Tata Motors Passenger Vehicles Group
Q4 FY26 earnings call transcript

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Presentation

Anish Gurav

Good day and welcome to Tata Motors Passenger Vehicles Limited Q4 FY26 Earnings Call.

Today we have with us Mr. Shailesh Chandra, MD and CEO, Tata Motors Passenger Vehicles Limited; Mr. P.B. Balaji, CEO, Jaguar Land Rover; Mr. Dhiman Gupta, CFO, Tata Motors Passenger Vehicles Limited; and Mr. Richard Molyneux, CFO, Jaguar Land Rover and we also have the colleagues from the Investor Relations team. Today, we plan to walk you through the results presentation followed by Q&A.

As a reminder, all participants will be in listen-only mode and we will be taking the questions via Teams platform. The same is already open to you to submit the questions. You are requested to mention your name and name of the organization while submitting the questions.

I now hand over to Mr. Dhiman Gupta to take over. Over to you sir.

Dhiman Gupta

Thank you, Anish. Let's start with the key highlights for the year, FY26.

A story of two halves for the India business - started with muted volumes in H1 but a very strong comeback in H2 where we were consistently ranked number two in Vahan market share on the back of demand for our popular brands and the new launches. On the way, Punch also emerged as the fastest growing SUV to reach 6 lakh cars on road in four years. Moving on to JLR. A difficult year indeed for JLR, but one which also demonstrated the continued resilience of its House of Brands as it realizes and it prepares itself for adding exciting new products in its portfolio over the next 12 to 18 months, starting with Range Rover EV.

Consolidated financials - with the normalcy of production at JLR, all the consolidated financial metrics are looking up. Revenue comes in at ~Rs. 105,000 Cr for the quarter, up 7% year-on-year on the back of strong India growth story and the currency appreciation. PBT before exceptionals for the quarter was Rs. 7,200 Cr and FCF was Rs. 11,000 Cr, as we managed to unwind some of the working capital reversals that we saw in Q2 and Q3.

For the full year, all the metrics remained down as it was impacted due to two lost quarters of production at JLR. PBT for the year was Rs. 2,500 Cr, and this excludes about Rs. 4,100 Cr of exceptionals for cyber, the labor code impact in India and the stamp duty charges for the demerger. Next slide, please.

The Board has approved a dividend of Rs. 3 per share. The cash outflow for the dividends will be about Rs. 1,100 Cr. This will have to be approved in the ensuing shareholders' meeting. Just to put the numbers in perspective, erstwhile Tata Motors paid Rs. 6 in dividends for the last two years. The TMLCV has announced Rs. 4 of dividend in the results meeting yesterday. So this actually represents a total dividend of Rs. 7 in the year when the demerger was undertaken and an increase over the Rs. 6 that we have paid for the last two years.

Next slide.

The net debt for the year ending March 2026 was Rs. 30,000 Cr, largely representing the Rs. 25,000 Cr of consol cash burn and the Rs. 2,200 Cr of dividends that we paid last year. PV remains cash positive at about Rs. 7,000 Cr, while the net debt at JLR stood at Rs. 33,000 Cr.

Over to you, Richard.

Richard Molyneux

Thank you. Can you hear me okay?

Dhiman Gupta

Yes Richard, go ahead please.

Richard Molyneux

Let's go to the next chart, please.

So as expected, we did recover strongly in Q4. We had 95,000 wholesales, revenue of nearly GBP7 billion and EBIT of 9.2%. That's only a little lower than our bumper Q4 last year, and is actually the same EBIT level as we achieved two years ago. FX revaluation did hold PBT back a little bit further, but we returned to being significantly cash positive, generating GBP829 million in the quarter. This performance allowed us to achieve our external guidance for the year. So we ended up with 0.7% EBIT, within our 0% to 2% guidance. And we ended up at the better end of our cash guidance, with full year cash loss just over GBP2.2 billion versus a minus GBP2.2 billion to minus GBP2.5 billion range. Having said that, and delivered what we promised in Q4, it is accepted that our full year financial performance is far from what we had intended when we started the year. So corrective action is necessary. Next page.

So I won't go through this as per usual. It contains all the points I'll cover off in the presentation, here just in the summary form, in case you want to refer to it. Next page.

You can see wholesale volumes here by brand. Defender, in particular, continues to defy industry norms and go from strength to strength through its life cycle, up quarter-on-quarter and year-over-year in Q4. And although Range Rover was down versus Q4 last year, almost all of this was accounted for by Evoque and Velar, with core Range Rover and Range Rover Sport fairly flat year-over-year. The biggest change, and one fully planned for, was Jaguar, down 5,700 units versus Q4 last year, as we progressed towards the new brand and the new product. On a full year basis, on the bottom row, we achieved 308,000 wholesales with again, Defender, Range Rover and Range Rover Sport showing the strongest performance. Next chart.

So here's the same data by region, where actually the more interesting data is the full year data in the bottom row of the chart. The biggest change was the US, where tariffs made some derivatives and channels non-viable. But we also significantly reduced our retailer stock levels in the US and those are the ones that we had deliberately brought up at the end of last year, prior to the tariff introduction. So there's a bit of a pre-tariff,

post-tariff correction in there. China is down 27% year-over-year versus FY25, reflecting the impact of the new luxury taxes that were issued in July and also general market downturn requiring us to also reduce dealer stock levels to protect sales quality. In other regions, sales were consistently plus or minus 15% down from our very bumper FY25. Next chart.

So this turns back to the financials and shows the walk from PBT in Q4 last year, which was GBP875 million to this year's GBP458 million. Volume and mix was GBP44 million negative, and this is much lower than you would naturally expect from losing 16,000 units, but the mix offset was really strong - Range Rover, Range Rover Sport and Defender was 77% of our sales in the quarter versus 66% last year. Tariffs and duties were negative GBP114 million, but offset in the quarter by the removal of reserves from Federal CAFE regulations in the states that were triggered in the quarter. On a full year basis, our incremental tariff costs were around GBP525 million with over half of this being offset by lower US emissions impacts. In the next column, VME, it does continue to rise. It is at 7% versus 5% last year. And although we made savings in material costs, our warranty costs remained stubborn despite the focus that we have in this area. The other main change was in FX, on the right-hand side, where sterling continues to strengthen versus the dollar, which hurts us. The average rate in the quarter was $1.36 versus $1.25 last year. And this leads to the operational variance of minus GBP265 million, of which about half was offset through our hedging gains. The revaluation of bonds and other liabilities was negative as there was a spike down in sterling right at our year-end to close at $1.32. So that explains the walk down through to PBT. Next chart.

This looks at the cash flow walk but on a full year basis. So cash profit after tax of GBP1.9 billion was impacted by tariffs, cyber, etc. And at that level, it was only half of what we achieved last year and insufficient to fund our in-year investment needs. This was exacerbated by adverse working capital, as you can see on the right-hand side, as lower volumes drove lower payables. Next page.

A little more detail about investments on this page. On a full year basis, we spent GBP3.57 billion, of which GBP2.6 billion was engineering as we progressed three new architectures towards their launches. Investment was largely in facilities for those vehicles in our UK plants and also for the new BEV powertrains at our propulsion facility in Wolverhampton. Engineering capitalization rate was marginally lower than FY25 at 64%. Okay. Go to next chart.

Right. So, from the numbers to a little bit more qualitative business update, and I'll start this, as you might expect, with the Middle East conflict. There are several impacts from this conflict. On the demand side, sales in the Middle East, which represents 6% of our total sales mix, they will be hit in Q1. And do note that given our wholesale recognition points for sales in this region, there was very negligible impact of the war in our Q4 results. We do expect this demand impact to be temporary. We see no lack of underlying demand or interest in our brands or products in region. On the supply side, input price increases are certain to happen, either directly through utility costs or freight rates or by the many components that are sensitive to petrochemical prices. As of yet, however, we have not seen any component shortages resulting from the conflict, and that was one of the fears expressed earlier in the year. On the expectation that there will be some form of resolution to come, most of the effects that I've spoken about should prove to be largely temporary. However, many of the other pressures in our industry are more enduring and structural, and these are on the next chart.

The splintering and volatility of geopolitics creates challenges from increasing protectionism, differing electrification appetites and technology concerns that, for example, mean we have to duplicate large parts of our ADAS developments. This adds a very painful cost burden directly to the P&L and cash flow. Inflationary pressures I've mentioned, but even before the Middle East conflict, they were visible in commodity prices with aluminum and copper, for example, being much higher than last year. And supply chains that have taken many years to establish are getting challenged by rules of origin requirements, potential made in Europe rules and shipping lane power struggles.

Finally, it's not just the growing nature of the regulatory framework, but particularly it's volatility that hurts long lead time capital-intensive sectors such as ours. Note, however, that almost everything I've mentioned on this chart is related to the supply side of our business equation. So to look at the demand side, please flip to the next chart.

So on the demand side, the situation is more stable for us. You can see the summary here. Demand for Range Rover, Range Rover Sport and especially Defender remains very strong, the latter boosted by Rally Win, Defender Trophy, hard-top derivatives and of course, the Oasis tour tie-up. Regionally, North America is holding up well. It is a growth potential market for us. The UK and Europe are doing okay. And China, after a very challenging year, seems at least to be stabilizing. So, given this new world order in supply and demand side of our business, what's our response? Next chart.

The first part of our response is with an intensive launch of products that embody and embolden our brands. Range Rover Electric, Range Rover Sport Electric will be the first into production, followed by the reveal of the production version of the new Jaguar Type 01. And quickly after that, the launch of the first EMA car, a Range Rover. I've driven all of these cars and both the design and the engineering are staggeringly good. But we know that we need to change internally to be fit for the new world order. And this is what we're doing through our missions on the next chart.

We've consolidated these to five, launch excellence to drive the success of the products I just described; three focused on our cost base to build back margins, and then the foundational work on our processes, data and systems to enable speed and efficiency. Together, we're targeting GBP1.7 billion of savings over two years to bring our breakeven volume back down towards 300,000 units a year. So, what does this mean for FY27? Next chart.

Our priorities are to grow our top line through our brands, whilst resetting our breakeven volume and delivering multiple launches flawlessly. We'll give financial guidance at Investor Day in June. So, a great reason to join us here in Gaydon. That's going to be on the 17th of June. Don't miss out. On that note, I'd like to conclude and hand you back to the team. Thanks for your time.

Dhiman Gupta

Thank you, Richard. Anish, next slide please.

The story of two halves that we mentioned at the start of the call, playing out in these charts. A tough H1 for us and a very strong rebound in H2 with GST 2.0 and the new launches, exiting the year with more than 14% market share and consistently being ranked number two in Vahan. The CNG and EV penetration continues to improve, and it's now greater than 40% of our portfolio and the favorable powertrain mix reflecting in being well below the CAFÉ 2 norms. Next slide, please.

A similar story for EVs, a strong recovery from Q1 onwards with the proactive steps that we have been taking towards mainstreaming of EVs and ending the year with a market share of over 40% and delivering a 43% wholesale growth for FY26. Next slide, please.

The favorable industry demand tailwinds and the new launches helped drive two record quarters for us, delivering offtake volumes of 170,000 in Q3 and over 2 lakhs in Q4 FY26. This resulted in a 50% top-line (revenue) growth year-on-year and driving sequential improvement in profits from Q1 to Q4. We ended the year with 9.4% EBITDA margin for the quarter and 4.7% EBIT margin. The PBT before extraordinary expenses in Q4 stood at Rs. 1,100 Cr. For the full year FY26, while the top line(volumes) grew at 15%, the EBITDA margins and the EBIT margins remain muted given the adverse pricing impact we saw for the first nine months of the year, along with the steep commodity increases that we have been taking in through the year. Next slide, please.

A very strong PBT improvement year-on-year, largely coming from fixed cost leverage, the Rs. 750 Cr improvement on the back of higher volumes. You will see that the variable cost, which is normally positive for us, is a loss muted because the 2% cost reductions that we have done has completely gone to absorb the commodity increases that we have seen. And last year, we didn't take any price increases. The year-on-year PLI benefit for the quarter was almost Rs. 300 Cr. The PLI accruals for FY26 crossed Rs. 1,000 Cr. Next slide, please.

FCF for the quarter came in at about Rs. 1,700 Cr, both from strong operating profits, favorable working capital, and we also had about Rs. 500 Cr benefit of tax refunds that came in this quarter. FCF for the India business for the year stood at about Rs. 1,900 Cr. Next slide, please.

Capex for the year stood at about Rs. 4,300 Cr that translated to about 7.5% of revenues, well within the guidance range that we gave from the combined Capex for PV and EV. Next slide.

Over to you, Shailesh.

Shailesh Chandra

Thank you, Dhiman. So, a quick business update. We delivered the record volumes and attained number two position in H2, which was supported by GST 2.0. But let me first start with what happened in the industry first. After a muted first half, which saw flat volumes and subdued consumer sentiments, the PV industry witnessed a rebound in H2 with 17% growth year-on-year, propelled by GST 2.0, a favorable monsoon and policy tailwinds like repo rate cuts, income tax relief. And for the full year, the PV industry touched a new high of 4.7 million units, which was 8% year-on-year growth. Post GST 2.0, growth has been sharper for compact SUVs and mid-SUV segments where our portfolio is well anchored. At the same time, there has been growing preference for greener powertrains with CNG and EV segments growing by over 20% and 80% year-on-year, respectively. In particular, the EV sales have seen a step jump this year with over 2 lakh units sold, which has been driven by greater participation of OEMs and more positivity among customers. In April and May, demand momentum for the industry has sustained at a very high level, which augurs well for the coming months and quarters. That said, all OEMs will need to closely monitor the impact of ongoing geopolitical developments and take respective actions to mitigate the adverse business impact, if it may come.

Talking about TMPV performance, which is FY26, it has been a defining year for Tata Motors PV. We closed the year at a record 6.42 lakh units, delivering over 15% growth year-on-year, nearly twice the pace of the broader industry, which grew at 8%. The exit momentum has been equally encouraging. Q4 saw record volumes exceeding 2 lakh units for the first time with 37% growth year-on-year. We have really seen a step jump in our volumes in H2. During this period, we consolidated our position as the number two player in the domestic market basis Vahan data with a market share crossing 14%. Our products continue to see very strong demand across the board. In particular, Nexon and Punch held number one and number three spots, respectively, among all models in the industry during H2 FY26, reflecting deep and sustained customer preference for these two models.

In addition, this was a year of intense launch actions for us, which have really strengthened our product portfolio. Our launch of the much awaited Sierra marked a highly successful comeback for the iconic product this year. At the same time, the launches of new Punch and petrol versions of Harrier and Safari have strengthened our SUV portfolio. On the back of product interventions in Tiago and Altroz in 2025, we were also able to drive industry beating growth in hatches. And on the EV side, the introduction of Harrier.ev and enhanced Punch.ev has strengthened our portfolio and offered a better value proposition to customers. As most of these launches were in the latter part of the year, we will benefit from the full year impact of these launches in FY27.

Coming to EVs, we recorded our best ever performance with 92,000 units sold, 43% year-on-year growth. We sustained our market leadership in EVs with over 40% share despite a significantly more competitive landscape with both established players and new players entering the fray. This outcome is a result of key launches this year as well as our deliberate efforts to lower adoption barriers for EVs through products offering higher range, price parity with ICE, faster charging and lifetime warranty, which was complemented by ecosystem initiatives like TATA.ev mega charging hubs. CNG has also been a core driver of our growth in volumes. CNG volumes are now 27% of our portfolio in the past year, and our growth in CNG outpaces the industry as we sold over 1.7 lakh CNG vehicles. You can change the slide.

Looking ahead. For the industry, we see a constructive demand environment ahead, which is reflecting in the first two months of the financial year. That said, we'll have to closely monitor the West Asia situation with agility in our supply chain to mitigate adverse impact. TMPV will look to deliver industry-beating growth in FY27. And for that, our growth levers are well in place. We have a healthy order book across models, lean channel inventory and are seeing strong sustained traction across models, which will serve us well in the coming quarters. In addition, we'll introduce new launches in a timely manner to strengthen our portfolio and enhance overall demand levels. To drive retail momentum, we will leverage impactful marketing initiatives and expand our network while ensuring that the network remains healthy. One major focus area for us will be to ramp up production for new launches and enhance capacities to serve the demand levels that we are seeing. We'll also be mindful of the evolving geopolitical situation and we will take proactive steps to build greater supply chain resilience. For the coming year, key levers for our profitability will be improving mix, operating leverage and cost reduction. Given the commodity cost headwinds that we are seeing currently due to the West Asia crisis, intense cost reduction actions will be crucial to offset some of the bottom-line impact. And in the coming years, CNG and EVs will continue to be growth drivers for the industry. Hence, we will capitalize on this trend with our strong CNG and EV portfolio, along with the key front-end actions to drive growth.

So to sum it up, FY26 has been a strong year for the business. The result reflects the cumulative impact of foundational actions that we have been taking over the past 18 to 24 months, combined with agile and disciplined execution, especially in post-GST 2.0 environment and as we enter FY27 with clear momentum and a well-defined road map to deliver industry-beating growth.

So with that, I'll hand it over to Dhiman.

Dhiman Gupta

Thank you, Shailesh and Richard. In short, I think the priorities ahead for us are very well laid out. Demand in India is healthy and the ramp-up in production and supply chain resilience will remain our foremost priority, along with mitigating actions for input cost increases that we are likely to see. EV mainstreaming actions involving extension of battery ranges and reducing the acquisition cost of vehicles are being executed at full speed, and we shall see further actions through the year.

JLR is entering a crucial period, which will see it add exciting new products to its house of brands and needs to be executed flawlessly. Enterprise cost-out missions to deliver the GBP1.7 billion savings is going to be our top priority so that we can take the cash breakeven volumes down to 300,000 again.

Next slide, please. Before we get into the Q&A session, I just wanted to remind you that we'll have our Analyst Day sessions in June, starts with Jaguar Land Rover on June 17, and we'll conclude with the India session on June 23. So look forward to seeing you there. Thank you.

Question and Answers

Dhiman Gupta

Shailesh, we will start with you. First set of questions from Binay Singh. Could you give us a sense of what is the kind of commodity headwind that we have seen and we are likely to see and how we are thinking of passing it on? Also, the second question is how do we see our EV volumes step up from here? It's been growing. And is it expected to improve the net pricing? And the third one is on the percentage of portfolio where we are getting PLI. I will take that at the end.

Shailesh Chandra

Okay. So quickly on commodity headwind, we see a nine to 12-month kind of a picture, including how we are seeing things this quarter. The impact has been somewhere between 5% to 6% of revenue, definitely upwards of 5%. And as Dhiman already mentioned previously that we have not been able to pass it on any price increase last year because H1, there was a very low consumer sentiment and demand was under stress. And then in the second half, government's effort of bringing down the GST rates, we could not take the price increase also to be aligned with the intention of what government had brought down the GST rates to. So definitely, we have not been able to pass on this to the market. There have been intense cost reduction efforts, which has yielded us about 2% of revenue reduction. We also took about 0.5% increase in April. And, the cost reduction efforts, we are further intensifying. Having said that, there will be still residual stress of commodity impact that we are seeing. And therefore, we are actively considering some level of price increase in the coming month, but not decided as yet. So that’s on Commodity headwinds.

On EV volume run rate, yes, it has been consistently around 24,000. Rather in quarter four, we were at 27,000 roughly. We are consistently hitting a monthly run rate of 9,000. Demand is extremely strong, especially after the Middle-East crisis unfolded. Hopefully, we'll start ramping up further beyond 10,000 from this month onwards. So, we are very optimistic about EV demand growing from here on. And that's it. These are the questions. And then you have to answer that percentage.

Dhiman Gupta

Shailesh if you could also, I think you spoke about Sierra volumes?

Shailesh Chandra

Okay. Sierra volume, as I said, that we have received tremendous response to Sierra when we had launched the car. And since then, the demand and bookings have been consistently coming very strong. For us, the challenge has been on the supply side. And particularly, this has been because of one or two suppliers, especially on the casting side. It's a new engine, as you know. And we have faced ramp-up challenge. But we have taken a series of corrective actions, including additional suppliers to overcome not only the constraint that we are facing now, but to ramp up the production of our engines. The immediate milestone for us would be to cross 10,000 and then we have plans to further increase the production of Sierra in the coming months. And next quarter, we should also be launching the Sierra.ev. So that will further require additional capacity, but all of this has been planned.

Dhiman Gupta

Thank you, Shailesh. Binay on your last question on PLI, almost two-third of our volumes last year was accredited with PLI. So that accounts for about Rs. 1,000 Cr accruals that we took in last year.

Moving on to the next question. Richard, this is coming your way. I think there are a lot of related questions on this one and the next one. So I'll ask them one by one. One is, if you could give, I know we are not giving any specific guidance till our Investor Day, but anything you would want to mention on the demand conditions you

see in your key geographies?

Richard Molyneux

Yeah. I think I covered that off in my comments on the charts. I think North America as a region is still one where we have growth potential. Our brands resonate really well there. And if you look globally at where the high net worth and ultra-high net worth individuals are, it's still in the States. So the States still has opportunity for us. I think the UK and Europe are stable. And China, as everybody knows, has been through a very, very difficult period, but we have readjusted our retailer numbers and also our retailer stock levels, and we see things at least in the short term, stabilizing where they are.

Obviously, the Middle East, I've also covered off in discussions, and the other overseas markets are reasonably stable as well. So, to be honest, the biggest issues that we're facing, and again, I mentioned this, are more on the supply side as a result of the conflict in the Middle East and other issues. Demand for the moment is slightly a secondary concern.

Dhiman Gupta

Okay, any update on the Range Rover EV launch timelines and what kind of pre-bookings you are seeing?

Richard Molyneux

Yes, it's coming very, very soon. It will be the first of our EV launches, and we've got three reveals coming during the second half of this year. So we don't have pre-bookings. We have expressions of interest, and there are 78,000 of those at the last count. So that's where we stand. It's coming. I've driven it, and it is fab.

Dhiman Gupta

Thanks, Richard. I think another linked question to this that's coming later. Any comments on, with the expected fuel price increases we are seeing in Europe, are we seeing any shift in demand for EVs? And second is, does it have any implications on our investments or launch time lines for EVs?

Richard Molyneux

Yeah. So let me take that as well. So I think we're seeing a couple of things. First of all, generally, across the market, there has been an increase in Internet search for EV vehicles over ICE vehicles as consumers are really focused on the prices that they can see at the pumps. It's affecting us a little bit less, to an extent. Our consumer base, which is more in the high net worth individuals, they are less concerned than the average about the actual price at the pumps, but they do get concerned when there are issues around supply. So where things stand at the moment, I don't think that's having a direct and significant impact on our demand. I'm sorry, there was a second part of your question as well, which I've forgotten.

Dhiman Gupta

Does it have any implications on our launch timelines or the investments on EVs as you're seeing?

Richard Molyneux

Launch timelines, no. It in and of itself, i.e., the war in the Middle East, is not going to change our investment plans on the assumption that it is resolved in a reasonable time frame. However, the geopolitical split between markets which are continuing to accelerate fast towards BEVs, those that are starting to accelerate fast in the other direction and those that are stuck in the middle does mean that we will have to rebalance our investments over time to ensure that we have ICE offerings globally for longer. So we are in the middle of doing that. Nothing specific to announce today. But obviously, like many manufacturers, we are going to need to ensure that we can offer both ICE, PHEV, MHEV and BEV offerings in parallel for longer than we originally thought we would need to.

Dhiman Gupta

Thank you. Next question. Richard. How are we seeing the Chinese OEM competition increasing in Europe and UK? And what does it mean for JLR and its House of Brands?

Richard Molyneux

So they're definitely coming. The best plan that we have in relation to the Chinese imports is to rely on our brands, essentially to fight them where they are not. So we have vehicles that superbly embody the brands, and the brands are very strong. So, we expect to be able to use that to operate in a space where we have at least a level of protection versus these imports. Obviously, there are also geopolitical issues as to tariff structures made in Europe and various other things that are going to play into this. But at the moment, and it is working, we will use our strengths, the strengths are our brands and the products that superbly embody them.

Dhiman Gupta

Thanks, Richard. Shailesh, moving on to the next question. This is from Kapil. India EVs, can you talk about the demand environment? And how long-term are you thinking of EV profitability versus ICE?

Shailesh Chandra

Okay. So demand for EVs has significantly grown since the Middle East crisis started. If I have to just attribute what was the percentage of growth in the bookings, which has started flowing versus pre-Middle East crisis, which started in Feb, I think the jump is nearly 25% to 30%. Our booking jump is much stronger also because of the new launches that we have done. So, extremely strong demand. The issue is supply. It will completely depend on ramping up, how fast we are able to ramp up the volumes. But as I already mentioned, that from this month onwards, we are already trying to increase the production by additional 10%. And in future, we are also ramping up beyond that. It is all about alignment with the suppliers.

The second question was more in terms of long-term profitability of EVs. Already, it's quite strong, but it is also supported with the PLI. But I would say that long term, if you see the trajectory of cost as far as ICE vehicles are concerned is inflationary because of the impending emission regulations, technology that you will have to embed in the ICE vehicle to meet continuously stringent emission norms in the future is going to make it inflationary, whereas the trend of cost is significantly deflationary in EVs and that will continue. So therefore, strong cost reduction programs. I mean, even in the last three, four years, there has been significant cost reduction, much, much higher than ICE. And therefore, the combination of these two trends will not only give opportunity for EVs to be completely at price parity, but also from a profitability perspective, it will keep growing stronger.

Dhiman Gupta

So. Balaji, next two questions for you. One is the partnership with Freelander with CJLR, are we planning to take Freelander globally? And the second question is, what will be the revenue streams from JLR from Freelander?

PB Balaji

Yes. Thanks, Dhiman. Freelander is our JLR brand, and it has been licensed to Chery for manufacturing their car. And it will be manufactured in the CJLR factory, which is co-owned by Chery and JLR. And therefore, the products that we have been making in CJLR have run their course and this factory would have otherwise idled. Now we have a very extremely interesting proposition of resurrecting our brand, Freelander, which has been there with us for a long time and rebuilding it in, while using the Chinese technology. It is Chery's car other than the design aspect, which we are involved in. Thereafter, it's a Chery car, and it is going to be first sold in China, and then they'll have to make up their mind where they want to go thereafter. For our revenue stream, the main one is

royalty for the brand that we have given to them. The brand is still owned by JLR, and that's the reason why we are involved in the design of it. As far as another piece that will come through is that CJLR utilization and the toll conversion will be the second revenue stream as 50% of that does come through. And those are the two fundamental ones.

Dhiman Gupta

Thank you, Balaji. Richard, I'll hand over the next question to you. This is from Binay again, Morgan Stanley. JLR ASPs trended down quarter-on-quarter, while the share of RR and Defender went up. If you could talk us through this. Also the gross margins went down quarter-on-quarter. And some color on inventory levels of JLR across the geographies amidst all the geopolitical issues you are seeing on freight.

Richard Molyneux

Yeah, sure. So ASPs were down marginally Q-over-Q In sterling terms I think it was about GBP76,000 to about GBP72,000. Biggest individual elements in there are sterling, which got stronger against the dollar quarter-over-quarter. So in Q4, it was about $1.36, I think, and in Q3, much closer to $1.325. So that's one impact. And obviously, then there's some regional mix issues as well. But Range Rover, Range Rover Sport and Defender being stronger was the offsetting effect.

Gross margins went down quarter-over-quarter. That is a little bit to do with higher VME levels and also some charges that we had to take within the warranty space. So those are the two biggest impacts there. Inventory is quite tight. So partly as a result of the lost production that we had through the cyber incident, we took retailer stocks down, particularly in the US, I mentioned this in my talk earlier on. So, we started the year with stock levels in the US that were a little bit too high, but deliberately because we had anticipated that tariffs would come in and we wanted to get the vehicles in market beforehand. And at the end of this year, they're back probably even a tiny bit below where we would normally want them to be. So we're not with excessive inventory across any region. The US is not overstocked. Obviously, MENA at the moment, we have some dealers that are actively running out of vehicles as it is more difficult to get them vehicles into their importer ships. So JLR inventory is in a better place at the end of FY26 than it was at the end of FY25.

PB Balaji

So, Richard, just to add to that, philosophically, being a luxury OEM, we would want to keep our inventories tight, and you should expect that to continue going forward as well.

Richard Molyneux

Yes.

Dhiman Gupta

Thank you, Richard, Shailesh, if you could take the next two questions. One is a follow-on to JLR. What is the kind of inventory levels we are seeing in India? And second, given the demand of some of the models, what's the kind of waiting period you are seeing?

Shailesh Chandra

Yeah, so quickly on dealer inventory, we are right now at about 20 day level. So waiting periods for us would be ranging from four to eight weeks. In general, I'm saying for certain models, of course, like Sierra and all, it is quite high and so is for certain EVs. In terms of the growth, the other question that you had asked, the growth from an industry perspective, if you see, industry will grow very strong, and I am pegging the number around 10% because the first half of last financial year was a low base. And therefore, in H1, you are going to see very strong double-digit growth coming on the back of that because let's say, first 1.5 months of this financial year, the demand remains very strong, carrying forward the momentum of GST. And that will continue with some level of plus/minus 1% or 2% depending on how the fuel prices play out in the coming months and how, to what

extent the commodity prices are passed on to the market. But I don't foresee too much of an impact given that there was a 13% drop in GST, which was done. So significant headroom in terms of what can impact the consumer sentiment. So therefore, I would still bet that industry will grow somewhere around 10%, especially it will be high double-digit growth in H1, and then it will moderate in the H2 with the high base. As far as Tata Motors is concerned, I think this year is going to be more a supply challenge for us rather than demand. Demand is significantly high for us. And therefore, the effort is to ramp up, enhance capacities, both at our end as well as suppliers end. And we'll have a phenomenal industry-beating growth because this year, we already mentioned that last year, we have launched in H2, three, four models, which I talked about. But this year also, it's going to be an intense product action year for us. These two new nameplates and four facelifts that we are going to launch, both four facelifts each for ICE and EVs. So it's an intense product action year. So, we have to really work on the supply side.

Dhiman Gupta

Thanks, Shailesh. I'll come back to you for the next question, too. I think you mentioned about the commodity headwinds. If you could clarify whether the 5% to 7% increase in commodity prices are already in our P&L in Q4, or is it yet to come? And how should we look at the commodity headwinds going forward?

Shailesh Chandra

Yes. So you know, I'm just giving you a ballpark number of 5% to 6%. I would say 2%, 2.5% would have come last year and significant increase in this quarter, which is expected beyond that. So roughly, you can imagine 3.5% to 4% increase, which we are expecting this quarter.

Dhiman Gupta

Yes. And Nishit, just on the last part, the commodities are probably going to be elevated and also volatile. And like I said, as part of our priorities, cost mitigating actions need to be planned. We hadn't taken any price increase last year and the entire 2% input cost increase we had absorbed through cost reductions. We had announced a 0.5% price increase in April. And obviously, we'll keep monitoring the situation and see we can keep taking any measured price increases depending on how the market evolves.

Second is our volumes have gone up by 50%, and there's been a massive effort in scaling up our productions and our supply chain. And as the volumes kind of normalize, we'll be able to optimize and further benefit from fixed cost leverage. Third is our cost reduction programs are very, very robust, not able to see the benefit last year because of the commodity increases that offset. But given the robust volume increases that we are seeing, we should be able to be in a good position to drive it up further. But yes, this is how to offset this would be top of our radar next year.

Shailesh Chandra

I just want to add, Dhiman, that just to be careful in terms of how we are going to approach this whole situation as all the cost reduction levers Dhiman talked about, including mix improvement, what we'll pass on to the market will be which does not disturb too much of value creation for the customer, but whatever we must to also protect the margin, we will do that, but it will be a very careful balance between the two.

Dhiman Gupta

Thank you, Shailesh. Next question, Balaji, your way. Reduction of breakeven to 3,000. We've been constantly.

PB Balaji

300,000.

Dhiman Gupta

Sorry, 300,000. We've been constantly reducing the breakeven points for the last few years. How do you plan to do this? And in some way, does it reflect our volume outlook also?

PB Balaji

It will be fabulous if we get to 3,000 units on breakeven, but that's for another day. But having said that, getting this back to 300K, if you recollect that we did bring this business to breakevens of 300K to 320K not so long back. But since then, there have been multiple moving parts. One, of course, is tariffs coming in, things have changed. The mix is starting to do very well for us. But of course, as we go forward, we'll need to ensure with EVs coming in, we should be able to keep the mix.

Then, of course, is with the currencies moving the way they have, that has obviously meant that you also had, your main costs are in pound sterling. That's there. And lastly, of course, as commodity inflation, everything kicks in, you will have a stress on that particular part of it. So therefore, this is a number just like similar for Tata Motors, you are looking at costs everywhere. We will obviously have to do it from our end as well.

We are fundamentally looking at three areas that we are going after for the GBP 1.7 billion. First is the entire end-to-end delivered cost all the way from raw materials. If you look at our organization changes that we have put in place, we have stood up procurement as a separate vertical reporting into the Board. So that's a clear move to signal the importance of strategic procurement because in the recent past, it has also meant that because of the challenges on supply chain, we have been having consistently, it's fair to say that we haven't had the time and effort to actually focus on the strategic side of it. So that's one area we are looking at. And of course, as new product starts launching, we should be in a better position to manage the entire end-to-end supply chain. That is number one.

Second, an area which has not delivered for us is the whole warranty space. We've been talking about it for a while. While my IPTVs are improving, quality is improving, products are actually performing to what they expected to, cost of repair has shot through the roof, particularly in markets like the US, and other OEMs are also having the same challenge. So we need to up our game on that front. That's the second area. And of course, the amount of investments that we have done on IT, digital, etc., it's an area which needs to deliver productivity for us. Cyber has shown that there are areas we could still do work in terms of simplifying our IT landscape, etc.. So that's the reason we have put a CIDO on the Board as well. So there is enough and more opportunities to look for on this. That's the reason we have quantified it in a two-year period to deliver GBP1.7 billion. So we should start working on that and the numbers should start reflecting from the second half of this year itself. So that's the whole plan.

Dhiman Gupta

Thank you, Balaji. Richard, last question for the day. You spoke about VME, how are we looking at VME going into FY27?

Richard Molyneux

I think generally, it is relatively stable. I think it remains to be seen in China, how the industry absorbs the extra 10% luxury tax that was implemented in the middle of last year. But we are not seeing it rise considerably from the levels that we saw at the back end of the last financial year.

Dhiman Gupta

Thank you, Richard. I'm just waiting for one more question that has come. I'll just take that. Yeah. Raghu, is there a decline in other expenses on JLR? Richard, if you could take this and I'll take the last one. Is there a

decline in other expenses for JLR year-on-year and quarter-on-quarter?

Richard Molyneux

Yes, there is. You'll find that the majority of that is actually exchange-related in terms of a reasonably good hedge gain this year versus the opposite effect last year. So it's largely that. There is some central cost reductions in terms of very centralized expenses, but the biggest element within there is exchange.

Dhiman Gupta

Thank you. Shailesh, if you could talk about exports and what's the outlook for FY27?

Shailesh Chandra

So last year, we had a 4 times jump in exports to 10,000 plus units. And this year also, we are targeting anywhere between 70% to 100% kind of a growth, depending on how we are able to ramp up our production and then further add to our portfolio in South African market. So the timing will be important. So it can be anywhere between 70% to 100% growth.

Dhiman Gupta

Thank you, Shailesh. And the last question for the day, Raghu, the question is Rs. 471 Crs PLI that we accrued in Q4 FY26, was there any prior period item? The answer is yes. We had about Rs. 90 Crs pertaining to Q3, which -- for which the product got certified in Q4, so we claim benefit. So without that, the number would have been about Rs. 380 Cr. Thank you.

And thank you, everyone, for joining our results call for Q4 FY26. Just to remind you all, our Investor Days are in June – 17th June for JLR and 23rd in India, and we look forward to seeing you there. And for any assistance that you would need, please do reach out to our IR team.

Thank you, and have a great evening.

Note – this transcript has been edited for readability & any inadvertent errors.