Management Discussion

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
Yeah, thank you and good evening everyone. Uh, Q2 was an exciting quarter in terms of, uh, can you move to the- yeah, uh, Q2 was an exciting quarter in terms of launch momentum for both the businesses. In India, we unveiled Tata.Cars, our new customer-facing global brand identity. The year has seen an intense level of product intervention all of which continue to deliver well. This quarter we saw the launch of the all-new Aries, giving customers a reason to choose a compact sedan. We landed our best-ever offtake and retail month in October 2026.

At JLR too, there were 3 new luxury electric vehicles were launched during the quarter, uh, the deliveries of which are expected to begin from early 2027. Uh, Richard will talk more about it when he picks it up in the JLR section. Next slide, please. Uh, consolidated revenue for TMPV Group was 96,000, uh, close to 97,000 crore, up 34% year on year. EBITDA margin was 6.2%, EBIT margin 1.1%, and PBT before exceptional items stood at around 400 crore. The year-on-year improvement mainly reflects JLR's recovery from the cyber incident in the same period last last year.

Sequentially, EBIT margins moved from 2.4% to 1.1% as adverse mix at JLR and continuing commodity pressures in, in India weighed on margins. We also recognized exceptional charges of Rs 6,700 crore this quarter, reflecting some of the difficult but necessary actions we've taken at JLR to position it for stronger long-term financial performance. Next slide, please. A consolidated net debt closed at Rs 51,000 crore at the end of the quarter, which also includes some working capital buildup for new launches at JLR.

We expect to close the year lower at around Rs 47,000 crore as some of that unwinds. The domestic business remains net cash positive. Next slide, please. Moving on to the India business, the industry demand remained robust and our intense launch sequence through the year has been delivering well. Average monthly offtakes was 67,000, uh, units on an average in Q2, up 40% year on year, with a Wahan market share at 14.3%. The quality of the powertrain mix also continues to improve. Alternate powertrains now account for more than half our volumes.

Shailesh Chandra - Managing Director & Chief Executive Officer, Tata Motors Passenger Vehicles Group
[Foreign Speech] last session

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
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Shailesh Chandra - Managing Director & Chief Executive Officer, Tata Motors Passenger Vehicles Group
[Foreign Speech]

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
[Foreign Speech]

Unidentified Speaker - Unidentified Speaker, Tata Motors Passenger Vehicles Ltd
[Foreign Speech] I can't talk. Yeah, sorry,

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
Sorry for the interruption. Yeah, in the domestic business, the India The quality of powertrain mix

also continues to improve. Alternate powertrains now account for more than half of volumes, with EV at 23%- with EV penetration at 23%. That gives us strong scale in a new future-ready portfolio. On EVs, we delivered our highest ever quarterly volumes. Averagely monthly offtake was 16,000 units, nearly double of levels since last last year. Demand remains ahead of our current capacity, which gives us further growth tailwinds as we scale supplies.

Our EV market share rose to 43% despite raising- rising competition rates, reinforcing our market leadership while significantly scaling the segment. Next slide, please. Revenue touched a record Rs 20,000 crores in the quarter, up 50% year on year. Profitability was flattish sequentially. While scale in the business has come through very well with all the portfolio actions we've taken, the challenge has been in converting it to profitability improvements in the current elevated commodity environment we have seen in the last 2 quarters.

Yeah, uh, next. Year to date, our calibrated price increases, cost actions have offset roughly 40% of the commodity while we have absorbed the balance. We expect commodity pressures to remain elevated in Q3 with further increases in steel, rubber, and copper, and the periodic FX resets that we expect this to come through. We'll pull every available lever across pricing, cost reduction, PLI, with the objective of holding margins. Not all of this we see as a structural permanent increase. We do expect the commodity curve to start plateauing in Q4.

And also see moderation in some commodity groups. As the commodity environment evolves, we will keep calibrating pricing and cost actions to progressively improve margins while protecting our growth momentum. H1 CapEx was Rs 2,700 crore. We are running at roughly similar levels as last year, but we do expect to run higher over the next 18-24 months as the next phase of capacity builds capital space. Uh, moving on to the cash flow side, H1 free cash flow was positive at about Rs 2,000 crore, aided by favorable working capital and receipt of last year's PLI cash release.

Despite commodity-led pressures on margins, we continue to fund growth from operating cash, and our current liquidity remains strong. Um, Shalish, if you could take the India business slides, and then we can move to

Shailesh Chandra - Managing Director & Chief Executive Officer, Tata Motors Passenger Vehicles Group

Okay, thanks, Nirmal. Uh, let me begin with, uh, the broader industry perspective in Q2 FY27. The passenger vehicle industry continued its strong momentum during the quarter with volumes at 1.36 million units, growing by approximately 29% year on year. Greener powertrains have been driving this growth as the structural shift towards greener powertrains continues to gain momentum. The industry's CNG penetration increased to around 25%, while EV penetration was around 8%. This takes the combined share of greener powertrains, that is EV and CNG, to around one-third of industry volumes.

EVs in particular continue to significantly outpace the broader industry, with volumes growing by about 70% year-on-year. This growth is driven by rising customer preference a wider choice of compelling products, and increasing OEM participation. Uh, the regulatory environment also continues to reinforce the shift towards greener powertrains, most notably through the recently notified CAFE III policy. Beyond this, the operating environment continued to be challenging across the industry. Commodity costs continue to exert pressure on margins while supply constraints persist across in select areas of the value chain.

Uh, coming to our performance, uh, Q2 was another strong quarter for TMPV with an

industry-beating volume performance. We delivered our highest ever quarterly volumes of over 2 lakh units, representing 40% year-on-year growth. This enabled us to consolidate our position as the number 2 player in the industry with a domestic market share of 14.3%. In October '26 as well, we saw a strong festive performance with record volumes of 75,000 units and market share increased to 14.8%. We have seen sustained customer demand during the festive season with 10% year-on-year growth in retails on an already high base.

Importantly, our growth in Q2 and October has been broad-based across our portfolio as we continue to see record demand In particular, Punch emerged as the highest-selling model in India during the quarter, while Nexon was among the top 5 models in H1 FY27. We also continue to strengthen the portfolio through a series of launches, including the all-new Tata Eris, which saw a very strong response. Our performance in greener powertrains has been particularly encouraging. We delivered our highest ever quarterly volumes for CNG and EV on the back of our strong portfolio across both the powertrain In EV specifically, we grew by 90% year-on-year while sustaining our market leadership, and we strengthened our EV market share by nearly 380 bps quarter-on-quarter to 43%, even as the competitive intensity increased.

We navigated the adverse impact of commodity prices through cost reductions across our portfolio and also calibrated pricing actions. Next slide. I would like to talk a bit more about our products, which have been the real engine of our growth. Over the last 12 months, we have significantly strengthened our portfolio with new nameplates and major refreshes, and each one has delivered. The launch of Sierra was a major milestone for us, and with the Sierra EV taking the proposition further, it marked our entry into a new segment across both ICE and EV, and customer response has been very encouraging.

We have sold over 70,000 units of Sierra this year and now working to scale capacity further to meet the demand. The Punch facelift has built, uh, on an already successful product, Punch, and becoming the highest-selling SUV in India since the facelift launch. The Punch EV has further strengthened the brand, finding a clear sweet spot with EV customers. It is now the most popular EV in the market and the first EV to cross 5,000 units in a month. The refreshed Tiago strengthened our hatch proposition, while the Tiago.ev enhanced accessibility in the entry EV segment.

Together, they have helped strengthen our position in the hatchbacks, with volumes growing 35% quarter on quarter in Q2. We also launched the new nameplate Aries, which has seen a very strong response from the market. Demand has been ahead of our current capacity, with Aries selling over 4,000 units in its first month, actually limited by its production. We are now expanding the capacity in response to the strong demand. We have an exciting pipeline of launches lined up, and the response to our recent products gives us confidence that they will add further to our growth.

With that, let me turn to our outlook for the second Next slide. Yeah, for H2, uh, the industry demand remains robust, although year-on-year growth rates are likely to moderate due to a high base post-CVST 2.0. Commodity pressures for the industry are also likely to remain adverse in Q3. With this background, our priorities remain focused on building on our growth momentum while strengthening profitability. We plan to sustain our industry-leading growth growth on the back of a healthy demand pipeline, the strength of our product portfolio, and the new product launches.

At the same time, we will continue to capitalize on accelerating transition towards greener powertrains driven by our strong portfolio in most segments. As we sustain this demand momentum, we will further scale up production capacity through key actions internally and with our suppliers. Alongside growth, strengthening profitability will remain an important priority The external cost

environment remains challenging, and accordingly, we will take key actions to support our profitability. This will be through accelerated cost reduction initiatives, expedited PLI approvals, and calibrated pricing actions, uh, whatever required.

All in all, we enter the second half with a positive outlook supported by healthy demand and growing share of green powertrains. Our focus remains on disciplined execution and profitability enhancement. To sustain momentum and drive long-term value. So I would now ask Richard to take up the section on JLR. Yeah,

Richard Molyneux - Chief Financial Officer, Jaguar Land Rover
Perfect. Thank you. If you can get back to the start of my section. Okay, right. So with the launch of the Range Rover BEV, Range Rover Sport BEV, and the reveal of Jaguar Type 01, the future for JLR is really starting to look bright. But the present is challenging. We sold 82,000 units in the quarter with revenue of $5.9 billion. This is flat versus Q1, but significantly up on Q2 last year. But given that that year-over-year comparison is, is versus a cyber incident impacted quarter, I'm going to focus here on the quarter-over-quarter view.

Both on EBIT and PBT, we did record small positives as per Q1. But cash flow was $540 million negative given the scale of our current product investments and the market pressures I'll come on to describe. Year-to-date, at the bottom of the page, for the first half of the year, our EBIT was 2% and PBT was $115 million, with cash outflows similar to last year. As a note, below PBT, we took an exceptional charge of $530 million in the quarter quarter. $295 million of this was related to our voluntary redundancy program, and I'll provide an update on that later in the, later in the pack.

Next chart, please. So as usual, I'm not going to cover this chart in detail. It provides a set of headline summaries for what I'll cover in the next charts. Next chart, please. Okay, so this looks at our sales by brand. And still focusing on the comparison versus Q1, we show very consistent delivery on Range Rover and Defender, both a few hundred units higher than we sold in Q1. Discovery showed some strength, particularly in the UK, and our focus now on Jaguar is fully on Type 01. Year-to-date, on the bottom of the page, it's probably the relentless strength of Defender that stands out, up over 20% year over year again.

The next chart looks at the same data by region and highlights some of the issues the industry is facing. UK wholesales were strong given the September registration plate change, but the bigger issues are in the market on the right-hand side, in China and in MENA. MENA demand and logistics continues to struggle as a result of the conflict, and the China market market, far from stabilizing, is continuing to decline at alarming speed. Our wholesales were down 45% year over year in that quarter and 36% down year to date.

There's no reason to assume that MENA won't ultimately recover. The same cannot be said about China, and I'll give more detail on that later on. Next page. This chart walks our profit before tax from the $109 million in Q1 to the $6 million in Q2. The major impact is in volume and mix, and even though we sold more cars as shown before, our carline mix towards Discovery and our country mix away from China and MENA to the UK hurt significantly. Our focus will remain on managing what we sell as aggressively as how many we sell.

VME continues to trend marginally up but was largely offset by contribution cost reductions And both structural costs and FX in the quarter were relatively flat, as you can see here. So the big story is the mixed deterioration by brand and by country. Next page. So walking our H1 EBIT to cash, our investment levels have been running higher than cash profit after tax, even though it's precisely

those investments that are the ones that are going to drive EBITDA up in the future as they hit the market.

The net of these 2 was a cash effect of circa £800 million negative, with seasonal working capital also being negative, though we should recover most of that in Q4. With the effect of working capital included, our H1 cash outflow was £1.5 billion. Next page. In the interest of time, I'm not going to cover this one in detail. It shows a breakdown of our H1 investments. The total for the first half of the year was $1.76 billion, and we're expecting H2 to be marginally below this, and then it will decline a little bit further into next year.

Right, next. So I'll spend a little bit more time than usual explaining the current market dynamics and our response to them. It is, it's the opposite of easy out there at the moment. On top of wars in Ukraine and the Middle East, China's domestic market is shrinking. The splintering of EV adoption across countries continues. Regulatory environments are tightening, and hard or soft trade protectionism is becoming endemic. But first on this list is China. So a page specifically on that. Next chart.

We're not the only one feeling the pressure in China. In fact, the strength of our brands has protected our volumes longer than other OEMs. However, the scale of the changes means we're no longer immune. On the left-hand side, you can see the growth of the domestic players operating with significant overcapacity, crowding out global brands. And note that the China market has disappointed in terms of growth. It is down circa 5 million units this year, as you can see bottom left. But the companies are keeping their plants running and exporting wherever they can.

Exports are up nearly 4 million units year over year, and that increase alone is circa 10% of the total global car market. If you exclude China exporting them and the U.S., which is protected, that degree of change-that is seismic. In terms of our own performance, our import volumes are hurting, but we are keeping the discipline on dealer stock levels. We know we have more to do, and we'll return with more detail next quarter in terms of our plans for China. Next page. So these challenges to our business model require a radical response.

The lessons of history is that you cannot save yourself to success. You have to grow by building brands and launching new products. And our aim is to grow our top line at 10% per year through both our existing cars and the significant new launches that we're in the middle of. Cost cutting was not sufficient is necessary. We are underway in all of our missions to reset our breakevens to 300,000 units. We also need to build greater resilience and to free our people up from outdated systems and processes and bring them into a world of AI.

So in relation to growth in particular, I've got 3 charts. The first one is the next- next chart, please. There we are. Range Rover. We have started the BEV launch. Even without seeing the car or driving it, we have nearly 5,000 orders. And those who do drive it, the press, are amazed at what we've engineered. You see some of the quotes here: the best version ever designed, better than ever, everything I've hoped for. Just some of the quotes. It may have taken us longer than others to enter the BEV market, But now that we're there, we've done it right.

Next page. And then Jaguar Type 01, jaw-dropping in terms of its design but also its dynamics. It's a true sports car. I was, to be honest, going to be saying a little bit more about this chart, but then I thought I'd just let you look at the pictures and read some of the quotes. This car is amazing. Next page. So these products and others, bevs and ICE, will help us grow and win in North America. Our plans are in motion and our H1 wholesales are 20% up on last year. Our plans revolve around recognizing that North America is a series of distinct micro-markets at either city or regional level,

each requiring a bespoke approach.

Naturally, there are some common threads: better timed model year introductions, ensuring a smooth flow of product rather than lumpy block build, and we will build out our service operations and customer service. A lot going on, and we know that others have similar ideas, but JLR is smaller and we're more agile, and we'll use that to our advantage. Next page. The increased costs of doing business- regulatory tariffs, taxes- along with many of the market issues already covered have driven our breakeven volumes too high.

We know that. We're in the process of resetting it through our cost missions on ex-works, on warranty, and on structural costs. And we've committed to save £1.7 billion over 2 years and are making good progress. And you can see that split bottom right of this chart. In terms of cost efficiencies, we launched a voluntary redundancy program with the intent to reduce our salaried headcount by circa 4,000 over a period of time. As of today, we expect around 3,000 colleagues to leave us this financial year, and the majority of those will leave at the end of November, i.e., 17 months' We also have enough additional expressions of interest and applications that we're confident we'll reach our goals with the remaining 1,000 leaving next year as critical launch activities roll off.

So we are taking the hard decisions necessary to reset our cost base and our resilience. Next chart. So what does this all mean for an industry characterized by multi-year programs and fixed costs? Seismic market changes take time to offset, so we will have to change our FY27 guidance, now expecting EBIT in the 2 to 3% range and cash outflow of circa £1.25 billion. As the reset of our cost base and our growth initiatives take hold and the new vehicles drive our EBITDA up, we're targeting double-digit EBITDA EBITDA and cash generation in FY28 and aim to return to net cash by the end of FY30 as these amazing new product launches start to drive through.

That's all I had to cover today. Thank you for your time and attention, and back to the team.

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
Yeah, thank you very much, Richard. Uh, just to conclude, uh, the session before we move on to the, uh, Q&A, uh, looking ahead, uh, we see strong underlying momentum across both our business businesses, and the priority remains firmly on translating this into a stronger overall financial performance. Uh, we've heard, uh, Richard and Shailish, and I spoke about it too, uh, there's a fair amount of work ahead for us. Uh, if you've heard that all the actions are underway, whether through the enterprise missions at JLR or the pricing and cost actions in the domestic business, we know where the opportunities are, understand the challenges we need to address, and our focus remains firmly on executing this through the quarter.

Thank you. Uh, we move on to the Q&A, but, uh, I'd just like to state that, uh, you know, because of the outage we've seen, we've had to change platforms, uh, at the last minute. Uh, we are also not very familiar with it, so we are trying to figure out on the way So we've been a bit tardy and you might see some interruptions during the Q&A session too. So kindly bear with us and we'll do our best to address all the questions that come through. I think the first set of questions have been coming.

Shalish, I'll start with you. There are a few questions your way. I think the first question is around mostly around the demand of CVs and VLIs. I think the question from Kapil is what percentage of our booking bookings we are seeing from EVs, uh, what is the kind of wait periods we are seeing at dealerships, and some color around the PO Lab?

Questions & Answers

Shailesh Chandra - Managing Director & Chief Executive Officer, Tata Motors Passenger Vehicles Group
Yeah, so, um, roughly 30% of, uh, you know, bookings are EV bookings, whereas the pending bookings, so nearly 40 to 45% of pending bookings are EVs today. Uh, just to give you a sense of, uh, the inventory situation in general so that you a, you know, understanding of the waiting period also. We have only 10 days of inventory, uh, for EVs, whereas overall our inventories are around 27 to 28 days. Uh, this includes the transit inventory of about 6 to 7 days. Uh, so definitely EV, uh, we have huge pending bookings and significantly low inventory.

So there the effort is to continuously increase the production, and I You know, the effort is that in next 2 to 3 months, uh, we increase our production from roughly 16,000, which has been for the last 2 to 3 months, to now move towards 20,000 level, which should then start bringing down, you know, taking up the inventory at the channel to support the retails. In terms of Uh, second question is penetration, right? Where do you see EV penetration for TMPV by next year? I think right now we are trending at 23%.

We, you know, expect to grow both in ICE and EV, so it would be around 25% or slightly above that. Uh, it can be higher because, you know, we will adjust to how the demand pans out in the next year. So, but it would be 25% plus for What is the roadmap for PLI? What is the year in question? What is the

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
Roadmap? What's the kind of- what is the coverage of PLI of our portfolio?

Shailesh Chandra - Managing Director & Chief Executive Officer, Tata Motors Passenger Vehicles Group
Yeah, so about 40% right now is covered under PLI, and there are 2 pending models, you know, where we have already secured AAT, but we are awaiting the TCA, which is the technical- techno social clearance and approval. So as cumulative

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
Approvals in H1 has been about 831 crore and Q2 it's about 500 crore. there'll be few in and outs on the portfolio but we whatever. 831

Shailesh Chandra - Managing Director & Chief Executive Officer, Tata Motors Passenger Vehicles Group
Crore is

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
For and the portfolio. Or whole the portfolio. Or 831 crore, 830 crore is the ku to maintain towards H2. Sharish, the next question also for you from Raghu. How do you see the commodity impact? You've seen an intense level of commodity in Q1 and Q2. What's your expectation in Q3 and how are you looking at price hikes moving ahead?

Shailesh Chandra - Managing Director & Chief Executive Officer, Tata Motors Passenger Vehicles Group
Yeah, okay, so you know in the first 2 quarters this commodity impact was significant including the

foreign In fact, in Q3 also we are seeing adverse situation on commodities, especially for steel, rubber, copper, whereas softening, you know, for stocking for some of the commodities, mainly the precious metals. We hope that forex part will be more stable as compared to the earlier quarters. Price hikes, yes, it is going to happen in Q4, slightly higher than what we have been taking. We will also watch after, you know, assessing the full impact of what commodity will hit us in Q3.

We might consider a price increase in this quarter also. One price increase in Q3 and maybe another in Q4, but for sure in Q4, you know, is what we have. I cannot reconfirm, but also potentially be 1 in Q3. How the festive period has been? So already, as I mentioned, that there was already a high base from last year. It was a post-GST situation, but still we were able to grow by about 10% retail growth as compared to the festive period last year. Which products are seeing highest traction and waiting periods?

I think it is difficult from a model perspective because Right now we are constrained on production basis, you know, demand that we are getting. It is broad-based, as I mentioned, across all the models. But from a powertrain perspective, I already mentioned that EV and CNG, we are significantly falling short of the demand. The next question is, EV, how much is the revenue? It would be, you know, I would say so, 23% is the volume penetration. For revenue, this would be now greater than a third of the overall revenue for P.

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
Pli, I think we have already answered this question. And Sharif, there's one more related question from Nishit. If you could take it together, I think the question is related to what Raghu asked is why do we why are we not taking a faster rate of price increase when the RM inflation is so high? Are we really worried about demand going down since the growth has been so high in that last couple of quarters?

Shailesh Chandra - Managing Director & Chief Executive Officer, Tata Motors Passenger Vehicles Group
Yes, you see, uh, this is something which we take a slightly midterm view because, uh, we have seen the cycles of commodity and you have also been seeing, uh, we make an assessment of what part is going to remain structural as an increase and what will, you know, the, you know, it will lose steam and come down. Because, you know, unlike a commodity, you know, industry, we don't keep on increasing and decreasing our prices. Generally, we increase the price gradually, uh, in a very volatile commodity environment.

So we are taking very calculated price increases because there is an equally, you know, accelerated effort on the cost reduction side. So we combine the two, and, uh, we also consider what level of softening can happen in the next 12 months or so. And basis that, we have been deciding in terms of how much price increase we are going to take. Uh, of course, you know, a step jump in price can impact demand, and therefore we have been taking rather more frequent and gradual price increases. And that will be the, uh, you know, approach going forward also.

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
That was the question. Yeah, thank you, Shalish. Balaji, if I could request you to take the next question from Kapil. Yeah, you know, brand is a key word for luxury car companies, but we've seen some disruption in the China market where the local China OEMs have taken that market. Do you really see that playing out in other markets too?

P B Balaji - Chief Executive Officer, Jaguar Land Rover
I think so. It's a great question, Kapil. And, uh, from a point of view of what's happening in the Chinese market, the disruption is also led, I would argue, from a consumer durables perspective, which is coming in with established brands and wanting to take on, um, the traditional automotive industry at large. And, uh, the familiarity of those brands already exists And I would also argue that the Chinese automotive industry from a brand perspective is over-indexed on the tech as well as the interiors, as well as the way the, what do we call, the living space is envisaged.

And that is something that's done extremely well for them. At the same time, we have been able to hold our own in this environment for quite a long time, given the pedigree of our brand. Brands. And that's what we have seen us navigate all this while. But we do see that you shouldn't forget that the Chinese market itself overall is down almost 30%. And to that extent, there is quite a bit of competitive intensity out there. And with the interventions currently happening, be it on the luxury tax, etc., there is also a significant price challenge that is coming in the market for luxury players like us.

Most luxury industry in China is also at this point in time in a bit of a flux, and therefore that's the reason we consciously called out that we watch this space. And if I contrast that with, let's say, price competition coming into UK, for instance, which did very well for us this quarter, it does- it is impacting the lower end of our portfolio where residual values are coming into stress, which because if I have to go for a secondhand, people who want to buy a secondhand, let's say, Range Rover Evoque, uh, are finding more attractiveness, uh, in some of the cars that are out there.

So that's putting pressure on residual values. But the core offering of the brands, the, the main Range Rover, Range Rover Sport, or Defender, continue to see good growth momentum there. So therefore, the brand does, uh, hold its on. However, we should be absolutely clear here that there is- the brands also have to remain contemporary in the way they offer the technology stack. They also have to ensure that they create value for our customers and they remain true to who they are. So therefore, the brand is a necessary condition, but I think for it to be a sufficient condition, we need to ensure all the other aspects of it, be it service, be it quality, be create technology or price offerings all continue to play well.

So we need to be staying close to our customers and ensuring that we are, uh, living up to their expectations. That's probably my hypothesis. I'm- I would hardly argue that I'm the deep marketing expert, but I believe this is what is happening from my perspective. Happy to have a chat with you offline on this.

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
Yeah, and Balaji, since I have you on the mic, if I can request you to take the next question from Joshi on the longer-term plans on China, given that we've seen the imported side of the business falter.

P B Balaji - Chief Executive Officer, Jaguar Land Rover
Yeah, I think, uh, give us some time on this because, uh, this is the first year, uh, after many years we are seeing stress in the China volumes at this point in time. So the percentage of China share in our overall portfolio, it used to be about 70-odd percent till last year, and this year it's come down sharply. And we are watching this closely. We also want to be sure that we don't overreact without understanding what's happening on the ground. So give us some time, we are reading it closely, we'll come back to you once we are ready.

At the same time, let's be very clear, we also continue to remain invested in China. It's a very important market for us and we want to ensure that we- and China is the fountainhead of innovation on the technology front. So we would continue to be in that market. And as far as the joint venture with Chery is concerned, the reason we have licensed the Freelander brand, and sure, we also want to participate in the Chinese market through other means as well. And therefore, uh, we continue to be excited by the market opportunities.

It's just that we need to be clear how we tap that opportunity going forward. But at the same time, the market itself has declined by 30%, then it's probably- is it cyclical, structural? Those are things we just need to read correctly. Correctly. And, uh, we just want to take our time to get that right.

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
Okay, thank you, Balaji. Uh, Richard, I'll now move to you for a bunch of questions, first from Raghu and then from Kumar Rakesh. Uh, first, uh, from Raghu, uh, you know, we have a small cut in, uh, revenue guidance. Is that mainly due to China? And, uh, you know, we've also seen Gross margin compression this quarter led to a EBIT margin decline. Is that purely because of mix, or have you seen commodity inflation in GLR too?

Richard Molyneux - Chief Financial Officer, Jaguar Land Rover
Okay, so let me let me try and take those in turn. First of all, cutting guidance. I think it would be reasonable to assume that that China, if it had hit the plans that we set out for it at the start of the year. Then there would not have been a change in guidance. So yes, I think you can reasonably assume your first point is correct. On gross margin, look, cost inflation, yes, absolutely, we have seen it. Copper prices, aluminium prices, petrochemicals, plastics, etc., are going up. We have had an ex-works cost reduction mission live for some time, and it is starting to be able to offset some of those.

So when you look at our, um, the walk that I took you through in the, in the pack in terms of profit from Q1 to Q2, material cost isn't an item that stands out for us. So we're managing to offset the headwinds, uh, through the, the good work that all of the teams are doing on material cost reduction. You had a point about mix. So what's impacting mix? There's 2 things in the quarter. First of all, China. China going down, MENA going down, and then balancing into other regions has a net negative effect for us.

Secondly, we had a big push on Discovery in the quarter, and even though Range Rover and Defender were up versus the first quarter, their percentage of our total was down. So we had a small reduction in Range Rover, Range Rover Sport, and Discovery- sorry, and Defender versus Discovery. So it's both a country mix and a sort of carline mix that hurt us in that quarter. You've got another question there around ramping up production of Range Rover Sport and Range Rover EV. Look, we're in the- we're in a ramp-up curve now.

If I could produce more, I would love to have more. However, we need to give our manufacturing colleagues the time to learn and to grow through their ramp-up curves. So we're really happy with the demand that we've seen before anybody in a retail world has even seen the car, let alone drive it. So we will ramp up production as fast as we reasonably can. And then the 4th one, how will revenue recognition happen for Freelander? Freelander for us is not consolidated. It's a license fee income that we receive from Chery, that license being in relation to the brand that they have licensed for us and the design of the brand world and the vehicles that they have licensed for us.

So it is not something that gets consolidated in every line of the P&L. It shows in license income.

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
Thank you, Richard. If you could, you know, pick up questions from Kumar Rakesh as well. I think the first part of the question is, you know, we've seen macro weakness and we've also in the past talked about the aging portfolio on RRRLs. Sport, uh, till the time we refresh it. So what are really the drivers in the, you know, let's see, turnaround in FY28 which you've given in the outlook?

Richard Molyneux - Chief Financial Officer, Jaguar Land Rover
Okay, so a couple of spiky questions, Kumar. I would absolutely not accept the concept that Range Rover, Range Rover Sport, and Defender are getting dated. If you look at their, their sales volume, both Range Rover and Defender continue to rise and are up Q2 versus Q1. So I'm not sure I agree with that. How do we see the turnaround in cash generation? I think you need to look at the fact that we have a very lumpy cycle plan. We announced a while ago we have an investment program of £15 to £18 billion over 5 years, and we've invested £11.5 billion of that already.

And a large chunk of that are in 5 vehicles that we're going to be launching over the next 18 months. And those vehicles will drive our EBITDA up at the same time as our investment levels will start to peak and come down. So that's where the turnaround in cash generation will come from. Our EBITDA will grow and our investment levels will reduce at least slightly and then progressively. So viewed in the other way, we've managed our financial performance to date whilst investing the large chunk of £11.5 billion and seeing, as of now, no financial return for it.

That's what's behind the turnaround. Second point, Chinese OEMs are gaining significant share in Europe, especially in the UK and elsewhere. Actually, I mentioned to you that. Even their increase in exports versus last year represents 10% of the global car market excluding the US and China. So we are absolutely- and Balaji, I think, has been very clear on this- we're determined that we will defend our intellectual property. Range Rover, you can see the design here and the technology of the vehicle We've invested billions of pounds in optimizing this, and we're not simply going to give it up.

So we will take whatever action is necessary to protect our intellectual property. We have a great relationship with Chery. We've been with them 14 years in China. That's about all I'm going to say on the issue.

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
Thank you, Richard. You know, one last question before I move to the next question. Back to Shailish. You've spoken about the CapEx reduction in FY27. Could you help shed some light as to where it's coming from?

Richard Molyneux - Chief Financial Officer, Jaguar Land Rover
A lot of it goes back to the cyclicality that I mentioned beforehand. We're not in the lucky position where we have one car launch per year flat. We've had very little for the last 3 or 4 years, to be honest, and we've got 5 cars coming all at once. So our investment is inevitably not smooth, and the fact that some of these vehicles are now in production and others are very nearly in production means that there will be a natural decline in our investment levels over the next 18 months, and some of that is already starting to show through.

So it's largely product cycle plan driven. There are some parts of our business, including IT and cyber, where we'll probably have to invest a little bit more, but our product investments and the investment in our new BEV powertrain systems, they will start to come off their peaks as we go through the next 18 months, 2 years.

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
Thank you, Richard. Shadish, if I can move over to you for taking the next 2 questions. One question from Kapil: how do you see the- you know, what's likely to be the total total CapEx in FY27 for the domestic business? So we don't give a specific number, but just to give you guidance, it will be between 6 to 7% of the revenue. And, uh, Sharish, there's a lot of talk around dailies, and the dealer feedback is very strong. Uh, what's worked and how are you looking at the volume potential and capacity?

Shailesh Chandra - Managing Director & Chief Executive Officer, Tata Motors Passenger Vehicles Group
Yeah, I think, you know, we have some very strong response, uh, post the, you know, uh, post the launch Like the refreshing design, which otherwise was a very boring segment where innovation was not being seen on the styling. Also, people have appreciated the features that have been given. Many, many of them are first-time, first-in-class features. And particularly on the safety perception, that is coming out as one of the strong points. And all of this coming at a very attractive price is not only attracting customers from compact sedan but also a lot from premium and high-hat segment.

What is the volume potential and capacity? Right now, our capacity is constrained. train first month in supplied about 4,000 numbers. We trying to now increase it to 5,000 and we have to increase it more basis the demand that we are seeing. Again you

Unidentified Speaker - Unidentified Speaker, Tata Motors Passenger Vehicles Ltd
Being. it's in terms of how you see the VME spends going forward?

Richard Molyneux - Chief Financial Officer, Jaguar Land Rover
Yeah, so you'll have noted in Q2 it was marginally up on Q1. I think the reality is until the effect of our Range Rover BEV, Range Rover Sport BEV, Type 01, and Range Rover GT come into effect, it may go up a little bit more. And then during the course of next, next financial year, as those vehicles start to become significant in our mix, it will go back down again. So a little bit more to come in the balance of the year and then down in FY28. Thank

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
You. And Richard, if you could also take the question from, from Chandra. You know, are there other costs related to to, uh, you know, some product recalls that you've had in the past, they are kind of behind us, and, uh, the EV supply chain has been tight globally, and we are in the midst of deliveries from Q4. How are you- how well are we prepared for the deliveries in Q4?

Richard Molyneux - Chief Financial Officer, Jaguar Land Rover
Okay, so, um, any, any recalls, be it on Range Rover or Defender or anything else that we have had, we accrue appropriately at the point of time that they're announced. So that's all I would expect to say on that one. In terms of the EV supply chain, at the moment we source our cells from a partner, and those cells we've been receiving for some time, and we have a stock of them which is sufficient for our purposes for many months. At that point in time, time, our sister company Agritas should start production of the cells initially in India and then in the UK.

So we, we're relatively confident we have the right sources of cells and we have them coming in the right cadence. We expect to be not oversupplied nor undersupplied. So, uh, we're keeping a close eye on things as always. However, we're not seeing any supply constraints on either cells or other BEV components at this point in time. To the extent that our eyes are open into the supply chain in

terms of where constraints may come, to be honest, at the moment it is more focused on semicon and DRAM chips than it is in terms of lithium, cobalt, nickel, or whatever goes into a BEV.

So we're very focused on that, we're keeping our eyes very closely on it, but it's not an issue at the moment.

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
Richard, Shelish, if you could take the last 2 questions from Chandra before I move on to Richard for the last question of the day. You know, the PLI scheme is expiring in 2028, so how do you really look at the profitability of EV cars beyond

Shailesh Chandra - Managing Director & Chief Executive Officer, Tata Motors Passenger Vehicles Group
That? Yeah, so, you know, there are- we have a 12 to 18 month with, you know, clear, you know, set of initiatives which are going on on the cost reduction side. These are very involved initiatives. So one is going to be a much steeper cost reduction than normally we would do for the ICE side. So this is already underway, and in next 24 months we have taken a very steep target with a clear idea of how behind it. And then we will also also keep increasing the price progressively in models where we would have the headroom available.

And as a combination of these 2, we are confident that we will be able to offset the benefit that we are getting currently from the rebate. Thank

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
You. I think you've also asked a question on what is the rough price hike that we've taken this year. I think across the ICE and EV portfolio, having taken about 1.7% price increase across 3 hikes in, uh, April, uh, July, and September. And I think Sharish has already answered extensively on how we look at it going forward. Richard, if you could, uh, help take the last question from Gunjan. Uh, you know, one is on the enterprise missions. What's kind- what's the kind of benefit, uh, we are likely to get in our P&L in FY27 and FY28, and any additional pipeline on cost reductions that you see going forward?

Richard Molyneux - Chief Financial Officer, Jaguar Land Rover
Yep, let me, let me take those, those questions in turn. So the bottom right of the, of the chart you're referring to shows the, the split of the $1.7 billion between what we're anticipating from ex-works, what we're anticipating from warranty, and what we're anticipating from cost efficiencies. It also shows the proportion that we're expecting to come this financial year, next financial year, in terms of known and planned and proper initiatives, and the areas where we still have more work to do.

And we have more work to do in ex-works, we know we have more work to do on warranty, but we have decent line of sight on the savings that we need from cost efficiencies, of which the largest part will be the effect of 4,000 people leaving our organization over the next year or so, and that should deliver all in, including all fringe costs, etc., to the tune of £400 million per year of ongoing savings. I will note, and you should be aware, that not all of those savings will be P&L. Some of the people that are leaving us are in the engineering community, so they would be working on projects which would be capitalized and go through go through the balance sheet.

So when I talk about total number of savings, I'm talking about savings that will get reflected through the P&L and also savings that will generate cash through lower investment numbers. There was a second part of your question more about Range Rover GT. It will get launched as a BEV only early

next year, and it will come as a HEV, a hybrid electric vehicle, within a reasonable timeframe of the launch, but not in the next year. Positioning, look, it's a lower Range Rover. It is absolutely fantastic in terms of its design.

When we showed the retailers this car, they were swooning over it. So it is obviously a slightly lower, less high seating position vehicle, but still retains the luxury, the smooth and free ride ride of a Range Rover with the power that a BEV powertrain can deliver. So I've driven the car myself, it is, it is absolutely fantastic. It will be positioned in terms of price obviously a little bit low below the, um, the big Range Rover, but this is still a luxury car, so it's, uh, it's, uh, going to have a luxury price tag.

Um, the third part of your question was give details on the restructuring cost. So $530 million this quarter, of which $295 million was related to the voluntary redundancy program, and the balance was related either to some product investments which we've moved out, or some other assets that we decided need to sit on the balance sheet at a slightly lower value. Is there more to go? Not that I am aware of at this point in

Dhiman Gupta - Chief Financial Officer, Tata Motors Passenger Vehicles Ltd
Time. Thank you, Richard. And, uh, that brings us to the end of, uh, our earnings call. Uh, I know the adjustment to the platforms hasn't been easy, but hopefully we have managed to take all your questions. But, uh, in case you've missed any, please, uh, do feel free to reach out to our IR team and we'll get back to you. Thank you. Thank you everyone for joining.