

Tata Motors Passenger Vehicles Limited
(formerly known as Tata Motors Limited)
Q2 FY26 earnings call transcript

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Presentation

Anish Gurav

Good day and welcome to Tata Motors Passenger Vehicles Limited Q2 FY26 Earnings Call. Today we have with us Mr. P B Balaji, Group CFO, Tata Motors Passenger Vehicles Group; Mr. Shailesh Chandra, MD and CEO Tata Motors Passenger Vehicles Limited; Mr. Adrian Mardell, CEO Jaguar Land Rover; Mr. Dhiman Gupta, CFO Designate Tata Motors Passenger Vehicles Limited; Mr. Richard Molyneux, CFO Jaguar Land Rover. And we also have our colleagues from the Investor Relations team.

Today we plan to walk you through the results presentation followed by Q&A. As a reminder, all 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 the name of 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. Good evening, everybody. And welcome to Tata Motors Passenger Vehicle Limited Analyst Call for Q2 FY26. It's a pleasure speaking to you as we report our first quarterly earnings as a listed entity. Next slide, please.

The Safe Harbor statement, as it's the first quarter post the CV demerger, a few hygiene accounting related matters to get out of the way. Our segment reporting will now comprise of automotive segments and others. The automotive segment will now comprise of JLR and Tata Passenger Vehicles business. Other than CV segment moving out, there is no change there. Others will comprise the rest, the financially material ones being Tata Technologies and Tata Motors Holdings Pte Limited Singapore. Next slide, please.

For the purpose of statutory reporting, the published income statement has been reclassified to comprise only the TMPV group for prior periods for a like-for-like comparison. However, the balance sheet for prior periods will include CV business assets and liabilities and hence not comparable. So, this

is something for you to know. Next slide, please.

Another accounting matter related to the demerger. As part of demerger accounting entries, we have recorded a profit of ~Rs. 83,000 Cr on disposal of the CV undertaking, which is essentially the fair value of the CV assets, less the book value of net assets transferred. So, the business was valued at ~Rs. 94,000 Cr by third-party agencies. The book value that was transferred was ~Rs. 11,000 Cr, so the delta is about ~Rs. 83,000 Cr. But this is only a notional gain as there is a contra entry of ~Rs. 83,000 Cr as a deemed dividend. So, there is absolutely no impact on either distributable reserves or on our net worth. Next slide, please.

Key highlights, while overall an extremely challenging quarter with the cyber incident at JLR, there continues to be several bright spots which we will continue to dial up as we progress out of this incident. The RR brand continues to have a strong brand recall. There has been a resurgence in the domestic demand post GST rate cuts and the Tata Passenger Vehicle business takes its first bold steps in its international foray with the entry in South Africa. Next slide please.

Coming to the consolidated financial performance. With the loss of production for the entire month of September due to the cyber incident, the JLR revenues dropped by 24%, which was partially offset by 15% top line growth in the India business and the translation benefit in GBP INR. The loss in operating leverage, carryover of U.S. tariff impact from Q1 and increased VME flowed through every other financial metric resulting in a PBT loss of ~Rs. 5,500 Cr for the quarter. There was an additional exceptional loss of ~Rs. 2,600 Cr for certain expenses related to cyber incident and the voluntary redundancy program at JLR. The FCF for first six months of the year stood at negative ~Rs. 18,000 Cr and I'm sure Richard will talk about how the efforts have been taken to keep liquidity at JLR at very comfortable levels. Next slide please.

Revenue and profits, we have already spoken in the last slide. The net auto debt has increased from a net cash position end of last fiscal to ~Rs. 20,000 Cr, increase primarily coming through at JLR. Other entities remain quiet. Domestic India business is net cash which gives a lot of flex to fund the rich product investment cycle that will be coming through in the years.

Richard over to you to take on the JLR section please.

Richard Molyneux

Okay. Thank you, Dhiman and to the next page please.

So there is no denying this was a difficult quarter with disruption from a cyber incident. This is something that's happening to more and more Companies that no Company would ever wish for. It meant we had to close down our systems in one of the higher volume months of the year, the end of a financial quarter, the start of 2026 model year Range Rover production and a new registration plates in our U.K. home market. So even with July and August in line with our expectations, we ended up with ~66,000 units of wholesales, the 24% reduction year-over-year with revenues down the same percentage. This drove EBIT to negative 8.6%, PBT to negative GBP 485 million and free cash flow to negative GBP 791 million. The PBT quoted there is before a GBP 238 million exceptional charge and that reflected both the direct incremental cost of the cyber incident and a voluntary redundancy program under which nearly 500 managers and employees are leaving the business as we right-size our costs. From an H1 perspective, the quarter pushed us to a marginally negative profit position and GBP 1.5 billion negative free cash flow. So it is a significant loss in Q2, but I do want to put it in perspective, the negative GBP 485 million compares to a profit that we made in our last financial year of GBP 2.489 billion. So this loss was significant, is less than 20% of the profit that we made last year.

Next chart, please.

As per usual, I'll skip over this. I'll cover all the points during the presentation. It's there for your reference only. So next chart.

From a brand perspective, as our shutdown was simultaneous across all of our plants, the declines are relatively proportional. Range Rover, Defender and Discovery down between 20% and 25% on previous quarter, Jaguar down 35%, continuing to reflect our planned rundown of production ahead of the brand relaunch. From an H1 perspective, we are down 17% overall, but only a combined 10% on the dominant Range Rover and Defender brands, which would have been marginally up if it hadn't been for the September stoppage. And that's in a very difficult market. Next page.

From a regional perspective, our long lead markets were more protected in September as their vehicles were already in transit. So, you can see China and overseas relatively flat quarter-over-quarter. The bigger pain was felt in the short shipment markets and those markets where processing of vehicles through wholesale and retail triggers was most impacted by a system shutdown - U.K., North America, Europe in particular. From a H2 perspective, we continue to focus on growing our overseas business, managing a difficult market in China and starting pipeline refill for other regions as production again starts to grow. Next page.

So this page shows and it should explain the EBIT walk and PBT (bei) walk from the GBP 385 million or so that we had in the equivalent period last year to the GBP 485 million loss just reported. The lost volume from cyber, even with favorable mix, cost us GBP 237 million. The Trump penalty, even in a low volume quarter was GBP 74 million, meaning a cumulative GBP 328 million penalty in the first half of the year. The other showed there were GBP 40 million is largely the lost parts and accessories business from the attack and lower China JV returns. VME globally is on the rise, and this had two effects. Firstly, the actual cost of cars retailed rose from 4.1% to 6.9%, with the biggest deterioration being in China due to the new luxury tax that was announced in mid-July, weak demand and a fragile retailer base. But secondly, nearly half of the GBP 257 million adverse is the secondary effect of having to accrue more for vehicles that retailers still have in stock. Within contribution costs, warranty spend remains stubbornly high, even though the quality fault metrics continue to improve. Within structural cost, it's worth noting lower capitalization of engineering type as our CAD systems were down during the month of September. Foreign exchange, our hedge program protected us against a weakening dollar from an operational side, but the adverse Euro moved down to 1.14, impacted our balance sheet revaluations on both payables and debt. So it is worth noting there also that the PBT sharing is before exceptional items. We did have an exceptional item in the quarter of GBP 238 million. About GBP 40 million of that was associated with a voluntary redundancy program as we resized our cost base. The rest was the direct incremental costs of the cyber incident during the month of September. Next chart.

Turning then to cash, the cyber incident drove cash profit after tax down to effectively zero. It is really important to note that the third month in any quarter is normally strongly cash positive for us. So the timing of the systems outage couldn't have been worse. Investments was GBP 828 million and working capital relatively flat as the beneficial effect of selling down stock was offset by lower payables from the production stoppage. So free cash flow in the quarter, negative GBP 791 million. Next chart.

Two things to note on investment. Firstly, the overall number of GBP 828 million is lower than our run rate. And this is due to the systems outage, meaning we were not able to pay many capital invoices in September. These will flip back to payments in Q3. Secondly, you can see our engineering capitalization at 55% is lower than the 70% we had in Q1. I referenced that with our engineering systems down, work on the programs we are capitalizing did pause and hence the expensed elements of engineering rose. We reallocated and we put as many people as we could into incremental testing and validation, but

this still had an effect. Next chart.

Right in the business update, I suspect the first thing that you'll want me to talk about is a cyber incident. So I will do just that. Next page.

I am really proud of how this wonderful company responded and restarted our business within a few weeks. Bad as it was, it could have been worse. We set crystal clear priorities as a business. First, customers and sales, so we focused our parts operation to get parts flowing to help clients and retailers and we restarted wholesale systems to allow as many cars to flow as possible. Second, pay suppliers and restart production. We paid thousands of invoices manually to help our supply base and we restored manufacturing from the 8th October. Third, engineering systems and then four, build beyond the MVP, minimum viable product, that we had put in place. We have restarted at pace. The plants are already working at or close to capacity and the systems we have started are cleansed and clean. So I would like to take this opportunity not only to thank my colleagues for their amazing work, but also to thank our retailers, customers, suppliers and other partners for their patience and their support through this time. Next page.

Looking now beyond the cyber incident to the macroeconomic environment. Our industry continues to be very challenging. Geopolitical tensions, regulatory surprises, supply chain shocks abound and threaten an industry based on lean global supply chains and schedules fixed weeks if not months out. We will all have to adapt to the new realities, but this will take time and it will take cost. On the global demand side, there are some pockets of growth. China's luxury segment continues to shrink, Europe is struggling and the U.S. whilst stable is not in the position to absorb the scale of global capacity from the other regions. Consequently, we anticipate VME levels to stay elevated for some time. On the supply chain side, the recent Nexperia stand-off appears to be resolving, although stopping inbound wafer shipments from Germany to China may still create a period of shortages that works through their value chain. We have to imagine that this will not be the last such event. We will have to robust our supply systems accordingly, likely to only add cost and complexity over time. Next chart.

In our new reality, delivering on our missions, these are the missions I introduced in our Q1 briefing, is even more important. We are moving forward with intensity and with focus. Those that have immediate impact have been our first priority. You can see them here. And we are making great progress in tariff mitigation, emission cost reduction, and driving our ex-works quality up and up. You can see a 25% reduction in vehicles off-road. On the high-value missions, we have multiple teams dedicated to material cost reduction. We are taking c.500 employees out of our admin base and focusing on lean, in-market China stocks to protect our margins and those of our retailers. In other areas, we're driving parts back orders down massively. We put 500 retailers through a very impactful program to properly leverage our high-end Halo and Bespoke products. And we will keep driving these missions even harder. Next.

So what does this mean? The production losses we have experienced will also impact quite heavily on Q3. It's only in Q4, as our pipeline fill completes that we will return to normal. And Q4 is always strong for us. For the full year, we expect EBIT to be in the range of 0% to 2% positive, and free cash flow to be in a range of negative GBP 2.2 billion to negative GBP 2.5 billion. We will update you on FY 27 after our next earnings release.

On that note, I'll stop and hand you back to Balaji and Dhiman. Thank you.

Dhiman Gupta

Thank you, Richard. Moving on to the Tata Passenger Vehicles business. After a particularly weak Q1, the domestic PV business has seen a strong rebound in Q2. Volumes grew 10% year-on-year for the

quarter. In September and October, we hit all-time record offtakes of 60,000 plus in two consecutive months. Strong recovery in market share to 12.8% for the quarter. Post-GST rate cuts, market share during the festive months were at 13.7% to 14%. EV came out particularly strong with penetration sharply improving from 12% to 17%, and along with CNG accounts for almost 45% mix in our portfolio. That keeps our CAFE well below the thresholds. Next slide, please.

EV offtakes had plateaued at 15,000 to 16,000 a quarter for some time now, with much of the industry expansion coming from new launches between Q3 and Q4 last year. Nexon.ev has garnered strong traction and the very successful launch of Harrier.ev took our offtakes to 24,000 for the quarter. Our market share has now been consistently clocking 42%. With a proactive product portfolio strategy which will soon add a Sierra.ev to mix and a lot of other refreshes which will be improving the value proposition, we should look to further build from here in the coming quarters. Next slide please.

Revenue growth is coming back nicely at 15% year-on-year. Segment profitability is nearly back to FY 2025 levels. Much of the improvement coming through from improving profitability of the EV business, though a fair ground remains to be recovered on the ICE piece. PBT of approximately Rs. 200 Cr for the quarter, flattish year-on-year basis. Next slide please.

ICE EBITDA margins came in at 6.4%, almost 2% down year-on-year, combination of higher commodity cost and adverse pricing. EV profitability is beginning to come through well with better operating leverage, mix and benefit of PLI. PLI accrued for the quarter was Rs. 125 Cr. I must also add that the PLI accrued for the full year FY 25 of Rs. 350 Cr has now been received in cash from MHI this quarter. In terms of profit walk, adverse realization has substantially offset the improvement in volumes and cost reductions. Year-on-year cost reductions, you see a net of near 1% of commodity hit we've taken in the last two quarters and a bit more is expected to come through next quarter. In line with our previous guidance, ICE profitability will remain muted for another quarter and we will see improvement coming through in Q4 on the back of price increase, Sierra launch. EV profitability will continue to improve on back of further PLI accruals from Nexon and Harrier.ev, both of which has met the 50% DVA thresholds. Over to you, Shailesh.

Shailesh Chandra

Thank you, Dhiman. So let me start with industry highlights for Q2 FY 26. The first five months of the fiscal year saw stress in demand for the industry with about 1.6% year-on-year de-growth in the period April to August 2025. Post that we saw an improvement in the overall operating environment of PVs with the implementation of GST 2.0, which saw a reduction of GST for PVs across the segments and GST reduction for PVs have resulted in price drops up to 10% in some segments. Due to this reduced GST, festive season and some pent-up demand post GST announcement, the PV industry has seen a sharp growth at 5% in September and more sharply in October at 17%. While there has been growth across all the sub-segments, it has been more pronounced in certain segments, for example, compact SUVs, which have received a strong boost due to the new taxation structure. Alternate powertrains continue to see an industry-beating growth with 17% growth year-on-year for CNG segment, and 126% growth year-on-year for EV segment. CNG growth has been driven by growing CGD network and greater traction due to increased accessibility. EV segment growth is on the back of new launches, example, Harrier.ev, which has added volumes and a general positivity on EVs.

Coming to Tata Motors, the actions that we have been taking in the last 18 months on structural business processes, service, have yielded strong returns and laid the foundation for us to drive growth in the coming months and quarters. In terms of key highlights in quarter two, we saw double-digit year-on-year growth in our wholesale, which was driven by the watershed month in September 2025. In September, we achieved many milestones, including record overall volumes, CNG volumes, EV

volumes. Therefore, we were able to drive steep 47% growth in September year-on-year. We also were number two player in the industry with 14% market share and 200 bps improvement in market share. In terms of products, we saw strong demand for all of our products. In specific, Nexon emerged as the number one product in India, Harrier and Safari saw record volumes, and Punch also witnessed strong interest among consumers. We were also able to see very strong booking traction with the doubling of bookings post 22nd September, which created a very strong pipeline for coming months as well. Slide change, please.

I also wanted to talk about our performance in September and October, just in order to give you a complete picture of how the festive season has panned out for us. I already spoke about performance in September. In October, we leveraged our robust pipeline to continue our strong performance with 61,000 units of wholesale, which was our highest ever. We also had a blockbuster festive season where we delivered over 1 lakh vehicles between Navratri and Diwali, which was a 33% growth over last year. In terms of alternate powertrains, we also saw record retails for our EVs and CNG at 9,000 and 25,000 units respectively. On the back of our record retails, we were able to drive sharp reduction in dealer inventories, which are now at a very healthy level of under 30 days. To be very specific, it is about 27 days. In terms of Vahan market share, we sustained our position as the number two player with 13.7% market share in October. Our products continue to see very strong traction as Nexon was the number one model in October as well on the back of strong demand across all powertrains for the product. Punch also saw very strong demand with 40,000 plus retails over two months. Harrier, Safari continued to see very strong volumes on the back of newly launched Adventure X versions and strong demand for Harrier.ev.

Looking ahead, we will aim to continue the growth momentum by leveraging our robust demand pipeline. And this will be supported by comprehensive marketing campaigns that will amplify brand visibility and maximize our retails in quarter three, which will ensure lean inventories as we step into the next calendar year. In addition to the growing traction for our portfolio, we will drive strong volume growth on the back of new product launches that will strengthen our portfolio. One launch of new Sierra in November 2025 will be one of the key drivers for volume increase and profitability improvement for the business, as Dhiman also mentioned. Harrier and Safari petrol variant will expand their addressable market and unlock volume potential in key markets. In EVs, we will sustain our growth momentum by strengthening our portfolio with more rapid product interventions as compared to ICE. At the same time, we will drive mainstreaming through key actions to expand consideration for EVs and ecosystem actions, for example, expanding charging infra with Tata.ev mega chargers. As we grow our volumes, we will enhance profitability through operating leverage, enhanced mix on the back of new launches and GST impact, and we will accelerate our cost reduction efforts. At the same time, we will continue our structural actions to strengthen our network and customer service, which will act as a force multiplier driving long-term sustainable growth.

So that's all from my side. Handing over to you, Balaji.

P.B. Balaji

Yes. Thanks, Shailesh. Wrapping it up, I think from free cash flow perspective, we have ~Rs. 1,600 Cr of free cash flow coming this quarter, with a cash profit after tax, more or less covering off the investment spend, despite a significant step up in investment that you are seeing on the EV side. And as volumes are picking up, obviously, there's a working capital turn coming our way as well, which you have seen in the payables line. Next slide, please.

Investment spending, as I said earlier, continues to be strong and we intend to keep it this way as growth picks up as well. And with the product offensive that's already planned, obviously, all these are

likely to continue to remain elevated, but no stress on the cash flows there.

Looking ahead, I think, as Richard alluded, the global demand situation continues to remain challenging. And it's fair to say that this situation from a demand perspective ain't likely to abate in the coming quarters. So therefore, we need to be prepared for driving up demand through actions from our side. Domestic, on the other side, we are clearly seeing resurgence in the demand. And this also means, as the product offensive continues, which Shailesh alluded to, we would expect to see the domestic side second half likely to be pretty strong. Fair to say that for all of us, H1 performance has been disappointing and of course, Q2 has been particularly challenging at the JLR end. So we anticipate in this situation, a stronger H2 as the JLR recovery actions kick in and the product actions kick in on the domestic PV side. From a priorities perspective, particularly on the JLR side, the next phase of recovery is what we are focused on, ramping up production, stepping up engineering intensity, and of course, hardening the system landscape so that the situation doesn't recur. And of course, navigating this global demand environment by building the power of our brands is what we will be focused on. And at the same time, cash flows need to be improved. And therefore, the enterprise missions are a very critical way of delivering that. PV, EV side, Shailesh has covered it extensively, so I wouldn't want to repeat it.

And I can already see a lot of questions coming through on the line. So maybe we're ready to take on the questions that are coming up.

Questions And Answers

P.B. Balaji

So let me first start, Richard, maybe I'll pass it on to you. There's a fair number of questions coming your way. Why would we not take all the questions of JLR in one shot because a fair amount of repetition coming in as well? And let me start with the most liked comment.

It's coming from Binay Singh, Morgan Stanley. Let me hold off. Let me probably, Shailesh, give it back to you. Could you comment on the Harrier EV run rate and outlook, number one and PLI, are you getting PLI for Harrier EV? And are you seeing any price recovery actions going forward?

Shailesh Chandra

Yeah, so as far as Harrier EV is concerned, our run rate is about 2,500 a month. And we have a very strong booking pipeline. Our waiting period is somewhere between 16 to 18 weeks. As far as PLI is concerned, what was the second question? I'm not able to see it.

Dhiman Gupta

Are we taking PLI accrual on Harrier.ev?

Shailesh Chandra

So, you want to take?

Dhiman Gupta

Yeah, so Harrier.ev is right now under AAT certification. We believe that it meets the greater than 50% DVA threshold, but it will take time to complete the process. And we expect the accruals to

happen in Q4.

Shailesh Chandra

Yeah, okay. And what, any other questions?

Dhiman Gupta

Discounts in the festival, is the VME is going to come down? These were the two questions, right?

P.B. Balaji

Yeah, are you seeing any other pricing recoveries?

Shailesh Chandra

Yeah, so, in Jan, in Q4, we will take the price increase typically, what we generally do. For the last nine months, we have not been able to, but with the commodity prices increased, we need to pass it on. So that will be the timeline. Of course, in after the December is over, when the whole industry will be starting with lean stock, the whole discounting environment should also go down. So that's what we expect. So, the VME should also go down.

P.B. Balaji

Thanks, Shailesh. Richard, coming on to you. Kapil Singh, Nomura. What is the Q3 build rate and can the management please guide on the full year volume range on which you're basing your margin guidance? And have the full cyber costs have been taken or more to come in Q3? And the outlook on VME and tariffs. And does the long-term EBIT margin guidance of 10% hold or it needs to be reviewed? There's a lot of questions in that.

Richard Molyneux

Certainly are. Q3 build rate. So look, during the month of October, we said we started production at our engine facility on the 8th. We have started all of our plants subsequently. We would expect production in October was c.17,000 cars. And as of now, our plants are operating pretty much at capacity levels. And we will keep them at capacity levels from now through to the balance of the year. In terms of volume range, I think, to be honest, you've probably got enough information from that to be able to work it out, but I will lay it out more clearly for you. So we had a month where we produced nothing, i.e. September. And we had a month where we produced 17,000, where we would normally produce considerably more. So the total loss production you will be able to work out for yourselves from that is around 50,000 units. Of that, you will note that we took a hit of about 20,000 units in Q2, coming down from a volume of 87K to one of 66K. And the logic of that is that the balance is going to occur in Q3. Q4 for us will be a normal quarter. And you can see from historical numbers what a normal quarter for us means in terms of volume. So I think from that, you have enough to be able to work it out. I'm not going to give a specific range, but you can work it out from that. Have the full cyber costs been taken? Essentially, you can take the same answer. So the cyber, it will hit us also in Q3. So there will be another considerably smaller exceptional charge in Q3. But the big effect on Q3 is going to remain the volume pull through. As I say, we will be operating at capacity in terms of production capacity through the balance of the year. So the fundamental question then is, look, what's going to happen in FY 27? How much are you going to be able to get back and not? And this industry at the moment, it's difficult to forecast what's going to happen in a month, let alone 17 months, so we haven't set our plans for next

year now. On the one side we will enter the year with a very low pipeline stock. On the other hand, the pressures of geopolitics, demand and supply chain resilience will not immediately abate. So we will have a better picture when we get to our next earnings announcement as to how the balance of those forces will operate through FY 27. It's only in FY 27 that we really have the opportunity to build back even if the demand is there.

Given where demand is at the moment and the overcapacity that exists in the industry, we're not anticipating VME is going to get any easier in future quarters. It might a little for us because our pipeline stock is now extremely low as a result of this incident, so we don't have the same volume pressure. But from an industry perspective, there's little to assume that it's going to come materially down. And in terms of tariffs, the Q2 numbers that I presented there include most of the reductions down to 10% tariffs from the U.K. and 15% from Europe. There will be a little bit more improvement in Q3, but it's certainly lot better than it was in Q1, but still very painful. Does the long-term EBIT guidance of 10% hold or does it need to be reviewed? I think my same comment there is as of FY 2027. We're going to look at our plans now that we've recovered from this incident and reset budget for next year and walk from there. So no comment either way on that at this point in time.

P.B. Balaji

Thank you. Just staying with you, a question from Rakesh Kumar. Do you think the U.S. tariff and China luxury tax has structurally brought down margins outlook? And could you comment on your order book? And then of the FCF, GBP 2.2 billion to GBP2.5 billion, how much of it do you expect to recover? And any changes to the Range Rover Electric and Jaguar launch timelines due to the cyber incident?

Richard Molyneux

Okay, on the first point, the answer is probably yes. I don't think the process in the U.S. of tariffs feeding through into consumer prices has yet fully concluded. U.S. inflation remains relatively benign despite the tariffs. And I think that is because the price effects will occur over a 15 to 18 month period rather than immediately. So at the moment it looks from what I can read of U.S. inflation data as if companies are taking the majority of the tariff costs at least for the moment. China luxury tax absolutely, there I think virtually all manufacturers that operate in that luxury segment above RMB 900,000, which is where the new base has been set are at least for the moment taking those costs. So from where I stand at the moment, yes, I do think they are probably structural changes.

Can we share the order bank? We've stopped doing that now. The order bank was a really, really critical piece of information for us when we were supply constrained. That's no longer really the case. So it's not something that we're going to report on every quarter.

On the recovery of the free cash flow hit. I think that that goes back to my comment on FY 27. We don't have the opportunity, given the fact that we will be running our plants at capacity between now and the end of March. We don't have the opportunity to recover much of it this year. How much of it we can recover next year, we will work through and report back to you when we get back in I guess late January or very early February.

And then any changes to the Range Rover electric and Jaguar launch timelines? No, I think if you look at what happens during the cyber incident and the priorities I mentioned, we did prioritize getting sales and production up ahead of engineering. So the engineering systems were down for a little bit longer that meant that CAD was a little bit behind but then we put the people to work in terms of extra testing and validation work. So how the balance of those two things impacts we'll see, but nothing to communicate at this point in time.

P.B. Balaji

Thanks, Richard. Let me get back to PV here and I will come back to you as well get a breather in between. India PV, this is from Jinesh. Why was India PV realization down despite rising share of EV and CNG? What's your estimate for second half volume growth for industry and TMPV and how are discounts shaping up post festive?

Shailesh Chandra

Yeah, so, see realization per car has increased, as you rightly said that the share of EV and CNG has increased, so realization per car actually would have increased by ~15%. But you might be referring to the chart which Dhiman had shown where because of the higher discount and VME there was a drop, so that is the incremental change in VME that was shown. So that's the answer to the first part of your question.

The second is what will be the estimate of the second half growth for the industry? So I believe that this should be in double-digit. The way we have seen in September and October, the industry has grown by 5% and 17%. Even if I take out the festivity demand, which would have grown because of the festive period or the pent up, which still continues to overflow in November and December should also be strong. My estimate is that it should be a double-digit growth. So, overall, in financial year, because the first half had seen a decline of 1.6% before the festive period, so overall, it should be in the zone of 5% or so.

Third question is how discount shaping? Of course, I already answered this that, from Jan onwards, we should start seeing increase, but post festive so far, the discount has remained more or less the same.

P.B. Balaji

Thanks, Shailesh. Probably a question that I will take, has there been any actions taken at Tata Motors, PV and other group companies so that this doesn't happen in the future?

This is from Kapil. I needlessly agree. I think this is a critical development and therefore all learnings that are coming out of JLR are indeed being shared to the extent that it is possible and relevant to the concerned Companies. And of course, there's also a group-wide initiative that's also kicking off to ensure how do we harden system, how do we make ourselves more resilient and how fast we can bounce back. So this is obviously all these learnings will be factored in our planning, not just at a Company level, even at a Group level. And therefore, that's being led out on Tata Digital, the Head of Digital for Tata Group, she is leading it herself. And therefore, you should expect to see a lot of action at a Group level as well, as much as we are doing work with the respective Companies, including Tata Motors, PV as well as JLR.

Richard, coming back to you, Binay Singh, Morgan Stanley, JLR top line, any backlog built up due to production cuts? Then on JLR expenses, raw materials, ex-U.S. tariffs as a percentage of sales are also up sharply this quarter, quarter-on-quarter basis. What drove that? And why did U.S. duties impact fall sharply in this quarter? Why is VME up, which I think you have already talked about. And what is the full impact of cybersecurity, which also you've talked about.

Richard Molyneux

All right, so let me try and cover the bits that I haven't already spoken about. In terms of backlog, look, I think I have referenced the amount of production that we have missed and how much of that we will actually get back will be determined in FY 2027, which is the first opportunity we have to build beyond the capacity that we currently have. Raw materials, I think there's nothing specific in the quarter that impacts raw materials. The foreign exchange rates of the Euro down to 1.14 certainly didn't help in the quarter as a significant percentage of our raw materials are euro-based. So there's nothing particularly there to report. Then U.S. duties fell sharply. That's two things. One is the volume, because obviously it's a per unit charge. The second is that in the first quarter, the tariffs were largely 25% for all imports, including from both the U.K. and from the EU. It's only in Q2 that we see the effects of the deals that were struck between the EU and U.K. governments and the Trump administration that took the U.K. rate down to 10% and the EU rate down to 15%. So there's two impacts there. One is the lower volume. But secondly, there is the deals done between the various governments to take the rates down to levels which are less penal. Do note that even though they're less penal, it's a 300% increase in tariffs for vehicles sent from the U.K. and a 500% increase in tariffs on vehicles sent from the EU. Then VME I've covered, China I've covered and the cyber security thing I've also covered, it does go into Q3.

P.B. Balaji

Thank you. I think Shailesh this is coming back to you. I think this is on E20. With E20 becoming mandatory by December 2025, early consumer concerns are on mileage drop and corrosion on the pre 2023 models. Any comments you have? Have you observed any measurable impact on that on the old vehicles? And is there any proactive measures you're planning to take?

Shailesh Chandra

See, it's true that there is a bit of mileage drop. That is for sure. And 2025 onwards, whatever we are selling is E20 compliant. So there is no risk of any vehicle getting damaged. But yes, of course, the cars which have been made before that, first we are respecting the warranty terms of whatever cars we have sold earlier. So that is not a problem. We have also tested the components which might have the potential of failing, but there's not going to be a big cost item per se. But the availability of the items involved will be made sure. So there is no specific product in terms of extended warranty or something which we have come specifically for this. This is like ongoing maintenance that you can take care of this. As far as resale value is concerned, frankly I have no data to share on this. Resale value remains strong. The greater impact we have to measure, post the GST, the prices which have gone down is still to be assessed, but not because of E20 issue, we are seeing any issue as far as resale value is concerned.

P.B. Balaji

Thank you. Shailesh, I will probably stay with you. First of course, congratulations to you for your role. This is from Kapil Singh, Nomura for the new appointment that's coming to the President of OICA. Great to see EV is bouncing back and what was the FY 2026 full year PV industry outlook? How should one see that? And how's the current demand and footfalls? So, presumably, meaning post the festive season. And industry discount you already talked about.

Shailesh Chandra

Yeah, so, thank you for, the wishes and compliments. Thank you so much. It's definitely an honor to be

appointed as the President of OICA. As far as EVs are concerned, it's just a comment, so I don't need to answer that. But as far as growth is concerned, PV industry growth in FY 2026 I just said that second half, I expect that the growth will be in double-digit. That's my estimate. And therefore, at a full year level, the growth rate would be about a 5% or so. Around +/- 2% you can say.

Yeah, so the question was also on the mix if it has changed a bit, footfall. Footfall of course, it is weaker than the festive period, but stronger than what we typically see in November. So that remains strong, which indicates that there will be growth versus last year. And in terms of mix change, post GST, we clearly see that the compact SUV segment has seen greater traction as compared to other segment, but traction is, all across all the segments.

P.B. Balaji

There are a few more questions on demand coming up, which we will cover later. This one is from Nishit Jalan. Richard coming to you a critical question. Apart from the cyber issue, big reasons for cutting margin on FY, FCF guidance seems to be due to higher VME led by weaker demand globally and luxury tax issue. Have these issues worsened since Q1 results? And if not, should we not have cut guidance last quarter itself?

Richard Molyneux

Sorry, I'm just trying to find the question. There it is.

P.B. Balaji

Nishit Jalan, go to the most liked.

Richard Molyneux

Yes, they have worsened since Q1 results is the bottom line. I think demand continues to deteriorate in China and doesn't get any better in other regions. So I think the reality is, even excluding the cyber incident, we almost certainly would have been amending guidance at this point. But this is the right point for us to be amending.

P.B. Balaji

Thank you. And again, staying with you for a minute, with the cost reduction efforts, what could be the reduction in breakeven levels that you are targeting from about 300,000 units earlier? If you want to comment on the 300,000 is to begin with.

Richard Molyneux

Yes. So I think the big issues that we have got at the moment is trying to make sure those breakeven levels don't rise as global demand falls and VME levels increase. So that's the purpose of the missions, is to make sure that those breakeven levels don't actually rise to dangerous levels. So I don't think at the moment the question of having it drop, is a question of stopping it rising.

P.B. Balaji

Thank you. Shailesh, coming to you. Can you talk about the segment that you're seeing demand growth in the India PV business, particularly post the GST cut, I presume. And is the consumer coming back specifically? You talked about the compact segment, but it's more broad-based?. Maybe you may want to take one segment at a time.

Shailesh Chandra

Yes. So, see, the steepest drop in terms of percentage reduction has come in the less than 4 meter. But so is the case for the higher SUVs also. So actually the traction is therefore across the board that we are seeing. Also there have been new launches also, so in certain segments, so there is a traction coming because of that also. But as I said, that I think compact SUV segment and also the subcompact SUV segment where the price drops have been also significant, not only in terms of percentage, but also absolute value, we are seeing greater traction. And that's the reason you have, as I was speaking about Punch and Nexon, having done significant retails in September and October clearly indicates that these two segments have been quite strong beneficiaries of this introduction of GST 2.0.

P.B. Balaji

Thank you. Coming to India EVs, Dhiman, this is to you. What percentage of EV revenues are eligible for PLI currently? And is there a combined upper limit of that Rs. 6,500 Cr of PLI over five years for PV plus CV or both can they claim separately.

Dhiman Gupta

Yes, so right now we are accruing PLI only on three of our products which is Tiago, Tigor fleet and Punch. Cumulatively they only contribute to only 30% of our volumes. Bulk of our portfolio which is Nexon and Harrier.ev as I previously mentioned will start accruing in Q3 and Q4. In terms of cumulative cap the Rs. 6,500 Cr cumulative caps there will apply to the Passenger Vehicle business and the Commercial Vehicle business together because we had applied originally in 2021 as a Group.

P.B. Balaji

Okay, staying with you on PLI for a minute. What percentage of the EV volumes in second quarter qualify for PLI and will third quarter have the EV portfolio enjoying it?

Dhiman Gupta

So, Balaji, as I mentioned in Q2, 30% of our volumes qualified for PLI. In Q3 we have Nexon.ev also qualified which will probably add another 25% of our volumes and Harrier.ev will follow through in Q4. That would only mean that Curvv will not come under PLI because it's manufactured outside in our joint venture. It does not come under the PLI scheme.

P.B. Balaji

And then there's again Binay Singh, Dhiman to you. Other businesses ex-India, PV and JLR had a PBT of Rs. 389 Cr. Can you give a break up of this or you want to take it offline?

Dhiman Gupta

We'll take it offline.

P.B. Balaji

Let's take it offline. Binay we'll reach out to you. Richard, coming your way. I think you already covered, this is from Jinesh Gandhi. We expect the further cyber incident cost. You already covered that. Where do you expect depreciation to settle and when do you expect it to start rising as the new product launches?

Richard Molyneux

Okay, so I expect depreciation to settle roughly where it is at the moment and obviously it will start rising when the new products start launching the first of the new products will still be the Range Rover BEV and that'll be next year. So until that point in time it will stay where it is and then it will tick progressively up as our new vehicles launch and then world production in general is normalizing.

Nexperia. Okay, so Nexperia, I think the political tension seems to be dissipating. So the China authorities have opened up export to auto manufacturers. So that's generally good news and I think that we should welcome it. I don't think it's necessarily the end of the issue because you have to look at Nexperia's value chain. What they actually do is they use the wafers in Germany, ship them to China for processing and then export them from China. So during the period where they have had this, let's say, power struggle, those shipments from Germany haven't necessarily occurred. And I think they ship about 8 billion wafers a year out of Germany. So there is more than possible that there will still be a supply hole as their value stream adjusts. We haven't seen it yet, but I am fearful of it. So we are keeping very aggressive in the market to make sure that we can find alternative chip sources just in case that happens. So generally positive, but I would say we are not out of the woods on Nexperia yet. And I think I've answered the last question.

P.B. Balaji

Yes, you have. And Shailesh, the Nexperia impact on PV here?

Shailesh Chandra

Yes, so immediate impact we don't see. We have also been mapping our exposure to Nexperia on different components. No immediate exposure, but we are watching very closely. We are taking alternative actions to see that our impact is less if there's going to be a real issue continuing with Nexperia.

P.B. Balaji

Okay, Dhiman, maybe I'll get this question onto you, in terms of margins of the PV business. Can you talk about how do we reach a double-digit EBITDA margin in our ICE PV portfolio? Is there a scope to improve margins on existing products or we expect profitability improvement only because of new launches?

Dhiman Gupta

No, it will be a combination of both. Not too long back in FY 24, we were at a 9% EBITDA margin. The last two years has been a tough operating environment given that our portfolio was largely less than less than 4 meter, which saw the maximum amount of stress and also discounting. So we've lost value in terms of adverse realization coming through the last two years. Commodity hit has also been fairly high this year for which we have not been able to take a price increase. So we should see reversal of that next fiscal. There is a strong cost reduction program that we run, which gives us anywhere between 1% to 2% year-on-year benefit every year. It's just not visible because of all the other losses that we've got. Sierra should then make it more positive starting Q4. So definitely we have a pathway to a double-digit EBITDA margin.

P.B. Balaji

Okay. Thank you. I think there's one question on Agratas that's coming in, which probably I'll take it. This one's from Chandramouli, Goldman. Could you share an update on the cell manufacturing plants in India and Europe? Any timelines here?

I think the timeline that we had originally indicated, Chandru, continues. So by end of next year, what we'd expect to stand up India first and there is U.K. soon thereafter. So timelines, obviously, we are running against the clock on this one. It is stressed, but we will do our best to reach there.

On the rare earth supply situation, Shailesh, would you want to pick up the piece there?

Shailesh Chandra

Yeah, so, on the rare earth, we had taken several actions as alternatives to ensure that this does not become a disruption for us. So initially, it started with, securing inventories and all, but later on, we also found alternatives in terms of, substituting the high rare earth in certain components. And we continue to do that in terms of exploring, eventually, to be, high rare earth free in many cases. So there are multiple initiatives that we have undertaken, but we don't see any exposure as far as rare earth situation is concerned.

P.B. Balaji

Staying with you, after the GST cut - this is from Kapil. After the GST cut is there a rise in first time buyers? How are the numbers?

Shailesh Chandra

So, frankly, I would not have specific data on this, but there has been not a significant change in percentage of first-time buyers so far. And remember that, typically we see consideration to retail cycle of 60 days. So we still need to get those new customers who are not thinking of buying a car. It will take them 60 days to really start, really getting access on delivery of the car because they would have started considering after, say, 5th September. So still that part is going to play out. Right now, what we have seen that all the customers who had already thought of buying a car were inquiring about cars. They have found this opportunity to upgrade themselves to a higher segment car or a higher trim. So that's the feature that we have seen, but not a significant change I have seen in terms of percentage of first-time buyers. I have to again re-look at it if there is any change that I see in the data with the team.

P.B. Balaji

We also then talked about CAFE norms and why does the new draft have a lower credit for EVs?

Shailesh Chandra

So see, at SIAM, we have already represented to keep it at a level of 4, possibly the current proposal would have just carried forward by default what was in CAFE 2. So the representation has gone, asking for a higher super credit for EVs given the extent of investments that we have to do in EVs as compared to any other alternative technologies and the ecosystem challenges that we have. So there is already a proposal which has gone to be.

P.B. Balaji

Thank you. I think with this we come to the end of the Q&A session, also we are on the clock. So thank you all of you for the probing questions. It's fair to say a difficult quarter and a quarter that will ensure that we learn from what we have gone through and then bounce back harder. So thank you for that and look forward to continuing to engage with you. Bye.
