that later and same with Range Rover Sport as well. So, the product offensive continues.

Next slide, Prakash. As far as numbers for the quarter is concerned, clearly, a challenging quarter if there was one and revenue went down by 48% and of course overall for the quarter the losses of about Rs.6,184 crores is what we had. EBITDA was still positive at 2.6% and EBIT was down at (-15%) fundamentally because of the negative operating leverage that we saw. All round COVID impact and one particular callout that I will do is that slowly gradually operations have started resuming from mid of May both in JLR as well as in Tata Motors here. And for the quarter, JLR delivered a Charge+ savings of 1.2 billion and Adrian is going to talk about that in greater detail. We are delighted that we are stepping up the target even further in this quarter for the rest of the year. And in India, what we committed Rs.6,000 crores of cost and cash savings is starting to coming through with good momentum. There's obviously negative leverage in both places.

On the free cash flow side, we are a cash outflow of Rs.18,000 crores, almost Rs.15,000 crores out of that is just working capital I am going to talk about that. And this is significantly better than the expectation and the guidance that we gave last time around. Thanks to the cash and cost recovery efforts that are happening in both places.

The only point I would make on the overall PAT line, which I will talk about when it comes to JLR is a deferred tax asset matter which we will cover in the JLR side.

"Revenue." This is a standard slide, horrendous call in terms of the volume mix going on by Rs.30,000 crores, almost entirely explaining the performance of the quarter and JLR impact should be almost Rs.20,000 crores and TML at about Rs.10,000 cores. Call out to the TML revenue down by almost 80% with CV down 97%. Clearly, we are in challenging times if there ever was one.

On the EBIT line, we had a decline that went right through. JLR and TML both fundamentally explained by the operating leverage point. So there is nothing new in this particular thing other than both business is affected.

On the free cash flow slide, the call out I would make is Rs.18,000 crores was the cash outflow for the quarter, but close to about Rs.15,000 crores of it, Rs.14,696 crores that you see there is a working capital unwind which would come back again once the business starts growing again.

As far as the Cash PAT and Investment is concerned, that delta is only about Rs.3,000 crores, which is clearly calling out the work done on the cash conservation side and the cost reduction side as well.

On the debt profile, overall liquidity is adequate and strong as the JLR sitting at 4.7 billion including an RCF of 1.9 billion and TML sitting at almost Rs.7,000 crores with cash of about Rs.5,400 crores as the quarter ended. Net consolidated debt, thanks to the cash burn that we saw earlier moved up from Rs.48,000 crores to Rs.68,000 crores, almost entirely explained by what we saw in the free cash flow line and we are expecting this should start reversing once the working capital comes back again.

Where are we on the deleverage actions that we put in place? As far as JLR is concerned, our Charge+ target have been enhanced further to the £6 billion by March 2021. CAPEX for the year at £2.5 billion, confident that we will get there and we are reconfirming that we will be cash-positive from FY'22 onwards.

As far as India is concerned, update on cost and cash, Rs.1,000 crores almost delivered for the current quarter without working capital. And CAPEX, we will meet the Rs.1,500 crores number. And this is just the start of action that we are putting in place as we deleverage this business significantly by FY'23.

Let me now hand this over to Adrian. And there is just one callout which I would ask him to speak, a little bit on the PAT or the deferred tax asset under the PAT line, which is probably the only tricky item in the overall P&L for this quarter. Adrian, over to you.

Adrian Mardell: Many thanks, Balaji. Good evening to everybody. Let me go through the Jaguar Land Rover results in Q1. So the first thing is the losses in the quarter were £413 million, slightly higher than last year, but only £18 million higher and with revenue and volumes 53% down and there is a significant impact on those cost reductions through the Charge program.

I will take the next piece straight on, that is the losses after tax. They actually were £648 million and there is a big tax charge there, 80% of which is deferred tax, elimination of prior UK losses. So it is accounting treatment only, non-cash. And as we recover from the COVID process, later on in the years that will reverse itself in time, and then the rest of the tax charge is actually in our overseas operations. We were profitable in a number of our overseas operations in the quarter. And, of course, tax charges flow into local jurisdictions. Beyond that, you see the investment number in the quarter, £548 million versus £795 million. So, significantly lower on investment also. And that is a key input and a key driver into our cash outflow number £1.5 billion which is £793 million worse than last year, but given the revenue was 50% down, that is a quite some performance. Overall, the £2.7 billion cash number only slightly lower than the cash we had on hand in June last year, just £182 million lower. That just shows what a super job we have done in cash management.

Next slide if you would, please. These are the retails. Retails actually were 42%, down in the quarter versus last year. And you actually see here the regional splits. And not surprisingly, given COVID actually started in China in Q4 last year, there was actually quite a modest impact in our China retails in the quarter, only 2.5% lower.

North America beyond that was more vibrant; 32% lower than last year. And you see Europe and UK particularly mostly closed for the first six, seven, eight weeks of the quarter, and therefore, not surprised the retail was substantially lower. I would say that from June onwards, the pickup was quite dramatic. We will start to see some of that. And even though we are not showing July data today, that pickup in those regions has continued at pace post this quarter-end. So selling rate is stronger as we go into Q2 and has continued in Q2.

Next slide, if you would, please. So these are the V-shapes that we were all wanting and looking for when we did our year-end presentation just six weeks ago, pretty much every region now showing it. Of course, China was the first and the most dramatic. You see the year-over-year percentage there at the bottom followed by North America. North America, June retails were 2% greater than June in 2019 which is good. UK getting back there and that we are getting a very strong UK July number; July will be year-over-year positive retails in the UK. Europe bouncing back. And overseas are the collection of regional markets and therefore, unfortunately, this disease is landing at different points in times, therefore it is mixed performance in Overseas. And I expect the Overseas recovery to take the longest and be the slowest recovery.

Next slide if you would, please. By nameplate, you can see the differences down the right hand side versus the same quarter last year. So pretty much across the nameplates with an exception of one - Defender of course. We will talk in a few moments a bit more about Defender. But we started to make Defender retails later in the quarter. Launches have started to begin in early June. And we wholesaled almost 8,000 units as well. I will pick up that story in later slides.

Next page please. So lots happening on this year-over-year page. Some things of course would be obvious. So last year in Q1, we lost £395 million, this time, we have lost £413 million. As you would expect, with a 50% reduction in volume, substantially all of the losses year-over-year in the volume, mix and market. The headline volume number you see there and also of course with the dealerships closed and with a lot of people actually not traveling and using their vehicles through much of the quarter, parts and accessories was negative versus last year as well.

One really good call out here: the China JV. You know we have had 12-months of difficult time in China. And we did commit and promise to you guys that that would start to reverse…it has reversed. We are close to breakeven in Q1 in the JV and the outlook for the rest of this fiscal year is positive also. So that is one call out I wanted to make given that is a commitment we had previously made to you.

VME pleasing as well. Same level as prior year even in a very-very difficult market. So even though our volumes were down, we were pretty much selling the units at the level we would previously have been at which is good and lots of good news here on warranty. We did have a bad quarter in Q1 last year. We have had a good quarter this time. Warranty, you see there is down to 3.8% of revenue and I have talked about warranty previously, we are becoming more and more confident that the quality of our vehicles are improving, we are now picking up quality awards as you would have seen from the USA on some of our nameplates also. This is another commitment we have given to you previously that has started now to show in the actual results. Warranty is a huge lag indicator of course because our rules of the road make us quite conservative in the reporting of the data, but I do expect later in the year for these improvements to continue.

Material Cost: our cost reduction efforts in the quarter were slower than last year as you would expect given the nature of what has been happening to us and the supply base and there is also some lump sum settlements we made to certain suppliers in the period. So, that is one to watch later in the year. As we turn back to normality, I expect the power of our Ignite material cost savings to start to kick in, in the second half of this fiscal year.

Great performance on structural costs everywhere. Fixed marketing and selling : we did receive monies from the UK government called furlough for employees who actually were not working.

We had 20,000 employees at one point in April actually not working and we were receiving a contribution to their salary from the government that is shown in there.

And the other one to call out here is the de-stocking. That is effectively manufacturing inefficiencies when we do not build cars. And therefore there is very much a twin between the destocking and the money contribution we would receive from the government on furlough.

Big improvement versus last year on exchange. As you can see there all elements operating, but the one I wanted to call out here was the realized hedges. We are crystallizing all of those very old hedges that were put in place pre-Brexit and versus last year, our losses on those contracts were £100 million lower, although we still did lose about £49 million on those contracts in the quarter. And that is of course because the spot rate on Sterling has been so weak over the last several weeks and months though strengthening of late as you would have seen. Charge £1.5 billion lifetime on costs and profits. And we will call out that a bit more later as well.

Next slide if you would, please. Really important slide as well. So, we lost the £1.5 billion cash in the quarter. You will remember we said to you in June we'd lost that in April and May which we had, that tells you we actually were cash breakeven in June which on a 50% lower wholesales which June were as well. That just shows the power of the program once the working capital disadvantages are worked through. Balaji made the point, once we start building cars, that will build back later on in the year starting in Q2. Look at the bottom piece right. Our underlying cash loss was actually lower than Q1 last year even though volumes were 50% lower. That is how powerful the Charge program and the actions we have taken and the speed of those actions, has had a dramatic impact on Q1.

Next slide if you would please. So investment was much lower, as we committed it would be. We still hold on to the full year guidance of £2.5 billion. £548 million of that we spent in Q1, reductions in all categories although capitalized expenditure was lower year-over-year and of course a number of our engineers were actually not engineering, they were not working and therefore their costs were expensed. That is why the capitalization level was lower by 61% in the quarter I believe.

Next slide please. Okay, let us take a look at a little bit more strategically. We could spend an hour on this or 10-seconds. I'll do the 10-second version. Significant risks; we all know that. In a month's time, the page will shape slightly differently. So obviously, the name of the game here is not to be too exposed and extended and with basically our principles of lean business, inventory, investment expenditures which have been triggered over the last two years with Charge and have accelerated in the quarter will continue until we start to see that stability that we all hope and pray for.

Next page please. We said this was a demand-led restart. A lot of people were saying it, but I think you will see from this page. It is starting to come through and work. 98% of our dealers globally just over 1,500 dealers in total were fully or partly open. In North America, given the resurgence of the outbreak in some of those states, then a few more dealers were closed in June.

You see on the right hand side what that means to our production. Now, all of our plants are actually open with the exception of Castle Bromwich which actually does open when everybody returns on the 10th of August. And some of our plants already are back on two shifts, producing the SUV-5 vehicles at Solihull and also the Defender vehicle in Slovakia. We had a good mix in the quarter. Even though we were down overall on sales, we had a good mix of sales with our largest vehicles and our Defender's high demand for those units even during Q1 COVID.

Next slide please. This is a really important slide and we hopefully will get the message over. And the reason for showing it is two things actually -- One is, at the end of March, given sales stopped really-really quickly, UK, Europe, and North America, we had an acceleration of our dealer stock. Our inventory as you know March is our biggest selling month from many respects, COVID actually hitting most of our regions in March was actually the worst place for it to land. We built the cars, we had shipped the cost to the dealers and then all the dealers closed. That means we had a huge increase in dealer inventory. That is shown actually on the blue line as we went from December through to March. Of course, we do not build all those vehicles just before. We distribute them evenly across the quarter and we build up our inventories waiting for that March sell down and it did not happen. So we are significantly overstocked. That grew to 109,000 units in May. And we are working really hard to get our dealer inventory back where it needs to be. It dropped to 88,000 units just over at the end of June and it is dropping even more dramatically in July. When we show that on a day's cover perspective, we had well over 140-days at the end of March which is far too much stock at the dealers of course, for the reasons I have just said. A drop dramatically to 90-days in June and again it is falling even more dramatically in July. Our target is 55-days. We believe we will mostly get to that target by the end of September, either September or October. And the real point is of course here, when we are retailing more than we are producing in wholesaling, that is a short term dramatic impact on our efficiency and the cash coming into our business and that will continue in Q2. So we believe we will be loss making in Q2, but overwhelmingly because we will be repairing retailer inventory. And once we have done that - and I do not think a lot of people expected us to cleanse our business as soon as September given when COVID landed- once we have done that, we will start to see a normalized half two where production wholesales and retails are very close to the same number with the exception of CJLR, of course, a joint venture which we show as a retail number, not a wholesale. So our jobs to repair this by September and then we will then see dramatic improvements to profitability in the second half of the year. This page is telling you we are on track with that, in fact, we're ahead where we expected to be. And July numbers dropped down to 70-days - just over, - so dramatic improvement in July also.

Next page please. New product… great new product actually on our Range Rover and our Range Rover Sport. New 48v MHEVs, 12% improvement on efficiency, 12% reduction on CO2. Lots of special editions including quite a dramatic color there you see. The Fifty, the Westminster, SVAutobiography, all of that coming through same on Range Rover Sport as well. These cars are selling really well in this period particularly in our big regions, China and North America. So we are really pleased how these SUV-5 units are still selling in that part of their life and they will continue to do so over the rest of this fiscal year we believe.

Next slide please. "Defender" - wow! So we had a good June, even though the launch as you know was stuttered as a result of us not wanting to launch when dealers were in shutdown. We did go ahead with some virtual launches. You can see at the bottom there by region when those launches started to land. UK, Europe in May, North America, June and 24th of July, we launched in China also. We have got 30,000 orders already which basically means there is a full order bank most for the rest of this calendar year. We have got more than 1,100 orders from China from the week-ago launch as well. So really sensational response to this vehicle. So sensational, we decided to delay the launch of the Defender 90 which will now be later in the year to make sure we give the 110 a chance to reach all of its intended customers before we bring out the next super derivative of this super vehicle. BMW decided they could not do this, so did Ford. Jaguar Land Rover and the Tata Motors launched this vehicle. It is a dramatic vehicle and it will be successful for a generation to come in many-many- many forms. We are so proud of the achievement of the team on the Defender.

Next slide please. Electrification - we told you again, there will be a huge increase in the electrification offerings we do over the balance of this year. So we are moving to 1 BEV, you know that the I-PACE, 8 PHEVs by the end of the calendar year and 11 MHEVs through this as well when we launch finally '21 model year vehicles. This is our portfolio that will make us compliant from '21 calendar year onwards.

Next slide please. Charge has charged faster than we expected it to be able to do. It has had a dramatic impact in the quarter again. £1.2 billion worth of savings. We have actually artificially reduced some of those savings on inventory because you would have noticed from the earlier slide inventory actually dropped £841 million in the first quarter. We are only reporting £400 million of that within this data because we think that is the underlying improvement we will make across the fiscal year. As we build up our sales, the inventory will grow. We have only reported the full year number that we expect rather than the Q1 number. But even saying that £1.2 billion across cost profit which I took you through earlier inventory and investment. Off the back of that, we have improved our outlook and our target to £6 billion. We are already at £4.7 billion and there is £1.3 billion for us to go over the balance of the year.

Next slide please. This is where we believe we will find it. Investment will be within that £2.5 billion target range. Do not forget, last year was £3.3 billion. So in total £800 million will come from year-over-year investment improvements, of which almost £300 million was in the first quarter. Inventory, we have capped at the £3 billion level as I have just said and the rest will come from a mixture of profitability and cost reduction and I have already indicated one or two; warranty starting to come through and we will deliver more as we progress through the year as those '20 model year cars which have significant improvements across all name plates versus earlier model years will start to impact our actual results and our cash spend.

Material cost savings will build through Ignite. We talked about ignite last time. So I would not dwell on that, again and again that will be in the second half of the year and we are starting to see a stabilization of VME and the power of lean inventory and pipelines are shown first in China. Transacting prices are increasing in China for import business. And that means our variable marketing reducing in China for import business. So we are very confident in the program. We have gone early to the £6 billion level. We think that is a great target for the full year and we will come back and report quarterly our progress against that target which we believe we will deliver.

Next slide please. New funding. No changes since we talked on the 15th of June. So it is still the China three-year facility that of course the cash is now drawn down on. And the two smaller facilities, biggest of which is in the UK which actually rolls out later in the year. We may take opportunities later in the year to refresh our borrowings to build our liquidity but that will still mean investment targets as quoted will remain the same.

Final slide for me. So outlook - Of course, it is uncertain. And therefore we will not overextend ourselves in this uncertain period. Q2 fiscal year sales volumes, they are going to be higher than Q1. I have mentioned that we will be repairing dealer inventory. So, not all of that improvement will flow into wholesales, revenue and cash in and therefore, we do expect to be loss-making in Q2. But I also expect to be cash-positive in all remaining quarters this year as we build back that working capital that we saw dramatically impacting over the first two months. And I expect us to be sustainably cash positive from FY'22 also and that is the power of the Charge program that we talked to a lot that will continue to improve our efficiency and reduce our breakeven points and our cash generation points.

Focus Areas - new models, lots of them coming through. Great point in the marketplace they are hitting. The Range Rovers, the Range Rover Sports to the Defenders. This is another sweet spot for us. The cash savings we talked about on Charge and the investment guidance £2.5 billion this year and up to £3 billion from next year which is lower than the previous guidance we would have given two quarters ago. I think that is my final slide.

P B Balaji: Thanks, Adrian. Moving quickly onto Tata Motors. A very-very challenging quarter there with the revenue down 80%. And the point of highlight here is almost everything is operating deleverage that you see. And the negative operating leverage is a better way of putting it. This is resulting in a PBT loss of Rs.2,190 crores.

The only piece to draw your attention is on free cash flows. We are at negative Rs.4,294 crores, better than last year and better than what we guided as Rs.5,000 crores outflows and we will talk a little bit about cash in the coming slides as well.

Next slide please. PBT is almost entirely volume and mix and the fixed cost are numbers that you are seeing is flowing through savings, more or less getting offset by the loss of dividends from subsidiaries and finance cost as well. So overall, it is a volume mix story.

Free cash flow of course we talked about. Out of the Rs.4,294 crores, almost Rs.3,000 crores is working capital. And out of the Rs.3,000 crores, almost Rs.3,300 crores is payable, just tells you that we have just paid people and no revenues to be collected and that is the impact that you see out here. Better than last year and better than guidance of course.

"Investment Spending." Nothing to report here other than complying with the guidance that you put out there.

On the cash savings, we have delivered Rs.1,022 crores to-date. Split it up. Out of the Rs.3,000 crores investment plan we have delivered Rs.480 crores which is a reduction over the same period last time and we will deliver the Rs.3,000 crores as the year progresses. Working capital consciously we have not taken it because we want to wait for business to resume before we call out anything on working capital. You cannot do that with an 80% reduction in revenue. And as far as cost and profits are concerned, we are off the blocks at a high pace delivering almost Rs.540 crores in the cost and profit line which is reassuring. So, we are quite on track to deliver this Rs.6,000 crores that we called out

Compared to last time, the only additional call out is that an additional Rs.3,000 crores of loan have been secured and therefore at this point in time, liquidity is adequate, but we will continue to evaluate options to shore up liquidity while reducing net debt. The commitment to reduce net debt both in JLR and TML stand, but we will look at options to improve our liquidity position.

On the commercial vehicles side, I will then hand it over to Girish in a minute. The market shares overall down 29.6%, fundamentally led by the salience in the SCV segment, given medium and heavy commercial vehicles and ILCVs actually were very, very anemic at this point in time. We continue to be impacted by the supply situation because of the intermittent lockdowns that are there in various parts of the country and therefore this is going to be a challenge for us to address in this particular quarter to get this under control so that the supply chain moves to a more rhythmic manner compared to the stop and start mode that we are currently working on. I am sure Girish is going to talk a little bit about it as well.

Overall, on the numbers, staggering 97% reduction in volumes and a 90% reduction in our most profitable segment which is what is causing the pain and grief that is out there. At this point in time, demand remains muted. Unfortunately, there is no mega signs of renewals though there are green shoots a little bit here and there. Girish will talk about. And clearly, there is a cause of concern on the vehicle financing area where the rise in prices of BS-VI vehicles as well as financiers is getting more conservative on the loan-to-value ratio, very clearly, the amount of equity that the customers need to put in is increasing. And we are working with the financiers to say what is the best way to unlock it while at the same time managing the risk for them. So this is going to be a key piece of work for us in the coming quarter.

Girish, can I hand it over to you on the demand side?

Girish Wagh: Yes, Balaji. Hi, everyone. As Balaji mentioned, I think the industry collapsed by almost 85% in Q1. And to a great extent, retail started happening towards the end of the quarter. And for us, therefore, this quarter was more about reducing and stocking up the dealers, because we started this year with zero inventory at the dealers, and that is what was our focus as of now. And therefore, one can see that the retails have also actually lagged the wholesale which will continue for some more time as we kind of keep on stocking up the dealers to the required level.

When we come to the demand situation, a few key points. As Balaji also mentioned, I think the financiers are taking a conservative approach. But I must say that there has been improvement in the month of July. So as we move from Q1 to Q2, there has been an improvement while we are speaking about Q1. So that is some silver lining now. I think the loan-to-value ratios were not to the level of BS-IV that is pre-COVID in BS-IV as also I think the retail customers are finding it difficult to get financed. But gradually, the situation is improving and we see this improving as we go further. We have been engaging with the financiers to come up with new products which actually in some cases ensure that the EMI remains same as BS-IV level or at least the total cost of operation remains the same for the customer. So I think that is the kind of engagement we are having with the financiers.

As far as freight levels, if we look at the data at the toll stations, so e-Way bills, so one sees that towards the end of the quarter, we had reached around 65%, 66% of the pre-COVID levels. So the freight is to that level if one can say and is also seen in terms of the diesel consumption. I think driver and labor unavailability still continues to be an issue with the reverse migration of labor that has happened. But gradually, the situation has been improving. And as the fleet owners are getting freight to transport gradually we have been able to pull the labor back.

Monsoon, of course, like every year is dampening the revival in mining, road, infra and construction although, we do see the new projects been coming up especially from NHAI.

In terms of school reopening, I think ambiguity is more about the timing. So as of now, the schools are not open. And also most of the staff is working from home. And as a result, requirement for staff buses is also very-very low. And therefore amongst buses I think it is only the ambulances which is kind of a saving grace. Otherwise, both school and staff which form a key requirement in Q1 have actually almost collapsed to zero.

Government's limited spending capability. I mean, all of us know. So the amount of money they are able to spend in new projects will be very key to determine how specifically MHCV start recovering going ahead.

Some of the bright spots. I think, as I said, from April, May, June, the utilizations have been improving, freight availability is improving and in fact, if you see, our workshops have already reached 100% of the revenue level from pre-COVID level. So that is a very good sign which means that the vehicles have started running and the job cards being opened at our workshops are almost to the pre-COVID levels.

Rural economy is clearly leading the revival with higher rabi crop and as well as good monsoon promising a better future. We see some of the green shoots in steel, petroleum, especially FMCG and eCommerce, pharma, dairy, fresh produce. So these are some of the end-use sectors which are doing well and there are quite a few enquiries which are coming up from these segments. And even within that, specifically, one sees higher demand for the last mile distribution which is addressed by the small commercial vehicles and therefore, the salience of small commercial vehicles has further gone up almost up to 80% of the industry. And after that, one sees there is a demand for the light commercial vehicles.

So in terms of demand contraction, I think it is maximum in medium and heavy commercial trucks as well as buses and then one sees slightly better in ILCV and HCV. I spoke about workshops getting back to the earlier pre-COVID level, which is a good sign. And whatever vehicles we have been able to retail has also demonstrated to the customers. We see a good appreciation coming from the customers to the intent with which we conceptualized, developed and delivered these products. And they are appreciating the improvement in the total cost of ownership. So, we therefore intend to leverage this as we go ahead to push the retails.

So what is it that we have been doing and what we will continue to do? So on the demand generation side, I think upskilling the sales force because still a lot of work is happening through digital means. But the good thing is as a part of this, there is a lot of digital reskilling which has happened for most of our sales force and people are getting comfortable with this. Of course, the last mile part of converting the lead into a sale which is about physical document collection, etc., still continues and in some cases, it is also kind of a bottleneck.

We continue to engage with the customers and all other stakeholders in the system, whether it is financiers, body builders and so on and so forth and continue to address their needs. The focus of our communication as I explained in the last call about our BS-VI pricing strategy, so continues to be more of value communication and focus on market operating price and improving the performance through more and more field trials despite the COVID-related difficulties.

We have to support our value proposition in the product. We are coming with a new value added services and two of them I would like to speak here. I think the first one is about uptime and turnaround time guarantee which we have introduced. So as we have been in touch with a lot of end use sectors, so depending upon the need for specifically for e-commerce sector as well as the tipper in construction and infrastructure industry, we have come up with this value-added service of uptime guarantee as well as turnaround time guarantee in case of a failure which is catching traction with the customers. It adds a lot of value to them.

And second one is, as Balaji mentioned in the preamble is about launch of our next-generation connectivity solution, which we have branded as "Fleet Edge." So the purpose of this Fleet Edge is to improve the trip and fleet efficiency by leveraging our connected vehicle platform which is in fact common in terms of hardware and the basic software on that is common between PV, CV, but all the applications are of course customized for a specific business unit.

So it addresses the top pain points of fleet customers like reducing the operating cost, then having better control over cash flows, then having integrated view of fleet utilization, having better control over trip and trip times, driver performance. So I think the purpose is to therefore provide the customers through better control and fleet productivity through trip management, asset management as well as business management. So this is the first version or MVP of the solution that we launched. We continue to come up with upgrades in the Fleet Edge as we go ahead. So, this will also further help us to deliver higher value to the customers through digital means.

Last point on "Demand Generation." I think we continue to focus on demand fulfillment through volume ramp-up. So, a lot of focus on monitoring all the vendor sites, more than 1,000-plus vendor sites are being monitored to ensure that we do volume ramp-up. And also we will continue to comply with all the safety guidelines and standard operating procedures across the plants. The focus on cost reduction and cash conservation continues. So I think whatever targets we have set for ourselves, the first quarter targets have been met on both and we also continue to develop the visibility for the target set for entire year. So we are on track on this.

That is it. Balaji, back to you.

P B Balaji: Thank you, Girish. Quickly moving on to "Passenger Vehicles." The key call out is the market share increase to 9.5%. Obviously, the New Forever range as well as the new launches have done exceedingly well for us. Obviously, this is the first quarter. So therefore, we would not get ahead of ourselves, but quite pleased with the way the reimagining PV call out that we have done is now starting to yield results. July continues to be strong as well. So let us see how that finally plays out. Another call out is the EV market share which continues to do well for us at 62% and we are seeing strong demand for the Nexon EV there.

P&L wise, again, it is fundamentally an operating deleverage story that you are seeing out there with a revenue drop of almost 60%. So, we aim to reach EBITDA-breakeven at the earliest as far as this business is concerned because clearly we are seeing the momentum starting to build and we would want to get as soon as possible to where we were and then build from there on.

Shailesh, can I hand it over to you for a quick…?

Shailesh Chandra: Yes. Thank you, Balaji. So let me quickly talk about the impact of pandemic on the entire value chain of PV industry which in Q1 declined by 78%. So talking about the demand side first, after zero industry sales in April, the industry progressively witnessed revival in demand from May which was basically supported by pent up demand post lockdown and also demand for new BS VI upgraded cars and greater preference for personal mobility owing to risk of catching infection.

During the quarter, there were stringent guidelines imposed in the country to start with which then transitioned to staggered start, stops in different part of the country which actually created periodic disruptions for us. Also, the stringent guidelines that had to be followed triggered new way of working in the industry.

In EVs, we saw that the fleet demand collapsed due to major shift in the employee transport segment wherein work from home policy in IT companies started. So, our traction in the personal segment as Balaji mentioned has continued and the EV segment has grown compared to a very low base of Q1 last year. As far as managing network operations is concerned, owing to the manpower challenges and constant anxiety over intermittent lockdown, it was a very tough situation for the network. Enquiry generation was also a challenge because outdoor BTL activities could not be done and therefore also there was high dependence on digital enquiries, tele-calls.

As far as the lending environment in retail and channel finance is concerned, the share of NBFC loans has significantly dropped from 25% to 13% due to a very conservative approach in the uncertain environment. And with the changing consumer profile and mix, which was skewed more towards salaried and government customers, share of actually PSU banks saw increase and loan to the dealers also followed very strict sanctioning process.

On the management of supply for demand fulfillment, was very critical in Q1, actually those who are able to supply more definitely were the beneficiaries. It witnessed multiple challenges on the supply side. Also, the demand pattern kept on changing. So, it was important to dynamically check and align the supply also to that. Major suppliers were affected with very high absenteeism. Social distancing rules also hampered the capacity and output as less workforce could be deployed in the factory so that one could comply to the 6' social distancing rule, etc., and supplies witnessed significant working capital deficiency issue. So, this was the impact on the entire value chain.

If we move to the next slide, in these supply challenges, what was we saw in the industry, we continuously worked on actually smoothing the supply situation by ramping up our operations post-lockdown. And our factories in Pune and Sanand were smoothly ramped up adhering to all the safety and social distancing guidelines. Our manpower availability and deployment also ramped up gradually as you can see some figures here. Production could only restart in a proper manner in June and post that we have steeply ramped up in July to service very strong demand. As far as suppliers were concerned, they too started with very similar challenges. And by June, 100% of them although had resumed operations, but manpower availability remained a challenge which over a period of time also improved in their case. In this period, we ensured that we provide full support to the suppliers to overcome their financial concerns and wherever needed also on sourcing of manpower. And we have continued to ramp up our operations to service very strong bookings that we have been getting across India.

Next Slide. In the frontend also we initiated multiple actions for recovery and growth. On enhancing sales growth, we are focusing on retail-driven growth by aligning ours as quickly to the changing demand pattern. We also introduced innovative financing schemes for the changing need and preference of the customers, example, low EMI and long tenure schemes. And also to maximize alignment between supply and demand in the challenging environment, we ensure very close coordination among dealers, sales team and backend team. On the after sales side, keeping in mind the health concerns of customers and movement restrictions, we reached out to customers for home service to get their vehicle on road, provided special service for COVID warriors giving them the priority. Also, we were very liberal on extending the warranty period wherever it was expiring and also ensured that sanitization measures and full safety of our consumers were taken care of.

As far as network was concerned, we understood the difficult period for our channel partners. And in the crisis period, we did extend best possible support to them to ensure their business continuity. We actually redesigned the incentive system also so that we could help them get better profitability in these uncertain times. And in this tough period, we ensured constant engagement and better coordination with them so that we could ensure retail momentum and with the mindset of creating a win-win proposition for both Tata Motors and dealers.

On the "Digital Initiative" which has become very crucial in the new normal, that has been evolving, we activated our Click to Drive support online lead generation, booking and interaction with sales executives. This has really made it convenient for the consumers. And I think this will increasingly become the new way of car buying in the customer journey.

Also, we have been supporting dealers in creating their web-pages through Google My Business, which is helping them in local and high quality lead generation and also managing the pipeline and customer relationship better. So PV business with all these efforts I think is progressing well. And it is a reimagining journey to win sustainably. So back to you, Balaji.

P B Balaji: Thanks, Shailesh. Moving forward quickly in the Tata Motors and a conscious of time, let me just call out the key points here. This is a quarter where everything was on moratorium in terms of GNPA calculations, in terms of disbursals being very-very down. So therefore, it has been a very quiet quarter, but at the same time, it is a quarter where a lot of solutioning has been done with the business to figure out base to actually drive growth while at the same time minimizing the portfolio risk. As we look forward, the coming quarter is going to be very key because collections is a very key focus area as the customers come out of moratorium. We are seeing an encouraging trend of people wanting to pay and come in. Therefore, September is going to be a key month and all efforts are there to ensure that we land that well.

Internal work on both getting asset-light as well as cost-to-income ratio which are continuing to improve, that continues and the business has sufficient liquidity at this point in time. So this quarter is okay, let us see how the next quarter actually lands. And if we get that right, I think we are in a good place.

Looking ahead, I think the key callout, we would say that as both JLR and TML and a overall group, we are committed to sustainable positive cash flows and wanting to ensure that we want to reduce net debt significantly while becoming future-ready. That is a big callout. The individual pieces are there as to what each of us are doing. But the alignment and the messaging and the focus of area of us and our teams are absolutely spot on.

With this, let me end here and hand it back to you for questions if any.

Prakash Pandey: Thank you, Balaji. We will now begin the question-and-answer session. Participants on the webcast can use the ChatBox also appearing at the bottom to submit their questions.

First question is from Robin Zhu from Bernstein. And a question is on JLR. It is a little surprising given the very high ARPU, China import mix and weak GDP that the variable profit margin was not stronger. Could you discuss the positive and negative impacts on the variable margin during the quarter? Is it reasonable to say that Q1 will be the lowest level of the year? And second question is how confident are you that the monthly run rate in Q2 and Q3 will be higher than in June? What level of year-on-year margin headwinds do you expect from rising EV mix in FY'21 versus FY'20?

Adrian Mardell: Let me take them in the order you asked them. So the elements of the mix, most of these should not be surprising - I do not think. Obviously China, North America, SUV 5, both recovered, were the two regions that recovered quickest in the quarter and they start to explain why the headline gross revenue numbers per unit are higher than normal. Obviously, the offsetting factors here to some extent are manufacturing footprint and inefficiency we had in the quarter. We start to show some of that with the destocking line, but also the material cost adverse you would see that. We did not get as much TVM or cost reductions in Q1 for obvious reasons. That £52 million adverse is about £1,000 a car of course on a wholesale profile. So those are the reasons why it was strong, but reasons why in Robin's words, it was not as strong as he would have anticipated. From a run rate perspective, the second question, yes, we do see the retail rate run rate increasing in Q2 vs Q1. Your specific question was June. We will start to see July sales levels consistent with June actually, but if you look at our prior year profile, June was significantly higher than July last year. So on a year-over-year basis, July will hold up very well versus prior year. Overall, the quarter, the actual reduction to last year, we do expect a small reduction in retails, but nowhere near the 42% level. I think June was down 18%. We will be better than that in Q2. From a retail perspective, we do expect year-over-year declines to slow. From a wholesale perspective, we will build it back up. We will be higher in Q2, maybe 40%, 50% higher than Q1. We are building about 80,000 cars. So that should give you some direction about what the wholesale numbers at the optimum level would be close to being. And the final one you asked, I think was about EV mix. Obviously, it depends on what the take up of those EV vehicles are when they actually come to the marketplace, etc. But I think it is reasonable to assume that like-for-like if we increase EV and PHEV sales, the contribution is going to be lower. We know that. And that is why the important data we shared earlier about our confidence in improving warranty, our confidence in improving material costs in the second half of the year and in a very disturbed market, our VME was similar to levels pre-COVID. All of those improvements will start to come through later in the year and offset or may even be favorable to the PHEV mix we are seeing in the balance of this year.

Prakash Pandey: Thanks, Adrian. Next question is from Arvind Sharma from Citi. Can you please talk a bit on the tax charge -- does it reverse over the rest of the year? So this question is also for the tax charge in Jaguar Land Rover.

Adrian Mardell: So the majority of the charge, just over 80% of it related to UK losses previously recorded as a deferred tax asset. COVID stopped that. So we have to have confidence that we have a line of sight to solid profitability in the UK for that to reverse. Given COVID is going to be with us in part next quarter, the dealer inventory reparation work we need to do, it is most likely there will be no reversal in Q2. We created the deferred tax asset during the course of last fiscal year. I think off the back of two solid quarters of profitability. So, if history repeats itself, you need to see that before we actually start to replace it. It is time though… this is just time. Whether it hits at the end of this fiscal year or early next fiscal year, it will actually show itself again as a deferred tax asset once we start to see those losses eliminated and a sight to profitability.

Prakash Pandey: Thanks, Adrian. Next question is from Sahil Kedia from Bank of America. And the question is again for JLR. At JLR, a lot of Q1 Charge+ savings are lower expenditure and furlough-oriented. Cost reduction itself appears low. What are the areas in which we are likely to focus to achieve the FY'21 target?

Adrian Mardell: It is an interesting perspective to say that cost reductions were actually low because they were actually huge. I think you need to understand what the process is we use to drive this. We basically use a zero basing of spend in the quarter. And that is why we actually have the dramatic impact within the quarter. So, if you think that this is a demand-led recovery for production, it is also a demand-led recovery for expenditure. And we will keep those processes in place until the revenues we start to see come through probably through into Q3 come back to a normal level. Now, underpinning that, some of the other structural items that you see the reported numbers around headcount. Headcount levels continue to fall. Do not forget pre-charge headcount levels were 44,500 people. At the end of last year, they were 37,400, I believe and they will be lower than that as we go through September. So some of the underlying physicals will start to reduce and continue to reduce as well as that zero basing. So I think you will be surprised the amount we can do with these processes as we go through the course of this year. Once we actually start to see properly what the more certain revenue streams are later in this fiscal year, this will be a better discussion to have in terms of what our responses then need to be as a continuum.

Prakash Pandey: Thanks, Adrian. The next question is from the line of Sonal Gupta from UBS Securities. Question is what percentage of EU sales come from Germany? What benefit do you see from increased EV subsidy?

Adrian Mardell: EU sales from Germany is just under a quarter of our sales in Q1. That gives you a sense of that. What benefit do we see in terms of the increased EV subsidy? In terms of future subsidies, really difficult to tell, although history may repeat itself of course. We remind you when subsidies came into different markets, Netherlands, Norway and to the UK, there was quite dramatic response from customers for a very short period of time. So it really depends how big those subsidies are, how long they stay in place. But we do expect improvement in those EV sales in the markets when they are announced. But it would not have a huge and dramatic impact on our financial position. Of course, it will have an impact going forward on our compliance position.

Prakash Pandey: Thanks, Adrian. Next question is from Chirag Shah from Edelweiss. Question is again for JLR. First is new launches especially new platform of RR and RR Sport timeline and any delays in the same? And second question is the hedge rate still favorable? And what are the key monitorables to watch out for? And the third question he has asked is costs that are likely to come back as business normalizes?

Adrian Mardell: So I will take the first question. Special editions will be on sale as we come back from shutdown later in the year from our '21 model year vehicles. So, think about it, accessible to customers from the second half of the year. Increasingly, of course, as ever, along with our pipelines, so our pipelines in UK and Europe are the shortest. Just so if you look at your Defender profiles, you will get the same rollout by region and by market month-after-month-after month. I am going to ask our Treasurer to answer the hedge rate question.

Bennett Birgbauer: So the hedge rates on the key currencies, dollar, euro and renminbi (CNH) are similar to what we talked about when we had the call just about six weeks ago. So Dollar relative to market rates is somewhat unfavorable. Renminbi somewhat unfavorable. Euro is actually favorable. The Pound has actually strengthened against all the currencies over the last couple of weeks. And it is actually the case that our hedge book is actually in a positive position now whereas it has been in a negative position. So that is just because of the movement in the currencies. But it does depend over time, because it does include hedges that mature in FY'22, FY'23 and beyond and the hedge rates are a little bit less favorable in FY'21, because we have still got some old pre-Brexit hedges.

Adrian Mardell: Thanks, Ben. And the last one I think we touched on a little bit, but let me kind of come at it from another angle, just to make sure I respond to the questioner. We will build up the costs as it comes back. Some of that will be natural as a result of activity increasing. We will be building more cars. We will be bringing more people back from furlough to build those cars. And the furlough offset monies from the government will go away of course. We will build up some of those structural costs, I have mentioned that already. But please be clear, the increase in variable profits that we get will be greater than the variable costs and greater than the buildup in structural costs which is code for we will be profitable in the second half of the year.

Prakash Pandey: Thanks, Adrian. Next question is from Kapil Singh from Nomura and he has said congrats on good results under challenging circumstances. And the questions are, first, why JLR is not working on launching new BEVs as PHEV seems to have low electric only range of around 20 miles. Second question is can you please give some color on why the average selling price for JLR has increased so much? What percentage of revenue for JLR in Q1 FY'21 was from vehicles sold and how does it compare YoY?

Adrian Mardell: Thank you. Let me talk about the PHEVs first. Our range on PHEVs is 66 Kms for the 2021 model year vehicles coming through, not 20 miles, 66 Kms in mileage peak is about 40 rather than 20. We are working on new BEVs. We talked about those to some extent. Some of those programs through our investment reductions and the uncertainty of Q1 were put on pause, the XJ BEV specifically. But those programs are still in our portfolio platforms. And once we are confident those revenues are coming from, we start to see the cash, then you will start to see our responses on new BEVs. We won't indicate timeline for launches at this point in time of course. Average selling price, I think I have touched that a little bit. The regions that came back were China and North America, they're big SUV-5 regions, therefore, the average selling price on those vehicles are greater than regions like UK and Europe which significantly have SUV-3 vehicles i.e. F-PACE and Evoque. So the Range Rover, Range Rover Sport markets came back quickest. That is why the average selling price was higher than you would normally expect. What percentage of revenue for JLR in Q1 FY'21 was from vehicles sold and how does it compare year-over-year? Percentage of revenue from vehicles sold - 90% of it, I guess, the statutory revenue with our parts and accessories in there as well, of course, and how does it compare to year-over-year, we were 53% down on volume and 44% down on revenue. So, we are significantly lower year-over-year on vehicle revenue.

Prakash Pandey: Thanks, Adrian. Next question is from Jinesh Gandhi from Motilal Oswal. And his question is what would be the level of utilization of plants now in July? What is driving such stark improvement in realizations of 20% YoY? Any color you can give on share of non-vehicle revenues? Warranty cost reduction to 3.9% is sustainable at these levels?. Can you guide for the effective tax rate for FY'2021? These are all JLR questions. And then there are India business-related questions. Any outlook for M&HCV and LCV volumes in FY'21?

P B Balaji: Hold it Prakash. Let us finish the JLR, then we will take the India questions.

Prakash Pandey: Sure.

Adrian Mardell: Let me hit some of these quickly. Level of utilization in plants in July '20 was still very low because we are still going for this demand-led recovery which means dealer inventory falling, which means the stocks already in place. As you saw the plant shifts in place two in Solihull and two in Nitra, would not expect that to build across the other plants until we get through to the back-end of Q2 and beyond. Your next question, non-vehicle revenues. Very light. We did dispose of some shares in the quarter for $20 million some, but very light and in parts and accessories you saw were significantly lower on a year-over-year basis. So overwhelmingly, it was vehicle revenues. Warranty cost 3.9%. Is this sustainable at these levels? We believe it is. We believe the underlying performance of our new vehicles coming through at '20 model year, once they mature enough for us to actually assess, is lower than 3.9%. And what you find within our warranty profile increasingly as you go through the fiscal year, it's made up of two model years only, 2019 and 2020. So we do believe we now are ahead of the data in terms of warranty cost and you will progressively see that to come through at the lower levels probably in half two, but certainly by Q4. Guide on Effective tax rate for FY 21? Really difficult for me to do for full FY 21. It was a weird rate of 57% in Q1. And I think if we did not have the DTA adverse, it had been something like 10%. So I am not expecting those DTA adverse to kick in again or reverse. So your ongoing level will be in the 10%-to-15% rather than the weird 57% you had in Q1 I suspect.

Bennett Birgbauer: In longer term, it would be 20%-to-25%.

Adrian Mardell: Thanks, Ben. Longer term, 20%-to-25%. 19% in the UK and it is about 25% average outside of the UK.

Prakash Pandey: Thanks, Adrian. For India business, the question is any outlook for M&HCV and LCV volumes in FY'21 and what would be the level of utilization of plants now in July '20 for CVs and PVs? And similar to JLR, what would be the share of non-vehicle revenue in 1Q FY'21 Vs 1Q FY'20?

Girish Wagh: So, I think on M&HCV and ILCV forecast for FY'21, I think we are going quarter-by-quarter. It is very difficult to predict what is likely to happen almost for the entire year. So the first quarter M&HCV volumes were pretty low as you know collapsing almost 90%. I mean, we are looking at Q2 to be at total industry volume upwards of 15,000 around that number which will be a good growth over Q1 if you compare, but it will still be a drop as compared to the previous year. And I think for the entire year, as various independent consultants have indicated, one can see upwards of 30% of growth in M&HCV again. But I think this is something which we have to keep on watching quarter-by-quarter. As far as intermediate commercial vehicles are concerned, I think they are likely to do slightly better as compared to M&HCV, but still for the overall year, one can see around 25% or upwards kind of a drop. So that is about the forecast. In terms of our plant utilizations, I think we are running at around 20%. And on an average, if we see because that is the level at which we are producing as compared to the pre-COVID ones. Of course, passenger car, Shailesh will add. There the utilizations are higher. And in terms of non-vehicle business revenue, as a percentage of the overall revenue, I think it has gone up significantly in Q1, more so because of two reasons. I think our workshops have come back to the normalcy faster which have led to therefore, higher spare part revenue. And also the vehicle sales revenue has gone down. So, I think the revenue percentage has actually increased 2.5 times as compared to our levels in the past quarter or Q1 of last year. Shailesh, over to you.

Shailesh Chandra: Regarding utilization for PV also, actually it started with a lower level of 33% and then over a period of time it has increased to 60% as of now and we are maintaining at that level and also planning for two shift operation is the status as far as PV factories are concerned.

Prakash Pandey: Balaji, can you comment on the last question? Raw material cost as a percentage of sales declined sharply on QoQ basis. What would have driven this?

P B Balaji: We are running at about 70%-odd is a normal rate. So maybe I need to take the question offline to understand what exactly is the query because RM cost is running at about 70%. It is similar to what it was last year same time. So let me take this offline with Jinesh.

Prakash Pandey: Sure. Thanks. Next question is from Pramod Kumar from Goldman Sachs. And the question is on Defender. Can you please split the 30k orders into customer orders and dealer test drive vehicles? And second is JLR realizations at £58.4K is the highest ever and up 20%. What drove this jump & sustainability of the same? And third is other expenditure at JLR fell 50% QoQ. What are the more sustainable levels of expense as plants come back online?

Adrian Mardell: Let me take them in that order. So, Defender customer versus dealer orders in any given data point somewhere between 35% and 40% of the number is actually customer orders, the rest are dealer orders. Of course, dealers are only ordering cars that they do see customers for. So that is why the size of the number is really the most important piece here. Realization is 58,000. I think we touched on this a couple of times. The China, North America, the SUV-5 average revenues are always going to be higher when they are a higher proportion of those sales, as the UK and Europe start to come onboard, actually from June and then July onwards, that average will fall in Q2, closer to normal levels I would suspect. Obviously, exchange rates being a piece of that. Other expenditures, I think I refer to you to the Charge slide with this. We have said £500 million in Q1 and we said half of the rest to go is cost and profit. So let me say, £700 million in the rest of the year. And if you work that £700 million over three quarters versus £500 million in a quarter, you get again that same 35%, 40% we believe is sustainable and will flow for fiscal year 2021, but we will be much better to answer these questions when we start to see Q3 outlook in October as referenced earlier.

Prakash Pandey: Thanks, Adrian. Next question is from Sonal Gupta again. Charge+ Can you please indicate how much of the cost reduction under is structural in nature?

Adrian Mardell: I think I have answered that one a couple of times already actually. So I refer to my previous answers on that one.

Prakash Pandey: Thanks. Next question is from Alexander, he is from Goldman Sachs. In your new base case assumption- what volume picture are you planning for in FY21 and FY22? Would it be fair to assume FY21 EBITDA margins could be similar to 1Q? A house-keeping question...please could the financial reports be published ahead of earnings call? Thank you

Adrian Mardell: The first one, I think we referenced to some extent in an earlier question, retails will increase from the levels we are at. But once we have destocked the dealers which overall we will do by the end of September, you will see quite a strong increase in revenue, in wholesale volumes, in cash and then of course in EBITDA margins as well. So you should expect improvements progressively, some in Q2, but more dramatic in the second half of the year.

P B Balaji: Let me take the housekeeping question on the financial reports. We missed it because really take today, for instance, we would have put it about 4:30 India time and we started the call at 6:30. So we put it up about one, two hours before the call, give all of us a chance to go through the deck. And normally you should expect it in minutes the stock exchange is uploaded, then the website also gets updated immediately. So there is a problem that you had in accessing the website. Do let us know, we will figure out what happened to begin with.

Ralf Speth: Gentlemen, just would like to make a note from my side if it is okay using the time, because seeing now the time is running out at the very moment. So good evening to everybody from my side. It is Ralf. And Adrian already has presented to you the facts and figures, has explained to you the huge step the JLR team has made and is going to make. So no further lectures from me, no repetitions. We saw a very long preliminary immediately in media space going. You know and that I wanted to share this and you know it already that I will step down in the month of September. So it is my very-very last investor call with you today. And I want to take the opportunity to say just thank you to all of you. And on the other hand, I want to say good bye. Some of you witnessed the development of Jaguar Land Rover for more than 10-years with me.

And we have talked and discussed with each other over that very long period of time. And for me and probably also for you, time is flying very much. And if you recap the time when we started and assessed today's levels and you see a huge difference, what a difference ! And if you look back at the time, you will see that we have developed quietly, we delivered outstanding products for our customers really with integrity. We have won more prestigious awards than companies with even much bigger, larger budgets. We have won quality awards, awards for design and engineering, awards for technology. Think about Evoque, I-PACE, Velar or now the very large Defender. And by the way, somebody asked about the orders. Please take an order of Defender, because it is a sensational vehicle on and off road, or think about the electrification strategy even leading in connectivity and autonomous. New MHEVS, new PHEVS, so really focused on Destination Zero. Our product portfolio today is outstanding and will continue to be with new and refreshed models. And I can tell you without leaking anything, we have exciting products in the pipeline. I really want to thank you for your challenging discussion, questions and critical reporting and I value that reporting conducted with maturity and commentary on all subjects in a very fair way. So, thank you very much for all your fairness, and the high quality of information you provide for your customers.

You know that Jaguar Land Rover is a special company. It is two iconic authentic brands, really passionate and has employees at its heart. So together, we have really transformed Jaguar Land Rover from a small niche company to an internationally respected company. It has been a long journey, but I can only tell you it has been worth every step.

So I want to wish you all personally good luck, a lot of success and a lot of satisfaction in the future and want to say take care of yourself. And again, thank you very much and good bye.

Prakash Pandey: Thank you, Sir Ralf Speth. Next question is from Binay Singh from Morgan Stanley. What is the cash tax payout in Q1 in JLR? And how is the profitability of PHEVs?

Adrian Mardell: In the first couple of slides overview, I mentioned there were two elements we talked about the deferred tax, the other element is taxation in overseas subsidiaries where we make a local profit, where subject to local jurisdiction taxes, Ben mentioned up to the 25% level. That is what the payments are for tax in local, national sales companies'jurisdictions, overseas territories. The other one, PHEV, look, we are obviously estimating and guessing how many PHEVs we are going to sell, when do they come on to the marketplace. We all know the cost of the batteries and the propulsion systems with PHEVs are more expensive. We only had 2% of our volume from PHEV's in Q1. We do expect that to grow from half two onwards. So will have a diluting impact on margins in itself. We will price where we can of course where the competition prices, but it will have a diluting impact on margins in itself. And again, I will go back to the earlier discussion. You are starting to see warranty improvements, VME stability when we expected it to be more challenging as a result of Covid,, and our work on material costs in ignite, all are in place to make sure that we can be compliant and make sure we can offset and even grow our margins in a compliant PHEV world which is what our job is to do.

Prakash Pandey: Next question is from Nishit Jalan from Axis Capital. And his question is in slide #25 of the 'Investor PPT', you have explained detail breakdown of cost savings from Project Charge+. Can you explain this in detail, especially about the saving of GDP £130 million in commercial means? Also, how much of employee cost reduction is temporary in nature?

Adrian Mardell: First one, how we measure the program is year-over-year. So £131 million reduction in Q1 FY'21 Vs Q1 FY'20. All of the costs we have in our commercial world, the selling costs of all the national sales companies and the people in the national sales companies, and the costs of running those companies is a part of that. But also our fixed marketing investment, our advertising monies are a part of that as well. So total commercial world, advertising, marketing, selling costs and the people who are working there compared on a year-over-year basis, £130 million lower. How much of the employee cost is temporary in nature? Well, there are two pieces of this. Of course, there is a piece called furlough, which we called out in Q1, £140 million, that will reduce in Q2 as those entitlements that the government are offering reduce, but also as we bring a lot more people back into the organization. We had 20,000 people out in April. We had around 10,000 people out on furlough in July. So, those monies will be less than half in Q2 and then eliminate to zero in the second half of the year. However, I have also mentioned that the absolute number of people within the organization continues to fall. It was down to 37,400 in March and that will reduce 2% or 3% in the first half and continue probably in the second half as well. So, you have an ongoing piece which is underlying which is lower called headcount cost and reductions, but we will lose the benefit of the furlough.

Prakash Pandey: Next question is from Amyn Pirani from CLSA. Does the noise around UK, China political tension impact your business in China, both imports and JV?

Adrian Mardell: Yes, but to what extent? We built up and rebuilt a super business in China. We expect to continue to be able to do that going forward. Look, there is a lot of political noise. We all know it, we all hear it. We are the biggest Indian-owned company in China, right. So that obviously has an impact also. Our business model is lean. It is not overexposed. It balances on the fundamentals. And all I can continue to say to you in a stable operating environment it will continue to be valuable and it will continue to grow. I cannot comment beyond the risk we all see in terms of any point in time and what incidents happen. If it impacts, just like COVID, we will find a way to absorb it. But, of course, we wish for that not to happen. We wish for the duties that are being put in place within different nations are taken away, because we all know that economies work better when trade is free. What we wish for may not happen. We will respond if anything bad happens. In the meantime, lean, efficient pipeline and a lean efficient business is what we are striving to achieve and making huge progress on.

Prakash Pandey: Next question is from Raghunandan from Emkay Global. And his question is, company has lost market share in China luxury segment. What are the efforts to regain market share ahead? And on JLR employee cost, he has asked, are more reimbursements expected… I think that is what already you have answered, what is the method of calculation? Third question is on JLR electrification. Are government subsidies expected to support the market? And competition has also been aggressive in launching electric vehicles. Would JLR be able to face competition?

Adrian Mardell: So let me take them in the order. So the first one, lost share in China in luxury segment. Our volumes are increasing in China…it is not just a volume game for us. I mean, we talk about the quality of sale a lot. And the quality of sale is hugely important in China when you look behind the transacting prices, the discounts we have given on our vehicles over the last 12-months have been significantly lower than 12-months earlier, and that means dealers are discounting less, that means they are more profitable and that means variable marketing, we need to offer to get the sale actually closed is less. So we think we have got a good model. We think our model is balanced between quality of sale and absolute number of sales and you have started to see on a year-over-year basis, the value that is driven from that type of model. On employee costs, you mentioned, I have talked to that, so I would not talk about that again. I think I have talked to the next one as well, electrification, government subsidies and market support. We do see an aggressive response when that happens I have mentioned Netherlands, Norway, UK, and that will happen again should other governments also participate. I mean, our view is in this wonderful destination to go to - net zero - governments will need to find a way to invest heavily in infrastructure and incentivizing customers, because everybody may want this to happen, but nobody is particularly happy to actually pay for it. So we will take our share. We are taking our share. But other areas like government will need to take their share particularly if they want to increase the speed of change which we would be supportive of also.

Prakash Pandey: Next question is on TML PV subsidiarization. What is the expectation on timeline to be looking for a strategic or financial partner? And any color on interest by potential partners?

P B Balaji: On subsidiarization, you would have noticed that the board has approved the scheme that will be filed with the NCLT and in the coming weeks we will be doing that. And we are expecting anyway between 9 to 12 months is the kind of timeframe for completing the subsidiarization process. So, key priorities for us in the coming months. Partner-wise, I think we speak to a lot of OEMs and as and when something does come through, we will share it.

Prakash Pandey: I think next in line is Abhiram Iyer from Deutsche CIB Centre. Could you please give an idea of how July's demand has been? And also if we expect pent up demand to raise Q2 results, where do we see the demand in medium to long term once this pent up demand falls?

P B Balaji: And I think we have both in JLR and in here, one clear callout we are making is demand side is a highly uncertain. So I think it is very difficult to read at this point how much of it is pent up, how much of it is because of shift away from shared mobility. There are too many hypotheses around that. Our job is to serve demand as and when it comes up. So I think we need to wait for another three-odd months to see if this pattern actually continues before we are able to start reading this better. So, you will probably have to bear with us till that time.

Prakash Pandey: Thanks, Balaji. So this concludes the conference from our side. Over to you Chorus Call team.

P B Balaji: Thanks all of you. I appreciate it has been an intense few questions that have been going through, but it is also an intense quarter for us. So, it is good that we are able to spend some time to explain the queries and look forward to staying in touch with you guys in the coming quarters as well. Thanks a lot. Stay safe and speak to you soon.

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