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

February 1, 2023  
Sc - 17238

Dear Sir/Madam,

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

**Sub: Transcript of the Q3 FY2023 Earnings Discussion/Conference call**

With further reference to our letter sc no. 17203 dated January 13, 2023, intimating that post announcement of Financial Results for the quarter and nine months ended December 31, 2022, the Company will host an Earnings Discussion/Conference call on January 25, 2023.

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

This is for your information and records.

Yours faithfully,  
Tata Motors Limited

Maloy Kumar Gupta  
Company Secretary

Encl: a/a

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

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

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

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

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

**Sneha Gavankar:**

Good day and welcome to Tata Motors Q3 FY23 Earnings Conference Call. I am joined today by Mr. P B Balaji, Group CFO, Tata Motors; Mr. Girish Wagh, Executive Director, Tata Motors; Mr. Shailesh Chandra, MD, Tata Motors Passenger Vehicles Limited and Tata Passenger Electric Mobility Limited; Mr. Adrian Mardell, Interim CEO, Jaguar Land Rover; Mr. Richard Molyneux, Acting CFO, Jaguar Land Rover, and my colleagues from the Investor Relations team.

Today we plan to walk you through the earnings 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 begin the presentation.

**PB Balaji:**

Thank you. Once again, thanks, everybody for taking the time to join the call. As is customary, let's run through the deck at reasonable pace and thereafter spend as much time as possible on Q&A. So customary Safe Harbor statement. Nothing to report here other than the normal one that is the segments. Again, draw your attention to the changes that we have done over the last one year. So that's up there.

Next slide, please. The quarter as such was a pretty intense quarter. And I draw your attention to the Auto Expo, which I am sure Shailesh and Girish will quickly touch upon in their slides as well. A pretty intense affair and an exciting presentation from Tata Motors across the whole theme of moving India and something that has been very well received in the market as well. We also completed the acquisition of the Ford facility in Sanand, and we are getting into the integration of employees there. We also issued a drawdown notice for the tranche 2 of the Rs. 3,750 crores i.e. \$500 million to TPG Rise and the funds are expected to be received by end of January. And JLR order book, which I am sure, and the semiconductor situation is something that Adrian is going to talk about.

Next slide, please. Overall on the quarter, a very satisfying performance with a revenue of Rs. 88,500 crores, EBITDA of 11.1% and the profit before tax and exceptional items of Rs. 3,200 crores, revenue growth of 22.5% and an EBITDA improvement of 90 bps and EBIT improvement of 270 bps. The key call out here is that after long time, all the three auto verticals are actually profitable and improving their performance and therefore that's driving the margin and FCF improvement that you see and we hope to sustain that in the coming quarters as well.

Next slide please. The source of growth, a lot of it coming from volume and mix and of course pricing starting to come through as well as we start taking pricing above and the inflation starts stabilizing. Profitability improvement coming across JLR, CV, PV, which is what I referred to earlier. And the only fly in the ointment is the losses we have taken in Tata Motors finance something which I will talk about towards the end. Automotive debt came down to Rs. 57,500 crores. And the point that I am sure there's a question that's going to come. In the case of JLR, we do see a stretch in meeting the net debt zero targets. So we will update where we are on this in the end of March. Again confident in TML India as far as that number is concerned, we should be able to get it to net zero there. So intention is to work on all other areas as well.

Next slide please. So with this, let me hand it over to Adrian to take us through the presentation on JLR. Adrian over to you.

**Adrian Mardell:**

Yeah. Thanks, Balaji. Next slide, if you would, please. Okay, so these are our KPIs for the quarter. Standard format you see versus last quarter and then the same quarter last year. Retails were slightly lower than last quarter. We'll get into the details of that a little bit later. We did improve significantly our deliveries of MLA units Range Rover, Range Rover Sport. They principally get targeted to North America and to China. North America was actually up 34% quarter-over-quarter and China was lower because of the COVID shutdowns, is the punch-line. But you'll see that in more detail later. Revenue because of that strengthening mix and the overall increase in wholesales, wholesales did actually increase by 5.7% versus last quarter. Significant increase. Significant improvement. You can see there above the GBP 6 billion level and we anticipate being above GBP 6 billion revenue for the foreseeable future. Of course, PBT was very strong, our breakeven points are still below 300,000 units annually, 75,000 units per quarter. In fact, they were down to 70,000 units in Q3. Half of that PBT number is actually a revaluation gain on conversion of our dollar denominated debts mostly, and we'll get into that in later slides. EBITDA held up well 11.9%, EBIT was particularly encouraging at 3.7%, significantly higher than the comparative periods. And cash, once we break through that breakeven point with our average transaction values and average GVR being above GBP70,000 per unit now. It really does escalate into a considerable cash positive GBP 490 million, the best cash quarter for seven quarters. Next slide, please.

Okay. So these are the key highlights. We'll get into some more of the details around these later. The order banks did grow, we'll explain our expectations on that going forward. Refocus did deliver again up to GBP 850 million, which again, will repeat our confidence in more than GBP1 billion on that as well. And very importantly, our cash liquidity continues to be strong, GBP 3.9 billion. And we actually secured the

extension of our revolving credit facility at the end of December and then into early January, that got extended to GBP 1.52 billion through to April 2026. Next slide, if you would, please.

So, these are the quarter three highlights on retail and wholesale volumes. You see the big call out at the top there up marginally on wholesales 5.7% or 6%, 15% year-over-year. My focus on retails, first of all, as I have mentioned, the actual retails did fall a little bit. This is by nameplate. Basically we've improved the deliveries on Defender and you will see increasingly going forward. And now we've moved to three shift on Defender. A lot of our orders on the Defender nameplate will start to fall and the retails increase. Range Rover held up. But within there we're starting to improve our MLA deliveries, Range Rover and Range Rover Sport, which is a fundamental improvement in this quarter's delivery. From a wholesale perspective, there is steady improvement, 5% or 6% this quarter. Just a little bit more than the quarter before. That's a progression we're starting to see now. The progression I think we can start to anticipate going forward. Again, you can see that Defender delivery increasing in quarter three to almost 24,000 units and the Range Rovers and Range Rover Sports coming through also as well.

Next slide, if you would, please. And this is by region really important. Say those bigger units are Range Rovers and Range Rover Sports. Now, we've doubled the volume of deliveries. They're starting to impact North America heavily. You can see that both on the retail and the wholesale piece. And even though those units were made available within China, of course, the lockdowns in December, within the retailer facilities in China meant that they weren't in a position to take those deliveries. And so the reduction in both the China retail and wholesale was inventory we held ourselves pending pass over to China. The actual uplift in China in the first three weeks of January is very strong. As those dealer outlets have opened, of course, the dealers have an appetite to take those units, they're moving very, very quickly. And that will be our anticipation post New Year also. The electrified number of units have grown to 67%, but you can see we're in a frame of 65% to 70% now and that's likely to continue for the foreseeable future. Next slide, please

Okay. So the bridge, the bridge versus the same profitability last year infact a small loss last year, EBIT 1.4%. So volume and mix is starting to influence this considerably. And that would be a shape we would expect to continue going forward. The pricing and VME is still very low and obviously it's corroboratory data around those units actually being passed over at very low levels, 0.6% VME and their targeted levels on targeted nameplates within targeted regions. Most of our larger units have zero VME at this point in time. We do, however, as we've talked before, some considerable headwinds on material cost inflation, commodity inflation, utility prices also, but they are starting to peter away. And also we've had to go into the marketplace to buy premium chips to keep supply going. So that's all a part of our material cost. Again, we're starting to see that taper down. And my expectation going forward is that pricing in VME will begin to offset the material cost increases in quarter four and beyond. We are investing more. We're absolutely spending more within our commercial areas, our commercial function. Both our marketing now, our marketing is still only two-thirds of the level it was pre-semiconductors, of course, so coming from a low base, but we will be actually starting to spend more fixed marketing as confidence on supply comes through over the next weeks and months. And particularly our engineering spend to move towards our reimagined electrified future is starting to increase pace. And we'll show you that in more detail when we

get to the capital slide. And the operational exchange is the big news is the revaluation I've mentioned of our dollar denominated debt, you know, sterling appreciated from 1.12 to 1.20 in the quarter. You see mostly that within the reval line, but our operational position is still ahead of our hedges that crystallized within the quarter and therefore there's a net gain on operational fx and that adds up to the 3.7% EBIT, 265 million PBT. Encouraging quarter for us.

Next slide, please. So this is the cash that flows from that. You can see the GBP 265 million, I have just referenced. GBP 800 million cash profit after tax. Look, you know, our model works really well when that number moves up towards 1 billion. That's where we were at the end of FY'21. That's where we expect to get back to over the next few quarters. And that's why the underlying cash flow is still strong, even though investment spending is starting to increase. Working capital was a nice rewind this quarter of GBP 306 million but it's only a small fraction of the adverses we've had on working capital since March 2021, GBP 1.77 billion negative from that point, most of that will rewind as we move through the several next quarters. And what you're looking for here is production and wholesale volumes to grow through 30,000 units a month, then 35,000, and when we get to 40,000 units a month, which is where we were at in March 2021, most of that will actually rewind. So a lot of cash is going to come through from working capital as we build back our production volumes and our wholesale volumes. Of course, free cash flow GBP 490 million best result for seven quarters, very pleasing on just 79,600 units.

Next slide, please. This is the break even slide. I won't dwell on it just to say we're still at the 280,000 level in Q3. It will average out to around 300,000 full year. We are starting to invest more, including our fixed marketing and our commercial digital strategy, so our costs will increase, but with the mix strengthening on MLA and defender units, we do expect a containment of breakeven over the next two to three quarters or so.

Next slide, please. This is the investment number I mentioned. It is worth referencing last year. Last year here I think. So, GBP 622 million in total, up just over 100 million. Pretty much all of that, in fact more than all of that is in the engineering spends. We are bringing more engineers, of course, into the organization to deliver our Reimagine strategy, our electrified future. And that's starting to impact on our cost base as it needs to do so. More of that is being capitalized now, 48%, which demonstrates the maturity of those architectures as starting to grow and improve. We were down at 26% only earlier in the year. So this is actually a good sign. And I do expect investment to continue to increase beyond GBP 650 million towards GBP 700 million over the next quarter or two.

Next slide, please. So our Reimagine electrified strategy. Look, there's no change to our electrified strategy. I know I'm on record in saying that. I thought I'd dwell here on the key highlights, which is exactly the same as previous highlights you would have seen from our electrified journey. MLA architecture is out there, the beautiful car you see there and it's Range Rover Sport, the order banks are being filled by those two products. It is the epitome, we believe, of modern luxury, beautiful proportions to that vehicle and the Range Rover Sport, the minimalist luxury view inside the vehicle. That's a great signature to vehicles and quality and view of vehicles we will put forward going forward. Within two years, we will have a full electrified Bev Range Rover. It's just two years away now, recognising our order bank support for that product for the next 12 months or so, the gap between orders and new electrified vehicle is closing and will continue to close as we go through 2023.

We'll then in 2025 come forward with our first all new electrified Jaguar products. And then beyond that, our other Range Rover and other Defender products will come along in the next two years. So within two years, most of our vehicles will have full electrified offerings and that will be complete in all models before the end of the decade. We are estimating 60% of sales by then will be BEV. But the important point, we will have offerings across the range over that period of time. We still maintain zero tailpipe emissions by 2036, net zero carbon emissions by the end of that decade. So our electrified future continues at pace and the investments we're now making are going to grow towards it over the next 12 to 18 months at least.

Next slide, please. Okay, so these are our wholesale volumes. You know, I think the important thing here, you can see the gradual improvement, but I like to look at quarter versus last year. So Q2 '23 versus Q2 '22. You can see there about a 15% increase. We know Q3, there's a 15% increase and that starts to give you an indication of what we should begin to expect in quarter four. So we are expecting that number to grow in Q4 and obviously to continue to grow going forward. So we do think we've made a lot of progress on supply, particularly on semiconductors, particularly for this calendar year. But there are still challenges of course. COVID in China is a challenge and we'll talk about that in a few moments. But we are improving, our break even points are stabilizing, and therefore our profitability, EBIT, revenue and cash will be growing as we go forward.

Next slide. Okay, Range Rover and Range Rover Sport. The MLA architecture are fundamental to the delivery of our business model and our business success and we explained in great detail over the early quarters of last year how it was difficult for us to gain the parts to grow, to grow the volumes. We've broke through that in September. You can see the average weekly is growing quarter-over-quarter. We will deliver more production units in Q4. It won't be that same size of scale of increase, but it will be a sizeable 10%, 15% improvement in Q4 over Q3. Also, we can maintain our 33% to 35% worth of deliveries on these products, and that will maintain our average selling price at the levels you've just seen, while it's a strong variable profit mix portfolio going forward. This really is now starting to show through our business results, particularly in Q3 and going forward.

Next slide, please. Okay, so what's going to happen to order banks? Well, first point is they did continue to grow in quarter three and we've helpfully here broke out the amount of deliveries we passed over to customers, 85,000 versus the amount of new orders, 95,000. So, you know, at this level of marketing spend and we are only spending two-thirds of the level on marketing we were before semiconductor shortages. But at this level you can expect new orders to grow by 30,000 or thereabouts a month. But our fulfilled orders, our retails will start to grow now, we're already seeing that in Q4 in part because of the opening up of China, but I do anticipate in quarter four fulfilled orders to be above new orders and therefore our order banks to start to taper down towards a level which is more natural maybe towards a 200,000 level over the next three to four months. Most of them, as we've said before, and those three nameplates, Range Rover, Range Rover Sport and Defender, we have gone to third shift on Defender. And therefore as we come out of quarter four deliveries in particular and our fulfilled orders on Defender will grow. And then we've also mentioned we expect to build another 10% or 15% more of the other two also.



So very confident our retail levels or our fulfilled orders are going to move towards 100,000 level over the course of the next months and quarters.

Next slide, please. This is a super important slide. We dwelled on it several times, let me remind you, the top piece is a range of retail inventory targets and that dark blue line is now creeping towards the bottom of that band, which means the vehicles are in the right place and that will trigger incremental retails in Q4, as I've mentioned a couple of times. Our own wholesale stock, inventory we own, the band there you see below between 30,000 and 45,000 units. We're still within that band towards the bottom of it, but if you add those two numbers together, 82,000, inventory end to end finished vehicles at the end of December, that was the highest number we had in inventory for several quarters back to around May 2021. So that's a good, healthy sign that we're starting slowly to fill the pipeline, which will trigger more retailers etc, etc. So this really is starting to improve for us, although there are still issues we can get on a daily basis in terms of supply. Next slide, please. Inflation has been a theme all year. What did we say at the start of the year? We said refocus would offset inflationary claims. Nine months through this period, inflationary claims have been GBP 660 million, Refocus has been GBP 850 million, half of which is in the commercial space. So we're doing what we said we would do, the investment number because we mentioned earlier, we are accelerating and bringing more engineers in by future won't be the savings going forward and our expectation is the commercial performance, the market performance will actually then begin to offset inflation in Q4 and beyond together with our efficiencies through our Agile transformation activities, which we've referenced previously also. So we are doing and we will do this year exactly what we said we could do in terms of offsetting those high inflationary claims.

Next slide, please. You need to mention COVID and China we've all seen the reports and the extent of the contagion within the Chinese population. Q3 was impacted, of course by lockdowns particularly at the dealers and also some disturbance in terms of the units we could build. Employee absence for a short period was high. I'm really pleased to say that more than 90% of our employees at the production facilities and 99% of our employees within our national sales company have now returned to work. And the retailers definitely opened up for the three weeks in January. Obviously, we're at Chinese New Year, there's a care point around what happens to the population following that, but we do anticipate, given the scale of contagion in the December period that we will get back to business very quickly in China at the back end of Q4. There is a care point around production facilities in China, supplier production facilities that we are monitoring. We'll bring information back around that as we close out the years results, but it is possible for us to be stopped within the UK production and within Nitra production and within China production as a result of those supplier facilities, they won't be the scale and the size of the stoppages we've seen previously. We don't believe.

Next slide please. Outlook year-to-date I haven't dwelled on Q3 here, but this is the summary so far year-to-date. I won't read it out apart from to say, we are now EBIT margin positive across the first nine months. Investment is lower, but growing. Free Cash Flow is just under GBP 300 million. I've shown there hopefully, helpfully what our expectation is for Q4, above 80,000 units on wholesale maybe closer to 85,000 plus, if we continue as we have in the first month. Revenue will exceed GBP 5 billion, closer to GBP 6 billion again. We will be positive on EBIT with that, our investment will grow probably around GBP 700 million, GBP 600 something and our free cash flow, we believe with those physicals will be more than GBP 400 million

positive, which will make us positive free cash for the full year and the rest of the data, you see there. What are our priorities, obviously continue to secure chip supplies moving through the strategic tie-ups. But due to the excellence of the work of the teams now, we really do have excellent teams in place now, we keep our supply and our lines going. Continue Range Rover, Range Rover Sport ramp up. I've mentioned our expectation that will grow by 10% to 15% in Q4 over Q3. Improve on the 80,000 units we have done in quarter three within quarter four now. Refocus complete including more of those price increases coming through as we deliver more cars to customers. And obviously you know our job is to deliver positive data. So EBIT margin, and free cash flow in quarter four and also for the full year. Think that's my last slide.

### **PB Balaji**

Thank you, Adrian. Let's quickly move on to the Tata Commercial Vehicle space. Girish and I will take the session. As if you recollect, we had signalled this earlier saying that we will be focusing squarely on vahan market share, registration market shares and shifting to a demand pull business model. That did cost a bit of grief in the month of October, but since then we've been sequentially improving our market shares as the propositions are starting to land and we're starting to see this in across the rest of all the portfolio as well. Next slide, please. From the point I would like to call out here, just take a look at the CNG, the light green bar there, substantial drop in CNG composition as the prices of CNG started inching closer towards the diesel and we should expect to see this trend reverse once the CNG prices start stabilizing and going down. So we are very much invested in CNG, but this is the current way it's played out. And the other thing that we'll call out here is the whole international business where you would notice that the wholesales have been pretty anemic as a challenge in the international business continues. Next slide please. From a financial performance standpoint, the demand pull model is translating into improved profitability of almost 580 bps. Revenue growth, of course, at 22.5% pretty strong and EBIT now at 5.9%, up 650 bps.

Next slide, please. Drivers of this particular profitability, you would see draw your attention to the realizations adjusted against variable cost. You'll notice this number used to be negative in the past, now sitting at almost +480 bps as the strategy starts playing out. And what you do see as the certain cost disadvantages that have come through this quarter, some of it, most of it related to the investment that we are making in the new technologies and hence is translating into higher employee costs. And then of course, investing in the business as they are moving more and more money into FMEs, that's showing the number there. Next slide, please.

Let me give it to Girish to talk about the business highlights



**Girish Wagh**

Great. Thanks, Balaji. So the industry grew by around 16% over Q3 FY22. When I see the growth rates have been dropping now, but this is also due to the base effect. And that's what we will see in Q4 also, the growth rate will go down further. For Tata Motors, since we have been focusing on retail, setting our retails were ahead of wholesales by 6% in the quarter gone by. And this is also in line with our preparation to unwind as we gear up for the RDE transition in the month of April. I think good thing for industry, the commodity prices did soften in Q3 and that's how it is remaining in Q4 also as of now. And we are keeping a track of how the steel prices especially moves, steel prices and precious metals move in Q1 of next year. Balaji spoke about the CNG. So I think with the CNG benefit going down and more so it is the concern in the minds of the customers about variability in CNG price. I think the volumes have come down and in SCV they've come down to around 12% of the portfolio, ILCV we have come down to around 14% of the portfolio and you would recollect in ILCV it used to be almost around 40%. Within the segments, I think medium and heavy commercial vehicles have seen a very good growth, almost 50% growth over Q3 of last year, again due to the base effect and even higher growth in the passenger segment. The passenger segment is back, I think it was the worst suffering one during the COVID period and during the COVID recovery. For us the non-vehicle business is spare parts, I think continues to do pretty well. Spare parts and consumables, and in fact in the nine months in this financial year, we have grown by around 38% over last year and the penetration also keeps on increasing. So the share of the overall market is continuously improving quarter-over-quarter. On the product front, we continue to launch new products. And for the year, we've launched more than 40 new products as well as 150 plus variants. And this includes the Ace Electric vehicle, for which we've already started the deliveries in the beginning of this month. The new range of pickups both Intra and Yodha I think has a very, very good traction in the market. And also good premium that we are able to charge this equation. And we have also brought the CNG trucks which have started seeing some traction. Coming to Auto Expo, we did introduce a comprehensive range and I am going to speak about that a little later.

Going ahead, we will continue to have the focus on these three things, which is retail pull, improving the Vahan share, which is the registration. And of course, by doing all this, I think realization improvement agenda will continue. To push this agenda, we continue to engage with all the key stakeholders in the ecosystem, be it customers and financiers more so and trying to get them on board. I think we see a very good commitment from all the stakeholders to the revised way of working or the revised operating model that we have put in place. RDE transition is what we are preparing towards. Migration will happen from April 2023. And of course as we did in BS6 in April 2020, even now I think we will come up with a lot of value enhancement for the customer. So it won't be a plain, simple price increase. With the COVID situation globally, we did bring semiconductor supply situation back on our radar. Well, it was a bit worrisome 15 days back, I think, in a fortnight, things have improved, but we will continue to keep this as well as the electric vehicle aggregates on our radar. In international markets, I think, in most of the markets, the volumes have dipped significantly more than 50%. And in this kind of an environment, we are focusing on maintaining our market shares in all the markets. Margins, selling margins have also been doing well. And, also the channel health, we are ensuring the channel health even at the lower volume, which is extremely important when the volumes start ticking up.

Next slide. Talking about Electric Mobility, so as I said I think we completed very successful trials of the Ace Electric Vehicle in our customers' operations. Both we started with e-commerce players, but we also had the FMCG players joining the bandwagon as also parcel and courier companies. And I think the product has done very, very well, which is leading to even more inquiries for the product. I think we've started these deliveries and as you can see in the third bullet, we have also now started pulling material from the supply chain although we had a COVID scare, I think we will start ramping up the production of this vehicle. We did showcase almost eight zero emission concepts in Auto Expo, which I'll speak about. On our Smart City Mobility Solutions business that we have put in place, we signed a definitive agreement now with Delhi Transport Corporation as well as Bangalore for 1500 and 921 buses respectively, so that's around 2421. In addition, we also got an order of 200 buses from Jammu & Srinagar. Our e-bus fleet now has cumulatively crossed more than 6 crore i.e. 60 million kilometers with more than 95% uptime till December. The revenue generated by this business in the nine months has been Rs. 260 crores and at this level of revenue I think the business is giving good profits. On the digital businesses, I think we continue to grow the fleet age penetration. Our connected truck platform with the total vehicles crossing 337,000, which is around 135,000 customers. And the usage also has been growing consistently, we have now almost 80% customers having active usage on the fleet age. E-Dukaan, which is our online marketplace, we used to sell spare parts for this. Now we have also added consumables like diesel exhaust fluid and lubricant. And in addition to that, I think, we've also started adding some of our retailers as well as mechanics as customers, so they can also order on this platform, and we see a very healthy growth almost 165% growth over the previous year. I spoke about digital lead generation during the last quarter. And we continue to push this agenda. In the entire portfolio, we had almost 16% of our sales coming from leads generated through digital means. We still have a good headroom because the convergence can improve further from the level that we have reached.

Next. So talking about Auto Expo, I think the whole Auto Expo was making a statement of our journey towards net zero greenhouse gas emissions. So we committed by 2045, we will be net zero greenhouse gas emissions. And, as our commitment towards that we demonstrated 14 concepts. We had hydrogen propulsion in terms of Hydrogen ICE powered tractor, Hydrogen fuel cell tractor and also Hydrogen fuel cell bus which actually will see commercial application from the next quarter. So this is to meet the IOCL order that we had received last year. We also unveiled five electric vehicle concepts Ace of course the deliveries have started, the Starbus EV which is already on the road, the Ultra E.9 which is the next vehicle we see having good customer interest, Magic EV which is for the last-mile intracity passenger transportation and Prima 28 tonne tipper which is a good option to decarbonize the closed-loop usage of tippers especially in mining. We also introduced two new fuel agnostic architectures, which addresses our entire range from 7 tonnes to 55 tonnes and these two architectures can take any powertrain. So ICE as well as electric, in electric, battery electric, and then Hydrogen fuel cell electric as well as H2Ice. We of course revealed Yodha CNG and Intra Bi-Fuel, which are available for sale now, commercial sale. Prima LNG Tipper, which is also ready for commercial sale and we are working with few customers and of course premium version of our Winger. In addition to this, we also had good interactive exhibits to explain our fleet edge, the connected truck platform, the Sampoorna Seva, which is our bouquet of services as also E-Dukaan, which also attracted good attention. I think this was a very holistic display of not just our

commitment towards net zero greenhouse gas emissions, but also how we are driving some of the cutting edge products and services.

Back to you, Balaji.

### **PB Balaji**

Thank you. Thanks, Girish.

Next slide please. Moving on to passenger vehicles. Here the call out is the consistent improvement in market shares and a strong growth, market beating growth that continues here. And the third call out is CNG plus EV is now almost 17% of the portfolio. That will improve further once the new CNG launches come in as well as Tiago EV launches as well.

EV continues to be on a roll, we have surpassed the milestone of selling 50,000 EV vehicles from the start.

Next slide. From a performance perspective, 37% revenue growth, Rs. 300 crores almost of the profits, EBITDA of 6.9%, albeit there's a one-offs of about 80 odd bps that you see in the EBITDA there, but EBIT of about 1.5%. So strong performance continues in the profitability side, we should continue to see a steady improvement on this one.

Next slide. In terms of drivers, here again, you see the realizations and variable cost is now starting to improve further. So the underlying contribution margin of the business is starting to improve. And investments fundamentally in the EV business with employees, building up the team that is what you see out there as well as investments in products is what you see on the D&A side. Those are the two things that brought down the fixed cost line. Next slide, please. Let me hand over to Shailesh to give you a sense of the business.

### **Shailesh Chandra**

Thank you, Balaji. Let me start with the key highlights of the industry. Quarter three was a retail heavy quarter, I would say, and the industry reached its highest ever quarter - highest ever retails in its history of more than 10.58 lakhs. And wholesales also grew by 23% as compared to the quarter three of last financial year. EV industry has continued to show strong growth year-on-year versus last quarter (130% growth), primarily led by Tata Motors. It is notable to see in the last calendar year, which was 2022, the industry wholesale was at its highest level at 3.8 million as compared to somewhere around 2019 where it was at 3.3 million - 3.4 million level. So steep jump, I would say, nearly 25% growth as compared to where we were in 2021. As far as Tata Motors is concerned, we have been around 14% market share consistently throughout the financial year. PV, EV business has delivered an industry beating growth of 33% for PV and a very high growth for the EV also. Like the industry, we also had the highest ever quarterly retail at 139,000. For the calendar year 2022, we were the third OEM to cross the five lakh mark. And we also, as Balaji mentioned that during the last quarter, we crossed the 50,000 milestone for EVs since its inception and in the last calendar year –I would just correct what number Balaji had given - it was actually 44,000, nearly 44,000 sales that we did for EVs in the last calendar year. We maintained our number one

SUV position as of year-to-date, and Nexon and Punch are among the top three in the 40 plus odd SUVs that we have in the market. As far as EV sales year-to-date is concerned, for the financial year, it is at 32.4K units with a market share of 85%.

Going forward, the bright spots, given that the inventory in the channel is lean, there are new product launches that we have seen recently in the industry and improved supplies, quarter four should be strong as far as wholesale is concerned and as compared to quarter three. And as far as EV growth is concerned, there are a lot of states who have announced progressive EV policies and that should support the EV growth in quarter four. As far as Tata Motors is concerned, the Tiago EV deliveries have commenced and this month we have a strong order book. We had extended the introductory pricing for the first 20,000 customers, which we have already crossed in terms of bookings. We, in the Auto Expo have showcased the Harrier & Safari Red # Dark, and this is going to be launched in this quarter itself. As far as BSVI phase two transition is concerned, it is on track and ahead of the deadline. We, on 10th January completed the acquisition of Ford plant in Sanand and we saw very strong response to the product unveils at the Auto Expo which I will talk about in the next slide. Going forward as far as challenges are concerned, I think after a long duration of supply driven industry, now we are in a situation where supply has completely normalized. It is meeting the demand for all the regular models except for some popular models which are still high on waiting list. Overall enquiry to the retail time has increased for the industry. You see, this is a signal of lack of urgency among the customer with improve supplies, and price increase post BSVI Phase 2 - we will have to see if there is any impact on the demand, something to be watched out for. In terms of actions, we are willing to go for very focused demand generation initiatives specifically in certain segments as well as hyper markets. And as far as margin is concerned, we are taking structural material cost reduction actions and we'll continue to drive other levers of margin improvement.

Next slide. Giving a quick overview of what did we showcase in the Auto Expo. The theme for this Auto Expo was Moving India forward to safer, smarter and greener vehicles. And we had about 12 showcases both on EV as well as ICE side. We showcased the Tiago EV, which we already launched. Harrier EV was also showcased. This is a generation two product for us. Sierra EV scheduled to be launch in 2025 was also showcased. And Avinya, which is the generation three pure EV also slated to be launched by the end of 2025. These are the four products that we showcased. On the ICE portfolio side, I've already talked about the Harrier & Safari #Dark, which will come with ADAS as well as the bigger infotainment screen. This gets launched in this quarter as I said. It was a big disruption that we have showcased in the Auto Expo, which is CNG twin cylinder technology. I think this segment has always suffered with the handicap of having no boot space because it was occupied by the cylinder and we came with this very innovative idea of having this twin cylinder which releases the space and retains in a way the boot space, which was otherwise being sacrificed. This would come in the first half of next financial year. Then we also showcased the ICE version of Curvv. If you remember in April 2022, we had showcase the EV version and along with this product we have also showcased the two TGD engines in gasoline 1.2 and 1.5 liter, which will help us in coming with products which will be greater than 4 meter in the ICE space. So this was received very well. This is what I wanted to share. Back to Balaji.

**PB Balaji**

Thank you, Shailesh. Next slide, please. Overall CV, PV cash flows - would draw attention to cash profit after tax - strong and therefore more than adequately funding the capex that we have and we gradually claw back the working capital that we lost in the first quarter, so that's what is happening.

Next slide please. Investments, you can read for yourself skipping this slide, but just to guide that for the full year, the investment spending is likely to be around Rs. 6,000 crores number - no change on that one.

Next slide please. Tata Motors Finance- and I want to take a few minutes on this because this is a disappointment for us this quarter where the GNPA increase that we saw in this portfolio – there are 2 reasons. Number one, the restructured book that is actually starting to perform pretty poorly and it's continuing to do bad and going from bad to worse and as well as a onetime upgradation - one time hit because of the RBI upgradation norms that we had. So, therefore we have started to get further provisions put through in the restructured book. This is now almost 9% of the AUM of Rs. 41,000 crores, that we have and there are lot of efforts underway as you would expect to normalize the static restructured book and therefore this work is going to be pretty intense in this quarter as well. The early results are encouraging and the GNPA is starting to reduce November, December and January so far has been trending well - where the maturity efficiencies improving to 102%. The normal book is quite comfortable. We don't see stress there and capital adequacy also is quite comfortable there. But clearly this is an area where we need to drive a lot of efforts to ensure that we get our collection efforts particularly on the restructured book.

Next slide please. Overall therefore our priorities you can read for yourself, but maybe the only thing I would like to highlight is the view on demand which I'm sure a lot of you are asking as well. We remain cautiously optimistic both in JLR as well as India and there are enough global uncertainty that we are all aware of, but we still remain optimistic and we can't be complacent and hence the work both in JLR and in India on the innovation intensity as well as activating the market and ensuring that we win our rightful place here. And of course, chip supplies are likely to improve further and therefore volumes will continue to ramp up steadily, particularly in JLR and commodity prices, we do expect stability and therefore the focus on profitable growth should deliver a strong EBIT and free cash flows in Q4 as well. So that's what I have to say. The individual priorities by businesses, we have already covered. So let me not go through that. Let me start covering the questions that have come through already. We move to the question section.

### **Questions and Answers session**

Okay. So maybe let's start with I think Ben this is coming your way, Ben or Adrian, either of you can take it. Could you let us know the terms of the extension of the revolver? How much was undrawn and drawn Interest rates increased by? And additionally given the cash cushion the company enjoys, is there a scope for optimizing the revolver debt balance further? And there's another question in terms of also about how much of a repayment are you planning given the cash position there? But you want to just wrap this all up with one response Ben

### **Bennet Birgbauer**

Yeah, I can cover that, Balaji. So broadly the terms of the revolver are in terms of covenants and things like that. The documentation is pretty much identical to the prior revolver, the pricing margin did go up 50 basis points to 3.35%, but that's on a drawn basis and on an undrawn basis all we do is we pay 35% of the margin. So the annualized cost of GBP1.5 billion revolver is about GBP18 million. So it's from our perspective, it's the cheapest fire insurance you can possibly have. In terms of is there scope for optimizing the revolver debt balance. Well just because I think it is low cost liquidity insurance and we actually used to have a higher revolver than that I don't really think we're considering taking down the revolver, we obviously have the net debt target that we're still working towards. But I don't really see changing the size of the revolver at this point.

### **PB Balaji**

Thank you, Ben. Next question I think is from Chandramouli, Goldman Sachs. I think, Adrian, this is coming your way. On JLR how are we thinking about the demand outlook once we clear out our strong order backlog. If the current hawkish interest rate environment were to continue into the next year, what is your view on the demand and the next I think the same question coming into Girish later on. You take the first one, Adrian.

### **Adrian Mardell**

Yeah. Thanks, Balaji. So from our perspective. Look our order banks are at historical highest compared to pre-supply challenges, they are double the level and you've seen the size of the increases over reduction. So we believe our order banks are going to stay unnaturally high particularly on the Range Rover where we're sold out for more than 12 months now. We're not taking new orders until 24 model year and on the Range Rover Sport. Although we are rectifying Defender. So we will see a marginal reduction quarter-on-quarter, but I still believe we will be this time next year talking about order banks, which are higher than ideal. So at today's level of known uncertainty in the marketplace on recession and interest rates at the levels we see in front of us going forward today I believe the challenge here continues through 2023 to be supply rather than demand. We have plenty of opportunity to increase demand and stimulate that given we're only spending two-thirds of the level on fixed marketing we were 12 months, 18 months ago or so.

**PB Balaji**

Thanks, Adrian. Girish this is coming your way. Same from Chandramouli itself. On India CVs, how are we thinking about price hikes heading into the stricter emission standards beginning FY 24. Is it going to be all at once or more phased in nature?

**Girish Wagh**

So the cost increases for RDE are going to be lesser as compared to what we had seen in BSVI Phase 1. But even in this BSVI Phase 1, I think, we had taken all the increases or the price increase at one go. I think there is only one another factor that we have to keep a watch on which is the commodity increases, which may happen again in Q1 of next financial year. And basis both these things put together, we'll see what is the kind of price increase which has to be passed on. But from the point of view of RDE, I think it will also vary model to model, but mostly it be passed out in one go.

**PB Balaji**

Just sticking to you. This is from Sonal Gupta, HSBC MF. LCVs, while MHCV segment is showing strong growth, LCV segment is showing a decline. Can you highlight the reasons?

**Girish Wagh**

Yes. So I think it is more of ILCV which is showing a decline, which in our parlances is 7 to 15 tons or now it has gone upto 7 to 18 tons. So as you rightly pointed out, M&HCV is growing because of higher freight availability. I think this year, we see that the freight supply is actually more than the trucks, which are being put into the market and therefore fleet utilization is going up. As far as ILCV is concerned, one of the thing which is playing out is the base effect, right. So the decline, which had happened in ILCV was much lower than that of MHCV, number one. And number two, we also see that in ILCV one had seen a significant penetration of CNG where to some extent the diesel vehicles were also underutilized when the large portion of CNG got pushed in or bought in more so. And I think those are coming back for usage now. So it is more of a base effect. And we do expect that this year while the MHCVs may grow above 45% on a year-on-year basis for the entire year, ILCV may end up growing only 14% to 15%. I don't know whether in LCV you are also referring to the small vehicles. So let me talk about that also. As far as small vehicles are concerned, even here, I think it is the base effect which is coming in, but this continues to grow. The growth rate is tapering quarter-over-quarter, but still I think it appears that for the entire fiscal we should see a growth rate of more than 20%.

**PB Balaji**

Yeah, thank you. Adrian, this is coming your way. This is from Jinesh Gandhi. In terms of JLR, you talked about higher inflation and supplier claims largely related to constrained volumes, can you talk about the quantum of these two? Till what production level would you have to compensate vendors and the related question - is chip related cost inflation expected to start moderating in CY 2023 as supplies improve. Is



that a fair assessment. And you also talked about increased SG&A spend. What are the targeted levels to which you want to increase SG&A spend. So maybe three distinct questions there.

**Adrian Mardell**

Yeah, okay. So let me talk them in order of they were asked. So look the inflation claims and the reason for supplier claims. There is multiple reasons below that and in terms of the level that we expect to be normal. If you go back to FY 21 on previous calls, I've referred to FY 21 a lot before supply constraints. A normal level for us, we still believe will be the 120,000 units plus a quarter, 40,000 plus a month, 500,000 a year. And once we get towards that level will be clear around much more we can push it beyond that. So for a normal environment and our suppliers are set up for normal environment. We would need to build wholesale 40,000 plus units a month, and we're just above 26,000, 27,000 at the moment. So there's a long way from today to normal, but we do believe that increasingly quarter-over-quarter we will in calendar year 2023 move towards that normal level until we get 40,000 to that level, a number of the reasons for the claims in particular the utilization of supplier factories which are within this number will still be there. Once we get to that level, if we have no unnatural requirement to go buy parts outside of normal channels that's eliminated then again we will eliminate another course called premium parts or chip supply from the vendors, the brokers that will be eliminated as well. However, we will still be left with commodity prices at the moment, they are looking to be heading more aggressive against us and they will still be there and a lot of our contracts with suppliers have a pass-through on commodity costs. So there will be some level, that's the only problem we have. We probably won't be talking about it by the way, but it's wrapped up within that 200 plus million a month, including some more on utility is lower than it was and including the wage demands, which hopefully will come down with the interest rate pressures that are going to be put out. From an SG&A perspective, we will increase spend, but revenue will increase as well. So think about SG&A increasing commensurate with improvements in revenue. It's just about 9% of revenue today, maybe a shade over think about that being a broad guideline going forward on SG&A. So we won't be spending above our entitlement to spend, but as revenue grows, we'll need to stimulate some of that demand both of those datasets would increase.

**PB Balaji**

Thank you. Next question comes from Rakesh Kumar. Adrian, back to you again. Well PHEV incentives coming down in Europe, do you see risk to JLRs compliance with CAFE targets? Given the JLR's FCF generation in third quarter and seasonally strong fourth quarter, is your FCF breakeven outlook for FY 23 conservative? And I'll separately pick up the Tata's battery manufacturing plants in Europe.

**Adrian Mardell**

Yeah, okay. So if I take the PHEV one before. Look, we've been very consistent on PHEV volumes over the last several quarters, around 11%. We obviously monitor this really carefully. When I look at the order bank that we've referenced, the PHEV orders in that order bank are actually slightly richer than that at the moment, so up to 14%. So there is no indication at this point in time that any customer incentive changes on PHEV is having a sizable impact on the orders that we actually are receiving. Nothing at this

point in time. So I'd say what we see today. No to the first one. There is no impact on PHEVs. We don't expect it to be non-compliant in Europe over this next phase either. The strong JLR cash flow in the third quarter - I think if we go back to the page that we talked to earlier, we are expecting a strong cash flow in quarter four. The underlying cash should be broadly at the level that we saw in Q3 maybe around the GBP 200 million. I'm hopeful cash from operations will increase a bit with the increased volume. Our investments are going to increase as well as we've said. So maybe those two will balance out. We're only three weeks through the quarter. There's 10 weeks to go and with supply obviously still being fragile things can change. But that's what I see today. Broadly speaking, underlying cash being similar if not a shade higher in Q4 over Q3. So working capital was a big build back this quarter 300 million, that probably is going to fall a little. It really depends on how many units we actually build in the March, the mid February through end of March period, but it's likely to be less than the 306 million. So we see in total of the total cash to be slightly lower in Q4 even though the volumes are higher because that working capital point, but we do believe that's going to drive us through breakeven maybe up to 100 million in total for the full year.

**PB Balaji**

Thanks, Adrian. On the battery plants for Tata's in Europe. I think as we had mentioned earlier as well, this will be at Tata Sons entity that we are investing where you have JLR and Tata Motors as two anchor customers and locations - India and Europe. Obviously at this point in time this is all that I can share. And as and when we are ready to announce more, we will talk about that. Okay.

This question is actually coming on popular demand and therefore, Shailesh, this is coming your way. Considering the strong EV order book, what is the rationale for the price cut in Nexon variant that we saw two, three days back. And what's your take on the brand impact for the price cut? And is it supported by cost reductions? Multiple people have asked it in different ways. Over to you.

**Shailesh Chandra**

So the call on price cut has been taken after holistic consideration taken into account multiple factors. One is that we have a future growth aspiration as far as Nexon EV is concerned and with the improving capacity and supply, I think this was one big consideration. Also, the visibility of underlying structural costs and in which we have been able to reduce over the last two to three years effort of the deeper localization that we have been working on, there is also an added factor of impending PLI benefits. Also the relook at relative price positioning of our entire EV portfolio. And most importantly, keeping the value proposition fiercely strong, to the change in competitive landscape. So these were the four, five factors I would say that has really gone behind this. As far as brand is concerned, I think Nexon brand enjoys a very strong referral from its large customer base of 40,000 plus now. And in terms of its value proposition, it is the best in terms of compelling mix of our best tech features, premium in-cable experience, multiple range options. I think the revised pricing action with improved range only makes it higher on consideration and more desirable for our customers. So I think is thought which has gone behind this.

**PB Balaji**

Yeah. Thanks, Shailesh. There is a question on ADRs, which we thought, we explained, but we can just pick it up, why did Tata Motors decide to delist ADRs, is the cost of compliance versus pressure on shares on account of shareholders who don't want to invest directly in India, management thoughts? We had explained that the original purpose with which ADRs were listed I think is probably now not relevant anymore. And with the Indian market getting deeper and wider, there is no constraint on fundraise and also all our bond issuances anyway we don't need the ADRs to be listed there to do that. And at the same time compliances are getting more complicated and therefore we just decided the risk reward equation one looked at it, it didn't make sense for us to continue as part of simplification, we have knocked it off. That's the background to it. They stand delisted as of yesterday. What is now the net auto debt deleveraging timeline for Tata Motors? I thought I already covered it. Maybe I'll just talk about the second one. How does the listing of Tata Technologies help towards that. We have announced our intention. It's now a Tata Technologies Board decision and therefore we will be working with them closely. Question from Gunjan. Could you talk about the impact of RDE for both CV and PV. I think Girish you already covered that piece. Also an update on the discounting trends in CV industry, update on the Tiago EV order book, Shailesh, and we've already talked about the price cut in Nexon. Why don't you finish that and then I'll go to JLR on the VME trend.

**Girish Wagh**

Yeah. So I think on the discounting as we have been speaking about it for the medium and heavies and intermediate and light commercial vehicles we have started pulling back the discounts from the month of September and we see a good impact of that flowing into our results for Q3. And we will continue to be on this path even in Q4 to bring down the discount and also bring more transparency in the systems. As far as the small commercial vehicles are concerned, I think this discount reduction journey we have started even earlier right from Q1 of this year. We will continue that as well and ensure that finally it helps us build margins in each of the product lengths. Shailesh?

**Shailesh Chandra**

As far as Tiago EV order book is concerned, I already mentioned that we had crossed 20,000, which was the size, which we had kept for the introductory price. So, that is the status as of now. As far as delivery is concerned, we started the deliveries, we started the supplies I would say last month itself. And, this month we are ramping up and I think we have kept the target that we should always keep the waiting period within six months and that would be the intention. We have kept some level of fungibility between the electric vehicle models that we have. So we will be able to temporarily ramp up to ensure that waiting period is kept within period which is acceptable to the customers.

**PB Balaji**

Thanks, Shailesh. Adrian, the third point is coming your way. In JLR, how do we see the VME trending given the macro and aggressive pricing from EV OEM? I think Morgan Stanley also had a question on this one

**Adrian Mardell**

Yeah, thanks, Balaji. Look, we're not seeing any signs at this point in time of uplifts in VME. Even though I can understand the sentiment behind the question I think in the environment we're in. While we still have had demand and orders increasing above supply that will continue to be the place. VME is mixed by region and by nameplates, of course, and with the buyers that we have, and the customer orders we have on Range Rover, Range Rover Sport, Defender, North America and China. They are the big biases within the data today. You know the answer on VME is 0%, 0%, 0%, 0% and 0%. So with this level of order intake and the buyers to those products and our instability within the production and supply pipelines, we will continue to be very, very low. There will be a point in time where that will start to lift. So another question you asked about what normal is. If normal is 40,000 units a month plus for us, which it likely is I think it's reasonable to assume at this point we will be passing more, but those non-big three units to the other regions. And then VME will start to gradually lift to 2%, 2.5% level at some point. We're not seeing any sign of that within the data we have today.

**PB Balaji**

Thank you. Next question I move to Raghunandhan from Emkay. His other questions have been answered, but there's one that is new, which is on the EV, PV subsidiary from when would you get PLI scheme benefits and are you currently accounting, how are you accounting these incentive?. As far as the PLI benefits itself is concerned, the key is to ensure that the domestic value addition norms are met and we are getting our vehicles accordingly certified. And at this point and once the financial year is over, then you file for the PLI benefits and you get it subsequently. Given the fluidity of the situation at this point in time and we are going through the process and this is first time that we will be filing this year currently no accrual is being done on these incentives and once we get one round of things coming through then we will be in a position to review on that one. Okay. Capacity - I think Hitesh Goyal of CLSA. What is the domestic passenger vehicle capacity currently and when is the Ford capacity coming on stream?

**Shailesh Chandra**

Yeah. So as far as our capacity is concerned, we have been now at around 50,000 per month. We have further the ability to debottleneck the capacities in our two plants, which is in Pune and Sanand, which is the existing facility not the Ford one by an additional 10% to 15%. And we are targeting to operationalize the Ford plant in 12 to 18 months timing.

**PB Balaji**

Yeah. Thank you. I think there is a question from Jinesh on passenger vehicle. A sharp drop in other expenses on a quarter-on-quarter basis. Was there any one-offs? I think most of it is linked to just cost phasing across quarters nothing to read and then beyond routine stuff there. Then other one is in terms of when can you expect to see these exciting products that were displayed in the Auto Expo?

**Shailesh Chandra**

Yeah. So none of these products were concepts. These are products all going to come in two, three years timeline. We already mentioned about that Harrier EV is going to come in 2024. Sierra and Avinya will

come in 2025. These were the three electric vehicle products that we had shown. Tiago is already launched, that was the fourth one. As far as ICE products are concerned, Curvv is also going to come in 2024. Then the CNG models which were twin cylinder model of Punch and Altroz already mentioned earlier that it's going to come in the first half of the next financial year.

**PB Balaji**

Thank you. Ben, the next question is from Jemma. Can you confirm if you are still be looking to use cash to repay the 2023 maturities versus refinancing through the markets and the breakeven guidance implies GBP 300 million FCF for the last quarter, which I think Adrian has already addressed that. So Ben can to take the first piece?

**Bennet Birgbauer**

Yeah, on the refinancing, so I think the default or base plan is that we had an expectation of circa GBP 750 million, GBP 800 million of cash flow in the second half which Adrian already talked about and that would be sufficient to cover the two bonds we have maturing in February and March for GBP 800 million equivalent and it's probably also worth mentioning that in June of this year, we had a GBP600 million equivalent on China bank loan due to mature and actually we've signed an agreement in January to extend that for three years from January of this year so maturing, the facility would end in January 2026. There are annual reviews, so we've at least pushed out the maturity until January of 2024.

**PB Balaji**

Thanks, Ben. The next set of questions coming in from Kapil Singh. First one to you Shailesh, Tiago EV, what's the percentage of first-time buyers that you're seeing in the order book?

**Shailesh Chandra**

First-time buyers are roughly 25% to 30% is what we are seeing, who are buying a car for the first time that's substantial in Electric Vehicle. We have never seen this. Mostly the people had both buying this as a second or the third car although high percentage was using this as the only car and also the primary car. The first-time buyers we have seen significant size of buyers.

**PB Balaji**

Yeah and related question - is this gross margin dilutive for the PV business? At the initial stages, yes. But after that it will start trending towards the margins of the main vehicle we will be making. But that's over a period of time, but that's part of the planning that we have for the overall portfolio. CV sentiment index, Girish. What's your latest update since you track it?

**Girish Wagh**

I think in M&HCV cargo we have seen some softening, but I can probably attribute that to the post festive season drop in freight. So future expectations still remains strong. In tippers the sentiment index has improved marginally. But that is also expected because the previous one was during monsoons where the tipper usage is low. In ILCV it has dipped a bit again because of post-festive season impact and for small commercial vehicles, it remains quite stable.

**PB Balaji**

Yeah. And linked to that question from Rajesh Aynor. In the medium term how is the fuel mix change happening as far as your opinion between CNG, EV adoption in buses, ICV, MHCV's - how should one think about it?

**Girish Wagh**

So I think as we go ahead the pathway is going to be through CNG or LNG. As far as CNG penetration is concerned, currently, I think the bigger anxiety is the volatility in CNG prices but the CNG prices actually went up very fast. So that is a bigger anxiety in the minds of the customer, but the actions that the government has taken and once the CNG prices stabilize at this level or a bit lower level, the CNG vehicles do have an inherent TCO advantage. So one will see a fair bit of penetration happening again in ILCV and SCV segments. As far as long range is concerned, yes, I think few customers will start coming in because I think the OEMs have addressed the range issue. So we have some trucks which we launched which can run for 1,000 kilometers on CNG. As far as LNG is concerned, I think this depends on availability of filling infrastructure otherwise, I think, we are ready with the product. In terms of EV, I think, one will clearly see higher penetration in buses first because of the government push. And one will also see a good penetration happening in the last mile distribution due to the pull from companies who are having their own net zero greenhouse gas emission commitments. I think that's how we will see EV penetration happening more in buses and small commercial vehicles.

**Shailesh Chandra**

My view is that, say, if we have to take a view by the end of this decade, the mix will be around 25% to 30% for CNG, 25% to 30% for EV and rest would be gasoline, but with high mix of flex-fuel because that is the direction where things are going. Diesel would significantly come down below 5%. So that's probably the outlook.

**PB Balaji**

Thank you. The question from Binay Singh, Morgan Stanley. We are seeing price cuts in EVs in China and other regions. Do you see that as a risk to ICE pricing for the entry level cars? As well as JLR launches in EVs as well, that's another angle. I'm saying, with the price cuts that we're seeing in China, do you see that as a risk to the ICE pricing for Jaguar entry and mid LRs and EV profitability as JLR launches its EVs in 2024?

**Adrian Mardell**

Yeah. No, we don't. At this point actually recognizing that a lot of our smaller units, smaller value transacting price units in China are generated within China within the joint venture. We don't see any risk at this point in time or any evidence of this weakening of prices for any of our imported, more to the point in fact, the VME reference back to the previous question, the average VME last quarter, which will be the first sign of that weakening of course, the average VME last quarter was as low as 0.8% across all units imported into China. So we're seeing very, very low levels and strong demand at this point.

**PB Balaji**

Thanks. And on the PV side we already answered the question on the EV price cuts that have happened, but there's another angle to it, with the raw material cost index not coming down, how do you see the EV profitability going forward?

**Shailesh Chandra**

I think we need to keep in mind that one, there is a relative premium that a customer is ready to pay for EV versus ICE and that is about 25% to 30%. ICE prices are going to go up, so therefore it will support the higher price for EVs while the secular trend of the components for EVs will keep on coming down, there has been a temporary volatility that we have seen in the battery prices, which was very steep last calendar year but also it has started moderating in this year. We have to take more long-term view of the battery prices, rest of the components are coming down also as the scale is increasing. So there will be short term pressure on the cost, because of these temporary volatilities, but we have to focus on driving the scale because that is what is going to bring down the cost further as we are driving the deeper localization. You also need to remember that the next three, four years will be the benefit of PLI also. I think keeping all these in mind, it is going to be in mid-term very beneficial from a mix perspective.

**PB Balaji**

Thank you. Thanks, Shailesh. I think with that we have done with all the questions that have been asked in terms of just the themes rather than just the names. So if there is anything else that you want us to answer I would suggest please reach out to the investor relations team and we will be more than happy to respond to you. So thanks a lot for taking the time to attend the session. We hope you found it informative and look forward to catching up with you soon. Thank you.