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National Stock Exchange of India Ltd.
Listing Compliance Department
Exchange Plaza, Bandra Kurla Complex,
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August 4, 2022
Sc - 16887

Dear Sirs,

Ref: ISIN: INE155A01022 – Ordinary Shares
IN9155A01020 – 'A' Ordinary Shares
Debt Securities on NSE & BSE

Sub: Transcript of the 1QFY23 Earnings Discussion

We enclose herewith a copy of the Transcripts of Conference Call held on Wednesday, July 27, 2022, in respect of the financial results for the quarter ended June 30, 2022.

This is for your information and records.

Yours faithfully,
Tata Motors Limited

Maloy Kumar Gupta
Company Secretary

MANAGEMENT: **MR. THIERRY BOLLORE – CEO, JAGUAR LAND ROVER**

MR. PB BALAJI – GROUP CFO, TATA MOTORS LIMITED

MR. ADRIAN MARDELL – CFO, JAGUAR LAND ROVER

MR. GIRISH WAGH – EXECUTIVE DIRECTOR, TATA MOTORS LIMITED

MR. SHAILESH CHANDRA – MD TMPVL AND TPEML

Sneha Gavankar:

Apologies for the delay. Welcome to the Tata Motors Q1 FY23 earnings conference call. I am joined today by Mr Thierry Bolloré, CEO, Jaguar Land Rover, Mr P.B. Balaji, Group CFO, Tata Motors, Mr Girish Wagh, Executive Director, Tata Motors, Mr Shailesh Chandra, MD, Tata Motors Passenger Vehicles Limited and Tata Passenger Electric Mobility Limited, Mr Adrian Mardell, CFO, Jaguar Land Rover, and my colleagues from the Investor Relations team. Today, we plan to walk you through the earnings presentation, followed by Q&A. As a reminder, all participant lines will be in listen-only mode and we will be taking questions via the teams platform, which is already open for you to submit your questions. You are requested to mention your name and the name of the organization you represent while submitting the questions. I now hand over to Balaji to begin the presentation.

PB Balaji:

Thank you. Firstly thanks everybody for taking the time to join the session. And as customary, we will quickly cover the presentation slides assuming that you have gone through it or had a first look glance at it, and obviously, spend as much time as possible on the Q&A. Regarding the safe harbor statement, you are well aware, nothing new there. Just again, a reminder to everybody that the way the numbers are being presented with consolidated view downwards into Tata branded Commercial Vehicles anywhere in the world, Tata Passenger, Tata branded Passenger Vehicles anywhere in the world, Jaguar Land Rover, Vehicle Financing. That's how the verticals are done, no change in that, just a reminder. Next one.

Again, it's been another intense period for us, both in TML and in JLR. And part of the key call out, I would want to make is the incorporation of Smart Mobility Solutions, a subsidiary for managing the GCC business of the Government of India and the State transport undertakings. And, of course, the EV portfolio continues to expand with the launch of Nexon EV Prime. And JLR of course the Defender 130 launch, we will talk about it later, and Refocus continues to deliver results for us. And the order bank rose to a new record of 200,000 units.

Next slide, please. On the financials, let me start by putting it in context that it has been a disappointing quarter for us, and we are well aware - these numbers did not match our own expectations when we started in the quarter. Yes, there are fair amount of challenges on semiconductors and COVID related lockdowns that we have to contend with. But at the same time, the one that really caused grief, the ramp-up, the slower than expected ramp-up that we had in Range Rover and Range Rover Sport. And I am sure Thierry and Adrian are going to talk about it in the coming plan. But as we end the quarter and we enter into Q2, we believe we are in a strong wicket and therefore are quite confident of how the current quarter is going to land up that is Q2. But that's for the future, but let's quickly delve into Q1. Growth of 48% in wholesales and about 8% revenue growth and the PBT before exceptional item of about Rs. 5,000 crores. And there is exceptional gain related to pension related matters of Rs. 1,500 crores, Adrian will talk about it. EBITDA deteriorated by about 90 bps year-on-year and EBIT percentage is of about 60 bps improvement compared to last year same time, it's something that could have been better. And FCF on an outflow basis about Rs. 9,800 crores. Most of it is working capital, so not particularly worried about. Obviously, the numbers also got impacted by revaluations of FX and commodity hedges in the highly volatile FX and commodity markets.

Next slide. Source of growth. If you look at it, we grew about 8% in revenue terms. Volume and price contributing roughly 50:50 and translation took away a lot of it. This is basically pound sterling depreciating a lot vis-a-vis the Indian rupee. And therefore, that's what we see at 4.3% in the translation. On the profitability improvement, most of the cylinders fired within CV, PV and the others, and of course, JLR took down the EBIT profitability because of the challenges that they had, which I am sure will turn around in this quarter. Net auto debt went up from Rs. 48,700 crores to about Rs. 60,700 crores, almost entirely explained by working capital and about Rs. 2,000 crore of underlying external debt that is there, took external debt to Rs. 34,800 crore, but that should reverse once the profitability improves. With this, let me now hand it over to Adrian to take you in JLR in a bit of detail. Adrian?

Adrian Mardell:

Yes. Many thanks, Balaji. Next slide, please.

Okay. So this is our six quadrant, as Balaji said, disappointing quarter for us in Q1. Retails were balanced, the same. So as you'll see in the presentation, we have no concerns about demand and retail levels at all. Revenue was down. Wholesale volumes were down 7%, and that's reflected in the revenue particularly because of the model changeover in nameplates - Range Rover and Range Rover Sport in the quarter. We had a particularly weak mix within that revenue base. And that really is the story for the losses that you see there, the GBP 500 million. The EBITDA 6% and the EBIT minus 4% in the quarter. Free cash flow was minus GBP 769 million. That's not a number we are proud of, although it is the best quarter 1 result for five years, incredibly, but we can do much, much better than that in Q2 and going forwards, we are certain of that.

Next slide. Okay. So these are the key performance highlights. I've mentioned some of them. Order bank, Balaji mentioned up to 200,000 units, we will take you through that. There is a pensions benefit for the reestablishment of our future pension liabilities at an inflation level of CPI rather than RPI. That's excluded from that loss before tax because it's non EBIT related. Our refocus program continues to go well. I will take you through that. And the liquidity continues to be strong, GBP3.7 billion cash on hand and a GBP1.5 billion revolving credit facility from July 2022. So total liquidity GBP5 billion plus.

Next slide, please. Okay. So this is our retails and wholesales in quarter 1 by brand. We've broken this out by the, we used to refer this to nameplate families. We are now referencing this as individual brands. Retail is at the top there, you see a flat and they are pretty much flat across all of the brands. Obviously, that's retails being fed from dealer inventory. I do have an inventory slide later, and there's some things on there but hopefully, you'll see is this starting to turnaround for us. Wholesales. This really lands on the point about our Range Rover and our Range Rover Sport. You can see there in the Range Rover brand. Wholesales are the lowest quarter over-quarter versus last year. That's where we've fallen because we haven't been able to build up the production in that new facility. I'll talk to that later as well as fast as we would have wished. And that's really the story behind the total wholesale reduction in the quarter. Defender was stronger than previous quarters in last year as that plant in Nitra is getting closer to a level of production than any of the plant at the moment. Next slide, please.

And this is the same data but hit now broken down by region, regional sales, retails again at the top. And what you see here, which knowing our profile of what we sell where is corroboratory to the last page. We've done weakest in our regions that are most reliant on our Range Rover and our Range Rover Sport because of our inability to ramp those products up at the speed we would have wished. So North America is down significantly, heavy Range Rover and Range Rover Sport region. So is China down heavy Range Rover, Range Rover Sport region and also snippets of overseas. We've done better actually in the quarter in the regions that take the other products from other plants, i.e., SUV 2&3 in Europe and the U.K. And the wholesale data you see there is while I won't go through that all in detail, it's a version of what I've said before. You see China down again because of that Range Rover, Range Rover Sport numbers there. Electrified data are up 2% from previous quarter now to 66%. BEV and the PHEV data was down slightly, and that's because of the absence of the Range Rover, Range Rover Sport for PHEVs also.

Next slide, please. Okay. So this is our walk from quarter 1 last year. And it's telling you what you should expect to see, the significant adverse is on both volumes down 13,000 units and mix within that mix, there's actually a negative of 170 for Range Rover and Range Rover Sport and 50 positive for Defender. Our VME continues to be at historical lows and the pricing actions we took earlier in the year are starting to come through. Inflationary pressures are similar to what we actually indicated in Q4. We continue to have bad news on capitalized engineering. Why? Because our new programs haven't yet come to maturation, expect that to change as we go through the balance of this year. That's worth about 1.5 EBIT.

Next. And then the bad news on revaluation because sterling fell to 121 at the end of the quarter. The bad news on commodities because actually commodity rates for aluminum, palladium, the ones we hedge most actually also fell as we went through the quarter. Obviously, both of those two things are good news for our operating model, and you can see operational financial exchange, particularly on the dollar was good news in the quarter. So overall, that walked us from the minus 0.9% EBIT to the minus 4.4% EBIT. And again, this excludes the pension exceptional item, which I referenced earlier.

Next slide, please. Cash, where are we on cash minus GBP 769 million. Most of that, again, is working capital, but the constituents are slightly different. And the inventory has actually increased, which obviously, from a cash and a working capital perspective in quarter is bad news. But from a starting to build back the health of the pipeline and starting to build back parts inventories, which, of course, will help with our build reassurance going forward. That's where that money is being consciously spent this quarter. Underlying cash is actually minus GBP150 million. And again, that points to the weakness and our sales profile, particularly to Range Rover and Range Rover Sport.

Next slide, please. Okay. Our breakeven remains pretty much the same as was last year on a full year basis, 80,000 to 85,000 units in a given quarter. It was even though we had a weak profile of sales in quarter 1, as I have explained already, that breakeven point was still 80,000 units. We actually did build more cars than we actually wholesaled, and I'll take you through that in a moment. We ended up by building our inventory work in progress by about 8,000 units, which we will complete in quarter 2. So that breakeven given the conditions we have is still really, really low and really, really strong.

Next slide, please. This is the investment, a little bit lower than I was expecting by about GBP50 million. You can see the point there on the left-hand side, the amount of engineering expense we are capitalizing, it's only just over a quarter total engineering bill. And the previous year, you can see it was 40%. When we take our new reimagine architectures, EMA and Panthera through their approval processes later in the quarter/early next quarter, then that will start to lift to a normal level I've given you before, 50% to 60%, and that's worth 1.5% EBIT. Capital investment is lower this time last year, we are finishing off our investments in our Solihull facility for MLA.

Next slide, please. Okay. So let's talk about where we were on supply and particularly on production in the quarter. I'll give you a second to start reading that, but I hit the highlights. So look, we did have some chip supply constraints, particularly earlier in the quarter, but particularly relevant to the build-out of our old Range Rover Sport. That did delay the completion of the old Range Rover Sport. Many of those units we did actually need to build into WIP, which we are clearing through actually some of them this month in July. That did have an impact on the transfer of our labor into the new facility, which builds the new Range Rover and the Range Rover Sport. So there was an impact on semiconductors, it was a particular supplier and the work we've done with that particular supplier later in the quarter has meant we haven't had any further disturbance from that supply source right through to the shutdown period at the end of July. It shows the long-term contract work we are doing is actually starting to show benefits. We are seeing the light at the end of this very, very long tunnel here, particularly on semiconductors, we feel. And then the rest has been all about our ability to ramp up two new vehicles on an all-new architecture in an all new trim and final facility with an all-new body shop and of course, a workforce that needs training and an added shift, by the way. We have added a third shift into that facility because of the huge demand that we have for these products within our order banks. And is, so those challenges are actually quite normal for a changeover point, but they have been exacerbated by the semiconductor point I mentioned earlier and also the COVID lockdowns in China, which did impact the ability for us to consistently build units week by week within that facility. A lot of that is starting now to become behind us. I've mentioned the partnership agreement with our key supplier, which has meant no shortages of semiconductors from that source for the rest of the quarter and through the first three weeks of July. Our ramp-up is beginning, particularly on the Range Rover, which was the first vehicle and our production on that vehicle doubled as we went through the quarter from just about 500 units a week to just over 1,000 units a week. So we are starting to see that increase ramp-up speed on the Range Rover through to July, that increased again to about 1,300 a week. So we really do feel we are breaking through on the Range Rover, and we now will go into that same process with the new Range Rover Sport, which may take a couple of months or so. And we are also seeing reduced impact from COVID lockdowns in China as well. So just a point around MLA, the production of the new Range Rover, the production of the new Range Rover Sport, the improvements we've made over the last six weeks where we ended up in July at a much better place in April. Now with what we see in front of us, and we are now starting to see the capability to deliver 90,000 units to our dealers and importers in quarter 2. So a significant jump from that quarter 1.

Next slide, please. And the orders have kept growing. In fact, they've grown in this quarter larger than any other quarter, marginally larger than the quarter when we announced and showed the Range Rover in October last year. We've now got 200,000 customer orders. That excludes the dealer orders, of course. And you can see there our three latest and greatest product offerings, Range Rover, the Range Rover Sport at the bottom there and the Defender making up almost 65% of that volume. They are our most valuable brands, our most valuable nameplates as well. So we have a super healthy order bank, a super healthy future revenue stream, and we are starting to break through the production issues, and they are starting to be light at the end of a very long tunnel on supply and semiconductors as well. So a lot of that is not reflected in Q1. That's why we are really disappointed and as you can probably hear from my voice, a tad frustrated about quarter 1 as well, but we are starting to see those core ingredients move in our favor into quarter 2.

Next slide, please. And, we've also revealed a new member of our Defender brand family, the Defender 130, the extension of the vehicle at the rear, beyond the rear wheels. This vehicle will safely and comfortably occupy eight adults. We expect it to be very, very popular in our U.S. and some Middle Eastern markets as well. And if you did notice, even though the production at Nitra is closest to a normal level than any of the plant. Our demand in orders for Defender increased by 5,000 to 6,000 units in the quarter. A lot of that was for this vehicle. So it's had an incredibly fast start and appeal even though it was only revealed a month before the end of the quarter.

Next slide, please. Okay. Refocus. Look, we did GBP1.5 billion last year. Even though it was a very thin transactional value quarter for us, we still did GBP250 million in quarter 1, that was broken down in three constituents. You've seen most of that data already earlier in the presentation. The net pricing value was GBP120 million. That's a big constituent of it. We are starting to see labor and efficiency benefits within our agile transformation, particularly within the engineering fraternity. Obviously, we are doing that mostly to ensure that we speed up the quality maturation of the delivery of our products, but of course, the unspoken within there is the cost of delivering them will be lower also spending less time and less people hours on it. And then the investment number, which was low for the quarter, and therefore, did contribute in this quarter, but I do expect that to be much, much less in later quarters. And I expect the other constituents to be greater.

Next slide, please. So inflation we'll be talking about inflation. I'm certain for the next few quarters. Now we introduced this slide earlier this year. The same slide on the left, GBP12.5 billion in cost base, variable cost base. Four significant elements within there, which are suspect to high inflation levels, labor, multi-cost semiconductor prices and energy, of course. And the balance between the pressures have shifted a little bit. We went into the quarter with aluminum at $3,500 a ton. We've come out the quarter with $2,400. Palladium came down as well $300. So it shifted a little bit temporarily perhaps from commodities and, of course, we are getting some utility energy cost increases, semiconductor cost increases and labor cost increases. So the absolute number for the quarter versus last year was GBP160 million greater. It's a little bit less than I was expecting actually in the quarter. I was expecting up to GBP200 million. And some of these headwinds are stronger and some of them are starting to alleviate. But I think it's reasonable to assume we will have quarter-over-quarter data of this type of scale and size as we go through at least the next two quarters, not certain about where we end up in Q4 yet. And our refocus program, we are very, very confident will more than offset and almost did -– well in fact it did offset even though not fully in EBIT, the on cost and inflation as we go through FY 23. So I'll repeat two or three things here. One is we are very confident about the overall scale of the program. And what we will do this year, we are confident that it will offset in total, the absolute amount of inflation. And as we go into the second half of the year, we expect an EBIT offset also as most of the inflationary pressures we are seeing is then overtaken by the other things that we are doing, including the pricing actions, which will come through later in the year.

Next slide, please. This is an important slide, although it doesn't look it, right? So this is the health of our end-to-end pipeline from build to shipping those vehicles. And if I take you back to January '21, we've talked this two or three times before, but I wanted to talk specifically today. If I take you back to January '21, that's as close to a normal healthy pre semiconductor pipeline that we have. And it increases and falls down because of the aberration called March in the U.K. where we build units and then we sell them. So if you draw a line versus the first three months, you'll see pretty much 60,000 units in the dealer pipeline and 40,000 units in our pipeline, i.e. 100,000 total units would have been a pre semiconductor normal environment. And from there, our order bank is about twice of our dealer inventory. That's what we would have expected before semiconductors. WIPs about 4,000 units. That's what that blue line lived. The WIP is a subset of the gray line called JLR inventory. We own the WIP, we own the JLR inventory. That's on our balance sheet. That's a part of the GBP3 billion that you would have seen if you look at the balance sheet. It really, really fell as we went through our quarter 2. You will remember the quarter 2. They both fell towards the 30,000 level from an inventory dealer and an inventory JLR perspective. But our WIP also fell to about 2,000 units, right? So we were building cars, but very, very few. We've gradually grown both of these over the course of the next, last three 3 quarters, excuse me, through to June. And there's been a significant uptick, as you can see there in June. So what that means is we are releasing more cars into the dealer network, and we are releasing more cars onto transporters, onto trains and onto ships, and they will turn into retails and wholesales at some point. And we do believe a part of that uplift is going to happen in quarter 2. Now we did end up with 10,000 cars in work in progress at the end of June, 5,000 of those were Range Rover and Range Rover Sport, and I'm simply giving you more corroboratory evidence to the real breakthrough here is in that facility at Solihull Range Rover, Range Rover Sport. That should have been 1,000, not 5,000, and we are starting to work that number down, including during our shutdown period this week and next week, and we have high confidence those units would also be released onto those transporters, ships and trains as we go through August and into September. So we are a long, long way away from being normal here, but there is evidence that's starting to shift back towards a more normal environment, which underpins our 90,000 unit projection for Q2.

Next slide, please. So one of the things that are in front of us, I've said them a few times already, right, we absolutely need to continue to make progress in our new facility at Solihull. We are very, very confident we are doing that on Range Rover. We can then repeat that product off the same architecture, don't forget, in Range Rover Sport later in quarter 2. Our guidance is c. 90,000 units I've mentioned a number of times. We are very confident Refocus will be GBP1 billion, and there is a plus there, by the way, I'd be more informative about how much of a plus when we talk in November. Our full year guidance is still 5% and GBP1 billion positive cash flow despite the disappointing and frustrating quarter 1, that does mean we need to break through in quarter 2 and delivering 90,000 units would be a sufficient breakthrough to underpin that number. And we will then need to break through again in quarter 3, and that's where the Range Rover Sport will come through strongly for us, we do believe. Our longer-term targets, of course, on Reimagine, we rarely talk about these, right? Please don't think because we are not talking about that we are not doing them. We absolutely are doing them. 90% of our engineering teams are on Reimagine programs now. And those engineers were released from Range Rover, Range Rover Sport, which is why the capitalization is so low at the moment. So overwhelmingly, the focus and attention of our workforce is on future product.

We now have a much more concentrated, determined full-time response to the daily activity, which you are starting to see us break through on and that has been added to again during quarter 1 because of the challenges we had in quarter 1. Free cash flow. Look, I'm not walking away from the near net debt number in FY '24. We have to break through in quarter 2. We are running out of time. We just have 21 months and that means from the end of June, that's an average GBP200 million positive cash each month. This is still possible, but we now have to break through with speed and the confidence when we do breakthrough will underpin FY '24, 7% plus EBIT. And obviously, at that point, we'll be in a really nice place to talk to you about how we are going to walk to 10% plus. Next slide, please. Balaji?

PB Balaji

To the numbers here. On the market share side, we dropped to 42.5% for the quarter. And the key callout here is the shift away but more than a shift away to more shift towards the demand-pull supply chain to ensure the market share gains are sustainable and focusing squarely on how we are working with the registration market shares rather than wholesale-led market shares. So this is something that we are committed to. And therefore, this noise in terms of market share for a quarter or two will be there, but it will then get us to a more sustainable pathway of simultaneous market share gains, optimal inventories at the dealers and, of course, lower levels of VMEs that we need to put in place. So that's the emphasis there. I am sure Girish will want to talk about it subsequently.

Next slide, please. The key callout on this slide is a mix that you see of powertrains. We would want to watch the ILCV space carefully because we did notice the reduction in the CNG composition. I believe it is a noise - temporary noise as the prices of CNG vs diesel arbitrage came down a bit, but let's watch it for a few more quarters before we can take any message out of it. Next slide. Overall numbers, CV turned in a positive PBT for the quarter and on a year-on-year basis, revenue grew 107%. And obviously, this being a weaker quarter, you could see a sequential drop in terms of revenues. And EBITDA at about 5.5% and an EBIT of 2.8%. We expect this is something that's now starting to stabilize, and we will be able to build from here on as the commodities come off. So that is the thing on CV going forward. In terms of the walk, the P&L walk, you will notice that we are stepping up FME in line with our plan to move to a more a pull-based supply chain. So therefore, working on retail leads. And employee cost of Rs. 203 crore is basically just the beginning of the year when the number of reset bonuses for the year, etc. And what you see is the unrealized FX and commodity hedges, we did lose on the rupee depreciation because the hedges on the exports did lose money, and this in turn gets compensated by the dividend income coming in from Tata Cummins. So overall, that piece, the numbers balance each other out. But the other call-out I would definitely say is look at the line between realizations versus variable costs. This number if you recollect was as high as 540 bps. So most of the pricing actions have gone through realization to offset the commodity cost have gone through and therefore, we should start seeing this starting to improve here on. Next slide. Girish?

Girish Wagh

Yeah. Thanks, Balaji. Some of the highlights for the quarter. I think the industry continued the good recovery, and doubled the volume over the Q1 of last year. Of course, the last Q1 was marred by the pandemic second wave. But nevertheless, I think good growth shown in Q1. The EBIT margin improved by 690 bps, driven by the remaining growth and also the pricing and cost actions that we've taken, and has also grown 240 basis points over FY 22 full year. We continue to see a very good growth in our spares and service penetration, thereby improving the non-vehicle business revenue by 75% over Q1 of last year. And this is, of course, a good profitable stream for us. On new products, we continue to launch - 15 new products were launched along with 25 variants. And as all of you know, we also launched ACE electric vehicle in the quarter gone by. Some of the bright spots, and we have seen that the Trucker's Sentiment index, which we track every quarter is now almost at a two year high in MHCVs and intermediate and light commercial vehicles. Of course, this survey was done just before the first interest rate hike was announced. So we are keeping a track of this. There has been some softening of the sentiment after that, but I think overall, it remains very, very positive. On the commodity side, it did show some hardening up during the beginning of the quarter. But towards the end, I think we are seeing signs of softening after a good upward run since second half of last year. Coming to the passenger segment, finally, we are seeing a return of demand. So with the staff movement that is employee transportation to offices and factories back in place as also tours and travel and specifically opening of schools has led to good demand and the volumes grew by 60% over Q4 of last year, which is just the quarter gone by and almost 4 times that of what we had seen in the first quarter of last year. So very good demand coming back although this is still lower than the highs which were achieved in FY19. Balaji spoke about the retail push, that we have initiated, and happy to tell you that we had the highest retails in small commercial vehicle and pick up in Q1 of any year for almost last 10 years. Going ahead, some of the focus areas, I think our international markets, demand has been impacted, especially in SAARC as well Sub-Saharan Africa, essentially due to steep depreciation in the local currency, along with fuel price hike and of course the Sri Lanka, all of us know about the political turmoil. In these circumstances, we are looking at alternate markets and products to see how we can get back to the required level of volumes for international business.

I spoke about the retail acceleration and lot of demand-pull to ensure that we actually have sustainable gains going ahead, sustainable share gains. So there's a lot of push on the digital lead generation and I can tell you that 20% of our volumes are now coming from leads, coming from the digital, in small commercial vehicle and pick up. With the interest rates increasing we have continued our engagement with the key financiers and trying to find out ways and means to see how we can support the customers in this environment. We started margin improvement journey towards the second half last year. We continue to do that, and it's being driven by both pricing actions as well as cost savings and the fundamental margin has improved quarter-on-quarter from Q4 to Q1.

Next slide. Update on the new businesses. So, on electric mobility, happy to inform you that additionally 100 electric buses were delivered in Q1. So, now we have cumulative ~715 electric buses running on Indian roads and cumulative coverage of more than 40 million kilometers. So, that's a good experience that we have and over multiple cities in the country. We are also working on the fuel cell electric bus as we have been mentioning, and the program is on track. And in fact, we had first milestone review with IOCL with whom we are working jointly. And this milestone has been completed successfully and both the partners were quite happy with the progress. We did foray into the last-mile E-mobility on cargo side with the launch of ACE EV. And we have memorandum of understanding for now 39,000 units. We already started customer trials. And towards the end of this quarter, we will also start delivery of products. Going ahead, we also incorporated the TML Smart City Mobility Solutions Limited as a subsidiary and operationalized 53 buses in Delhi for Delhi Transport Corporation. And as a part of the Smart City Mobility Solutions which is the gross cost contract model or own and operate model, we are now managing more than 450 buses and delivering more than 96% uptime. And all of you know, we were declared L1 for the largest global tender of more than 5,000 e-buses. And now we have received LOA, that is letter of allocation from Delhi Transport Corporation amongst these 5,000 buses for around 1,500 buses. We are engaging with the rest of the cities and their transport undertakings, to get LOAs for their share as well. As an outcome, the revenue which this business has generated in quarter one is around Rs. 145 crores, and we are on track in terms of the revenue trajectory. On the digital businesses, Fleet edge, we are focusing on increasing adoption and active usage, so we have more than 235,000 vehicles now, amounting to around 100,000 customers who are already on-boarded. We are now initiating the Minimum Viable Product 2 of Fleet edge, which is already being piloted with few customers and will be launched next month. This will enhance the user experience further. So this is based on the expectations that we have captured from the customers. And finally, our digital storefront for spare parts called as E-dukaan is doing pretty well and continues to grow and has grown 26% in revenue over quarter 4 of last year. So that's in summary about the new businesses. Back to you, Balaji.

PB Balaji

Thank you, Girish. Just moving on to the passenger vehicle business, call out on this slide is fundamentally around the powertrain mix, so watch the CNG numbers now increasing to 11%. EV has continued to grow strong at 7%.

Next slide - and market share, of course, of 14.3% and the EV market share continues strong at 88%.

Next slide. And from an overall financials perspective, we continue to do well on the improvements in profitability that we are putting through, so the business is now on a PBT breakeven after a long time and EBITDA up 200 bps and EBIT margins up 750 bps going strong and likely to improve further. Obviously, on a year-on-year basis, one other thing to watch out for is the sequential FME phasing. IPL came in this quarter, there's a bit of a phasing issue that impacted sequential margins, but that's something that should take care of itself. Next slide. On overall financials, both volume mix and realizations coming through strong. Still about 30 odd bps of variable cost realization to be made up as we go forward. Stepped up FME strong and is likely to step up even further as we go forward. And overall commodity hedges did cause a bit of grief and that's flowing through the P&L that you see there. Next slide. Shailesh?

Shailesh Chandra

Thank you, Balaji. So let me start with the Q1 industry highlights. So in Q1, the industry wholesale increased by 41% year-on-year as the semiconductor supplies improved. And the quarter sales were quite healthy. Segmental shift towards SUV further strengthened, it was at 40%, hatches just continued to sort of de-grow from 37% last year to 34%. As far as Tata Motors is concerned, we continue to strengthen our market share and we have maintained the strength of the quarter-on-quarter growth in market share. And while the PV ICE business grew by 102%, the EV business grew by 444%. The wholesale and production milestones, we crossed the milestone of 130K+ in Q1 and the last month of the quarter, we also crossed one of the major milestone out of a monthly sale of 45,000. As far as EVs are concerned, we posted the highest healthy sales of 9,310 units despite the stress that we faced on semiconductors in the first half of the quarter and the market share remained strong at 88%. The last several months now, and also we continue to be the #1 SUV manufacturer in Q1 FY 23. Nexon has been trending as the No. 1 selling SUV. To further strengthen our supply side, we signed a tripartite MOU with the Government of Gujarat, Ford and Tata Motors for potential acquisition of Ford's Sanand vehicle manufacturing facility. Going forward, as far as the industry is concerned, we've really seen that for this financial year, the industry may grow nearly to 3.5 million. We see demand is going to and continue to remain strong with continued positive word of mouth of nearly 40,000 EV customers that we have today. As far as Tata Motors is concerned, at the start of the Q2, we have a very robust booking pipeline and low channel inventory which show a positive drive for quarter two. Demand for SUVs remain strong. We have a very strong booking pipeline here also. There has been a good traction of CNG which continues. We expect the vehicle supply to improve with better semiconductor availability in Q2. Rural demand is expected to be strong on the back of good monsoon. And Nexon EV Max which we launched in May, has seen tremendous response and has augmented the EV demand. And the supplies are expected to improve in Q2. Going forward the challenges we see is that the high inflation and interest rate may start impacting the auto demand while there's no stress as well as far as Q2 is concerned. Until the festive season, we don't see a concern or we also don't see a sign as far as the dampening consumer demand is concerned. But given how the retail industry is getting impacted because of these factors, we have to be a bit watchful and post the festive season, it will be like rest of other industry demand sustains. As far as Tata Motors is concerned, we remain focused on demand generation activities with now segment level and micro markets in focus. We will continue to enhance the supplies further as the semiconductor availability also improves, and we will fast track the cost reduction efforts to improve profitability. Back to you, Balaji.

PB Balaji

Thank you, Shailesh. Moving quickly onto the cash flows slides – that is already there, let's go straight into the Tata Motors finance slide. Go to next slide. Yeah. So here, call-outs here, collection efficiency started to improve now at 98% for June. And therefore, GNPA will keep improving with every passing quarter and fully compliant with all the new PCA norms that RBI has put in place, and both capital adequacy and liquidity remains comfortable. And aspiration is to take that ROE from 5.1% all the way up to double digits in the foreseeable future. Next slide. So coming on to the outlook, key call-outs. Demand remains strong and we expect to remain strong despite inflation and geopolitical situation, obviously need to watch the Indian CV situation carefully, but right now we don't see any cause for concern at this point in time. Chip supply is expected to improve further from Q2 and added with cooling commodity prices that should also help in underlying margins. And therefore, we do aim to deliver the strong improvement in EBIT and free cash flows from Q2 onwards. And one of the key things in this is what Adrian talked extensively about JLR is delivering on 90,000 vehicles wholesales and on this side, continuing to improve market shares, while restoring double-digit EBITDA, margin will be the key imperative for CV, and of course, PV growing and accelerate as much as possible. So that's in a broad nutshell what we are working on. Happy to take any questions that you may have. I already see we have got 13 odd questions that have landed up already.

Questions and Answers -

PB Balaji

Let me start. I think, Girish, the first one is coming your way. This is from Sonal Gupta, L&T Mutual Fund. M&HCV market share is now down to 54.6% in Q1. Is there a level at which you expect this to stabilize, and what are the risks that the commodity benefits are competed away in CV business?

Girish Wagh

Okay. So first of all, on the market share front, so I think over the past four years, we have been consistently growing market share in M&HCV. We've seen some softening happening in Q1, but we are determined to get this back. And on the back of the brave actions that we have both on the demand generation front, as well as launch of new products, I think we should be getting it back. So certainly not satisfied at this level. As far as the commodities are concerned, sorry, Balaji

PB Balaji

Commodity margins, are they likely to be given away and due to intense competition?

Girish Wagh

So I think we have a comprehensive margin improvement plan running, which is working on both the plans, that is, how we improve the realization basis delivering more value to the customer; and the second thing is, how do we keep on shaving off cost? And one of the cost benefits is the commodity reductions which are likely to happen, so we will see how it comes.

PB Balaji

And also, Sonal, just to add to that point, if you recollect, the outlook is specifically calling out that we reach double-digit EBITDA at the earlier. So that's clearly an imperative for this business. Okay, next question is from Jinesh Gandhi on the JLR. Adrian, I think this is coming your way. How should we think about mix for JLR considering ramp-up in RR/RR-Sport/Defender but also chip supplies expected to improve? Should mix further deteriorate over 1QFY23 levels? And the second question, do you expect prompt and consistent increase in wholesales from second quarter from the 90K that we have signaled? And lastly, in which line item does an FX revaluation and commodity hedges get reflected? Three questions, Adrian.

Adrian Mardell

Okay. Thanks, Balaji. So, the mix was really weak in quarter one. Range Rover mix was about 8% of that 70,000 units. Our order bank is telling us that between Range Rover and Range Rover Sport, 40% of the order bank there. So there's a significant improvement of mix that will happen once we start to overcome those issues we've referenced significantly in the quarter of the results so far. So, I absolutely anticipate mix not only to improve in quarter two, but to continue improving through the balance of the year, as those production challenges continue to reduce. Do I expect strong consistent increase in wholesales from Q2? Look, I expect each quarter to be better than the quarter before. That's no different actually to what I've been saying for the last two to three quarters. I did expect that in this quarter also, actually. So if I had to pull a number on the data last in March, that number would have been 70,000 high rather than 70,000 mid. And the difference would have all been Range Rovers. And that would have actually started to shape the quarter much closer to the level of EBIT / cash loss I was inferring on May 13th . So I do expect each quarter to be better than the last. I can see the data for the first three weeks. We are now building consistently above 7,000 units a week, and we are building consistently week on week on week that will increase to the 8,000 units plus, which we will need in this quarter when we start building Range Rover Sports. We haven't built Range Rover Sports for six weeks to seven weeks apart from a few units just in proof and trial. That will begin to happen post-shutdown from the 8th of August. So we are pretty confident actually with what we see in front of us, that the build will grow from 7,000 units to 8,000 units a week. We have 11 production weeks in the quarter, that gets you closer to the 90,000 units; and we have 10,000 units in WIP that will reduce. Therefore, that's why we are saying we think the wholesale number will be 90,000 units.

And which line item does FX revaluation, well, it appears down the whole stuff. So, it's significant on revenue, of course. As we bring all of the overseas revenues into sterling, it's significant on cost, of course, because so much of our cost base is sourced in overseas currencies, around 55%, a lot in euros. But it's line by line. So if you take marketing costs, and within the marketing costs which is obviously in the other expenses, we add up all of the foreign currency pieces, and then we have a big line item in there which really covers our exchange losses, so it's down the whole stop.

PB Balaji

Thanks Adrian. Next question also from Jinesh Gandhi. Shailesh, your way. What's our capacity and capacity in the Fiat JV? What is the scope to increase capacity through debottlenecking?

Shailesh Chandra

So, we are pretty much operating at full capacity in Ranjangaon and Pune. We have some headroom in as far as the Sanand plant is concerned. Further, to debottleneck our capacity, there are actually some plans and we see an additional possibility of 10% to 15% further debottlenecking. So that's as far as the capacity is concerned. As you know, we are further working on potential Ford Sanand plant acquisition.

PB Balaji

Thanks, Shailesh. Girish, your way. Are you seeing sustenance of demand from small fleet operators?

Girish Wagh

Yeah. So, a few things I would like to say. First is the sentiment index that we measure is at a high, and therefore, that is an indication of the interest from both large as well as small fleet operators. Also, if you see the intermediate and light commercial vehicles as well as small commercial vehicles, generally, the small or retail customer single vehicle owners are the buyers for these vehicles, and these segments have grown more than that of M&HCV. So, actually, the small fleet owners, single vehicle owners are still there in the market, and not likely to see softening immediately.

PB Balaji

The point on inflation which I'll pick up, Jinesh, we expect more commodity savings to come in second quarter. We do see commodity starting to pull off, and you should start seeing this coming from second half as the current hedges wear off, as well as some of the contracts that we are putting in place start coming to. So let's see how it plays out. Next question is from Ronak Sarda, Systematix. Any specific headwinds on CV EBITDA margin as Q1 FY23 production was largely similar with Q4 coupled with softening RM?

Girish Wagh

Yeah. So, I think two points I would like to make. One is, of course, the scale impact. So the revenue has actually gone down by 15% from Q4 to Q1, so that is one of the reason. Second is the M&HCV volumes have come down by more than 20% from Q4 to Q1. So this certainly has an impact on the margins. But what I would like to say is on the back of the pricing and the cost production actions that we've taken, the fundamental contribution or underlying contribution margin has actually improved over Q4 of the last year.

PB Balaji

All right. Thanks, Girish. Next question is for me, actually. On India E-bus order wins. Can you pls take us through how the GCC order win will be accounted for in financials? Okay, there are two things here. One is the Tata Motors Standalone, and then there's the subsidiary Tata Motors Smart Mobility Solutions Limited. So first will be a sale happening from Tata Motors to the Smart Mobility Solution. This will be construed as a sale in the Standalone books, but in the consolidated books, this will cancel each other out so the revenue will not be recognized, number one. Number two, this asset continues to remain in the Smart Mobility Solutions books, and the collection will happen over a period of time as this bus starts running, and therefore there will be a revenue recognition happening in terms of rupees per kilometer, in terms of the number of kilometers that it traverses. And that will be the Smart Mobility Solution books against which the running costs, operating costs, etc., will be set off against. Over a period of time, once this particular - so now then see, the next question that comes is will you keep building assets in your books? The answer is yes. And over a period of time, once the collection history has been established, then you will be able to take this as a copy of books, you'll be able to settle down with a single or multiple options of that. And there are also other conversations that are happening with the government to find a way to actually ring fence this at the inception itself. And those things should start seeing some results of those deliberations in the coming year, and definitely before the next tender that comes out of this size. But there's a lot of possibilities to how to actually lighten the balance sheet and reduce the collection risk and the solvency risk. Okay. Next question is from Prateek Poddar, Nippon India AMC. JLR has called out production of close to 90K units - is it fair to say that visibility of build rates as guided in Q2 very high?. Prateek, Adrian has covered this elaborately, therefore, I wouldn't want to repeat this. If yes, can you highlight some of the reasons for the same, which we have already done so. And on the India PV division, it looks like the model cycle tailwind for us is over, although model refresh can be a lever. Is there a concern within the team that the market share loss might be a possibility going forward, unless we start with a new model cycle? Shailesh?

Shailesh Chandra

Yeah. So I think you're well aware of the intensifying competitive landscape in the country. And sustaining our share, I think we have two, three points here. We've shared one that, as you rightly mentioned that cycle plan of these MCs and refreshes in the cycle that we will see in the next two to three years starting next year. And that should not only help us sustain but slightly improve our market share. Also, right now, we have sufficient headroom as demand is higher than supplies. The second major lever for us would be the powertrains. We have a unique position where we have all the four powertrains, petrol, diesel, CNG as well as electric. And therefore, we are at the sweet spot of the report that we are going to see in the next few years as far as CNG and electric is concerned. So that should give with the current models and with the expansion that we are going to see, the EV and PV will be spaced as far as the electrification and new CNG models. We will witness a growth in this segment because of our unique position of having multi powertrain option. And third is of course we there are certain gaps in our portfolio which we are going to fill in the coming years. One of them we have already shown to you, which is the concept Curvv which we had unveiled in April. While it is going to the public the first as an EV, but it is also going to come with the PV offering also. And there will be additional leaflet which will be announced at the right time. So mix of all these actions is going to ensure that we continue to grow our market position.

PB Balaji

And Shailesh, next question also your way, what's your backup plan in case hybrids become a success in the India PV market?

Shailesh Chandra

So as a company, we will be closely watching how adoption of hybrid takes place. But see, one thing we are very clear that the long term drivers of the auto industry, as well as the governmental regulations that we have, as far as auto industry is concerned, including the environmental issues, EV is the long-term view. And therefore as a company, we are going to remain focused on EVs. Having said that, in the later part of this decade, as the emission norms are going to become more stringent, there will be a degree of electrification that would require independent weights.

PB Balaji

There's also a question on pricing. Can we launch EVs at prices similar to hybrids or a slight premium so that the value proposition of EVs can further improve vis-a-vis hybrid, any thoughts?

Shailesh Chandra

I have no clue of the hybrid price, frankly, because we are now going to see the new hybrids, strong hybrids. And we haven't seen so far, there's hardly anything – only few non-EV hybrids or even lesser than mild hybrids. But then we will see how the pricing pans out. But as you have already seen that we have launched our EVs which are 20% to 25% price which is at a premium to the current petrol or diesel model, automatic model. So it is already very competitive. I'm sure that this pricing would be competitive to a hybrid option that is going to come in the market. But let's see the pricing when it's announced in this space.

PB Balaji

Thank you. Next question is from Hitesh Goel, CLSA. How much is your steel contracts pricing in 1QFY23 higher than spot price? If you peg the steel costs at spot prices, shouldn't the margins be higher?

Girish, you want to take that?

Girish Wagh

So generally our Steel contracts are for a period of six months. But due to the recent volatility, we shifted through three months. So, we have been doing steel contracts on a quarterly basis. I can tell you that the spot prices are much more volatile and generally higher than the contracts that we have.

PB Balaji

Thank you. Next question, Adrian, coming your way. Is it possible, Adrian, to sum up what was the margin pressure in Q1 that was one off in nature?

Adrian Mardell

So look, we pointed towards this. It was particular around the Range Rover and Range Rover Sport facility. We only built and wholesaled 6,000 Range Rovers in the quarter. There's a significant diluting impact in the margin. I won't give you the data, but your modeling should mostly point towards that data. So is it one-off in nature? Well the binary impact of very low production on Range Rover and almost zero production on Range Rover Sport is absolutely you know a binary impact in quarter 1 which will progressively improve so the margins will increase as well.

PB Balaji

Yeah, the next question, I will skip the other one again on this, on product that you have already covered it. Let's go to the one on hedges. When does the adverse impact of hedges start affecting operational numbers?

Adrian Mardell

It's already affecting the operational numbers, Balaji. I think if you went back to our walk, our EBIT walk and our profitability walk, I think it would have said that the operational exchange was 210 and the impact of those hedges was about 115 versus previous year. If I give you the rates actually, the effective rate in Q1 was about 1.28, and hedges in place going forward just over 1.30. So on a quarter-by-quarter basis, we have got hedges around the 1.30 going forward, but it's not too dissimilar to the effective rate in Q1.

PB Balaji

Okay. So next question is from Raghunandhan, Emkay Global. For India business, can you please indicate commodity impact in Q1. I've already called out more than the commodity impact, but look at the thing pricing versus realization, realization was a variable cost. And you do see about a 30, 40 bps that’s still to be recovered, but we believe this will come off as we go forward. As far as the e-buses, the company has won large orders, what kind of equity infusion planned in the company that will own the e-buses that supplies them on a gross contract basis. Obviously this will pan out over a period of time because the buses are to be delivered by FY'24 onward. So there is a fair amount of time in front of us and we will do it on a sequential basis. And we will have to think through the equity and debt formulation to get that right as well. So these are the things that at an appropriate time we'll share with you. This will not complicate the calculations on getting net debt free, so you can rest easy on that. But we'll still have to crack the fact that this is asset-heavy and there's a lot of work on the way to get that cracked. So, Girish coming your way. How do you see the MHCV industry outlook for this year, and the share of CNG vehicles?

Girish Wagh

Yes. So let me take the first one on MHCV. So, I think this will be the fourth quarter where we've seen successive growth that has happened in M&HCV. This is happening on the back of upfront infrastructure spending by the government using freight, freight rates, fleet utilization. So I think most of the things seem to be falling in place. As I mentioned in the presentation, I think we are keeping a watch on key monitorables, one is the fuel prices and second is the interest rates and see what kind of impact it will have. But as of now, I think it appears that we see double digit growth in M&HCV for the entire year.

As far as CNG vehicles are concerned, I think over the past three months, the competitiveness of CNG price has gone down significantly with respect to diesel, although the gap still remains. But as a result, we have seen that the CNG salience which used to be 40% in our ILCV portfolio has already come down to around 25% to 27 %. This is something we will also keep a watch on how the relative pricing between diesel and CNG plays out. I think as a company we are ready for a suitable portfolio either between diesel and CNG, and ensure that we deal in the right one which is required in the market.

PB Balaji

Thank you, Girish. Adrian, this is coming your way. Slightly different question on the production point. Has there been any change in bookings or the cancellation run rate at JLR as production run rate of luxury peers have been rising ahead of us? Why has dealer inventory at JLR been rising for last 2 quarters despite no real dip in order backlog yet? Any impact on incremental demand fue to the global economic growth concerns?

Adrian Mardell

Okay, Balaji, let me take the first one. Look, when you study those order banks, I think a couple of things are quite evident. The three nameplates, the newest product including the Defender of course. The orders for those three nameplates just keep growing. And there's several reasons for that, I mean we are not building as many as we need to, of course, that's one piece of that. But there aren't many on the road either. And that means we anticipate that the orders for these three nameplates, particularly Range Rover, Range Rover Sport will continue to grow and the risk of cancellation on those nameplates is very, very low. I think there is a disparity when you look at the other nameplates we have, The orders for those are other nameplates, if you notice that data has stayed pretty flat over the last 9 months to 12 months, around 70,000 units in total. We haven't built to the level we can build there, so I think it's pretty clear that once we can build all of the Range Rovers, Range Rover Sports, Defenders, Velars, Evoques. Then, once we go to a normal level of production, we will need to stimulate demand in some of these other nameplates, the lower transacting value nameplates, the SUV 2 and SUV 3 sectors and also Jaguar sedans as well. But we are months away from that we feel. Any cancellations we are getting are more in those lower value transacting nameplates and there may be a link to question three which is there, which is a subset and a part of that, but that's unclear for us because it isn't that substantial yet. I think your question two about why has dealer inventory been growing? Just think of our global profile. As we build more Range Rovers and Range Rover Sports and we have been, I mentioned earlier about the slide. If you can visualize the slide about where do we actually sell those, we sell those mostly in markets which are far away; China, USA and of course we own that inventory until that inventory is passed through ports of entrance into those markets.

So, you know from dispatch from plants here in the UK, right through to the point of receipt in Shanghai, receipted West, West East and West U.S. of A, that's on our inventory. So it's actually evidence that those cars are on the way, that's why it's growing and it will continue to grow beyond this point, when we get back to a normalized level, perhaps another 5,000 or 6,000 units. So it's actually a healthy sign even though it may not look it, when you read the core data.

PB Balaji

Thank you, Adrian. Next question is from Pramod Kumar, UBS. Adrian, this is coming over again. Can you indicate that the transaction price for the new Range Rover versus the old Range Rover, given the significant upgrade to the model?

Adrian Mardell

No, I can't. Look, I think this real data will show itself in two to three quarters' time. We've only built 6,000 cars. We've got 67,000 orders, 80,000 across the two, almost 90,000 orders. It will be a great question when we get to Q4. But at this point in time, early orders, the most, the richest value orders are the most complex and the most difficult to build, so they are some of the ones which are still sat in our work in progress. Any data I give you will be misleading but it's going to be bigger, right? You know it's going to be bigger. Those transacting prices are going to be bigger and they're going to be moving with close to zero VME. So it's going to be a really rich, healthy part of our portfolio going forward.

PB Balaji

Got it. We have talked about the macro so I would skip that question. Coming your way Shailesh and Girish. Order backlog for India PV and CV segments? CV, I wouldn't add. There's no order backlog there, but PV is a more relevant one.

Shailesh Chandra

Yes. So we have a very strong order book, as I mentioned in my presentation also. And it ranges, on an average, it's about two and a half months to three months of the average sales that we are doing right now. As far as the various models are concerned for PV ICE, it varies anywhere between four weeks to three months. For EVs, it is higher especially for the Nexon EV max, the average waiting period would be seven months and upwards.

PB Balaji

The next question is from Kapil Singh, Nomura. We have talked about recession risk. Do we have order books, demand - we have covered it. India PV CV commodity impact on margins, we talked about it. I think same with Gunjan, I think we have talked about all the points that she has raised in the questions - CESL funding, model share, powertrain mix. I think we have talk about everything. Just go down. Question from Satyam Thakur, Credits Suisse. Given global luxury car OEMs including JLR have seen GP/vehicle rise significantly over last 6-8 quarters or so, do you expect to use any benign commodity environment incrementally to further boost unit profitability or do you see the industry using the lower costs environment ahead to help support demand amidst global growth concerns?

Thierry, I think this is probably right up your alley.

Thierry Bolloré

What we can see at the moment is that in our segments, the offer, the supply is not at the right level compared to the demand. That's the first element that people need to understand. So we can see as far as we are concerned that the demand continues to increase, but despite we are increasing the pricing. And just because there is not something the market and because of the desirability of our products such that there is a kind of magic happening here. With many increase and pricing increase at the same time because it's clear that our profitability per car is also increasing and we do more than compensating inflationary impacts that we can say well.

PB Balaji

Thank you. Thanks, Thierry. I think we are probably arriving at the last question which is from (Priyaranjan, HDFC AMC. Shailesh, this is your question. Does it make sense for the company to even think of ICE variant of Curry when the entire taxation structure give us too much leeway to price the vehicle with 500km+ range with similar price point?

Shailesh Chandra

Absolutely it makes sense. That's the reason why we are making both ICE pillars or EV. I think there's still going to be a significant difference between the EV as well as ICE, because here the attempt is to keep the premium that we have been keeping on the EV versus ICE to increase the range. As we are able to take the benefit of taxation as you rightly mentioned. At the same time take the benefit of any battery price reduction, which might happen. Right now, we are seeing a slight spike in short term. As it keeps on going down, by the time we launch, we expect that we will be able to deliver better range as compared to what the current EVs are. So therefore, it makes sense, at different price points you figure demand for different customer segments. Of course, there will be customers who are very touchy about certain powertrains. So I think we look like we would like to give all the options for customers.

PB Balaji

Thank you, Shailesh. With that, we come to the end of the Q&A session. I think first, once again, thanks for your time all of you. Really appreciate it, and also the probing questions. As we started off, we do end this quarter on disappointing note, but at the same time, a very clear plan of action and a pathway in front of us, in terms of how to deliver the rest of the year in a very strong way. And therefore quite committed to the numbers and the targets that we put also then also deliver up to our potential. Thank you and see you in the next quarter in better times.