TATA

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November 14, 2024
Sc no - 18523

Dear Sirs/Madam,

Sub: Transcript of the Earnings Discussion/Conference call

Pursuant to Regulation 30 read with Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and further to our letter bearing sc no. 18485 dated October 11, 2024 intimating that post announcement of Financial Results for the second quarter and half year ended September 30, 2024, Tata Motors Limited ("the Company") will host an Earnings Discussion/Conference Call on Friday, November 8, 2024.

The transcript of the earnings/conference call is available on the website of the Company at www.tatamotors.com

This is for information of the Exchange and the Members.

Yours faithfully,
Tata Motors Limited

MALOY KUMAR GUPTA
Digitally signed by MALOY KUMAR GUPTA
Date: 2024.11.14 18:15:03 +05'30'

Maloy Kumar Gupta
Company Secretary

Encl: as above

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Tata Motors Group
Q2 FY25 earnings call transcript

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Mr. DHIMAN GUPTA, VICE PRESIDENT, FINANCE, TMPVL and TPEML
MR. ADRIAN MARDELL – CEO, JAGUAR LAND ROVER
MR. RICHARD MOLYNEUX –CFO, JAGUAR LAND ROVER

Presentation

Anish Gurav

Good day and welcome to Tata Motors Q2 FY25 Earnings Call. Today with us are 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. G. V. Ramanan, Vice President, Finance, Tata Motors Limited; Mr. Dhiman Gupta, Vice President, Finance, TMPVL and TPEML; Mr. Adrian Mardell, CEO, Jaguar Land Rover; Mr. Richard Molyneux, CFO, Jaguar Land Rover and we also have our colleagues from the Investor Relations Team.

Today we plan to walk you through the results presentation followed by O&A. As a reminder, all participant lines will be in listen-only mode and we will be taking the questions via Teams platform. The same is already open for you to submit the questions. You are requested to mention your name and the name of organization while submitting the questions.

I now hand over to Balaji Sir to take over. Over to you, Sir.

P.B. Balaji

Thank you, Anish. Good evening, everybody. Good morning to people in the U.S. It's obviously a very sad quarter for all of us here in Tata Motors. On the passing away of Mr. Tata, this company owes its existence to him and we thought we'll take this opportunity to continue to pay our respects to him. Thank you, sir, for continuing to inspire us. Next slide, please.

To the standard Safe Harbor statement, nothing new to report here. Next one.

It's been a pretty intensive quarter for us in terms of products and as well as other highlights for the business there. You already have seen some of these pictures already, but I think the call outs, I would say, as far as domestic is concerned, I think the launch of the Nexon iCNG and Nexon.ev 45 kWh has been an excellent success followed by Curvv. We also had an extremely warm ceremony for groundbreaking of the new Chennai plant that we had. We had the Honorable Chief Minister of Tamil Nadu as well as the Industries minister with us, and the Chairman as well. This is a project that we are all very proud of. It's something that we are going to create between Tata Motors and JLR to get products to market there. So look forward to continuing to work in the space. And JLR side, of course, substantial efforts underway for the whole EV transition with the Halewood factory getting ready for introducing EMA products there. And from a financing side, of course, both the RCF term refinanced and as well as the ratings continue to keep improving. So overall, a satisfying quarter from that perspective.

Of course, not so satisfying as far as the current quarter is concerned. Nothing new. We did call this out last quarter, of the supply issues that we have faced in JLR and one unforeseen last minute holdback that we had to do in JLR and continuing demand situation that we did indicate in domestic Indian business. Therefore, despite these situations, the first half is broadly held, but for the quarter, it's been a disappointing quarter with revenues down 3.5%, EBIT at at 5.6%, down 190 bps and profit before tax and exceptional items at ~Rs. 5,800 crores, down about Rs. 400 crores. Free cash flow, more on a full year basis with a lot of working capital movement between first quarter, second quarter. On a full year basis, marginally down at Rs. 1,700 crores. And we would expect to see this reverse going forward. Next slide, please.

Where did the growth come from? We declined by about 3.5%, 6.2% out of that came out of volume and mix, primarily out of JLR and as well as at an overall level. And of course, we did see impacts in other parts of the business I'll cover subsequently. Translation with the pound appreciating vis-a-vis the Indian rupee, you did see a 3.3% increase on the translation side. And on a margin perspective, thanks to the decline in revenue growth, we did see operating deleverage that go right through and we'll talk about that in greater detail subsequently. Net debt marginally inched up, not particularly concerned about it. We should expect to see this reverse and go into net cash by end of the year.

With this, let me hand you over to Richard to walk you through the JLR performance. Richard, over to you.

Richard Molyneux

Thank you, Balaji. So we go to the next chart, please.

So the summary for JLR is that we were held back by outside forces in Q2, particularly the flood at Novelis, which restricted our production to 86,000 units in the quarter.

The good news is even with these headwinds, we delivered robust profitability, which does show the underlying resilience of our business. And we expect to bounce back strongly in H2. So the top row in this chart shows the financial results in Q2. The bottom half is H1, and each of the following charts will follow the same format. So, with 86,000 units of production driving 87,000 wholesales, this is what's driven revenue down by 6% in the quarter. But even with this, we posted the ninth quarter of positive EBIT in a row, and the seventh quarter of EBIT over 5%. So in addition, even though PBT was down by 10% in the quarter, on a full year basis, it's actually up year-over-year. Operating cash in the quarter was GBP256 million negative. That puts us fairly much flat for H1. But even with flat H1 cash, we're still holding our guidance of net cash at year-end. The bottom half of the page, revenue is flat for H1 year-over-year, but with lower volume, this means revenue per unit continues to rise. EBIT is down a little bit as a percentage driven by increased levels of sales support. But we also expect EBIT to recover in H2, allowing us to hit our commitment of 8.5%. Next chart, please.

So I won't go through this in detail. Most of the points on here I'll cover in the following charts. Next chart.

So looking at wholesales by brand, we mentioned the impact of the Novelis flood. This impacted particularly Range Rover and Range Rover Sport as MLA is our most aluminum intensive architecture. We only sold 30,000 Range Rover and Range Rover Sport's in the quarter versus a normal run rate of at least 40,000. Defender did benefit a little bit in the quarter, as we allocated components. Discovery was flat and Jaguar, as you know, is in run out phase as we move towards the extremely exciting launch of the new brand next month in Miami. From an H1 perspective, Range Rover is still really strong, 14% up year-on-year, and Defender is also really robust. Next page.

This looks at the same data, but by region. And a second impact on top of the aluminum supply issue we had was a temporary quality hold, we put on 6,000 primarily U.K. and EU cars. These cars will be wholesaled in Q3. This was the main reason why U.K., EU performance is down year-over-year for the quarter, though the EU market is becoming increasingly competitive as others allocate unsold units to their home markets. The U.S. continues to perform really well and China remains strong in Q2. I should say, however, and I'll cover China in a bit more detail later on, that the market and the retailer network are showing considerable stress and this will impact H2 sales in the region. But for Q2, we did really well. Wholesales were up. From an H1 perspective, it's a fairly similar profile, but this does emphasize the emergence of the U.S. as the market where our brand strength and product appeal is growing more strongly. Next chart.

So, this chart walks from our PBT in Q2 last year of GBP442 million to the GBP398 million we recorded in Q2 this year. And if you think at a total level that's a wholesale level of 97,000 going down to a wholesale level of 87,000, that's actually quite resilient financial performance in a very fixed cost business. If I look at the walk, obviously, the big negative, the first big negative there is volume. We lost 10,000 units, so just by about GBP214 million. Net pricing was also negative for us. So, variable marketing expense or sales support on an incurred basis was 4% in the quarter versus 1.1% in the same quarter last year. Normally, in the past few quarters, we've been able to more than compensate such moves with contribution cost reductions. And as you can see there, material cost is continuing to come down quite strongly. The high warranty costs in the quarter dragged our net revenue to contribution cost performance negative for the quarter. And be assured, material cost, quality and the cost of quality are major focus areas for us as we move the business forward. On a structural basis, you can see our structural costs are falling, even though we're investing more in marketing. This is driven largely by reduced D&A as we extend our ICE life cycles in response to slowing global demand for BEVs. From an FX and commodities perspective, the strengthening of sterling hurt our operational FX, but gave us a strong revaluation effect on debt, so no surprises there. Next page.

This takes our H1 PBT and walks it to cash. So, you can see at GBP2.14 billion in the middle, that strong operating cash after tax, even given the low wholesales in Q2. And although not the case in Q2 individually, on an H1 basis, investment spending does remain significantly lower than the amount of free cash flow our business generates. Looking at the working capital side, the lower production has a sort of a double hit on us because it also means the working capital goes negative as payables fall with reduced production. This has impacted overall free cash flow, which was roughly flat for the first half. Those working capital effects are going to reverse back out in H2, which will give us a much stronger cash flow in the second half of the year. Next chart.

Turning to investment, investment in H1 was just under GBP1.9 billion, about GBP400 million higher than the same period last year. This was driven by our BEV transition and our very forward and very exciting new product cadence over the next few years. Engineering capitalization ratio was stable at circa 65%. Okay, so if I move on to a business update, which I think is next.

Let's move straight in, straight into China. So definitely worth giving an update of our perspective on China and what's playing out over there. So I think there's two main themes. On the left-hand side, there has been industry-wide discounting and overstocking for quite some time. And this has really started to put extreme levels of stress into the retailer industry, automotive retailer industry across China. We are seeing considerable insolvencies in that space. And that means the loss of retail points for us and other manufacturers to access the market. It also tends to have a bit of a domino effect because the fact that some retail groups are not able to survive reduces the amount of new funding and credit that the other ones can get. So there is extreme stress in the distribution structures for vehicles in China. And that's partly related in the middle section where there are also demand challenges, both industry-wide and in the sectors in which we operate. So, premium market down 12%, the ICE market down 22%. In that context, our performance in the first half of the year, we haven't done badly. Retails on our imported cars was down 4%. Wholesales were actually up. And we've managed dealer inventory very well and coped really quickly with the loss of retail points. So what we'll find is, look, China is not something that's going to get solved very, very quickly. And it will definitely give us some weakness in that market in the second half of the year. But from where we stand now in Q2, we've done a reasonable job. Next chart.

So we continue to invest and invest strongly in our reimagine strategy. So this picture is the BEV lines up in Halewood. It's an amazing facility dedicated to BEV production, and it'll eliminate tailpipe emissions, but also you'll see near the bottom of the text on the right, it will also reduce our own emissions. So we're taking maybe 40,000 tons of CO_2e out of Halewood's industrial footprint. So we reconfirm our commitment to our strategy, which means that we will be net carbon zero by 2039, only BEVs by 2036, and have a BEV derivative of all of our brands by 2030. Next chart.

So financial outlook, looking ahead. We have mentioned Q2 was hurt by factors largely out of our control, and we expect to bounce back strongly in H2. Though the headroom to holding these commitments, which are GBP30 billion worth of revenue, greater than or equal to 8.5% EBIT and net cash positive, they are still our commitments. It is worthwhile saying, however, that the headroom to achieving those is tighter than I would like. Next page.

Tata Commercial Vehicles, back to you Balaji.

P.B. Balaji

Thank you, Richard. Let me now hand it over to Ramanan and Girish to do the sections on the Commercial Vehicles. Ramanan, do you want to start?

G. V. Ramanan

Thank you, Balaji. I think Q2, the CV industry saw 11% decline year-on-year in terms of volume, largely impacted on external factors of infra slow down and reduction in mining. If you see in terms of registration market shares have been kind of steady. On a half-year basis, it's at 38.1% despite this decline, and the passenger segment has also seen a growth. Next page.

On the revenue and financials, we did witness a slide in revenue, largely on account of the market conditions, but have sustained a double-digit EBITDA with 40 bps growth over yoy. And also, on a half-yearly basis, the EBITDA has improved. It's a double-digit EBITDA that we've been able to manage. EBITDA has improved by 120 bps, and this is leading to a strong PBT, resulting in a good ROCE at around 37.4%.

Let me just take you through the walk on the PBT, Q2 of last year to the current year Q2. Coming to this walk, you will see that lower volume has kind of impacted us adversely, but favorable pricing and the variable cost benefits have adequately helped us bridge the gap. Overall, we sustained the margin well. And I would now request Girish to kind of share more insights.

Girish Wagh

Thank you, Ramanan.

So as Ramanan mentioned, I think the industry volumes declined by around 11% mainly due to the slowdown in infra activities, reduction in mining and also heavy rain impacting the movement of freight. In heavy commercials, intermediate, light, medium commercial vehicles and SCV pickup, the volumes declined by around 24%, 13% and 10%, respectively, whereas passenger carriers grew by 5%. Passenger carriers continued to do well. Interesting data which we are now able to track live, I think the kilometers run by vehicles on a daily basis did decline significantly and on a year-on-year basis, on the lowest level there was a decline of almost 15% to 17%. And we have also seen that the diesel consumption has reduced to almost 15% on a quarter-on-quarter basis. The good thing though is in October, which was also a festive month, I think the running of vehicles have come back to the previous October levels. So, now we need to watch for remaining months as to how do they continue at the same level going ahead. Another good part was despite this year-on-year drop in utilization and a significant drop in utilization, I think the freight rates moderated just marginally, which therefore ensured that transporter profitability, while it came down a bit, but still continued to be at a good level, which is, I would say, a healthy sign for the industry. Customer sentiment index, which is a metric that we track internally, it did moderate due to the seasonal dip, so it is expected to go down in Q2, but it continues to remain at a good level. On the commodities, whatever increase we had seen in Q1 has more or less retracted in Q2, especially steel, which has a higher impact in commercial vehicles.

Going next, so Tata Motors Commercial Vehicles, our overall volumes declined 19% on a year- on-year basis in quarter two and around 8% year-on-year basis for the entire first half. And within that, heavy commercial vehicles, intermediate, light, medium commercial vehicles and the passenger carriers, we have been able to perform better than the industry in the first half of this financial year. Within this, the MCV trucks, that is the 19 ton trucks actually grew in double digits on year-on-year basis, while the overall industry declined. Passenger carriers also grew by 3%. We were able to further improve the contribution of digitally generated leads by up to almost 27%. We are running now at the 30% higher level as compared to first half of last year. We continue to launch new products and variants to get into micro segments and niche markets. We further accelerated the cost reduction efforts and also improved and maintained realizations across the range despite lower volume. We continue to increase the spares and service penetration, both on a Y-o-Y, of course, and quarter-on-quarter basis. In electric mobility, we delivered and registered 550 electric buses in the quarter gone by. And till now, we have more than 3,300 buses registered and running. Ace EV, I think despite the FAME2 not being there, with the launch of new variants and new value propositions in Ace EV with 1 ton payload, we continue to do well and have shown a Y-o-Y growth both in Q1 as well as Q2. And now we have more than 6,400 vehicles running on roads with cumulative coverage of more than 50 million kilometers. We continue to deliver 99% uptime, leading to very high customer satisfaction levels. And as I said, the volumes have seen a 17% growth on a yoy basis. On sustainability, I think we are on track for all our plans, meet the decarbonization roadmap in line with the SBTi glide path or the circular economy and within that you will see that our Pantnagar plant actually received the 'Zero Waste To Landfill' certification. On the smart city mobility, now there are more than 3,300 buses, which have crossed more than 200 million kilometers cumulatively and we continue to deliver higher than 95% of uptime. So, we are now at the last leg of deployment of buses under the CESL tender that we had won and more than 2,000 buses have been deployed. We have also deployed 200 electric buses in Jammu and Srinagar, and running very well. On the PM E-Drive, we welcome it, it's a good scheme. It does address the payment security mechanism that we have been talking about, but we await further details on some of the other points that we have raised in the pre-bid meetings and especially related to an asset-light model. On the Digital business, I think we continue to build the scale and have also established the revenue model. Fleetedge now has more than 710,000 active vehicles on the platform and a very healthy daily, weekly and monthly active usage, almost 78% monthly active users and 52% weekly active users. Our machine learning based fuel efficiency solution, the Mileage Sarathi is now live on more than 340,000 vehicles and we continue to deliver a median fuel efficiency improvement of around 4.8%. In the quarter gone by, we also launched a unique service, 'API as service' with which fleet owners are now able to share live location as well as the status of the freight to the shippers. So, the shippers can therefore integrate it into their system and have a better track with respect to the freight. E-Dukaan, our digital storefront has now 34,000 registered buyers and we are selling more than 28,000 SKUs and significant penetration in our retail segment for spare parts. Fleetverse, which is our online vehicle purchase commerce platform, we have achieved now more than 10,000 retails in Q2 and almost half of those are absolutely unique retails. Delighted to note that both Fleetedge and Fleetverse, now we have native mobile apps launched with which I think people can work on it on the move.

Looking ahead, we expect the gradual increase in infrastructure spending to boost the consumption and therefore improve the demand as we go ahead. October has been a fairly good month with a marginal increase on a Y-o-Y basis. Within trucks and buses, we will continue to introduce new variants, drive our value selling agenda, of course by improving the value propositions being delivered to the customer. On small commercial vehicles where we are challenged on the volumes, we are working on a three-pronged agenda. First is improving the value proposition, product value proposition across the range wherein we will increase the payload and therefore improve operating economics for the customers. Conversion challenges which are being seen in this segment, we have been working closely with the financiers to unlock this through attractive schemes. And then there is a whole set of front-end transformation, in set of initiatives which are being deployed to improve the entire operating rhythm. On service and spares, we will continue to drive growth, and increase penetration by leveraging our digital storefront. International markets, we continue to maintain the shares, margins and, of course, the channel health. We will continue with the cost reduction efforts which have been helping us well in entire first half. And on sustainability, as I said, we will continue execution of all three that is net zero, circularity as well as biodiversity initiatives.

So that's about CV, Balaji back to you.

P.B. Balaji

Thanks, Girish. Shailesh, Dhiman, can you take on the PV piece?

Dhiman Gupta

Yeah. Thank you, Balaji.

Tata Motors in H1 FY25, market share stood at 13.3%, flattish on a year- on-year basis. There was a slight decline in our market share due to adverse salience of hatches. However, we saw strong growth during the festive period in October with our market share bouncing back to Q1 of 13.7%, as we secured our highest ever monthly registrations of 68,500 units. Our powertrain mix is becoming more emission-friendly and is likely to grow further with the launch of Curvv.ev and Nexon iCNG, both of which have been very well-received in the market. Our CAFE compliance is very below threshold, and we have a headroom of 25 gram per kilometer, which goes to show the impact of our multi-powertrain strategy. Next slide, please.

Overall, EV industry volumes have been impacted by the challenges in the broader PV industry and the withdrawal of certain subsidies, especially in the Fleet segment. While there has been a sharp decline in the Fleet segment post-expiry of the FAME2 incentive, we have been able to sustain our personal segment market share at 67%, despite an intensifying competitive environment with new product launches. We continue to work on driving growth in ecosystem to holistically enable mainstreaming of EVs, and the consistent growth in charging infrastructure will be a major tailwind going forward. Next slide, please.

Our revenues declined by 4% on a year-on-year basis, reflecting the broader slowdown in consumer demand and the moderation of offtakes we did to keep our channel inventory under control. While our EBITDA margins were steady, EBIT margins declined due to higher D&A charges that we took on our new product launches. Next slide, Anish.

This is the profitability walk on a year-on-year basis. The slowdown in consumer demand and the high industry channel inventories have led to a higher state of price discounting in the market. We have, however, been able to offset much of the adverse impact through consistent mix improvements and material cost reductions. What has impacted our profitability is the higher D&A and production development expenses, which we haven't been able to fully absorb due to the loss in operating leverage, and some of the new launches happened only for part of the quarter. So, their volume ramp-up is still in progress, so we've not got the full benefit of volumes there. For the PV ICE business margins, they've remained steady on a quarter-on-quarter basis, while the EV business profitability has shown consistent improvement on the back of battery price reductions and the profits of new product launches. Shailesh?

Shailesh Chandra

Thank you, Dhiman.
Let me start with the industry highlights. The industry registrations and wholesale de-grew by 5% and 2% year-on-year, and industry registrations were actually 26 month low in September. Sustained wholesale, which has been happening in the industry at the rate of nearly 350,000 a month, led to build-up of channel inventory and high levels of discounting ahead of the festive season. SUVs have been sustaining volumes, boasting nearly 8% growth year-on-year, while, as Dhiman also spoke about, hatches and sedans, which continue to lose salience with 20% de-growth that we have seen. However, it was heartening to see that the new launches have been able to create excitement in the market and drive footfalls for various OEMs who have launched new products. EV industry faced headwinds due to PV industry slowdown and withdrawal of key incentives, particularly for fleet, as was also mentioned by Dhiman, FAME2 got discontinued. And in certain states, the road tax benefit also was temporarily, kind of, it had expired and did not get continued in certain states. Coming to Tata Motors, in quarter two, our registrations and wholesale de-grew by 4.5% and 5.8%, respectively. While we had a strong booking pipeline built up by the new launches, that is, Curvv and Nexon CNG, we were only limited to the supply during the quarter. It was only limited deliveries that we could do in the quarter. And therefore, the full benefit of the new launches could not get reflected in quarter two. Punch has sustained as the top selling model in the industry in first half, with more than 100,000 units which got sold. However, market share gains from new products was offset by adverse salient shifts in the industry, which is hatches and sedans. We maintained our market leadership in EV segment despite growing competition. And in the personal segment, as Dhiman mentioned in the slide, that we sustained, but in fleet segment, we had to take a hit because of the fleet segment not getting the benefit of FAME after March. Next slide, please.

Talking about industry outlook and TML actions, in quarter three, we expect retail to be strong, driven by festivities and the year end demand. Industry wholesale may be lower than retail, so as to reduce the channel inventory ahead of the new calendar year. That is for the industry. Tata Motors will focus on driving significant growth in retail on the back of new model launches and will be backed by marketing campaigns.

We would strengthen our dealership network in terms of health as well as reach. Continued effort will be taken forward as far as mainstreaming of EVs are concerned with focused market development and ecosystem actions. And we will continue to intensify the cost reduction efforts to maintain profitability in the intensifying competition environment.

Balaji, over to you.

P.B. Balaji

Thanks, Shailesh. Thanks, Dhiman. Just to quickly wrap this up.

Cash flows-wise, despite a challenging quarter, I think cash profits after tax are sustaining the capex spends. And very similar to JLR, we do expect the working capital to continue to reverse as the growth picks up during the quarters coming ahead. Next slide, please.

Ratings have been coming through both at the domestic level as well as international level, both here and in JLR. So therefore, that is heartening, but of course, we still continue to, as performance keeps picking up, we will continue to keep working with the rating agencies to step this up further. Next slide.

So overall, looking ahead, I think from an outlook perspective, we do remain cautious on the near-term domestic demand. But the festive season that has just gone by as well, which is a pretty strong one, and the infrastructure investments of the government starting to come through, this should help domestic demand going forward. And, as far as JLR is concerned, the wholesales will improve sharply as the supply challenges ease. However, we do remain watchful on the global demand situation. And we expect the second half of the year to improve significantly and the business to become net debt free as these issues work themselves out. Priorities are there, has been covered extensively in the business.

And let me therefore now quickly cut to the Q&A that is there.

Questions and Answers section

P.B. Balaji

I think a lot of questions coming through on the guidance and why are we confident to do it on the JLR side. Let me start with the first one on that one, Kapil from Nomura.

I think it is a tough quarter for the industry and several luxury OEMs have reduced guidance. Please give us some color on how is JLR able to maintain this guidance in this market condition? Then are you still on track for the 10% EBIT margin in FY 26? Is there any change that you're thinking about it?

Richard Molyneux

Okay, so let me obviously, let me cover that. So we are holding our guidance, but with very limited headroom left. If you look at P&L, so we've mentioned that we had a quality hold on 6,000 vehicles in Q2. Those will be wholesaled in Q3. So that will just reverse back in from timing. In addition, we did suffer in the quarter, real supply constraints as a result of the flood at our aluminum supplier. We only were able to produce 86,000 vehicles in the quarter. Those constraints are largely over now. So we also expect to increase production to allow us to wholesale more rapidly. So there's a couple of things that lead us to expect that P&L wise will pick up. On the cash side, I did mention the working capital pick up, that will definitely reverse back to working capital favorable in the second half of the year. Also, take a look at the natural seasonality in our business. Q4 last year, I think our cash generation was around GBP900 million and we would expect Q4 to be really our dominant quarter for cash generation again this time round. So, both natural seasonality and not only the elimination, but the reversal of some of the constraints that we had in Q2, mean we are still holding on to our guidance.

P.B. Balaji

Can you also comment on FY 26, Richard?

Richard Molyneux

Yes, FY26 follows a similar thought pattern, to be entirely honest with you. 10% is still possible, particularly as the D&A effects of extending out the end point of our ICE products will still be very relevant in that year. But again, it is getting tighter.

P.B. Balaji

Thanks, Richard. Shailesh, this is coming your way in terms of, this is from Pramod, Incred. Your car business profitability has been vulnerable to industry slowdown. What structural changes are you taking to ease the situation in the medium term, including strengthening car dealership networks to handle the current slowdown, as well as reliance on new products is pretty high in this business. How would you diversify?

Shailesh Chandra

Okay, so, and the third part I also see in the question, which is on the EV sector. Let me answer one by one. So, as far as profitability is concerned, I think Dhiman covered that in quite detail with that waterfall chart that was shown. The whole industry environment was that of discounting in the first half, and therefore, we had to also discount to compete in different segments in which we have our products positioned. However, that was more than offset with the cost reduction efforts that we have been driving in the organization. Nevertheless, since we could not have the benefit of the volume growth, and there was increased D&A, it had an adverse impact as far as profitability is concerned. Having said that, I think the cost reduction actions in the company is being expedited, and we see that it is going to deliver better than what we have delivered in H1. So, that is going to be favorable for the profitability. At the same time some of the new model launches that have happened makes our volume mix also richer. So, that should also help. So, broadly, I see that in the H2, also with volume growth and leverage benefit that we might get, the profitability should have a favorable impact.

As far as strengthening of car dealership network is concerned, I think we were one manufacturer who have taken sharper offtake cuts as compared to the industry and that has enabled us with the strongest ever retail that we had in October in the festive season that has allowed us to significantly bring down the inventory levels to now for majority of our dealers less than 30 days and median holding days of inventory would now have reduced to 30, 31 days. So therefore, dealers with those reduced inventory, their finance cost and all would have significantly reduced and we are very particular about the profitability of our dealership. So I think, after October, we have significantly been able to bring back a very positive health of our dealership, so that was on the second question. The third is on the launches and diversification of our product portfolio. We have already shared our launches for two years and all we have already launched Curvv, there will be hopefully Harrier EV which will also be launched in the EV segment and then we have a Sierra also which is going to come in the second half or late 2025. So these are the products which are going to come in FY 26 and of course it will also include the MCE (Mid Cycle Enhancements) especially in the car segment.

As then the third question is on EV segment which is about product price changes, how do you think the pricing change cost? Okay, so it has been a bit volatile as far as price is concerned globally, I would say for EVs and the simple reason for that has been steep reduction in the prices of cells. And as manufacturer and leading manufacturer in the country, we have tried to pass that on to the customers, so that we bring the price of electric vehicles closer to the automatic car prices in the ICE segment. So I don't see that now there should be any significant price corrections going forward because now we have come to more stable level of cell prices. So therefore, now we should see the price stability as far as EVs are concerned.

P.B. Balaji

Thanks, Shailesh. Richard, this is coming your way. This is from Nishit Jalan. Could you quantify the impact of this production loss on your EBIT as well as holding back the 6,000 units. How much of production got impacted and what do you believe is the underlying EBIT if you are just for these two? That is one.

Second, the quality issue per se, could you just give a bit of color on what this issue was and has it been resolved? And lastly, can you also talk about warranty costs that you have alluded to saying it's gone up. Anything that we should be highlighting there further?

Richard Molyneux

Yeah, okay, let me take those in turn. So, production was only 86,000 units in the quarter, which is at least 10,000 south of where we would have expected it to be. If you take the aluminum supply issue and the effect of the 6,000 units, the best thing to do, I think, would be to look at our EBIT range over the last seven quarters. It's been in the range of 6.5%, 8.8%. We would have been fairly much in that range had those issues not happened.

Next question, what was the issue with the 6,000 units? It was a specific part that we needed to run some additional tests on. It occurred very late in the quarter and we took a conservative approach of not recognizing that revenue at that point in time. The issue is resolved. Parts, where they need to be replaced are in process. So, those 6,000 units will appear in Q3 wholesales.

The impact of warranty. Warranty is going up for us, strangely, even though quality is also improving. So even though 12-month in service and 24-month in service sort of repairs in terms of numbers is coming down, warranty expense in cash and accruals is going up. That's partly due to inflation in terms of the labor rates at our dealers. That is partly due to the nature of the repairs. And it's something that we're very much focused on. So it's a strange environment where the quality of the vehicles is improving, but the amount of money in cash that we're spending on warranty is simultaneously rising.

P.B. Balaji

Can you just continue to talk about FME as well as dealer compensation in China? It's part of the same question. All of them are new angles.

Richard Molyneux

Yes. So, FME has been higher in Q2 and we would expect it to continue at high levels. I mean, essentially, if you look at FME or marketing and our selling expense as one entity in terms of demand generation, both are going up and we would expect FME to flatten out at roughly these rates. We'd expect VME to rise a little bit further in the second half of the year. But for us, remember VME, although we only show you one number, it really is a split of still, industry-leading in terms of low VME on Range Rover, Range Rover Sport and Defender and higher VME for us, considerably higher VME on the models that we're running out in terms of Jaguar and also those models that are later in their lifecycle that will get replaced when we launch the EMA architecture.

So we only quote one number, but there is a big sort of discrepancy between our car lines and between our regions in terms of where we spend our VME. Overall, I do expect it to be a little bit higher in the second half of the year, but not massively so.

P.B. Balaji

And last one in terms of compensation of dealers in China, is there a challenge there?

Richard Molyneux

Look, there is definitely a challenge with the dealer network, and we're having to be very proactive in how we manage both those where the retail points are closing, because those dealer groups can't survive, and to support the ones that do remain. Obviously, those that do remain have higher areas in terms of where they can sell to. So we're doing it on a one-by-one basis, we're not doing anything generic across the country.

P.B. Balaji

Actually, just staying with you for the next question from Aditya Jhawar, Investec. This is about the industry in China between ICE and EV. While it seems that the ICE industry has declined, overall PV industry has reported modest growth led by NEVs. On the ground, feedback suggests some loss of market share to EVs. Looking at the intensive competition across price points, what's your strategy of positioning our EVs in the Chinese market?

Richard Molyneux

So I think, excuse me, there is, again, a difference you can draw between those vehicles that we produce and sell locally, which tend to be in the lower price segments. Lower price for us is still quite high industry-wide, but they are definitely suffering from NEV competition. And remember, NEV is not BEV. By the way, we have to make sure that that NEV covers PHEV, range extenders, and BEV. And actually, its range extenders and PHEVs that are quite high in that area. But regardless of that, in the lower segments, absolutely, there is very strong competition from the new entry BEVs impacting the available market for ICE vehicles. In the top end, there really isn't yet. So there are no local BEVs competing at the price points. All the performance, all the brand that we have with Range Rover, Range Rover Sport, Defender, and we will have with Jaguar once we relaunch the brand, so that area is still to be tested. And most of the competition, I'll use the phrase in the killing fields, but you know what I mean. In the mass sector of the market, that is really, really nasty. It is not so nasty yet in the segments of the industry where we really play and where we really rely for our profitability.

P.B. Balaji

Thank you, Richard. I'll probably give you a break for now. I'll shift gears to CV which we have not had all the questions that towards the rear end. This is from Abhinav Ganeshan from SBI Pension Funds.

I think you have covered about the festive season demand, but can you talk about discounting? Can you also speak about the discounting that we are currently seeing? Can we comment on the pricing discipline in the market going forward?

Girish Wagh

Right, okay, so I think as far as the festive season is concerned, we did see a very good improvement in the utilization of the trucks, possibility due to increased consumption. At the same time, I think October was the first month which was post the rainy season. So we've also seen the tipper utilization going up, which also indicates that the infrastructure projects have also started doing well. So that's on the heavy trucks.

As far as actual vehicle demand is concerned, I think the festive season did see an increased volumes in the small commercial vehicle segment. And we did see around 30% month-over-month growth in volumes in the month gone by. Now, as far as pricing is concerned, I think we maintain our position. We continue to have a very disciplined approach with price being only one part of the value proposition. The many other aspects and attributes which add value to the customer, starting from product, cost of ownership, the entire annual maintenance contract package, the Fleetedge and the kind of benefits that Fleetedge delivers. So I think we focus on delivering improving value propositions to the customer. And on the back of that, I have a very, very disciplined pricing approach which has continued in the entire second quarter's, despite the volumes going down. Balaji?

P.B. Balaji

Thank you, Girish. Staying with you for a while. Next question is from Jinesh Gandhi. You covered this first part of the question. Can you also talk about some banks and NBFCs are highlighting increase in NPA's in the CV portfolio. Are you seeing any signs of stress on availability of finance for M&HCV? And also, what's your outstanding order book of ACE EV? How's your capacity?

Girish Wagh

Yeah. So Balaji, I think Jinesh has also asked for outlook.

P.B. Balaji

Yeah, please.

Girish Wagh

So I think let me go segment by segment. So amongst the four segments that we see in commercial vehicles, the passenger commercial vehicles, that is buses and vans, should see the higher growth in second half, followed by growth in intermediate, light, medium commercial vehicles. And I think small commercial vehicles and heavy commercial vehicles is something that we'll have to keep a watch on how things pan out. October has been a good departure from Q2, which had seen a Y-o-Y decline. So that's something that we need to keep a track. And as I said, the daily running of trucks, which we track, has done well in October. Need to keep a track of that as we go ahead and see that it continues at that level.

Now, coming to your second question about financing, we don't see any stress in medium and heavy commercial vehicles, even intermediate commercial vehicles at all. But yes, there has been a stress in the small commercial vehicles. We have seen from whatever engagements we have been having with the financiers that the NPAs have gone up to some extent. And that's why, as I mentioned in my presentation, for small commercial vehicles specifically, I think we have come up with financing schemes which improve the value proposition both for the customer as well as the financier. And I think that's something which we are seeing good traction starting from the last month. Coming to Ace EV, see, we have been working with quite a few anchor customers. Now, we have total 62 anchor customers who are our repeat buyers. So, they are essentially corporates who are deploying electric vehicles for their last mile distribution to meet their decarbonization target. In the last quarter, we have added eight such anchor customers and we continue to increase this. We are also working with quite a few municipalities across the country for decarbonizing their intracity transport. And we also continue to work with a few retail customers who have been taking to Ace EV once they are sure about the load carrying capability as well as the range. So that's how we are growing the demand on Ace EV. I think as far as capacity is concerned, we are placed well. We can produce thousands a month and as and when required, we can go on increasing the capacity. Balaji?

P.B. Balaji

Yeah. Thank you, Girish. Shailesh, this is coming your way. India PVs, any comment on growth in festives period and dealer inventory levels?

Shailesh Chandra

Yeah. So, in the earlier question, I commented that it was our highest ever retail/registration. And we focused on reducing the dealer inventory levels to normal level. And therefore, we moderated our offtake also to do that in October and even in the earlier months. So now it is down to 30, 31 days, as I said.

P.B. Balaji

There are a lot of questions on Curvv split between EV, PV, sorry EV versus ICE, as well as how is the current response and can you just take all those questions together.

Shailesh Chandra

So the ratio of EV as far as all the penetration of bookings as far as EVs are concerned and Curvv has been about 20%, very strong bookings. Be aware that the supplies really started in the second half of September and therefore before the test drive could reach, we could not really leverage the Curvv sales in quarter two, but we had very strong bookings that we received both for EVs as well as for ICE. And from October really we started seeing the ramp up of our production also. There have been ramp up issues in Ranjangaon where we have been making these vehicles. Also, there are three or four critical variants which are yet to be launched. So that had got delayed, which should get productionized in December. So real supplies, and leveraging all the variants that we have announced as far as Curvv is concerned will start being seen from January. So it has been strong and as I said, 20% is the booking penetration of Curvv.ev.

P.B. Balaji

Thank you, Shailesh. Richard, this is coming your way. It is from Rakesh Kumar, BNP Paribas. Does your investment plans have flexibility to be recalibrated if overall demand environment, especially EV demand comes under sustained pressure? Jaguar is obviously committed to be an EV only vehicle and incremental launches on Land Rover appears also to be EV heavy? Could you comment on that?

Richard Molyneux

Sure. So we're in the development of three architectures in parallel. So we have MLA which is the one which Range Rover, Range Rover Sport is based; EMA which will be the replacement of the cars below those segments and JEA for Jaguar. So each of those will get BEV offerings. So the Range Rover, Range Rover Sport will be the first to get a BEV and it will be on exactly the same architecture as the ICE derivatives. The BEV there will come out towards the end of next year. But that will mean that basically you can go into a retailer and buy Range Rover that is either a diesel, a six-cylinder petrol and eight-cylinder petrol, a PHEV or BEV they all look the same. Next will be the vehicles of the EMA architecture.

Those are the ones that are produced in Halewood where I showed you the picture of the lines earlier on. They will come in early 2026, the first of those will come in early 2026, the new Jaguar will come just after that.

So do we have flexibility? Yes, because all of those things are ahead of us and there are second and third derivative vehicles in each of those circumstances that we can also push back. So, we do have some flexibility, but we are simultaneously making sure that we can offer BEVs for each of our brands, because there are still indications to the market that are going to go that way and we require that for emissions compliance in many places as well. So yes, we have flexibility largely because our BEV roll-out is ahead of us, and I guess that's one advantage of that statement being true.

P.B. Balaji

Thanks, Richard. Dhiman, this is coming your way. Kapil Singh on PLI. What are the current status of the application, that we put out there including for this Curvv as well as a CV? And what's accounting policy that we are following?

Dhiman Gupta

So thanks, Balaji. I think for PLI, the last date for submission of the PLI application was 30th September. We've filed all the documentation on time. The government has already looked at all the submissions, that's been accepted. The various agencies will now be visiting our factories to confirm and go through the physical verification. The timelines intended for the government for disbursement of PLI funds are 60 days from 30th September. So since it's already in progress, we expect the funds to come in, in the coming months. In terms of our accounting policy, whenever there is a new scheme announced by the government where the process is still to be established, we don't accrue it in our P&L and we typically recognize it when the cash is either disbursed or when there is a certainty of the timing of the cash disbursal.

P.B. Balaji

Thanks, Dhiman. Girish, this is on CV growth expectation from Gunjan, BOFA. How do you expect full year growth now to pan out for the CV industry? And any color on the segment-wise trends?

Girish Wagh

Yeah. So I think let me give an outlook only for H2 because we know what has happened in H1 on a Y-o-Y basis. So in H2 as I said, segment-wise I do expect the passenger, i.e. buses and vans to do better than last year, followed by intermediate, light, medium commercial vehicles is same to better than last year. I think SCV Pick up and heavy commercial vehicles is something will keep a watch and I think based on the October numbers, we have a positive bias on H2 numbers for these two segments flat to positive bias. Segment-wise trends, I would say that buses are seeing very healthy utilization both for school buses as well as intra-city, inter-city buses seeing healthy utilization and therefore, there is a fair bit of demand here.

In intermediate, light, medium commercial vehicles, there is a clear shift which is happening towards 19 ton, the largest segment, sub-segment in that overall line. In heavy commercial vehicles also, we continue to see a shift happening towards the 55 ton tractor-trailers for cargo movement. And in small commercial vehicles, pickups also, we see a shift happening towards pickup with higher payload. I think so, in each of the sub-segment, there has been a movement happening towards vehicles with higher load carrying capability. So, that's the segment-wise trend that we see. Balaji?

P.B. Balaji

Yeah. Thanks, Girish. Shailesh, this is coming down your way. Sorry, give me a minute, please. Yeah. This is from Gunjan, BOFA. You have answered the first part of the question on Curvv and orderbooks. Can you also talk in terms of Nexon cannibalization, is there any impact of that? As well as understanding the price cuts that we took on the PV portfolio, the rationale for that, as well as the impact on the profitability?

Shailesh Chandra

Yeah. Thanks, Balaji. First, on the cannibalization, frankly, we have just seen one month. If I have to go by bookings and the retail that we saw in October, we have not seen any cannibalization as far as Nexon is concerned. Actually, we had the highest ever retail of Nexon since 2017 in the month of October alongside Curvv also, which had a very strong retail as the supplies came in that month.

The second one is on the pricing cut. Frankly, the discounting in the first quarter had gone up for all the manufacturers and we took a conscious decision to rather cut the prices rather than keep the discount very heavy because it impacts the brand. That is on the PV side.

But as far as EV is concerned, we have taken the price cut because as one of the levers for mainstreaming EVs, it was also needed that the EV prices come closer to the ICE prices and we had the benefit of significant reduction in cell prices and some significant efforts in the localization which allowed us to do that. And actually, you have seen that despite those steep price cuts that we have taken, our margins in EV business has improved. So, that was the rationale.

P.B. Balaji

Thanks, Shailesh. Richard, this is coming your way on the mix from Rakesh. JLR mix has inversed in the recent years. 10 years back the lowest priced model Discovery Sport used to be the highest selling model and Defender used to be the lowest volume model, it's reversed now. How much of it is supply constraint led or is this the new normal? Can it reverse as demand normalizes and JLR volume grows?

Richard Molyneux

It's the result of our new strategy. So many years ago we were very focused on volume and very focused on the car lines that deliver us the volume. Now we're very focused on value and the car lines that deliver the value. So we will not be returning to the old model, we'll be focusing on Range Rover, Range Rover Sport, Defender, new Jaguar and Discovery to drive value ahead of volume.

P.B. Balaji

Yeah, staying with you, could you also, this is from Kapil Singh. JLR FCF guidance, any reason for the reduction in guidance from GBP 1.8 billion to GBP 1.3 billion for the current year?

Richard Molyneux

There's a couple of reasons. First of all, the market is a little bit tougher than we had envisaged it to be and also the scale of the investment that's required to keep the ICE portfolio of vehicles going for longer and simultaneously to invest in three architectures worth of BEVs is a little bit higher than we had originally envisaged. Those are the two biggest reasons.

P.B. Balaji

Thanks again, staying with you, two more questions coming your way. One is from Amyn Pirani and the other is from Joseph George, IIFL. Amyn, JPM - you mentioned the headroom of achieving the targets has become very tight. Could you just reflect on the key risks that you are worried about and what could take this ultimate margin number lower? And how do we intend, and obviously, it's not set in the question, but how do you intend to manage it to deliver your guidance that you've called out?

Richard Molyneux

Yeah, so look, I think you have to be a little bit prosaic in this. If you look at what the industry has had to go through and what JLR has had to go through in the last five years or so, we've had a series of very major challenges, each of which has hurt us and then we've recovered and we've come out of it.

You can think through COVID. You can think then through the semiconductor crisis. You can think through what happened in the U.K. in terms of thefts and insurance. Each of those three, they've happened, they hurt us, we've recovered. China, I think has happened, it's hurt us, but still has a little bit of time to play out and then who knows, who knows what the next one's going to be.

So look, I think if you had to focus any points in terms of where there might be risk for the balance of the year, it would be China. We are therefore very aware of that and very focused on making sure that sure that we take whatever actions we need in China in order to defend our positions and also, obviously, look to see whether there are any opportunities in other markets to offset that. Simultaneously, we increase our diligence in terms of cost management to make sure that we don't rely everything on the revenue side of the business.

P.B. Balaji

Thanks, Richard. Just staying with you, the comment on the depreciation numbers, those have come down quarter-on-quarter. What should be the sustainable level as we look into the second half of the year? And a quick clarification, is the reiteration of EBIT margin driven by lower depreciation rather than strength in EBITDA?

Richard Molyneux
So I don't think there is a sustainable level of D&A. D&A, we would expect it to be lower in the second half of the year than the first half of the year. For exactly the reason I mentioned beforehand, we continue to extend the period of time for which we build ICE vehicles.

It will increase significantly when we get to the launch of those vehicles, which as I've mentioned, is from the back end of 2025 onwards. In terms of our EBIT margin, look, you're absolutely right. And you could point out that EBITDA in the quarter that's just passed was only 12%, which is very low for us.

So we expect part of the recovery in EBIT margin for the balance of the year to be lower D&A, but the majority of it to be improvements in EBITDA as well as volume recovers. And we are, as you know, a very volume sensitive business.

P.B. Balaji

Thank you. Shailesh, this is probably coming your way in terms of, it's from Ashish Jain, Macquarie. You have spoken of increasing the PV salience to 80% versus 55% currently. Any timelines for the new launches and the white spaces?

Shailesh Chandra

What we have announced so far is beyond Curvv. Some of the EV models that we talked about, which is Harrier EV, which is going to come at the end of this financial year. But also Sierra, both in EV as well as ICE version is what is going to be launched. So in the next two financial years, we should start reaching a penetration level of about 70%. And we have said 80% by FY30 is what we have committed. It will, of course, include a few white space products, but that is not something which we can share at this stage.

P.B. Balaji

Yeah, thank you. Richard, I'll probably close with you, given the questions that are coming. There are two types of questions that are there. I'll probably go to the one that's come to us on WhatsApp. In terms of, given the limited headroom, which you have highlighted in terms of the guidance that is out there, could you just talk to, I know you've covered it many times in the current call, but I think there's still a little bit of clarity needed and reassurance needed, as well as outlining the risks needed. Could you just take us through your thought process for holding the guidance? And I'll probably come to it at the end of it, Richard, after you're done.

Richard Molyneux

Yeah, sure. And again, I'll treat it P&L and cash. So P&L wise, we only wholesaled 87,000 units in the quarter. Hit significantly by two effects, which are timing reversing. 6,000 units of wholesale hold, and I mentioned beforehand that we had at least 10,000 units of lower production driven by the issues we had with aluminum supplies. Parts of those two things obviously do overlap a little bit.

So it's not just that that disappears in the second half of the year, it reverses. So we should get considerably higher volumes in the second half of the year, and we are a volume sensitive business. I mentioned also beforehand that in our industry, when volumes reduce, you get a double whammy hit through working capital, as your payables fall dramatically. And if you look through the balance sheet where we ended up the quarter is with payables of just under GBP900 million, whereas in the normal circumstance, they would be north of GBP 1.2 billion. So that will also reverse. So just as you get a double whammy hit when the volumes go down, you get a double whammy improvement when the volumes go up.

So, those are largely the things that drive us to think that H2 is going to be considerably better than H1. I have mentioned that the thing out there, that concerns me the most is China, but we are holding our guidance and we will do our damnedest to get there.

P.B. Balaji

Yeah, just to add to what Richard just said, we should also keep in mind that the inventory levels for JLR in its markets are quite under control. We've been absolutely paranoid about ensuring that those inventory levels are kept tight.

And that has ensured that the VMEs on the cars that we are actually pushing are completely under control, which is the three biggies, Range Rover, Range Rover Sport and Defender. And with the breakevens having been substantially reduced, as volumes come through, this immediately starts flowing through into the P&L. So therefore, there is a fair amount of focus in terms of how we intend to deliver it.

What can get this go off track? I think ensuring that China stays and improves from where it is today, is an important one. If things deteriorate there dramatically, then that could skew the pitch. Other markets that are currently holding on for us in the current levels, we have not dramatically shifted volumes over the last few years and therefore it has been a gradual increase, as long as that trend continues, we should be there. But the overall demand situation does remain something that we need to watch out for. So we don't see anything that is currently necessitating any shift in guidance given our current inventory situation and the supply issues that we have had. And obviously, we'll continue to remain watchful on that particular front.

Probably am I missing anything? So Adrian, Richard, from your side?

Richard Molyneux

No, I think that's fair add to what I said.

P.B. Balaji

Okay, maybe then probably the last question that is out there. This is from Chandramouli, Goldman Sachs. A little bit more on the China side. In the context of European OEMs cutting guidance due to China exposure, could you share what share of JLR, excluding the JV, the revenue and profit is coming from China? As well as what you're thinking on Chinese OEMs looking to compete with JLR's European geography EV business? And this probably the next one is more to Shailesh, which I'll come to separately.

Richard Molyneux

Yeah, okay. So look, China is an important market for us, not as important as others. So we sold in terms of wholesales 28,000 in the first half of the year out of a total of 185,000. So that's the relevant percentage.

I think as with other OEMs, normally revenue is proportionally higher in China than it is in other markets with the FX rates as they are currently standing. So I won't give you a specific number, but you should be able to work it out from there. Our thinking in terms of Chinese OEMs looking to compete within Europe, yes, but again, at the moment, it's focused on sections of the market. Don't just treat the European market as one and the Chinese are coming after all of it. They're not, they're coming after a very specific segment of it, at least at the moment. That is a segment that ties with the lower end of our existing product portfolio. So that will have a little bit of competition, but it is mainly targeted at other segments of the market. There's another question there about battery packs.

P.B. Balaji

I'll take that, Richard, which is more for the Indian business. Are battery pack costs below $75 per kilowatt hour, presently; what's the rough range at which we are currently here?

Fair to say that the battery pack costs have come down significantly from what they were before. The exact number, for obvious reasons, I'll not be in a position to share. But you've already seen that in the EBITDA pre-PDE starting to increase of the EV business. It just tells you that as we are getting the battery price reductions, we are passing through in terms of pricing, at the same time, we're also improving the profitability of the business. So that's how we are looking at it

With this, I think we have covered all the key questions that are there. If there is anything specific that we have missed out, please feel free to reach out to our Investor Relations team. Once again, thank you all for your support and patiently grilling us with your questions, appreciate that. And of course, to the teams both here in the room here, as well as the JLR team there. Thanks guys and see you soon. Thank you.