TATA MOTORS
Connecting Aspirations

Tata Motors Limited
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Tata Motors Group
Q1 FY25 earnings call transcript

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Presentation

Anish Gurav

Good day and welcome to Tata Motors Q1 FY 2025 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 Q&A. As a reminder, all participant lines will be in listen-only mode and we will be taking questions via the Teams platform. The same is already open for you to submit your questions. You are requested to mention your name and the name of the 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. Welcome to the call. Standard safe harbor statement. We will quickly run through the deck and then spend as much time as possible on the questions.

It's been an intense, action packed quarter. The most exciting one coming up is the Tata Curvv, that is set to be launched, August 7th is the date, watch the space. And of course, last week, the most exciting thing in JLR was the Jaguar TCS racing winning the World E-racing Championships. So, an exciting journey out there, and of course, the Defender OCTA coming up pretty soon. So lots of action underway and intend to keep this action at this level of intensity. Next slide please.

From a revenue perspective, the quarter was a decent quarter with a revenue of 5.7% growth, though the volumes grew only 2.5%. Mix obviously coming to play. PBT before exceptional items showed a very strong increase to Rs. 8,800 Cr, driven by favorable commodities both in JLR and in Tata Motors here. EBITDA was flat at 14.4% and obviously, the volume growth feeding into the EBIT numbers at 30-odd bps operating leverage and very satisfying to see a positive cash flow in the first quarter, which is seasonally our weakest quarter and therefore, that's come through well.

Sources of growth where it came from, most of it coming from volume and mix. A little bit drop on pricing. Translation of the pound sterling going up at 1.6% and most of the businesses came to the party in terms of improving their profitability on the EBIT line. Net debt marginally up, basically, because of the dividends that went out from Tata Motors and of course, seasonally, for Tata Motors, Q1 is always a negative cash flow, which I will show you subsequently as well. That's what's the net debt going up there. But no stress, it will come back under control, and JLR on track to go net debt free as well. Next slide.

Spending a little bit time on the corporate action before I hand it over to the businesses to take them through the numbers. One is the demerger. Maybe take a minute to explain the transaction. The way the demerger will happen is in two steps. Step one, we are demerging the CV business undertaking out of the existing Tata Motors Company into the new CV List Co. Immediately after that, the Passenger Vehicle business, which is a subsidiary of the existing List Co called TML, will be merged into the TML existing Company. That is important to get done because you don't want the top Company to be construed as a CIC and hence this becomes a proper operating company. These will be the two listed companies and obviously along with the CV business undertaking, all its investments will also move and whatever is left behind will all be submerged into the TMPV Company. This is what is happening.

Along with that, the CV Company, the newly formed CV Company will be renamed as TML and the existing TML Company will be renamed as Tata Motors Passenger Vehicles. All of this is expected to happen in the next 12 months to 15 months and the appointed date for this transaction we are targeting the 1st July, 2025. And when the demerger happens, whoever is on the record date, the shareholder of Tata Motors will be eligible for one share each of the CV Company, that is TML, and one share in the existing TML, which will be called TMPV. This is the nature of the transaction. One of the most important number in this entitlement ratio is obviously 1:1. One of the most important number is the asset ratio as on the appointed date, we expect it to be broadly 60:40, that is 60% as CV 40% as the residual PV that will be there. That is how the TML standalone will cut out and this will be tax-neutral for the CV and PV undertakings as well as the shareholders. And the next 12 months to 15 months is there. This share entitlement report has been filed by PWC and the fairness opinion for the same given by SBI Capital Markets. Next slide.

This is just the listing. I don't want to go through this. I will leave it to you. Reach out to us if there's anything that you would like us to clarify upon. Otherwise, it is just the listing out of all the companies where it is going to go. I am more than happy to clarify anything offline that you may require. Next slide please.

Second set of corporate actions is the merger of Tata Motors Finance, the NBFC with Tata Capital. The Boards, as we announced in June, have already approved it. The scheme is already been filed, it's with the stock exchanges and we expect to get this transaction completed in the next nine to twelve months. We are in advanced discussions with RBI for securing their approvals as well as the stock exchanges. And the last one, which is the cancellation of DVRs and the issuance of ordinary shares. The NCLT hearing has been completed and the NCLT order is reserved for final judgment. We have a hearing tomorrow, where we expect to receive the orders, fingers crossed. And upon final judgment and of course, all other steps will start off. And we are hoping to complete this in the next two months, so that the DVRs get cancelled and we have ordinary shares issued in the return. So all the corporate actions are running at full speed and we intend to get all of them closed before the demerger. Next slide, please.

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

Richard Molyneux

Okay, thank you, Balaji. And if we could move to the next chart.

So, the bottom line for us is we continue to deliver strong and consistent financial results. This is based of wholesale number in the quarter, it was 97.8K, that's up 4.8% over the prior year, we produced 100,000 vehicles and we retailed 111,000, including our joint venture in China. That 4.8% increase in wholesales turned into a 5.4% increase in revenue to GBP 7.27 billion. That is a record quarter one revenue level for JLR. It also turned into a really strong PBT number of GBP 693 million, which I will explain later. EBIT 8.9%. This is the 6th quarter in a row that we have had EBIT of over 6%. That's the consistency of our delivery, and also at this 8.9% level, it is consistent with our full year guidance of greater than 8.5% EBIT. In terms of cash flow, GBP 230 million favorable. This is our 7th consecutive quarter of free cash flow. That is something that JLR has never done in its history before. It's also the second highest ever Q1 cash flow behind the GBP 451 million that we recorded last year. We have added ROCE to our metrics on a twelve-month rolling basis at 21.2%. That is consistent with our full year target of 22%. So next chart, please.

And I won't go through this, this will get covered in entirety as I go through the rest of the pack. So next chart, please.

There we go. So this looks at our wholesale and retail performance by brand. Range Rover, a strong success, wholesales were up 25% YoY and retail's up 20% YoY, driven largely by the removal of production constraints as we finished the ramp up at our Solihull plant. Defender a little bit weaker in terms of wholesales, but that is just the timing effect. If you look at the retail line for Defender, it is fairly flat and fairly flat at a very healthy level, significantly over 100,000 units per year for us. Discovery retail is also fairly consistent and Jaguar, as expected, wholesales are down. We ceased production of XE, XF and F-TYPE during the quarter. That obviously translates into lower wholesales. The retail number is fairly flat as we then start to sell through the stock levels. So no surprise in terms of where we are in terms of Jaguar. Next chart.

So, this is the same thing, but by region. The UK, up 36% YoY. It is down versus Q4, but that's a very natural seasonality in the UK, driven by registration plate changes. US, up

38% YoY. That's really strong brand performance and the US is now nearly a third of our quarterly wholesale volume. Europe is a bit tougher and there are high competitor discounts in that market at the moment. However, if look at the retail performance, it's in fact slightly improved over the same course last year. China, flat YoY. Certainly in terms of the imported cars, it is a market we're paying close attention to. Overseas, again, on a retail level is fairly flat, a modest decline YoY, but that is from a truly exceptional year in FY 2024. The next chart.

This shows the walk of PBT from the same quarter last year, so a walk from GBP 435 million to GBP 693 million. Volume and mix, favorable. Volume we have spoken about. Mix is the increased production and hence wholesales of Range Rover, Range Rover Sport as we ramp through the launch curve to full capacity at our Solihull plant. We do see increased sales allowances on a retail incurred level. They were at 3.2% in the quarter and that is up versus the previous quarter, which was at 2.4% in the previous year. The biggest increase has been in the UK, to counter, amongst other things, the higher insurance rates following targeted thefts by organized crime gangs. Material cost compensated the vast majority of the incremental VME. So if you look at net pricing and contribution costs together, they are fairly flat. That is the result of true cost reduction and also reduced supplier claims as the global inflation environment becomes less penal. Structural costs, up slightly, half of that is in relation to FMI and selling costs to drive demand, the other half in relation to systems development and deployment. I guess the big variance is FX and commodities. Sterling did strengthen during the quarter, hence the operational FX adverse that was more than offset by our hedging portfolio. The big point here is the unrealized commodity derivatives. So both aluminum and copper rose by about 10% during the quarter and we have a significant hedge portfolio. So that hedge portfolio gained GBP 58 million in the quarter and that compared to a GBP 79 million loss in Q1 the previous year. Hence the delta quarter-by-quarter of GBP 137 million. Next chart.

Okay, so in terms of how that GBP 693 million turns into free cash flow, if you look at cash profit after tax, GBP 1.298 billion, that is up 14% versus Q1 FY 2024. We are spending more on executing our plans, GBP 951 million on investment and we did get a small working capital hit in the quarter. That hit is actually a little bit lower than we were expecting as we did manage to turn most of the month end receivables into cash. So the receivables change was less penal than we had hoped, than we had feared and that led to GBP 230 million worth of free cash flow in the quarter. Next chart.

So investment, I mentioned GBP 951 million, of that GBP 678 million is engineering with a capitalization rate of 66%. That capitalization rate is up slightly versus the average in FY 2024 as the vast majority of the programs that we are now engineering are approaching their launch timing, I expect engineering to stay close to peaking at these levels and then to slowly come down. Next chart.

Right, business update. So I have got two main updates for you. The first is an important announcement for our China JV, which will license the Freelander brand from JLR and blend together with Chery's EV engineering to create new products for the China market, initially, but that do have the potential for global retail. This is a real win-win. It's the best of what we do in terms of brands with the best of what Chery do. It's complementary to both companies, so it's independent from Chery's existing portfolio and it's independent of our house of brands. This arrangement is highly accretive. I actually think the markets have underestimated the significance of this announcement.

Next, and equally, if not more exciting, I can provide a little bit more clarity on the rebirth of Jaguar. This is a once-in-a-generation opportunity. We get to reset, redefine and relaunch a truly iconic British brand for a new audience, for a new set of customers. We have done the first phase and we are now starting the launch of the brand. That will happen towards the back end of this year, most likely in the US, and we will launch it as a brand first, with the vehicles to follow. New Jaguar will be a copy of nothing. It will be exuberant, modernist, unique, fearless and very progressive. We are actually seriously looking forward to revealing new Jag to the world. Next page.

So, looking ahead, we've had a successful Q1, a very successful Q1. But FY 2025 is not without its challenges. Most front of mind is that one of our key aluminum suppliers has been impacted badly by a flood, and this will disrupt our inbound supply. It's not impacting us currently but we do expect it to constrain our production through the balance of Q2 and into Q3. We are working very hard to find solutions, but it will have a short-term impact. We will hold our guidance on our key full-year financial deliverables of greater or equal to 8.5% EBIT, and achieving net cash. And we will update you further at the end of Q2. Guidance beyond FY 2025 is unchanged.

So, summary. We remain committed to sustainable, cash-generative growth. We're delivering our promises, unlocking opportunities for growth, be that OCTA or be that Freelander. We're growing and doing so responsibly, focusing on ROCE and capital allocation, for example, between BEVs and ICE. We are convinced the best is still to come.

With that, I will hand back to Balaji.

P.B. Balaji

Thank you. Thanks, Richard. Let me now hand it over to Girish and Ramanan. Ramanan, I will just introduce, he is the CFO of the Commercial Vehicle Business. Let me give it to Girish and Ramanan. Ramanan over to you. You can start off.

G. V. Ramanan

Thank you, Balaji. Just to kind of take you quickly through the market share for commercial vehicles, I think the headline is overall market share is in line with the range that we had last year. So we had around 39% and it's been growing in all these segments except that on the light goods vehicle that we have, we've had a drop of around 120 bps.

A quick financial snapshot for Q1. Overall, wholesales has been a year-on-year growth of around close to 6%. Revenue at Rs. 17.8K Cr is a 5% growth over last year same time. Healthy PBT in Q1 of around Rs. 1.5K Cr. EBITDA at 11.6% is at 220 bps growth over last year and an EBIT of 8.9% is 240 bps growth over last year. All this, cumulatively, leading to a good improved financial performance reflecting in the ROCE, going close to 40%. Go to the next page.

In terms of our EBIT walk versus Q1 last year to now, I think key factors which have really influenced, a good volume mix, favorable volume coming in from M&HCV is kind of impacting to the extent of around 100 bps and then realization and variable cost largely driven by commodities gain is helping us to the extent of around 270 bps. So those have largely kind of helped towards improved profitability versus last year.

For business update, I would hand this over to Girish now.

Girish Wagh

Thank you, Ramanan and good evening everyone. So let me start with the highlights for the quarter gone by. So the wholesale volumes for Tata Motors grew 7% YoY and within that M&HCV and CV passenger carriers also grew and we performed better than the industry. We had highest ever revenue in Q1 at around Rs. 17,849 Cr. And also as Ramanan mentioned, highest ever Q1 EBITDA and EBIT. On the market share front, heavy commercial vehicles, intermediate light medium commercial vehicles and the CV passenger segments, I think all these, we grew month-over-month in Q1, surpassing the FY 2024 exit market share also. I think overall, CV share was marginally impacted, essentially due to the small commercial vehicle and pickup segment, which continues to face headwinds in terms of financing for the first time users, especially for the mini truck segment. The non-vehicle business revenue grew by 8% year-on-year basis. Some of the bright spots, I think contrary to expectations, the demand remained robust with industry volumes growing. And within that, I think for Tata Motors, the M&HCV volumes grew by 10%, whereas the passenger carrier, including buses, grew by 39%, but within that, let me tell you that bulk of the growth in M&HCV was actually led by the medium commercial vehicle segment, the 19 ton segment. The fleet utilizations remained at healthy levels in Q1, post Q4. Generally, Q1 utilizations may be a bit down after Q4 but remained at a healthy level. We've seen healthy monsoon and expecting the policy continuity now with a lot of capex allocation for infrastructure projects. We expect that the CV demand should gradually keep up pace with all these macro factors. We have seen enhanced contribution of digital lead generation to our retail, almost at 28% now. We continue to launch new products and variants, so 25 plus products and 70 variants were launched in Q1. We continued our cost optimization efforts and also realization improvement from the market in Q1.

Going ahead, our focus areas for trucks and buses, yes, we will continue to introduce new variants for the white spaces and we'll have aggressive market activation as well as promotion of the value added services to drive the volumes. On small commercial vehicle, as I've spoken in the past, we are doing this entire front-end transformation from a B2B organization to B2B2C. So, we continue this deployment. We will continue growth in downstream by increasing our penetration of service and spare parts. International markets, we continue to maintain the market shares in the markets where we play while improving our margins as well as channel health. Cost reduction efforts, as I said, was a bright spot in the quarters gone by and in fact, the commodities also remained flat in Q1 and likely to remain at an overall flat level in Q2 as well. We are accelerating our sustainability initiatives, whether it is about Net Zero, greenhouse gas emissions or circularity.

Going next on the electric mobility. So we deployed more than 160 buses in Q1. So now we have more than 2900 buses deployed till date. On Ace EV, you know, after the discontinuation of FAME II, we introduced the new product Ace EV 1 ton payload and have been able to sell more than 800 units in first quarter, which actually delivers better operating economics to the customer. So I think this has helped us to stem the reduction in volumes in the post FAME environment. We now have more than 5400 vehicles plying and cumulatively clocked 26 million kms. We have received the PLI certificate for the 1 ton variant of Ace EV also.

On the Smart City Mobility Solutions, so cumulative, 2900 plus buses have crossed now more than 160 million kms and we continue to improve the operational efficiency having 95% uptime for the buses. We continue the deployment under the CESL tender that we won, within Delhi and Bangalore more than 1300 buses are deployed, and in Jammu and Srinagar we have deployed almost 200 buses. For the new tender, we continue the discussion with the government authorities for payment security mechanism, which has been accepted but awaiting cabinet approval. We are working with the government authorities to find out ways and means to come up with an asset-light business model and once this is done, I think we will be participating in the upcoming tender.

On the Digital businesses, Fleet Edge now has more than 690,000 vehicles on the platform and the machine-learning-enabled fuel efficiency Mileage Sarathi model that we have introduced, we have now cumulatively more than 40,000 vehicles signed up and 18,000 vehicles signed up in previous quarter, and the vehicles are experiencing anywhere between 5% to 6% real-life fuel efficiency improvement. On the Fleet Edge, we continue to see improved engagement time, as we keep on adding enhanced, informative and contextual insights, whether it is on operations, vehicle health as well as driving behaviour. E-dukaan, our online marketplace for selling spare parts, continues to do well and we had 2.6x growth in the revenue over Q1 of FY 2024. And Fleetverse, which is our online platform for selling vehicles, we had 9800 platform-assisted retails, and this continues to grow month-over-month.

Back to you, Balaji.

P.B. Balaji

Thanks, Girish. Let me now invite Shailesh and also introduce Dhiman Gupta, the CFO of the Passenger Vehicle business and EV business. Shailesh, Dhiman, over to you. Dhiman?

Dhiman Gupta

Thank you, Balaji. Moving on to the PV side of the business, it has been quite comforting to see the consistency in our Vahan market shares, hovering close to 14% over a sustained period now. This has been achieved despite no new nameplate additions in our portfolio for some time. This augurs well for our New Forever strategy, which has helped in keeping our existing portfolio always fresh and desirable. With the launch of Curvv, India's first SUV Coupe this month, we expect further market share wins from here. Our multi powertrain strategy continues to come through nicely, with mix of CNG and EV now covering nearly one-third of our portfolio. The build towards an emission-friendly portfolio ensures our CAFE headroom is substantial at this point of time and we are also future-ready for the next wave of CAFE introductions that happen. Next slide please.

On the EV side, while the personal segment has remained steady, we have seen a sharp year-on-year decline in the fleet demand post expiry of the FAME II in March 2024, a quarter in which we saw a substantial amount of pre-buys. This is reflected in our lower offtakes and market share for the quarter. Our journey towards increasing EV penetration expanding product portfolio at various price point continues. Curvv EV, our first, EV-first nameplate is expected to further bring in new set of customers who are looking for a bigger EV and a higher driving range. Do watch out for the launch event we have planned on the 7th August and for all the exciting new benefits that this new nameplate will unlock. Another big piece of the work underway to support the growth of our portfolio is the intensity at which we continue to work with charge-point operators to expand the, charging infrastructure in the country, the pace, we continue to intensify and we saw addition of another 2000 odd chargers this quarter.

Shailesh is going to cover the market scenario in greater detail in the coming slides, but the financials are reflective of the subdued market demand that we've seen this quarter, where industry retails have de-grown for two consecutive months, in May and June, due to a combination of peak summer in various parts of the country and the elections. This led to a step up in VMEs by OEMs due to the higher levels of channel stock. For TML, as we have seen in the past couple of quarters, the focus continues to remain on maintaining Vahan market share and correcting our wholesales for having optimal level of channel inventory. While our wholesales were down 1%, the revenues are down 7% due to lower EV sales and the weaker mix in general on the ICE side. We've maintained our pre-tax profitability on a year-on-year basis. The EBITDA margin uplift that you see on a year- on-year basis is largely a function of the ICE-EV mix and I will just peel it out further in the next slide. Next slide please.

The segment financial split of EV-ICE and EV profitability. On the ICE part of the business, we've been able to maintain our EBITDA margin on a year-on-year basis at about 8.5% and substantially improved our EV pre R&D EBITDA margins by 6% on a year-on-year basis. This has been achieved on the back of the structural material cost reductions that we continue to make, further aided by the tailwinds that we have seen in the battery prices. This has helped offset the adverse impact of VME and mix, and the loss in operating leverage due to the lower than anticipated volumes that we have seen this quarter. On the ICE side, we expect to see sequential improvement in margins in the coming quarters on the back of improved festive demand and the launch of Curvv.

Shailesh, over to you.

Shailesh Chandra

Thank you, Dhiman. So let me take you through the quick update first, starting with the industry. You know, after witnessing 15% growth year-on-year in April, primarily because of festivities, the industry did face stress. From a registration perspective, we saw sequential fall in retail from 1% to 7% in May and June respectively. However, the industry registered wholesale growth year-on-year of 4% in May and June, that has resulted in increased channel inventories and we have seen that high channel stock led to discounting actions towards the end of Q1.

Coming to Tata Motors, as was also mentioned by Dhiman, that our wholesale growth in Q1 was flat, with steep correction that we took in June to keep the channel inventory under check. We maintained our Vahan market share at 13.7%, driven by sustained demand for Punch, CNG vehicles etc. Financial performance was sustained despite industry headwind and through multiple measures including the offsetting measures like structural cost, etc.

And talking about the bright spots in the industry, it was actually interesting to see that the inquiries remained firm in May and June despite the declining retail and that pretty much indicated that in the coming months the retail is going to come back. It was customers who are taking slightly more time in terms of converting to retail and we did see some level of bounce back in July. And we expect that in the upcoming festive season, the demand growth is going to come.

For Tata Motors, Punch has sustained itself as number one model in the industry, with 56,000 plus sales in Q1. We also took several marketing actions that helped in generating strong bookings in June as well as in July, last month. And as Dhiman mentioned, that we are going to enter the mid-size SUV segment for the first time, with the launch of Curvv, which will further help us through our volumes.

In terms of challenges for the industry, we have an all-time high channel inventory with further buildup which happened in Q1, did add stress on the wholesales. Also, there has been moderation in the EV fleet segment demand due to the expiry of FAME II in March 2024. As far as we are concerned, in terms of actions, we focus on retail acceleration backed by effective marketing campaigns, micro market focus, targeted product interventions, which are going to come in this coming months. There are new upcoming launches primarily to drive customer excitement and of course, it is also going to help us improve footfalls in the showroom. We are also going to expand the customer fleet, you know, fleet customer base and also strengthen our offerings. And the focus on cost reduction will be paramount. We will continue the rigor on tight control on fixed cost and continued effort on structural cost reduction within the organization.

So back to you, Balaji.

P.B. Balaji

Thanks, Shalish. Thanks, Dhiman. Just quickly covering the overall numbers. Next slide please.

On a free cash flow basis this is seasonally a weak quarter for us. So we had outflow of Rs. 1300 Cr but heartening with the cash profit after tax, well more than covering for the capex spends. That discipline continues and therefore, this Rs. 2000 Cr of cash outflow and working capital should reverse as the year progresses. So no stress here. Next slide please.

Investment spends. The details are there for you to see. We are clocking at the Rs. 8000 Cr rate that we had committed and we'll be there in that zone. Next slide

Tata Motors Finance, as I've said earlier, the effective date as far as the appointed date for this merger is going to be April 1st 2024. So this year's financials of Tata Motors Finance, the NBFC, will be merged with Tata Capital as and when the NCLT approval is secured. That is just for information. But on an overall basis, the focus on growing the AUM while holding the portfolio quality continues. Disbursals are stepping up. We grew about 33% YoY basis, and all the quality metrics, and the pricing discipline, all of them are trending in the right way. It's seasonally a weak quarter from a collection perspective after a blockbuster Q4 that comes through. Despite that, we had solid collections coming through at 97% and this needs to be seen in the context of a general election as well, which will affect typically the cash flows of most customers. And of course, the concerted collection efforts are helping to contain GNP on an absolute basis and capital adequacy is under control. So this business is managing through this transition quite well. Next slide, please.

Overall, from a from a demand perspective, we do anticipate as far as the global demand is concerned, it is likely to remain muted. It has been that way. It's likely to remain muted. No immediate changes there. Domestically, we expect a gradual improvement in the domestic demand during the rest of the year as the investments in infrastructure, healthy monsoons, favorable macros, new launches, festive demand, all of that is coming through. So there is a need for absolute reason why there is an optimism as far as the domestic demand buildup is concerned, how gradual it's going to be, we will have to wait and see. Commodities are also likely to remain range bound and therefore, in this situation, we are confident of sustaining the performance in the coming quarters, and delivering a strong year. So financials wise, this business is on a strong wicket and is likely to remain that way in the coming quarters and the full year as well. The respective priorities for each of the businesses is there for you to see.

Let me now turn it over for the questions which are piling up on other side.

Give me a minute, please.

Questions and Answers section

P.B. Balaji

Okay, let's start with commercial vehicles. This is a question from Kapil from Nomura. This is on commercial vehicles, so, Girish, on M&HCV July data seems to be a bit weak, compared to first quarter. Any sudden changes you have noticed and should we expect improvement post elections and heat wave and how you see the full year?

Girish Wagh

Right. So I think, as I mentioned in the presentation, in Q1, we actually have seen a very good fleet utilization and we are also able to track the kilometers run by the trucks which are on Fleet Edge, which also showed a good positive improvement over Q4. However, in the month of July, we have seen that the kilometer running has gone down for obvious reason, which is heavy rains, I think that impacted most of the infrastructure projects, mining operations, and it also impacted, to some extent, goods transported on highways. Now, we have also seen, due to this, that the customers have postponed purchases from the month and that has led to a drop in volume in July. If you see the our pipeline, demand pipeline that we have now as compared to a year back, that has not dropped to the extent that we have seen the drop in the wholesale volume in the month of July. Secondly, I think what we have seen is in the infrastructure projects, quite a few of the customers have informed us about payments being awaited and they are expecting the payments to get released starting this month from the government. So that should also lead to action. Now, beyond this, if you see at an overall level, I think good monsoons, while they have impacted the demand unfavorably in July, will actually mean good in the long term. The policy continuity as well as higher allocation to infrastructure projects, we expect that once this gets into execution mode, it should start helping the M&HCV demand again. Balaji.

P.B. Balaji

Thanks Girish. Next question from Amyn Pirani. Let me take that. This is more an accounting question regarding where did the money go? If there is a Rs. 2600 Cr debt increase quarter-on-quarter? Let me explain the numbers. As far as JLR is concerned, to the extent of the dividend that went out of JLR, that is neutral at a consolidated level, you are absolutely right. And therefore, it's only payout that went to the vendor that we have referred to in the notes to accounts. India is a negative FCF to some extent, that is, I have explained that earlier, and the debt increase that you see at an overall level is basically the dividend that went out of Tata Motors to its shareholders. And that's why you see it also in the Tata Motors net debt as well. That's the only reason why the debt has gone up, which is temporary. And as the profits come through the quarters, you will see that correcting.

Question now, this is coming, Shailesh, your way. What's the current dealer inventory in the India PV business? How does it compare with the industry as well as Tata Motors own normalized historical numbers?

Shailesh Chandra

Our current dealer inventory would be in between 35 days to 40 days. We do track or we do estimate the industry inventory levels, but since it's not a published data, I would not like to really share that information. In terms of normalized inventory, typically, we target about 30 days, so it is on a higher side.

P.B. Balaji

Thanks, Shailesh. Richard, this is coming your way. This is from Jinesh Gandhi, Ambit. With 8.9% EBIT margin in a seasonally the weakest quarter for JLR, are we expecting any headwinds for margins for the remaining of FY 2025? And this is also connects to another question. I think it comes from Pramod in terms of the guidance for the year, is there anything that you would like to reiterate? And then the question on the Freelander brand to JLR, how does it fit into the JLR's modern luxury house of brands approach and maybe that could be for Adrian. And also, can you talk about the timelines and any investments from JLR or the royalty to be paid to Chery for the EV architecture? And the last one is on the VME, which in JLR is at 3.2%, till what level do you plan to invest?

Richard Molyneux

Okay, so let me take the first one. So, 8.9% is consistent with our full year guidance, which was greater than or equal to 8.5%. Headwinds, I think I've mentioned, the biggest headwind that we face is in relation to supply of aluminum. And we will do our damnedest to make sure that that does not stop us hitting our EBIT targets for the year.

P.B. Balaji

Can you also comment on the Freelander brand?

Richard Molyneux

Yeah, let me do that if Adrian's not around. So, it is outside of our house of brands. This is going to be a license agreement where the JV in China licenses the brand from JLR and combines it with technology from Chery to produce vehicles under the Freelander brand for the Chinese market initially. It is completely outside of JLR's house of brands and the distribution system, when we announce it will reflect that.

P.B. Balaji

Yeah, and maybe just to add to that point, remember that CJLR is a 50:50 joint venture between Cherry and JLR. To that extent, whatever profit CJLR derives because of the sales of Freelander brand, 50% of the profit is attributable to JLR. That's another answer there.

Richard Molyneux

Yes. So, JLR will receive from that a royalty and our share of the profits in that business. And if you think Freelander up until now has been a dormant brand and we turn it into a royalty flow, a 50% share of profits of a Chinese based EV with a British brand, you can see the potential that this has to be accretive to our performance therefore.

P.B. Balaji

Thanks. The last one is on the VME, which is at 3.2% and what level do you plan to invest?

Richard Molyneux

So we think it will rise a little bit further, but only marginally from these levels as we work through the effect of the reduced supply that we will receive in the next couple of quarters. That hopefully, should cap the growth of VME not that much higher than the Q1 level.

P.B. Balaji

Thanks, Richard. I'm going to stay with you for a while. This is on all things, China. You explained the Freelander transaction, park that aside for the time being, but the underlying performance, CJLR wholesale declined by Q1. This came from Aditya Jhawar, Investec. CJLR wholesale declined Q1. Even volumes for the car shipped from UK to China were flattish. Any sense on demand outlook in China, as well as any market share indications you could give, as well as the EV penetration and luxury cars in China? Anything that you see in that?

Richard Molyneux

Sure. The wholesale volumes in Q1 for the domestic vehicles were 11,800. That's higher than Q4, although lower than the same quarter last year. So it's certainly more difficult and more difficult at the lower price points in China at the moment. However, the import business we still see as strong. We don't measure or refer to market share, but we note that our sales are increasing YoY in China. So it reflects the strength of the brands, particularly Range Rover and Defender. We are paying close attention to it as there are certainly signals that demand is not at the level that we would like to see it going forward and it will be a focal point for us for the balance of the year to make sure that we take the necessary action. So it is absolutely a focal point for us. EV penetration is right at our end. To be honest, it is very limited at the moment. Chinese customers for Range Rover and Defender are still very much ICE customers.

P.B. Balaji

Got it. Thank you. I think the next question. Sorry, Richard, I'm going to stay with you again. This is from Gunjan, Bank of America. Couple of questions on JLR. How substantial can the impact of aluminum shortage in Q2 and Q3 be? And also, can you give some color on the CO2 emissions norms in EU in 2025 and how it affects us and how do you mitigate the risk. I think you already covered that.

Richard Molyneux

Yeah. So on the aluminium shortage, it is relatively new news and we are still working through how we can compensate. We are normally fairly good at that. Our industrial operations team are very good at finding alternative sources and we are also leveraging the Tata ecosystem to help us in this. So we are not going to give specific numbers. What I will say is within our full year number set, we are aiming to compensate for it such that we can still hit our EBIT and net cash position at the end of this year. We will work through it over the next few weeks. We will give you a better update at the next quarterly meeting. But we recognize it's a problem and we have all resource focused on short term mitigation and then medium term mitigation to make sure we can hold our full year EBIT and net cash targets.

P.B. Balaji

Thank you. This next question probably I'll take it. This is from Jinesh Gandhi. Clarification of asset ratio for demerger at 60:40 CV:PV. This is just for the India business and not including JLR. Absolutely correct. It is just the standalone entity of TML that is getting demerged. CV is coming out of that. So for whatever is remaining is the 40%, they are basically investments that company holds into the PV company, EV company JLR. It is the investment value which is all at book value.

Next question is from Chandramouli again, to JLR. Richard, what is the quantum of price hike that was taken at the start of 2025? And also can you give us some pointers on from this 8.9% that is there, how should we think about the journey to the 15%. How do you build the building blocks, any color on that? And maybe let me park and then take the remaining questions when you finish this. Or else I'll just be asking questions.

Richard Molyneux

Okay, so look, pricing, we haven't taken a great deal of net pricing. So within the numbers that I showed you in terms of the variance, pricing is not more than about 1% net. How should we think about the journey to 15% EBIT margin? I'll refer that to the comments that I made during the investor day, where we cover that off in some detail, driving the slight cut in FCF outlook for JLR FY25. What I've said is that we are going to hit net cash and we will work through the effects of the aluminum issue that I referenced in terms of free cash and update you next time around.

P.B. Balaji

Thank you. So I think next question I think is coming into CV, LCV segment growth potential after a period of flatness, how are you seeing that?

Girish Wagh

So I think like we mentioned at the beginning of Q1, we see that for the year, the LCV, we call it a small commercial vehicle segment - SCV Pick-up should actually remain flat with respect to the last year. We will see higher growth or double digit growth in the CV passenger, that is, buses and van segment. And HCV and ILMCV is something we need to keep a watch on a quarterly basis. I think in ILCMV we do see growth continuing, which happened in the first quarter also. HCV is something I think we need to keep a watch and how demand picks up. This is some of the factors that I spoke in the question which I answered before. Balaji.

P.B. Balaji

Yeah, thank you. I think this. I'll bring it into you Shailesh. EV softness in the fleet segment. Can you just explain what's happening there?

Shailesh Chandra

Yeah. So, you know, there are many questions that I have been seeing around fleet segment. So let me first give some facts. Fleet segment is typically in EV, 10% of the EV sales. That is how it had been in FY 2024, which dropped to 5% to 6% in Q1. The reason is that in Q4, because FAME II was expiring, in Q4, we saw two to three times jump in the fleet sales as a pre buy and that actually led to Q1 declining significantly to the extent of 45-50%. And that has continued and overflown to July also because there is also an expectation of FAME III announcement, which fleet owners would like to wait for. So this is what's really happening as far as fleet segment is concerned. This was the question?

P.B. Balaji

Yeah, absolutely. Then question from Gunjan on electric business, can you give a better color on the volume break up between personal and fleet? Go for it Shailesh.

Shailesh Chandra

So I already just mentioned that it is 10% is the fleet segment, which currently has dropped to 5% to 6%. Also, the question asked for FAME policy continuity. It would not be right to speak about it. Although we have been in continuous discussion with the government, we are hoping that the same FAME II categories of vehicles which were given the FAME benefit would continue. And it is very important that this segment is promoted because the direction of Niti Aayog, when they framed the EV policy, it was focused on connected, electric and shared mobility. So I think government is very much focused on shared mobility. So we do expect, but we have to really wait and see as and when it comes.

P.B. Balaji

I think Dhiman, this is probably coming to you. How are we treating PLI? How are you accounting for it? Are you accruing it? Can you just give us some color?

Dhiman Gupta

Sure. Auto PLI SOP, after a long wait has been finalized and issued by the MHI on 25th July. As of now, on the Passenger Vehicle side, Tiago.ev is AAT certified and for which techno commercial audit has also been completed. So all the sales in FY 2024 done for this vehicle for the select trims is eligible for claiming PLI incentive. We are in the process of going through the SOP in detail because there have been certain changes from the last version that the OEMs had seen and we are studying it for all necessary compliances and we are planning to file the claims by 30th September. We normally take a very conservative accounting policy when it comes to accruals towards any new incentive schemes of the government and we typically take this only when the entire certification claims and the cash disbursal process is fully verified and established end-to-end. You know, all our EV products that have been introduced are DVA compliant and the process for AAT certification is underway. So we plan to complete it this quarter.

P.B. Balaji

Thanks, Dhiman. I think a bunch of questions, Shailesh, on the ASPs of PV, profitability of PV. What we saw this quarter, there's been a drop even vis-a-vis competition. How are you seeing it?

Shailesh Chandra

You know, in the presentation, Dhiman already talked about it that in Q1, because of EV volumes dropping as well as, in the ICE side also there was a model mix which was under pressure. I think we are very confident of recovering back. We have already seen the recovery in July and henceforth in the coming months and with the new launches that we have, they should come back very strongly.

P.B. Balaji

Yeah, and similarly on the CV side, Girish, despite price hikes and higher M&HCV contribution, CV ASPs declined on a YoY basis. Could you give us some color? Is there any other specific point, are we seeing any increase in discounting?

Girish Wagh

Yeah. So actually, Jinesh, from Q1 FY 2024 to FY 2025, the ASPs have gone up in CV, point number one. Point number two, actually, the heavy commercial vehicle salience has gone down. It was 30% in Q1 last year. This year it is 28%. And third, I think, which probably you would not have noticed is, within heavy commercial vehicles, there is a shift happening from multi axle vehicles to tractor trailers and that also leads to drop in average ASP. But despite all this, we have seen an increase in ASP YoY basis.

P.B. Balaji

Thanks, Girish. Next is from Binay, Morgan Stanley. Question coming to you, Richard, and one more person also asked down below, JLR depreciation dropped Q-o-Q. Could you explain, give us the reason? And secondly, your gross margins also came off Q-o-Q despite better mix, what drove that? And the rest of his questions have been answered.

Richard Molyneux

Okay, so depreciation QoQ. So we stopped production of the Jaguar XE, XF and F-TYPE in Castle Bromwich during the quarter. So those assets are now fully depreciated. So that is the main cause of the drop in depreciation. Gross margin, the only effect I would call out is, we did increase VME during the quarter as we have referenced the 3.2% on a retail basis, we had to take a GBP 60 million stock revaluation hit for that, for vehicles that we had wholesaled but not yet retailed. So on top of what I've referenced before, those the two items I would call out.

P.B. Balaji

Yeah, got that. Thank you. I think the next question is on the capex for the current quarter. And is there any risk to your overall guidance? You spent a billion pounds almost this quarter. How does that speak to the GBP 3.5 billion that we had guided for the year?

Richard Molyneux

Yes. So we are running a bit higher than target. That's partly because we have to continue development of both BEV, PHEV and ICE powertrains. Given the global transition to BEV is going, let me say, slower and more globally patchy than many expected. We are also making sure we bring to market BEV solutions that are perfect for our brands, with their off road mastery, their luxury drive credentials. So we are learning from others that have gone before us, making sure our powertrains are perfect, and we will get close to GBP 3.5 billion by the end of the year, as I said, I expect engineering to be peaking at the level we have shown in Q1 and start to reduce from there.

P.B. Balaji

Got it. Thank you. And the FCF for the current quarter is weak. How do you plan to reach the full year plan? I think you have covered it in your slides. You just want to give it a little bit more color?

Richard Molyneux

Yes, but if you net out the working capital, as you mentioned beforehand, will net out actually sort of free cash flow before working capital is at the GBP 350 million level per quarter, and that's off 98,000 units. So it's not far off the type of run rate that we need.

P.B. Balaji

Got it, thanks. Staying with you, I think you talked about the timelines for discontinuing the Jaguar model. This is from Rishi Vora. Can you share the volume guidance FY 2025? Most of the global OEMs have cut their guidance. Is there any demand pressures the company is witnessing? Let me clarify. We did not give a volume guidance and we are moving into revenue as our main measure. Having said that, anything on the demand pressure, Richard, that you would like to talk about?

Richard Molyneux

So I mentioned there is demand pressure in some regions of the world. Other regions of the world are absolutely strong. We are probably at the point now with the supply constraints coming our way, but certainly for the next few months, we are going to move into a supply constrained environment rather than demand constrained environment, and that will give us more time through our FMI and marketing to build, build orders back up for the time that we can produce them. So it's an environment where we do have some demand pressures, but I actually think in the next couple of quarters, the supply constraints are going to dominate.

P.B. Balaji

Got it. This from Chirag, White Pine on JLR, the LR mix is at 91% and in that Range Rover plus Defender is at an all time high. Is this a new normal? If not, how will it affect impact ASPs?

Richard Molyneux

91% certainly is a new normal until we launch the new Jaguars. Range Rover and Defender at all all time highs, is that a new norm? I very much hope so, and I expect so. So our sales during the quarter were 68%, Range Rover, Range Rover Sport and Defender. That's up from 64% for the same quarter last year. Again, it shows the strengths of those products and will allow us to continue to raise our average transaction price as we move forward.

P.B. Balaji

Got it. Thank you. Ramanan, this is coming your way, on CV, margins. A strong performance in Q1, are there any one offs? If not, then ideally margin should improve further with increase in volumes in the subsequent quarters due to seasonality, steady pricing and commodity prices. Is that a fair assumption to make?

G. V. Ramanan

Yeah, I think it's a fair assumption to make. And in the Q1 results, there's no specific one offs.

P.B. Balaji

Got it.

Girish Wagh

Let me add to this. So there is certainly no one off in the first quarter results, I think we have been running a robust margin improvement program, focusing on both realizations as well as the cost part. On the realization front, I think as I have spoken, it's all about improving the competitiveness of the products, value selling and therefore improving the value proposition for the customer and therefore, moving the focus from discounting to value. And on the cost front, I think we are looking at each and every cost element, including material cost and we are driving that down. And all this put together, therefore, has helped us. Now, looking forward. Yes, I think traditionally Q1 onwards, the volumes keep on increasing and we will also look forward to the same, that should happen. But once that happens, I think, it should help us.

P.B. Balaji

Thanks, Girish. I think the next one from Nishit Jalan on Nexon sales. PV volumes for Nexon have come down significantly in the last few months. Is this more because of new launches in the compact SUV segment or some shift in demand towards subcompact SUV Punch? Shailesh?

Shailesh Chandra

You know, this was only for a month or so, if I remember. That was in May, but in June, again, it bounced back. And this month, the sales have been very strong for Nexon, while the numbers would not have got published, but from a retail perspective, this crossed 15,000 this month. So Nexon is doing really strong and Punch is equally doing strong. So customers for Punch and Nexon are completely different. Both the volumes in both these products are sustaining over a long period of time.

P.B. Balaji

Thank you. Richard, next one coming your way. The second part is from Kapil Singh. Firstly, he congratulates us on the Jaguar racing. What an achievement. I agree with you, Kapil, couldn't agree more. Question on China and EU. What are the demand conditions particularly in these two geographies? Is demand at its bottom or dropping further in your segment? And do you see a need to raise incentives here? And aluminum supply you already covered.

Richard Molyneux

I think I have probably covered the China and certainly China demand conditions. We do see it as muted and we have performed fairly well through Q1. We're going to keep a very close eye on it through Q2 and Q3. EU, our performance, as I have mentioned, is pretty flat in terms of retail in EU. We do see it as a market where there is a slight trend upwards in terms of the level of VME that's going to be required as some of the European manufacturers refocus their sales efforts to that market. So, yes, those are probably the two toughest regions for us going forward. On the flip side, the US remains extremely strong, as does overseas, and the UK is recovering very well from a difficult situation a few months ago. So the world is not moving at one speed in the same direction in terms of demand.

P.B. Balaji

Yeah. And just staying with you for a minute, Richard, on the order backlog from Pramod, UBS. Can you, can you just comment on your order backlog at JLR?

Richard Molyneux

Order backlog at the end of the quarter was 104,000 units. So still in line with where we would be expecting it to be.

P.B. Balaji

I think second is from Ashish, Macquarie. Does JLR run the risk of a YoY flattish volume given the supply disruption? I think the larger point is making is, are we just dependent on one vendor and given this will hurt other players also, is it really possible to resolve the issue?

Richard Molyneux

Sorry, I've lost the question. Where is it?

P.B. Balaji

This is on your aluminum supplies, Ashish, Macquarie.

Richard Molyneux

Oh, there we are. Yeah, this is. This is one vendor that has had a flood at a major aluminum processing plant. I think you will have spotted in the press. We may not be the only recipient of this issue. We are normally very good at finding solutions to these types of issues and we are working on them aggressively, both with Novelis and with all of our other aluminium suppliers and within the Tata ecosystem. So we think we have a decent chance of being able to minimize the impact on us.

P.B. Balaji

Got it, Richard, thank you. The next question from Raghunandan, Nuvama. You have answered most of his questions, barring the one at the end. Girish, this is coming your way. On India CV, do you expect any favorable support for CVs in FAME III?

Girish Wagh

So yes, Raghunandan, I think FAME II was meant for buses and small commercial vehicles. And that's where we have seen the demand beginning in electric commercial vehicles. We expect similar support to be extended to trucks also and that will help seeding the electric trucks in some of the use cases. Some of the customers are anyway coming forward for that. We also expect some support or similar support to be given even to hydrogen as a fuel because that's also near zero-emission fuel. And that kind of support will also help because especially for long-distance trucking, hydrogen may be better suited for it. So we are looking forward to this.

P.B. Balaji

Thank you. The other one is an interesting question from Sonal, HSBC Mutual Fund. Can you explain why Tata Motors only got 4.7% of the merged capital while by assets were almost 20%? Are there any legs to this transaction?

P.B. Balaji

I think look at the two different books that are there, Tata Capital Books and Tata Motors Finance books. You will find very different return profiles which are there in each of these books. And second is the level of concentration that is there. It's not a diversified book in Tata Motors Finance. The third thing we should look at, for us to diversify that book before we take it to IPO, Tata Motors will have to start infusing capital into that. Then comes the whole regulatory framework that is there, which also needs to be managed. So from a Tata Motors finance perspective, the Tata Motors perspective, I think it's a peach of a deal in terms of going into a fully diversified entity, and adding with our assets going in there with almost no overlap, it increases the diversification of that asset book and that is going to IPO next year, which should then give us an ability to actually monetize this. And we are confident that we will recoup our investments in Tata Motors' finance comfortably. So it's a clean deal and obviously, the valuers have looked at it comprehensively, the Board has looked at it comprehensively, and we quite like the way it is currently being structured.

I think we are nearing the end of the question queue. Let me quickly take a look at anything that is missing here. One is on the JLR plant at Ranipet. We have not commented on that plant at all and at an appropriate time and we are ready, we will definitely talk about it. Just 1 minute, please.

P.B. Balaji

This is from Nishit. Richard, coming your way. The JLR GBP 60 million revaluation impact that the Company has highlighted, was it only for the Jaguar models or includes LR as well?

Richard Molyneux

Both.

P.B. Balaji

This is the commodity reval, right, that he is referring to?

Richard Molyneux

I think the reval that that's referring to is stock revaluation in terms of variable marketing expense.

P.B. Balaji

Oh, okay, cool. I think with that we are more or less done with the questions. Are we missing anything out there? Just a minute, guys. We'll just ensure there's nothing not covered. So I think we are done with this. So thank you for your time, thank you for your probing questions and look forward to catching up with you in the coming quarters as well. Thank you, and of-course, thanks Team JLR, Tata Motors here. Have a lovely evening Bye-bye.